



# Engagement: the key driver of organizational performance



A more human resource.™



Employee engagement is all about tapping into the human side of business. After all, is there any other kind of business? It's people who make great companies, not the other way around. Great management, great performance, and great results, all come from highly motivated – highly engaged – happy people.

## Introduction

These are worrying times for employee engagement. The latest academic literature makes for depressing reading. Gallup's State of the Global Workplace study finds that only 13% of employees are engaged at work<sup>1</sup>. The Quantum Workplace 2015 employee engagement trends report also finds 31.4% of workers are either just 'contributing' (24.3%) or 'disengaged' (7.1%), as a result of uncertain feelings toward their workplace<sup>2</sup>.

### Only 13% of employees are engaged at work

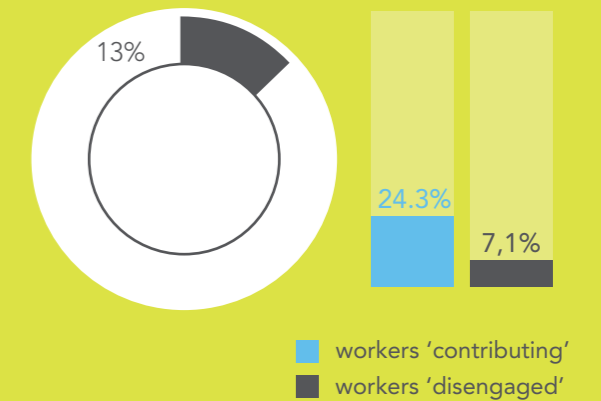
Across Europe, ADP's latest research finds stress levels so high that they threaten employees' wellbeing, with more than two fifths (44%) regularly experiencing stress at work<sup>3</sup>.

PwCs report on corporate responsibility and employee engagement also finds that 10-15% of the global workforce are actively 'disconnected', exhibiting "low levels of engagement and a high likelihood to exit the organization: what's more, only two in five employees intend to work for their current employer for at least another year<sup>4</sup>.

As economies finally recover from the Great Recession, those talented employees and professionals who buckled down and bided their time are now ready to move. And the global recruitment market they are entering, aided by technological advancements, looks far different to pre-2008. "The global talent pool now has bigger demands and higher expectations", concludes PwC. "So attracting, aligning, retaining and developing this new global workforce is a matter of both becoming a brand of choice for potential employees and keeping your existing employees engaged"<sup>5</sup>.

## Engagement

Employees feelings towards their workplace



### The global talent pool now has bigger demands and higher expectations

1. Gallup (2013), State of the Global Workplace  
2. Quantum Workplace (2015), Employee Engagement Trends Report  
3. ADP, 'The Workforce View in Europe 2015'16', Oct 2015  
4. PricewaterhouseCoopers (2014), The keys to corporate responsibility employee engagement  
5. PricewaterhouseCoopers (2014), The keys to corporate responsibility employee engagement

## Employer Reputation

### Employer Reputation and the Bottom Line

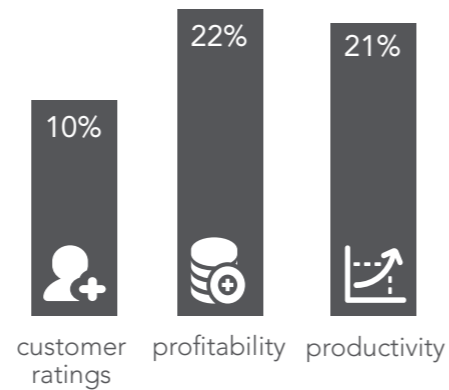
A company's employees should be its best and most trusted advocates. An engaged workforce can be the first line of defence for any company's global reputation: a disengaged cadre of employees, however, can bring an employer's brand crashing to the ground. "Businesses that fail to move toward a more decentralized, collaborative, engaging and social model run the risk of a big drop in both profits and brand attraction", warns Leon Vergnes, SVP/GM EMEA ADP ES International. "Employee engagement makes a vital contribution to the preservation and promotion of the company brand and the bottom line." The latest Workforce View in Europe, led by Leon Vergnes, found the majority of employees (56%) felt highly engaged in their organizations, yet many employees are still feeling pessimistic about the future, with worries about job security (48%), worsening career opportunities (37%) and a sense that the economy is actually slowing down (30%)<sup>6</sup>. This also indicates the areas where employers need to step up, to help engage the rest of their workforce.

A paper published by Wharton finance professor Alex Edmans in 2011 evaluated the stock performance of companies in Fortune magazine's annual "Best Companies to Work For" list from 1984 to 2009 and found they outperformed peers by 2-3% per year<sup>7</sup>. Gallup also finds work units in the top quartile in employee engagement outperformed bottom-quartile units by 10% on customer ratings, 22% in profitability, and 21% in productivity<sup>8</sup>. The retail giant Best Buy has identified the value of a 0.1% increase in engagement among employees at a particular store amounts to more than \$100,000 in annual operating income<sup>9</sup>.

