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2020 Employee Engagement Trends Report

How America's Best Places to Work Engage & Retain Top Talent

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A Message from our CEO

Greg Harris
CEO
Quantum Workplace

It's my pleasure to share with you Quantum Workplace's 10th annual Employee Engagement Trends Report.

Employee engagement is more important now than it ever was during pre-pandemic times. As our workplaces undergo complete disruption, employee retention, advocacy, and discretionary effort become critical to the success of our businesses. The interweaving of engagement and performance measures becomes key to driving individual and team success. And demonstrating the ROI of our talent initiatives becomes essential to the existence of our programs.

Despite these challenging times, we've found that the aspects of employee engagement and performance that enable individual, team, and organizational success remain relatively constant. In other words, employees still crave (and require) the same workplace components to be engaged and successful – even during the worst of times.

In our most robust analysis yet, we dive into how America's Best Places to Work have been attracting, engaging, and retaining top talent. We couple that analysis with external economic and workplace trends, real-life case studies, and our employee engagement experts' advice so you can turn these insights into action in your own workplaces.

I hope this report gives you new insight and ideas into how to engage your talent, motivate high performance, and drive employee success in 2021 and beyond.

Learn how Quantum Workplace can help your employees, teams, and business succeed at quantumworkplace.com/succeed.

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Quantum Workplace's 10th Annual Employee Engagement Trends Report

Over the past 20 years, Quantum Workplace has collected millions of data points about the employee experience. This is the 10th installment of our Employee Engagement Trends Report based on the Best Places to Work national contest data.

For more than a decade, we have partnered with workplaces across the United States to measure the workplace experiences of organizations that successfully attract, engage, and retain top talent.

Best Places to Work Database

- **Established in 2004**
- **43 cities in 27 states**
- **More than 5 million surveys in 51,000 organizations since 2015**

Each year, we collect and analyze employee perceptions from thousands of organizations. From this unique vantage point, our research and insights enable us to understand workplace trends that matter and supply insights to help other organizations succeed.

What's Inside

In this report, we will focus on how successful organizations get the most out of their talent throughout the employee lifecycle. We will spotlight what these organizations do differently and pinpoint evidence-based practices that lead to successful teams and organizations.

The report is comprised of four sections that will help you understand trends and best practices around:

- Engaging your talent

- Leveraging your talent

- Understanding your talent

- Retaining your talent

Each section includes trends, strategic employee success advice, insights from our workplace insights experts, and highlights from successful companies. The content of this report will help you focus on improving your engagement programs and strategies to drive employee and business success in 2021.

Key COVID Events and Weekly Employee Engagement

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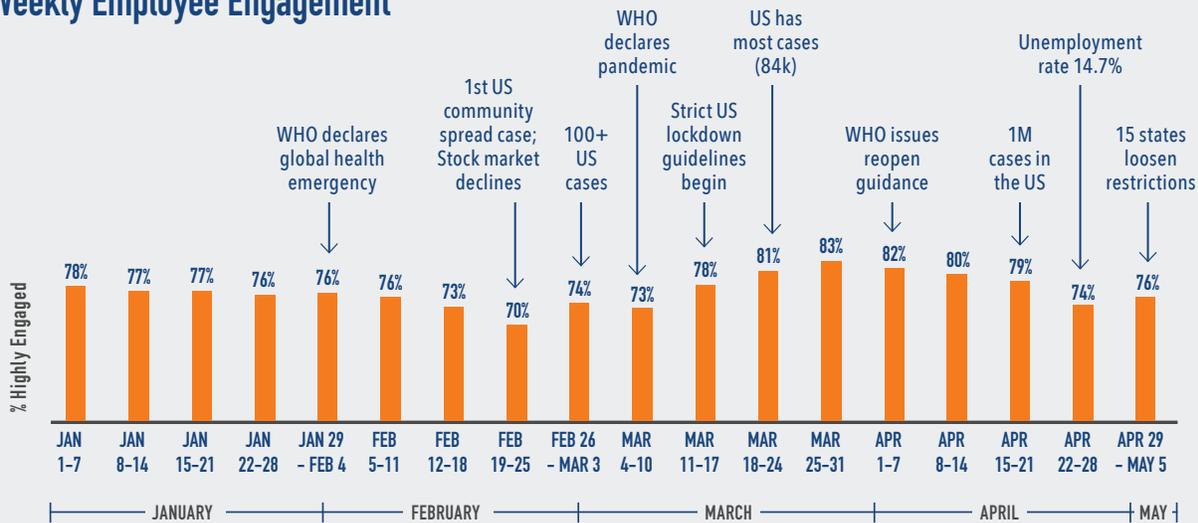
The Impact of the
COVID-19 Crisis

COVID-19 has rapidly disrupted our lives, economies, and workplaces in 2020. Our initial analysis of our 2020 Best Places to Work data revealed that this crisis has deeply impacted the employee experience.

When COVID-19 first hit the United States, employee engagement dipped slightly to 70% highly engaged[1]—but then had meaningful growth to 83% highly engaged after U.S. restrictions were put into place. This peak was 11% higher than engagement levels during the same period in 2019.

Due to such diverse work and life circumstances amid the pandemic, it is difficult to point to any one fundamental factor that might have affected all employees' perceptions of work equally. However, key hypotheses surfaced as possible explanations for the state of employee engagement during COVID-19.

There will certainly be lasting effects of this global crisis to the workplace—a recovering labor market, a transformation to more remote work, and a rethinking of crisis response plans, among others.

It is difficult to predict the extent to which our experiences will return to normal (or what our new normal might be). But we do expect that the fundamentals of employee engagement and employee success will remain constant. Organizations will still need to attract and select the best talent—and ensure that those high performers are engaged and contributing to business success.

Employee engagement is more important now than it ever was in pre-pandemic times. Though we acknowledge that COVID-19 has disrupted many aspects of the workplace, this report will primarily be reviewing data, insights, and research from before the pandemic. We will focus on the aspects of employee engagement and performance that enable individual, team, and organizational success that are constant despite workplace disruption, poor economic conditions, and a global health crisis.

Learn more about our hypotheses here:
The Impact of COVID-19 on Employee Engagement

1. The Impact of COVID-19 on Employee Engagement, Quantum Workplace

Chapter 1:

Engaging Your Talent

Strengthening Employees' Mental and Emotional Connection to Work

The workplace has drastically changed in 2020. Employee engagement has become even more important in this new world of work—and it's not going anywhere anytime soon.

But many organizations still don't understand the basic building blocks of engagement or how to move the needle. This results in poor strategies that lead to poor results. For engagement to "stick," it must be an ongoing strategy with true ownership, clear commitments, and a direct line to business impact.

In this chapter, we'll discuss:

- **Section 1: Defining and measuring employee engagement**

- **Section 2: The current state of employee engagement**

- **Section 3: Creating an inclusive workplace**

- **Section 4: Leveraging employee engagement for team and business success**

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Section 1:
Defining and Measuring Employee Engagement

Defining Employee Engagement

To truly drive employee engagement in your organization, you first need to define it and understand what it looks like. At Quantum Workplace, we define employee engagement as:

The strength of the mental and emotional connection employees feel toward the work they do, their teams, and their organization.

```
            Organization

         EMPLOYEE
         ENGAGEMENT

   Work               Team
```
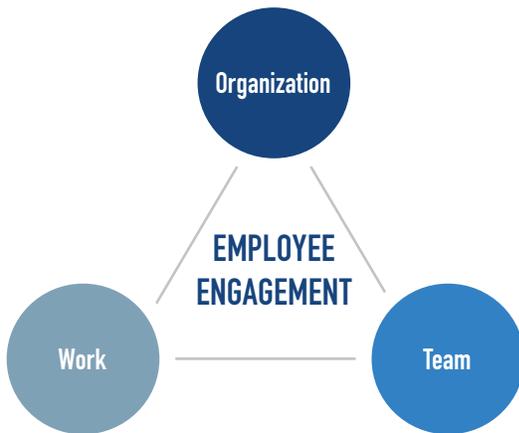
In an industry full of buzzwords, many organizations have confused employee engagement with employee satisfaction and employee loyalty. But employee engagement goes beyond these concepts.

> **Quick read:**
> **What is Employee Engagement?**

Employee engagement creates a sense of focus and increases involvement throughout an organization so that employees can perform their best. Aspects such as performance, goals, recognition, development, and manager effectiveness are all inextricably linked to employee engagement.

Employee engagement is also often confused with the employee experience. Engagement is different than, but related to, the employee experience, which includes meaningful moments throughout the employee lifecycle that either drive or hinder employee engagement.

Employee engagement is the primary outcome of optimizing the employee experience.

Measuring Employee Engagement

Organizations traditionally measure employee engagement with employee surveys. But employee engagement surveys are only one part of a comprehensive employee listening strategy.

An annual employee engagement survey is a powerful tool that supplies valuable insight into the effectiveness of your people practices. But your listening strategy needs to account for the fact that employee perceptions are constantly changing in reaction to organizational and market changes.

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A more comprehensive strategy includes pulse and lifecycle surveys, focus groups, and manager-employee one-on-one conversations.

In chapter 3, we will discuss how to architect an employee listening strategy and tips for using these listening posts effectively.

Quantum Workplace's e9 Model of Employee Engagement

At Quantum Workplace, we measure employee engagement using the e9 model. This model includes nine core engagement items that measure the relative strength of employees' emotional and mental connection with their work, team, and organization.

Work

- My work motivates me.
- I find my work engaging.
- I am inspired by the work we do.

Team

- My immediate coworkers consistently go the extra mile to achieve great results.
- My immediate coworkers are committed to this organization's overall goals.
- I feel accepted by my immediate coworkers.

Organization

- It would take a lot to get me to leave this organization.
- I am proud to work here.
- I recommend this organization as a great place to work.

Employee Engagement Profiles

Based on employees' responses to our e9 items, we categorize their level of engagement using four employee engagement profiles:

Highly Engaged
Advocates who intend to stay long-term

Moderately Engaged
Favorable, but something holds them back

Barely Engaged
Indifferent and at-risk for turnover

Disengaged
Negative and disruptive toward the workplace

Highly Engaged. Highly engaged employees have extremely favorable perceptions of their workplaces. They are advocates and intend to stay long term. They lead with discretionary effort and tend to be among the more productive employees in your workforce.

Moderately Engaged. Moderately engaged employees have a positive view of the workplace, but something is holding them back from being fully engaged. They may like the work they do, or their teammates, but might consider leaving for a better opportunity.

Barely Engaged. Barely engaged employees display an indifferent attitude toward their workplace. This group lacks the focus or motivation to perform optimally and is at risk of leaving the company.

Disengaged. Disengaged employees are negative toward the workplace and can be disruptive with their concerns. Their critiques go beyond healthy feedback and are not intended to build a better workplace. These individuals often negatively affect the productivity of those around them.

From Insights to Action

Actionable Advice from our Employee Engagement Experts

Defining and measuring engagement isn't a straightforward process. Engagement is multifaceted—much like humans. It is a combination of employees' connections to the work they do, the people they do it with, and the organization they do it for.

Because employees change over time, it's important to implement multiple listening checkpoints throughout the employee experience. Here are a few tips to get you started.

1. **Define engagement and success.** Use a clear definition of employee engagement in your organization. Confusing engagement with employee satisfaction or employee experience can make measuring engagement (and acting on it) less effective.

2. **Create an annual baseline.** An annual employee engagement survey is a must for getting a robust understanding of engagement in your organization. Include survey items that capture employees' engagement with their work, team, and organization.

3. **Incorporate many channels for employee listening.** Employee engagement varies throughout the year—and you need tools to help you stay on top of it. Supplement your annual engagement survey with pulse surveys, lifecycle surveys, focus groups, and one-on-one conversations to help you take a more continuous listening approach.

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Section 2:

The Current State of Employee Engagement

3 Out of 4 Employees are Highly Engaged with Their Work

According to our 2019 Best Places to Work data, employee engagement remained consistent year over year through 2019. 74% of all employees surveyed (equating to more than half a million people) were highly engaged. This means that roughly 3 in 4 employees have a strong mental and emotional connection with their work.

Though one may view these stagnant employee engagement numbers and conclude that organizations are not making much progress, there are success stories that exist within these data points. More than ever, employers have been listening to their workforces to improve the way they do business.

% Highly Engaged Employees 2009–2019

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—— Highly Engaged
••••• Methodology Change*

Percentage Engaged

Year	Value
2009	68.8%
2010	66.7%
2011	67.1%
2012	67.7%
2013	68.0%
2014	65.9%
2015	65.3%
2016	73.1%
2017	73.6%
2018	74.0%
2019	74.0%

Year

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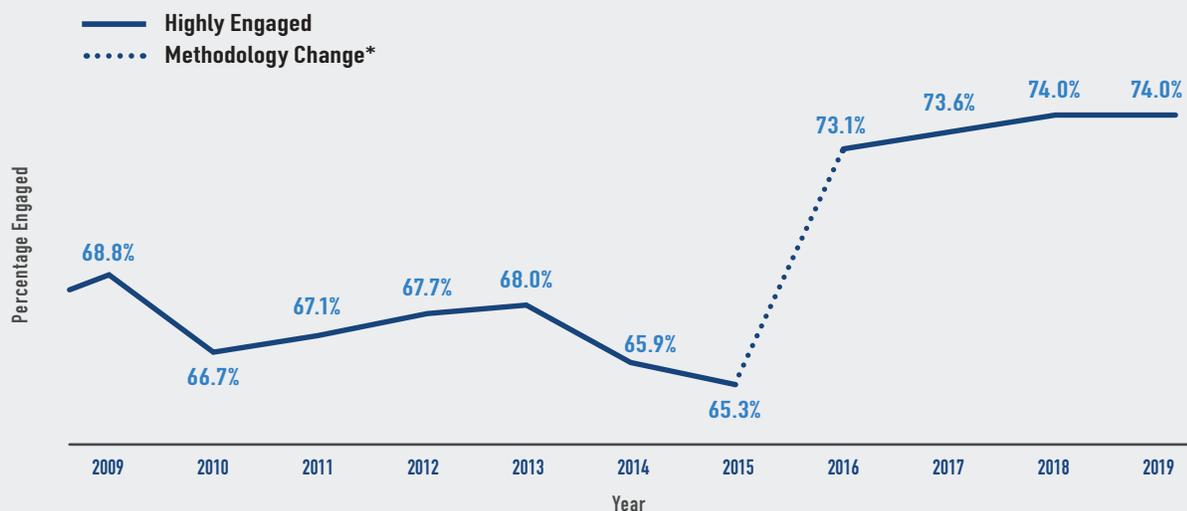
Pre–Pandemic Unemployment Rates Hit Rock Bottom

In the past decade, we have seen a complete recovery of the labor market from post-recession highs of nearly 10% unemployment to 3.5% unemployment at the end of 2019[1]. Employers have had to refocus their efforts on improving employee retention and the employee experience.