Companies with improved retention over the past three years had significantly more engaged employees (70%), compared to organizations where retention declined (59%), according to Quantum Workplace<sup>10</sup>. In organizations where profits increased, 69% of employees were engaged, compared to 56% of employees at organizations where profits decreased.

### Engaged employees

Companies with engaged employees outperform peers:



"But it doesn't just come down to cost", adds Leon Vergnes, SVP/GM EMEA ADP ES International. "It's about using the latest technology and innovations to improve the work-life balance of your staff and your executive team. Those innovations include the mobile solutions and self-service tools that are playing an increasingly important role in delivering HR services. By reducing administrative workloads, these tools allow employees to focus on what they do best and contribute to the success of the organization."

**Mobile solutions and self-service tools** are playing an increasingly important role in delivering HR services



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6. ADP, 'The Workforce View in Europe 2015/16', Oct 2015

7. Edmans, A (2011), 'Does the stock market fully value intangibles? Employee satisfaction and equity prices', Journal of Financial Economics

8. Gallup (2013), 'How Employee Engagement Drives Growth'

9. Davenport, TH et al (2010), 'Competing on Talent Analytics', Harvard Business Review, October

10. Quantum Workplace (2015), Employee Engagement Trends Report



# The HR Levers That Drive Engagement

Jim Harter, Chief Scientist at Gallup, believes that, “Many organizations measure either the wrong things, or too many things, or don’t make the data intuitively actionable. Many don’t make engagement a part of their overall strategy... or provide quality education to help managers know what to do with the results, and in what order”<sup>11</sup>. When employees “clearly know their role, have what they need to fulfil their role, and can see the connection between their role and the overall organizational purpose,” says Harter, that’s the recipe for engagement.

## HR Levers

In order to meet the specific needs and wants of your people, and to alleviate the pressures they face in their lives, HR has the following levers at its disposal:



**Employee empowerment** – it is vital that the entire organization can contribute to ideas within a company, in order to feel empowered and drive innovation. Google is recognized as a world leader in this field.

Laszlo Bock, Senior Vice President of Google’s People Operations, told Forbes that “We try to have as many channels for expression as we can, recognizing that different people, and different ideas, will percolate up in different ways”<sup>12</sup>. These include direct emails to company leaders and Google Moderator, a Google service which lets anyone ask a question, post an idea, and allows employees to vote on them. Google Moderator also came from Google’s famous “20 percent” projects, whereby employees (or ‘googlers’) can spend 20% of their working week on any pet project.

Contributing to ideas within a company **empowers the workforce and drives innovation**



**HR analytics** - companies are increasingly adopting sophisticated methods of employee data analysis to better understand their workforce and enhance their competitive advantage. By

doing so, Best Buy, Cisco and others are beginning to discover exactly how to ensure the highest productivity, engagement, and retention of top talent. With dashboards displaying real-time data on employee movements, pay and reward, engagement and satisfaction scores (including impromptu ‘pulse’ surveys) and team performance, this leads to more customized attraction and retention programs and enables more strategic decision making.

**Sophisticated methods of employee data analysis** lead to more customized attraction and retention programs



**Financial rewards** – now, more than ever, global organizations are looking to challenge the convention of antiquated, rigid, fragmented HCM systems, and deploy dynamic, integrated and

compelling, consumer-grade solutions that don’t simply satisfy HCM needs, but unlock workforce potential and drive organizational change in radically new ways. There are many features and metrics that are critically important to facilitate this change through better managing your human capital, but nothing is more important than an employee’s salary. It drives self-worth, a feeling of respect, and thus goes hand in hand with workforce productivity. And a productive workforce is what steers a global business through times of change while fulfilling business critical objectives. Identifying, retaining and compensating top global talent is the absolute minimum; reliably compelling and engaging the workforce has become the linchpin of success within a dynamically changing business world, both globally and locally.



**Non-financial rewards** – benchmarked pay and compensation packages are a must. But in addition, non-financial reward and recognition is increasingly valued by employees. People like to be thanked for

what they do. Generation Y in particular are more interested in garnering a range of experiences than a traditional linear career. A US study found that 64% of millennials would rather make \$40,000 a year in a job they love than \$100,000 a year in a boring one<sup>13</sup>. The SHRM 2015 Engagement Report explains that: “Pay is important, but culture may mean more. Compensation and benefits are always ranked highly by employees when evaluating satisfaction with their jobs. However, there is increased evidence that corporate culture and relationships with co-workers and managers are held in higher esteem.”<sup>14</sup> HR should ensure that workplace culture and employee engagement strategies are just as important as compensation, benefits and other responsibilities.