Civilian Unemployment Rate, 2000–2020

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Percentage

15.0
12.5
10.0
7.5
5.0
2.5

SEPT 2000 | SEPT 2002 | SEPT 2004 | SEPT 2006 | SEPT 2008 | SEPT 2010 | SEPT 2012 | SEPT 2014 | SEPT 2016 | SEPT 2018 | SEPT 2020

Year

Source: bls.gov
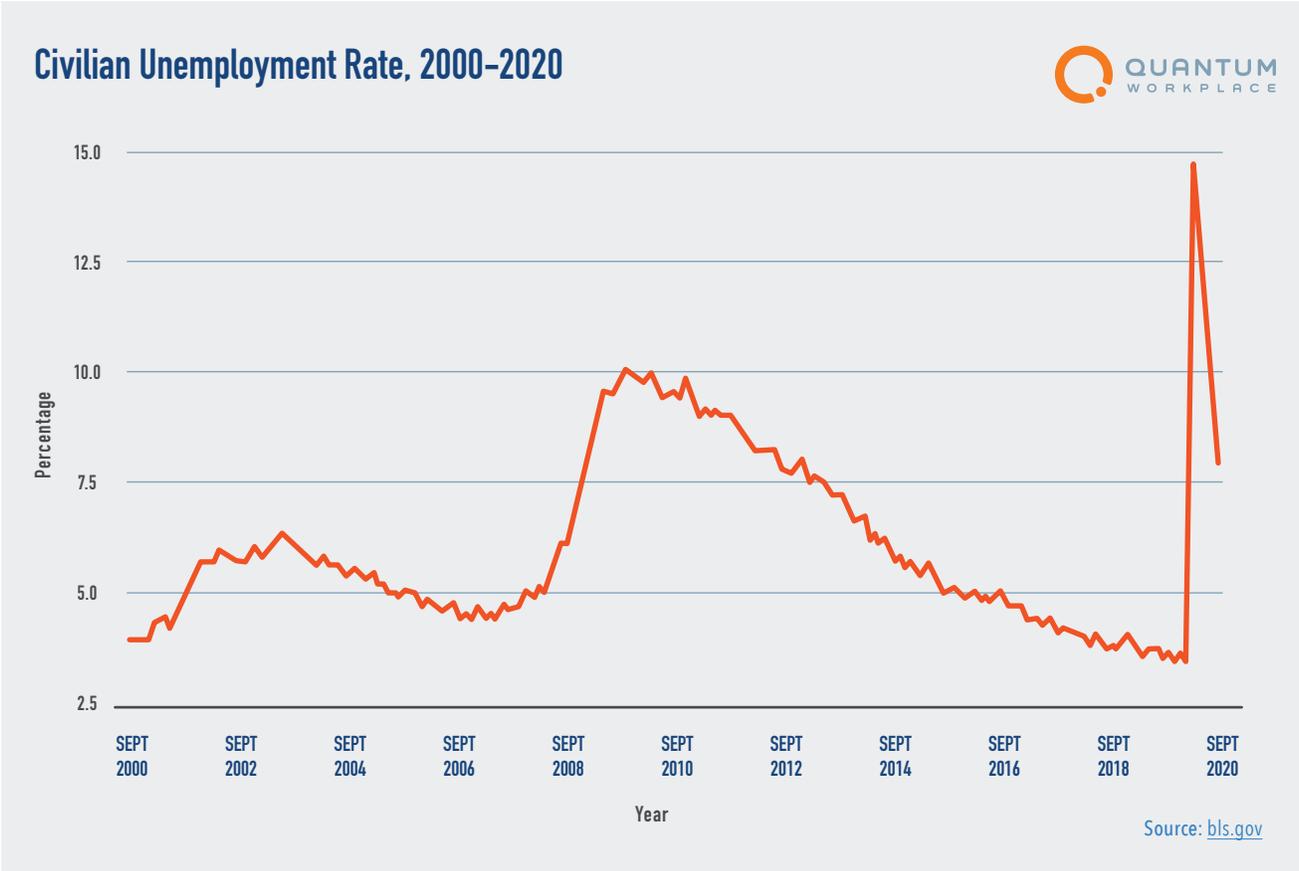
1. Civilian Unemployment Rate, U.S. Bureau of Labor Statistics

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Employee Engagement Remains Steady Year-Over-Year

Over the years, Quantum Workplace has collected millions of data points about employee engagement and has found relatively consistent trends and group differences in engagement levels. Below are some recent findings and our take on those findings.

19% Engagement Gap Between Executives and Individual Contributors.

We have consistently found that employees who are higher in the organizational hierarchy have higher engagement levels. Upper level employees are typically salaried and often have vastly different work experiences than individual contributors. Our 2019 Best Places to Work data found a 19% difference between executives and individual contributors in the proportion of highly engaged individuals.

Small and Medium Organizations are 23% More Engaged than Enterprise.

We have also found that smaller organizations tend to consistently have more engaged employees than larger ones. In fact, the smallest companies (less than 250 employees) have 23% more highly engaged employees compared with the largest organizations (5,000+ employees) according to our data.

Employees at smaller organizations may grow stronger relationships at work and thus feel more connected with their workplaces. These employees might also feel more critical to their organizations' overall success compared with employees of large firms who might feel more blended into the crowd.

Engagement and Position Level

	Individual Contributors	Supervisors	Managers	Directors	Executives
Highly Engaged	74%	76%	81%	87%	93%

Engagement and Firm Size

	<250 Employees	250–499 Employees	500–999 Employees	1,000–4,999 Employees	5,000+ Employees
Highly Engaged	89%	73%	71%	69%	66%

Legend:
- Highly Engaged
- Moderately Engaged
- Barely Engaged
- Disengaged

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Employee Engagement and the Future of Work

The COVID-19 Crisis

The COVID-19 crisis has changed many aspects of the workplace in 2020. The question is: will this transformation be a permanent shift in the future of work, or is it a temporary response to the crisis?

> **Learn More:**
> **The Impact of COVID-19 on Employee Engagement**

The increased use of remote work, the need for personal protective equipment, and the reliance on digital communication and collaboration tools have been the most noticeable changes to the workplace due to COVID-19. However, it is difficult to estimate the impact these changes will have on employee engagement and to what extent these trends are here to stay.

A New Era of Technology and Workplace Culture

In recent years, massive transformations in technology have affected employee engagement.

Pew Research[1] started tracking smartphone ownership in 2011 and found 35% of adults in the US owned a smartphone—compared to 81% in 2019. Employees are increasingly using their smartphones to meet with team members and customers, send and answer email, sign contracts, and share and upload documents.

Because of this, effective technology has become paramount to team success and engagement. Digital tools have continuously improved and enabled collaboration across geographic distances and time differences—enabling many employees to have more workplace flexibility in terms of where and when they work.

However, this digital environment also has its downsides. Employees increasingly report feeling that they always need to be online to respond to requests in real time. A study by the American Psychological Association[2] found that more than half of American workers check work messages before and after work, on the weekends, and even on sick days. This "always on" mentality, if not checked, can lead to burnout.

Finally, technology and remote work have also provoked questions about organizational culture in a digital space and how to help employees feel more supported socially.

How Talent and Teams Have Changed

Other changes in the workplace have been around scaling talent to meet business growth. For instance, the rise of the gig economy[3] and the increased use of matrix and project teams have broadened collaboration capabilities and helped organizations stay agile and efficient. But this model also calls into question who your teams are and how they get work done together—which can all affect engagement.

1. Mobile Fact Sheet, Pew Research Center
2. Americans Stay Connected to Work on Weekends, Vacation, and Even When Out Sick, American Psychological Association
3. The Gig Economy Has Ballooned by 6 Million People Since 2010, CNBC

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From Insights to Action

Actionable Advice from our Employee Engagement Experts

What does the current state of engagement have to do with your success? It's critical to measure engagement using evidence-based models of employee engagement to retain top talent. It's also important to keep up with people practices and processes in your industry and beyond. Doing so will help you leverage your people (and their engagement) as a competitive advantage.

1. **Watch for people trends.** Business moves fast. Be mindful of business and people trends in your industry so you can stay ahead of the game. Identify the trends that matter most to you and consider how they might impact your organization and workforce.

2. **Choose your comparisons carefully.** It's tempting to compare your engagement data to industry or competitor benchmarks. But the true focus of your engagement program should be on continuous improvement of your employee experience–not on a score.

3. **Don't view engagement as a project.** You can't treat employee engagement as a project with a completion date. When it comes to your people and their engagement, there is no finish line. There will always be new opportunities and challenges in your organization. Employee engagement is continuous work–it's best to commit to the long haul.

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Section 3:

Creating an Inclusive Workplace

Diversity and inclusion are top of mind for many organizational leaders. A recent Brandon Hall Group study[1] shows that 88% of organizations rank diversity and inclusion as a moderately or critically important driver of business results.

> **88% of organizations rank diversity and inclusion as a moderately or critically important driver of business results.**

Diversity and inclusion are not only important to business results, but also to employee engagement. When employees feel a sense of belonging on their teams and feel their thoughts and ideas are welcomed and valued in the organization, they are more engaged.

In the workplace, inclusion refers to feelings of belonging, psychological safety, and equity. When employees are on an inclusive and psychologically safe team, they are more likely to share their input without fear of retribution.

Diversity refers to the range of human differences in an organization or work unit. This can refer to demographic differences–such as age, gender, race, or ethnicity–and experiential differences–such as work function, educational background, or socioeconomic status.

Inclusiveness is also strongly related to feelings of equity–that is, feelings of fair treatment and equality of opportunities, resources, and information. Equity is especially important in the workplace as

Diversity

range of human differences

Inclusion

feelings of belonging, safety, and equity

it relates to task assignments, performance evaluations, as well as promotion and compensation decisions.

Diversity and inclusion do not necessarily go hand-in-hand. Many companies can be diverse, but not include those diverse voices in the conversations and decisions that matter to the organizations. Contrarily, many companies might feel inclusive, but lack diversity.

Benefits of Diversity and Inclusion

Many studies have shown the benefits that increased diversity and inclusion can have on business outcomes. Recent research by the Wall Street Journal[2] shows that cultures that are diverse and inclusive are more profitable and return more value to their shareholders.

Other academic and applied research has shown the benefits of diversity on team problem solving, innovation and creativity, and improved customer service.

1. 2020 Brandon Hall Group D&I Benchmarking Study, Brandon Hall Group
2. The Business Case for More Diversity, The Wall Street Journal

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The Diversity and Inclusion Perception Gap

Despite the strong business case and employee support for programs and practices that increase diversity and inclusion, organizations aren't successful at advocating for or implementing initiatives.

According to our 2019 Best Places to Work data, 89% of employees agreed that "everyone here is treated fairly regardless of race, gender, age, ethnic, background, sexual orientation, or other differences."

However, 94% of white employees agreed to that item compared to just 85% of black employees. This shows a disparity in the employee experience when it comes to diverse employees.

Further, the actual levels of diversity in many industries still fall far below representation in the United States. This is especially true in higher levels of organizations, including the C-suite and board of directors.

Tips for Evaluating Diversity and Inclusion

So, what can organizations do if they are just starting to focus on their diversity and inclusion programs? Here are a few first steps that any organization can take to evaluate diversity and inclusion initiatives.

1. Listen to employees with the intent to change.

One of the first steps you can take is to ask employees about their experience via pulse surveys and one-on-one conversations with team leaders.

Specific pulse surveys about D&I practices and policies may help HR leaders pinpoint interventions to improve culture. Adding questions about inclusion and belonging to engagement surveys can also help shine a light on perceptions across employee groups.

Direct conversations with team leaders can also be a great listening strategy when it comes to talking about diversity and inclusion in the workplace. In these one-on-one conversations, managers can discuss specific issues of diversity and inclusion that affect their local team. However, managers need to feel equipped and comfortable discussing some of these difficult topics.

Questions to Ask

- Do all employees feel that they can develop in their roles and careers at this organization?

- How do employees' perceptions of our D&I programs impact their engagement?

- Are we communicating and implementing the initiatives that will best support all employees?

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2. Use analytics to understand protected classes.

Chances are your organization is already collecting data and analytics that are useful in analyzing diversity and inclusion in your organization.

These analytics do not have to be machine learning and neural network models or any other advanced statistics. You can answer many questions with simple descriptive statistics and group comparisons with a combination of employee survey metrics and data from HR information systems.

> **Quick Read:**
> [How to Measure Diversity and Inclusion Using Engagement Survey Data](#)

One example of this is looking at how many diverse candidates you are attracting compared with who you are hiring or how many diverse employees advance in the organizational hierarchy. Another example is slicing your survey data across teams and protected classes.

Questions to Ask

- What is the level of diversity throughout each level and position of our organization?

- How is the employee experience different for employees from protected classes in our organization? Are they equally engaged in their jobs?

- Do employees from protected classes get the same levels of recognition or performance evaluation? Is the goal setting process the same?

3. Review your talent management processes.

The processes, systems, and tools by which you select employees, determine promotions, evaluate talent, and assess performance all impact diversity in your organization. Senior leaders must consider these approaches through a diversity and inclusion lens.

Organizations should also review performance management with equity and fairness in mind. Biases and heuristics of all kinds can often interfere with the accuracy of performance management ratings. All evaluations and ratings must be grounded in solid metrics and clear benchmarks.