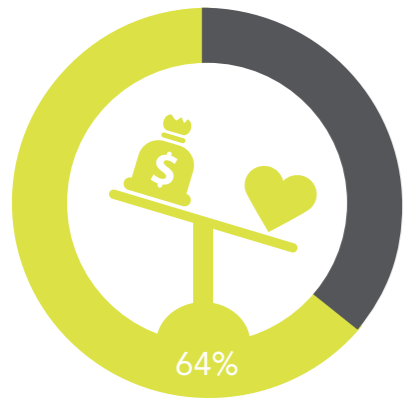
11. Baldoni, J(2013), ‘Employee Engagement Does More than Boost Productivity’, Harvard Business Review, 04 July

12. He, Laura (2013), ‘Google’s Secrets of Innovation: Empowering its Employees’, Forbes, 29 March

13. White, J (2014). ‘Millennial generation eager to work, ‘but on their terms’, The Columbus Dispatch. 30 March

14. The SHRM 2015 Engagement Report

## HR Levers



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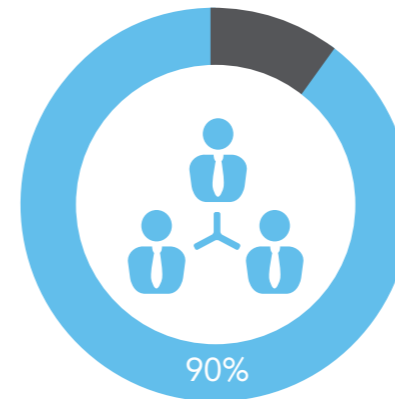


**Employer brand** – an employer is no longer simply a business, but a brand. To be an attractive brand to potential future colleagues, Aon Hewitt research identifies “a growing desire for companies with a solid employer reputation, reward for performance, career trajectory and culture of collaboration... Employers who do it best will pull away from the pack in the talent war and in business results through this type of reputation, but also through engaging their talent in the right behaviours.”<sup>15</sup> This doesn’t mean that every company has to be as exciting as Google, but simply that “strong and engaging cultures have a strong brand.”<sup>15</sup>



**A strong digital community** – the social footprint of any company now extends far beyond the staff break-out room. Online communities on social networks of current and former employees is what shapes your employer brand. In research by ADP, four out of five employers say social media has a “moderate-to-great impact on employment branding”, and close to half feel social media helps to create successful strategies on a budget<sup>16</sup>. Staff.com reports that 90% of companies now use LinkedIn to promote the company culture and generate a talent community. By engaging with employees via social networks, HR successfully generates awareness of its employer brand, drives sourcing and recruitment efforts, and helps the company build learning and development programs that satisfy existing employees. Companies that want to develop strong communities across the entire talent supply chain must implement fully community-driven HR with increased performance management and peer-to-peer communication. For example, ADP’s own #HelloWork launched across social and digital channels to celebrate the human elements that make up the workplace created opportunities to expand perceptions of the company and make the brand more relevant to the work culture it wants to create as an employer.

## HR Levers



**90% of companies** now use LinkedIn to promote the company culture and generate a talent community

Gen Y prefer more personalized, interactive learning with online learning modules and learning tools that include support, coaching and mentoring.



**Expert partners** – HR professionals typically spend three quarters of their time on routine, transactional work, according to research by PwC<sup>17</sup>. Transferring this work to an external partner is a key HR lever: it allows in-house HR teams to focus on more strategic, value-adding work, including talent management, leadership development and succession planning. Meaningful work, development opportunities and good management all play a part in raising employee engagement. But by delivering service improvements and relieving in-house teams of a heavy administrative burden, HR and payroll outsourcing has become an important part of the mix. PwC found that the total cost of in-house, multiple platform payroll, workforce administration and time and attendance systems is 32% higher than a single-source, outsourcing solution<sup>18</sup>.



**Continuous development supported by technology** – having an innovative, targeted and comprehensive employee Learning and Development (L&D) strategy in place will help attract and retain people and maintain an engaged workforce and prepare employees for succession. According to findings in The Quantum Workplace report, around 15% of Gen Y said they were unsure whether they saw growth opportunities for themselves at their current organization, compared to more than 20% of employees 36 years and older<sup>19</sup>. Gen Y – who are expected to comprise 75% of the global workforce by 2018 – tend to prefer more personalized, interactive learning with online learning modules and learning tools that include support, coaching and mentoring. Continuous development and performance management initiatives should include employee preferences, but also target areas of improvement that align with overall HR strategy and business needs.