Biases may also influence goal setting and task assignments at the team level. Thus, it is important to keep your pulse on these practices and review them often to improve fairness, transparency, and inclusivity.

Questions to Ask

- How are we recruiting and selecting for diverse talent?

- Are we using selection and promotion assessments that look for "culture fit"?

- Have we examined our performance evaluation ratings for bias?

- Are we using objective evidence-based approaches for hiring and promotion decisions?

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From Insights to Action

Actionable Advice from our Employee Engagement Experts

Diversity, equity, and inclusion efforts, much like business outcomes, need to tie directly into your engagement efforts. No matter if your organization is just beginning its journey towards creating a more diverse and inclusive environment, or this is your area of expertise, here are a few tips to consider.

1. **Make DE&I a priority.** It is no longer acceptable to avoid the topic of diversity and inclusion in your organization. There is a spectrum of where organizations are in this journey and it can be daunting when other industries or competitors are doing large DE&I initiatives. However, the important thing is to realize where your organization is and continuously make progress toward your DE&I goals.

2. **Track key statistics related to promotion and recruitment efforts.** The only way your organization can improve diversity is if you know where you currently stand. What percentage of men are promoted into leadership roles compared to women? What are the demographics of leaders and managers in your organization? If you cannot readily answer these questions, it is time to start tracking these numbers and identifying hiring and promotion decision points.

3. **Get comfortable being uncomfortable.** Many leaders feel uncomfortable discussing DE&I in the workplace. But senior leaders and managers have an obligation to continue these to have the tough conversations and ensure progress is being made to improve a culture of inclusiveness.

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Section 4:
Leveraging Employee Engagement to Boost Team and Business Success

Most organizational leaders naturally want their employees to be engaged and happy with their jobs. They certainly realize the value of people who are emotionally and mentally committed to their jobs.

However, these leaders are also responsible for the productivity of their teams and the success of the organization—and might feel they need to balance engagement needs for productivity gains. This view of employee engagement ignores important research on the impact of engagement on business success.

Employee Engagement and Business Success

Research has shown that employee engagement is linked to a host of important business metrics for organizations across myriad industries. Many of these outcomes are core to business and organizational culture such as safety metrics, employee wellbeing, and customer service ratings.

> **Quick read: Why is Employee Engagement Important? 14 Benefits Backed by Research**

Employee retention is also an intuitive outcome of engagement. If employees have a mental and emotional connection to their work, team, and organization, they tend to stick around.

Despite this evidence, there are still leaders who are skeptical about the return on investment in employee engagement programs.

A recent study conducted by Harvard Business Review Analytic Services and sponsored by Quantum Workplace[1] found that 92% of respondents agreed that highly engaged employees perform better and are more productive than employees with average or low engagement.

> **92% of executives believe engaged employees perform better.**

The same proportion agreed that organizations with engaged employees have happy customers. However, only 56% agreed their organization has achieved positive ROI from its investment in employee engagement. Taken together, these findings show that there is a lot of belief in the ROI of employee engagement, but few HR leaders have proven that value to the organization.

> **56% of organizations have achieved positive ROI from engagement efforts.**

1. A Winning Approach to Employee Success, Harvard Business Review Analytic Services in association with Quantum Workplace

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Drivers of Employee Engagement

Given the overwhelming business case for focusing on employee engagement, what can organizations do to improve the levels of emotional and mental connection with the company?

Many senior leaders are often looking for what they believe to be a "quick fix" for employee engagement, such as reward systems, happy hours, and other perks. However, decades of research on employee engagement have found several consistent drivers of employee engagement.

Drivers of engagement are actionable items that help team leaders to improve employee engagement. To the right are the Top 10 Drivers Engagement according to our 2019 Best Places to Work data.

From this list, there are a few themes that are powerful indicators of employee engagement. These themes describe what is core to connection and engagement in your workplace.

Motivating Jobs

Employees want their jobs to be challenging. They want to own tasks that use their strengths and have access to opportunities to develop in their roles and career. It's important for organizational leaders and HR teams to match talent to roles that supply these aspects of an engaging job.

Inspiring Leaders and Teams

Leadership and team relationships are extremely important to engagement. Employees want to work for leaders and teams that put people first, value employee contributions, and show integrity.

Organizations Built for Success

Employees want to work for organizations that have a strategy built for success. They want to believe that they can contribute to that success in their role. Individuals want to successfully contribute to winning teams and organizations.

Top 10 Drivers of Engagement:

1. My job allows me to utilize my strengths.

2. I trust our senior leaders to lead the company to future success.

3. I believe this organization will be successful in the future.

4. I find my job interesting and challenging.

5. The senior leaders of the organization value people as their most important resource.

6. My opinions seem to count at work.

7. If I contribute to the organization's success, I know I will be recognized.

8. I see professional growth and career development opportunities for myself in this organization.

9. The senior leaders of this organization demonstrate integrity.

10. I have the information I need to do my job well.

From Insights to Action

Actionable Advice from our Employee Engagement Experts

Engagement and business success are not independent of one another. Engagement should not be a stand-alone effort–but rather positioned as a business success strategy.

Organizations should focus their efforts on the unique aspects that drive engagement on their teams and tie their efforts to business metrics that matter. When employees are engaged, they will succeed. And when employees succeed, your business succeeds.

1. **Align jobs with strategic priorities.** Strong job fit drives employee engagement, but employees also need to see how their current position (or future aspirations) align with the overall direction and success of the business. Managers that can paint a picture of where individual skills match up with business priorities will be successful in engaging employees.

2. **Ensure employees understand and align with business outcomes**. When organizations aren't transparent about business outcomes, employees feel left in the dark. They want to know how the organization is doing, and how their role or contributions tie to that success. Managers should align team and individual performance goals with strategic organizational goals.

3. **Make engagement results part of your strategic priorities.** Profit and loss should not be the sole indicator of organizational success. Leaders should share engagement metrics and progress regularly throughout the year to keep it top of mind for employees. Leaders should connect engagement progress with business outcomes so that all leaders can understand and speak to these as interwoven concepts.

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Chapter 2:

Leveraging Your Talent

Empowering Success through Modern Performance Management

Most organizations were already overhauling their performance management systems before the events of 2020. But as many organizations have unexpectedly become more remote, the need for modern performance management has rapidly increased.

In this chapter, we'll discuss:

- Section 1: Managing employee performance effectively

- Section 2: Setting goals that get results

- Section 3: Optimizing performance with effective management

- Section 4: Leveraging the power of teams

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Section 1:

Managing Employee Performance Effectively

In a recent SHRM study[1], 35% of HR professionals rated their performance management effectiveness as a grade of "C" or lower. And a recent study by The Starr Conspiracy[2] found that 46% of HR tech buyers said that traditional performance management is a waste of time for employers and employees.

> **35% of HR professionals rate their performance management effectiveness at a grade of "C" or lower.**

The traditional approach to performance management has been fairly uniform across many organizations:

- Set goals at the beginning of the year
- Work on those goals throughout the year
- Review performance at the end of the year
- Determine compensation and bonuses based on performance

The Problem with Traditional Performance Management

The annual performance cycle does not work for today's competitive, complex, and capricious business environment. Market forces, customer preferences, or global movements can quickly upend goals set at the beginning of the year. For businesses to remain agile, they need to revamp their approach to performance management.

Traditional performance management is also ineffective from a people standpoint. It is rooted in primitive models of human motivation—and founded on the idea that humans are primarily motivated by extrinsic rewards.

However, psychological research over the past four decades has shown that intrinsic motivators—or performing tasks for the inherent enjoyment or personal satisfaction—are more effective at motivating human behavior and can even be undermined by rewards.

In recent years, performance management has gradually been undergoing a transformation. A 2020 study conducted by Harvard Business Review Analytic Services in association with Quantum Workplace[3] found that 46% of organizations have changed their performance management processes and systems in the past year. Companies like Facebook, Adobe, Deloitte, Accenture, KPMG, and General Electric have all dramatically shifted and experimented with their approach to performance in recent years.

1. HR Professionals' Perceptions About Performance Management Effectiveness, Society for Human Resource Management

2. Talent Management 2018: A Category at a Crossroads, The Starr Conspiracy

3. A Winning Approach to Employee Success, Harvard Business Review Analytic Services in association with Quantum Workplace

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The Purpose of Performance Management

To understand this change in performance management practices, it is critical to outline the intended goal of performance management processes beyond informing compensation decisions. In an ideal state, the purpose of performance management should be to:

- Direct efforts

- Clarify expectations

- Align goals

- Stimulate critical thinking and creativity

- Signal organizational importance

- Encourage agility

- Motivate employees toward success

Though this purpose may seem idealistic, most senior leaders agree that this is the vision for performance and success in their organization.

So, what is it that is holding organizations back from achieving this vision? Moving from a traditional to a modern approach is difficult for two primary reasons.

1. The tie between performance management and compensation.

Most performance management systems are so intertwined with compensation that the two are almost synonymous within the organization. Thus, any change to performance management processes means revamping total rewards and compensation policies. This can be a painstaking and contentious process with major implications to talent and market competitiveness.

2. Managers aren't equipped to manage employee performance.

Second, managers are poorly positioned to implement new performance management processes. They don't have the support and development necessary to coach their team toward success.

In a study conducted by Harvard Business Review Analytic Services in association with Quantum Workplace[1], only 62% of respondents agreed that managers have a clear understanding of what high performance looks like for their direct reports' roles. One in four disagreed with that statement.

In a Quantum Workplace[2] study, 2 in 3 managers said they didn't receive any training when they entered a management role. Over half of those managers (57%) said they were unprepared to be a people manager when they first became one.

> **57% of new managers feel unprepared to manage people.**

To that end, many organizations are not properly structured for continuous coaching performance management processes. For instance, if a manager has quarterly performance conversations with a team of twenty, that time dedicated to improving and motivating performance can become onerous.

1. A Winning Approach to Employee Success, Harvard Business Review Analytic Services in association with Quantum Workplace

2. Employee Development, Quantum Workplace

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The Future of Performance Management

Despite these challenges, many organizations are slowly transitioning their performance management approach to modernize their systems and processes. Here are some primary areas to consider when optimizing your performance management processes:

1. Continuous Conversations about Progress and Performance

For organizations to remain competitive and adaptable to market demands, leaders must be able to pivot and focus on what matters most. One of the necessary changes in performance management has been that of continuous conversations about employee development, wellbeing, performance, goals, and progress toward those goals. People want and work best with real-time feedback about their work.

2. Technology-Enabled Goal Setting

Team leaders must collaboratively set, align, and track goal progress to maximize performance. Organizations, teams, and employees should set transparent performance and development goals and continuously track progress toward goal completion. Employee goals should align to team and organizational goals. To do this, team leaders need access to technology and systems that enable transparency, authenticity, collaboration, and engagement.

3. Talent Reviews Geared Toward Performance and Growth

When a baseball team wants to understand their bench strength, the head coaches, general manager, scouts, and senior leaders typically meet to discuss each player's performance metrics, growth over time, and engagement with the organization. Your talent review process should enable team leaders to identify high performers, rising stars, and those who are at risk of leaving the organization. In this way, organizations can proactively understand and improve team performance and bench strength.

Valet Living Transforms Performance Management Strategy to Elevate Employee and Business Success

With its rapidly growing and primarily remote workforce, the full concierge service needed optimized performance management and engagement strategies that could motivate and educate employees who had very limited windows of availability. Valet Living implemented Quantum Workplace's 1-on-1s for monthly, two-way performance conversations between managers and associates. Conversations consist of just a couple of questions that lead to discussions about the things that are important for both parties, including near-term goals and the vision of success.

Results:

- **2.3% increase in revenue contribution per employee**
- **9.8% increase in KPI attainment for sales team**
- **25.1% increase in headcount year over year**

Read more about Valet Living's transformation.

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4. Team-Based Performance Management

Projects and strategic initiatives in an increasingly complex business environment require the use of teams: project teams, matrixed teams, virtual teams, functional and cross-functional teams, and teams of contractors or gig workers. The way in which teams collaborate to get work done is varied and evolving. Performance goals and expectations must be clear to hold these project teams accountable.

5. High Performer Recognition

Employees want to be recognized for good work and their contributions to the organization. Recognition should be authentic, shared in real-time, and specific to behaviors the organization values. Celebrating employee success regularly helps employees feel valued and managers build stronger relationships.

6. Performance Management Disconnected from Compensation

Pay-for-performance systems are exceedingly inefficient mechanisms to improve or motivate performance. Often, these systems have unintended negative consequences because they are rewarding the wrong behaviors. For example, incentives tied to cross-selling products could lead to "gaming" the system and selling customers products they don't need.

Most organizational research has found that reward-based pay has limited ability to build and maintain persistent motivation toward goals and may actually undermine intrinsic motivation in the task. Thus, modern performance management approaches separate most compensation decisions from performance objectives.

The Transformation of Performance Management		
Traditional Approach		**New Approach**
Annual Reviews	→	Continuous 1:1 Conversations
Individual Meritocracy	→	Team-Based Goals
Pay for Performance	→	Market-Based Pay
Ratings and Rankings	→	Progress Feedback
Manage by Objectives	→	Shared Goal Setting
Individual Goals	→	Team and Organizationally Aligned Goals
Rigid and Inflexible	→	Agile and Evolving
Improvement Plans	→	Feedback and Coaching
Performance-Focused	→	Engagement-Focused

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From Insights to Action

Actionable Advice from our Employee Engagement Experts

Business and performance management practices have had to evolve to be more agile. Gone are the days of set-and-forget performance management. People managers need to be prepared to lead with the pace of business by coaching, giving feedback, setting and adjusting goals, and helping employees understand the why behind it all. As employees grow and succeed, so will the business.

1. **Evaluate your current performance management process.**
   Many organizations are still struggling with antiquated performance practices. HR leaders must review and update these practices. Ask yourself: Do our processes and systems align with the pace of our business? Do our employees have what they need to perform at their highest level? Do our managers have what they need to be successful performance coaches?