15. Aon Hewitt (2015), Trends in Global Employee Engagement report  
16. ADP Research Institute (2013), Recruiting Trends  
17. PwC (2012), Key trends in human capital: A global perspective  
18. PwC (2011), 'Human Resources: Total Cost of Ownership'  
19. Quantum Workplace (2015), Employee Engagement Trends Report

## HCM Solution

### Moving Toward a Comprehensive, Global HCM Solution

The key principle of Human Capital Management is to drive engagement along the entire employee life cycle, from hire to retire. Getting all the right pieces in place requires the perfect balance of up-to-date technology and deep HR expertise.

ADP research finds that there are three key motivators for employee engagement<sup>20</sup>:



Powerful technology  
+ + +  
real human insights  
=  
**better, happier and more efficient workforce**

All of which can be delivered through the 'five pillars of HCM':  
**Benefits, HR Administration, Talent Management, Time and Leave Management, and Payroll.**

A comprehensive HCM suite, built on these five pillars, is necessary to help understand and influence employee engagement and build and maintain a healthy employer brand. Essentially, this is about becoming a more human resource, which begins with flexible, robust, easy-to-use technology that provides integrated control and visibility across all core HR functions and payroll. Once this is in place, says Leon Vergnes, "you can maintain a full pipeline of highly skilled and motivated candidates, pinpoint top talent internally and direct Learning & Development programs, so your teams are engaged and motivated by career opportunities and your company benefits from a more skilled and knowledgeable workforce year over year".



A productive workforce is what steers a global business through times of change while fulfilling business critical objectives. Identifying, retaining and compensating top global talent is the absolute minimum.

20. ADP, 'The Workforce View in Europe 2015/16', Oct 2015

## Engagement

# Engagement drivers for the c-suite



### CEOs

Under immense pressure to continuously transform, remain competitive, improve profit and deliver long-term growth to shareholders, any investment a CEO makes in technology has to make a positive impact on the business not in 6 years, but in 6 months. Employee engagement may seem hard to quantify, but it can offer quick wins. The Conference Board CEO Challenge report puts human capital and operational excellence right at the top of the challenges facing business leaders<sup>21</sup>. Having an engaged workforce for a CEO is the best competitive advantage they can have: engaged employees at all levels of the company feel committed to provide their best ideas, and their ideas lead to better corporate decisions.

### CFOs

Supporting cash management, profitability and growth, driving down costs, managing spend and sharing financial information in a clear way, are top CFO demands. Investing in employee engagement has been found to improve revenue and leads to higher earning per share. Companies with engaged workforces can have up to 147% higher earnings per share than their competitors and 26% higher revenue per employee<sup>22</sup>. The technology and outsourced solutions that can achieve this are ever more important to Finance Directors, and no longer the domain of IT alone. Technology is on the financial agenda as it can be a key driver to improve efficiency, staff productivity and overall business profitability.

### CHROs

The HR function should no longer be seen as a cost-center or admin function but as a key driver of employee engagement. The board and executive leadership team want to see HR as key to growth, contributing to the efficiency, profitability and transformation of the company. The key in driving employee engagement comes from good management, the right tools, meaningful work and development opportunities. Engaged employees will rate and rank the company highly helping to promote the employer brand. HR sits in the perfect position to drive the employee engagement agenda.

### CIOs

Any new IT solutions must be able to integrate, help automate key processes, streamline what the business does and reduce reliance on hardware - whilst not putting security at risk. Investments we make must also support the modern, mobile, flexible working patterns. Success means low levels of effort from the IT team to support any investment with no impact to uptime of other systems. Having good technology with good user experiences can increase employee engagement while matching the head of IT's vision of success. Multiple in-house solutions can be replaced by a single-vendor solution, enabling self-service for employees and easy to access analytics for managers, while easing the burden on IT staff.

### Small Business Owners (SBOs)

To remain competitive any SBO must continually look at ways to reduce costs, boost profit, seek out growth and protect reputation. Any investment must have a benefit that outweighs the cost. HR investments therefore need to reduce the risk across a business from payroll to recruitment and provide the data and information needed to make decisions. In a small company, each employee really counts, and keeping them motivated and engaged definitely matters. ADP can truly help in providing a single outsourced solution that makes small businesses more competitive, reduces the admin burden, and enables SBOs to focus on what they do best: run a successful business.

21. The Conference Board CEO Challenge (2013)

22. Gallup (2013), 'How Employee Engagement Drives Growth'



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## About ADP (NASDAQ-ADP)

Powerful technology plus a human touch. Companies of all types and sizes around the world rely on ADP's cloud software and expert insights to help unlock the potential of their people. HR. Talent. Benefits. Payroll. Compliance. Working together to build a better workforce. For more information, visit [ADP.com](http://ADP.com).