2. **Make sure employees are a key element of the process.**
   Modern performance management involves employees in the process. Rather than performance management happening to them, employees should be a critical part of the process through shared goal setting, multidirectional feedback, and continuous conversations.

3. **Create an agile approach.** Annual team and employee goals can lack urgency and quickly become dated if organizational changes occur. Consider your biggest objectives and define key results on a quarterly or monthly basis. Build a system that gives you a real-time view of your talent so leaders and managers can take targeted action to retain and develop employees based on current circumstances.

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Section 2:
Setting Goals that Get Results

Goal setting is one of the primary levers by which organizations get work done. It's one of the most widespread and proven approaches to employee motivation established in the workplace.

The premise is simple: individuals who collaboratively set specific, challenging goals and are committed to those goals will have higher task performance when compared with those who simply try their best.

Benefits of Employee, Team, and Organizational Goals

They encourage self-regulation. Goals, when paired with feedback, allow individuals to objectively observe and monitor their performance. This allows individuals to adjust their performance, develop improved performance strategies, and persist to a greater degree over time.

They unite teams and individuals. Goals unite employees and teams around a common purpose and mission. They supply direction and guidance to employees about where the organization is going. Goals and feedback prompt employees to make plans to achieve their goals and help evaluate success.

They can increase employee engagement.
Clear and transparent goal setting is important to employee engagement. According to our 2019 Best Places to Work data, 8 in 10 employees agree that goals and accountabilities are clear.

Those employees who agreed with that statement were 2.8x more likely to be highly engaged than those who did not agree.

> When goals and accountabilities are clear, employees are 2.8x more likely to be highly engaged.

Limitations of Employee Goals

Despite the benefits of goal setting, there are some limitations. The wrong goals can lead to unhealthy risk taking, lack of learning, loss of intrinsic motivation, and even unethical behaviors.

Goals alone are not enough to keep employees motivated and on the right track. Supporting goal conversations with ongoing feedback is key. Feedback ensures there is a plan in place to achieve those goals and that managers and employees understand that plan. It also allows employees to check their performance progress and adjust strategies and approaches as needed.

Finally, misaligned goals may not lead to desired outcomes. Without aligned goals, teams might focus on the wrong activities or be out of sync with the rest of the organization.

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The Basic Tenets of Goal Setting

Given some of the challenges and complexities around goals, it is critical to stick to research-backed, basic tenets of goal setting.

1. Set goals collaboratively and continuously.

When leaders set goals in a silo, it can be disengaging. There is low buy-in from employees and a lack of intrinsic motivation. On the flip side, when employees set their own goals, they might not align with team or organizational priorities.

Managers and employees should collaborate on goal setting to determine feasibility, barriers, priorities, and timelines. This process should occur on a consistent basis throughout the year. Goals are not a set-and-forget process but need to be reevaluated and reprioritized as the environment shifts.

2. Align employee goals to team and organizational goals.

Goal alignment ensures more efficient use of everyone's time and energy. Teams and individuals should be working on goals that are aligned to the organization's core strategic intents. Organizational strategic planning should provide a roadmap for the goals that are of highest priority to the organization. It signals to employees what is important and where the company is going.

3. Clarify expectations of goal progress and completion.

Managers should make expectations around goals crystal clear–including expectations for completion, timeline, goal updates, and more. It is also critical to emphasize the importance and priority of each goal to the team or organization. When employees collaboratively set clear and meaningful goals, they will be more intrinsically motivated to carry out those goals.

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Fossil Group Empowers Teams to Focus on Goals

At a time when the retail industry was undergoing rapid change and increased competition, Fossil Group knew they needed to find more efficient and effective ways to keep their managers focused on performance and results.

As the company evolved its approach, they were happy to see immediate progress: 92% of employees were participating in goal-setting reviews. However, when they dug into the data, they found that 35% of individual goals created were misaligned or did not have an impact on the organization and its strategic priorities. They knew they needed to get better alignment if they wanted to meet important business objectives. Here's how they did it with Quantum Workplace:

1. They moved to ongoing performance conversations and continuous feedback for more frequent goal conversations.

2. They created intuitive conversation templates to help guide managers and employees through an effective and productive goal conversation.

3. They used recognition to keep the conversation going.

Results:

- **100% of strategic goals achieved for 2 consecutive years**

- **42% reduction in goals set per employee (went from 6 to 3.5 due to better alignment)**

Read more about Fossil Group's performance management evolution.

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4. Monitor, track, and discuss goal progress.

Goals should be transparent to all members of the team. Team leaders should carefully track goals to adjust efforts toward progress. Managers and employees should have frequent one-on-one conversations about goal progress, challenges, barriers, and needs to accomplish their goals. During these conversations, managers should coach their teams on strategies and support for goal attainment.

5. Celebrate and recognize success.

According to our 2019 Best Places to Work data, when employees believe that they will be recognized if they contribute to the organization's success, they are 2.7x more likely to be highly engaged compared with employees who don't agree. Recognition toward goal completion or progress should be public, authentic, and given generously by leaders and peers.

> **When employees believe they will be recognized, they are 2.7x more likely to be highly engaged.**

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From Insights to Action

Actionable Advice from our Employee Engagement Experts

Goals paint a picture of what is expected when it comes to performance. They set the direction for your organization. It's important to continuously discuss those goals and the work it takes to achieve them with employees. Goal discussions should include goal progress, barriers, opportunities, adjustments, and more. These conversations are a rich opportunity for growth and development.

1. **Be transparent about organizational goals.** It's important that all employees understand what matters most to the business. This is fundamental in helping teams and employees set meaningful goals and aim their individual efforts toward business success.

2. **Publicize organizational, team, and individual goals.** When there is visibility into the work happening across the organization, it inspires collaboration, increases understanding, and allows for public celebrations when progress is made and goals are achieved.

3. **Don't forget about development goals.** Employee development is an important component of engagement and performance. Development goals help make growth a priority throughout the year. Managers can support development by regularly discussing development goals with employees and providing resources and coaching that support each employee's pathway.

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Section 3:
Optimizing Performance with Effective Management

Organizations often blame managers for poor team performance or high team turnover. You've heard the saying: employees leave bad managers, not bad companies.

However, the job of a people leader is difficult. They have a great amount of responsibility within an organization, but not a lot of support, development, and guidance. In response, organizations spend tens of billions of dollars each year on manager and leader development.

This is a big problem, because managers are a crucial element to successfully enacting organizational change or improving performance and engagement at the team level. Senior leaders need support, buy-in, and accountability from team managers. But these people leaders need help and support to effectively coach employees.

Managers Aren't Equipped to Be Performance Coaches

In a recent study by Harvard Business Review Analytic Services[1], executives named managers as the biggest barrier to deriving business value from employee engagement. 42% said their managers don't know how to have effective development conversations with employees.

The study also found that more than a quarter of respondents disagreed that their managers understand what high performance looks like for their direct reports' roles.

Taken together, these findings show a lack of confidence in managers' abilities to effectively coach and motivate their team's performance.

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1. A Winning Approach to Employee Success, Harvard Business Review Analytic Services in association with Quantum Workplace

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Perceptions of Managers and Engagement

■ % Favorable   ■ % Highly Engaged when Favorable   ■ % Highly Engaged when Not Favorable

My immediate manager helps me to be successful in my job
84% · 83% · 25%

My immediate manager cares about my development
85% · 83% · 27%

My immediate manager cares about me as a person
87% · 81% · 25%
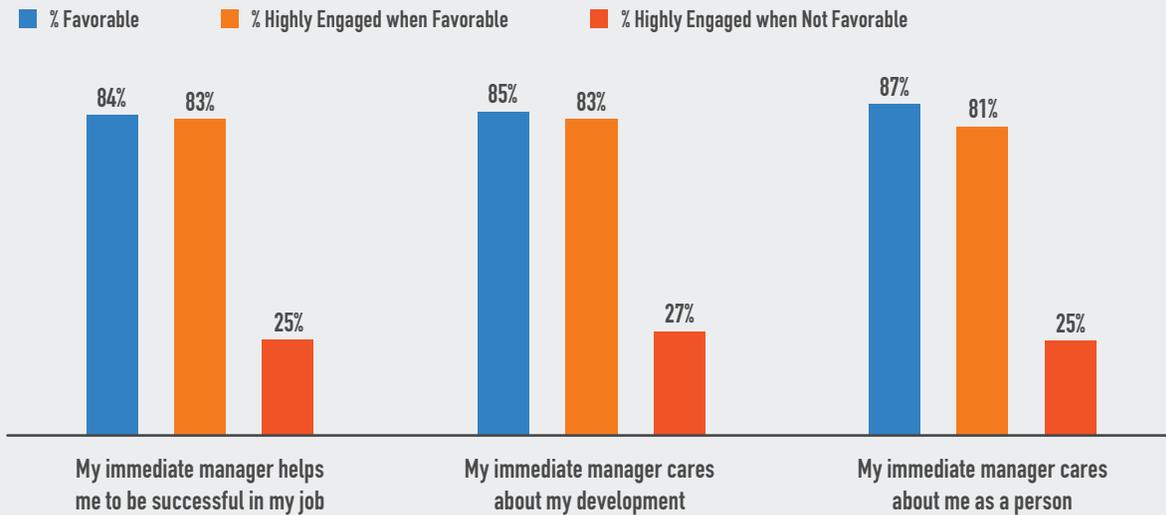
Manager Effectiveness Impacts Employee Engagement

Our Best Places to Work findings also point to the importance of manager effectiveness to employee engagement. When employees have favorable perceptions of their managers, they are much more engaged compared with those who are not favorable. Taken together, this data suggests that managers are a key element to driving employee engagement and boosting employee success.

> **When employees have favorable perceptions of their managers, they are much more engaged.**

Managers need to have empathy and compassion but also assertiveness and decisiveness. They need to feel comfortable talking about employee key performance indicators and compensation decisions, but also employee wellbeing and feelings of inclusiveness. Great managers can coach toward success and help their best employees find pathways to grow and develop.

Given the importance of good management and the difficulty of the job, HR leaders must equip their people leaders with the information, tools, and support necessary to effectively lead a team. Here are the top five practices that will best improve manager effectiveness.

Five Practices to Improve Manager Effectiveness

1. Connect on a human level.

Employees want leaders who will treat them with respect and recognize their contributions to the team. Managers should ask about employee wellbeing, check in on their day, and connect regularly about barriers or opportunities. Employees who feel their managers care about their development and them as a person are more likely to be engaged in their work.

2. Set clear expectations.

It is important that managers set clear expectations on teamwork behaviors, team norms, goal setting, and performance levels. It helps when these expectations are specific enough to include some actual success metrics. These expectations should also include developmental goals and standard operating procedures for being a member of the team. Finally, managers also must consistently abide by the same expectations that are required for the team.

3. Improve feedback ratios.

Organizational research has consistently shown that negative feedback can often have detrimental effects on employee performance and team morale[1]. Some have suggested the optimal ratio of positive to negative feedback is five-to-one. The point is that feedback should be a continuous process focused on positive progress made with some sparing course corrections.

4. Move from manage to motivate.

Today, employees want leaders who are coaches—ones who can help support employee development, navigate organizational bureaucracy, and motivate employees to high performance. Employees want feedback about their performance but want a collaborative coach who will help them be their best.

5. Include metrics in performance management.

According to our 2019 Best Places to Work data, only 76% of employees clearly understand how their performance is measured. To help clarify performance, managers and employees should choose key performance indicators that show high performance or goal attainment. Individual KPIs should align with clear and meaningful team and organizational KPIs.

> **1 in 4 employees don't clearly understand how their performance is measured.**

1. The Magic Relationship Ratio, According to Science, The Gottman Institute

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From Insights to Action

Actionable Advice from our Employee Engagement Experts

Managers are critical to employee and business success and change. They relay critical information, signal team priorities, set goals for their teams, identify and remove barriers, and manage teams to ensure work is successfully accomplished.

1. **Prioritize manager development.** Managing people isn't easy. HR should coach managers on how to have tough conversations, how to individualize to team member strengths, and more. Create a network among your managers so they can ask for advice, share ideas, and get feedback on their strengths and opportunities.

2. **Hold managers accountable.** Coaching and developing employees is a critical part of a manager's job. HR and leadership should set clear expectations around coaching and development and hold people leaders accountable for carrying out these practices.

3. **Model coaching behaviors throughout the organization.** Ongoing feedback and coaching are important at every level of the organization. Senior leaders should model good coaching behaviors. When leaders coach and support managers, managers become better coaches to their teams and employees are more successful.

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Section 4:
Leveraging the Power of Teams

In today's increasingly complex business environment, teams are a primary mechanism for carrying out coordinated, large-scale projects. Every organization has difficult challenges they need to solve for, innovation to nurture, and complex decisions to make.

To leverage the power of teams, teams of all kinds need input into challenges and decisions. A modern performance system should help manage the performance and progress of these teams.

However, teams have become more complex. Many organizations now have matrixed teams, virtual teams, functional and cross-functional teams, and teams of contractors and gig workers. Some companies use short-term, special project teams to increase agility and tackle high priority projects. And functional silos within organizations can be huge barriers to effective teamwork.

Teamwork is a Central Pillar of Employee Engagement

One of the most difficult challenges to organizational success and collaboration is bridging and bringing together these complex and diverse teams for goal attainment.

Team collaboration is one of the central pillars of employee engagement. Perceptions of teamwork, collaboration, and respect from team members have an impact on employee engagement. When employees don't feel this way about their team, they are much less likely to be highly engaged.

Perceptions of Teamwork and Engagement

The people I work with treat each other with respect
- 87%
- 82%
- 21%

I know I can depend on the other members of my team
- 86%
- 81%
- 21%

The people I work with most closely are committed to producing top quality work
- 89%
- 81%
- 17%

My immediate coworkers consistently go to the extra mile to achieve great results
- 82%
- 86%
- 20%

I love the people I work with
- 84%
- 86%
- 15%

- ■ % Favorable
- ■ % Highly Engaged when Favorable
- ■ % Highly Engaged when Not Favorable

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Using Technology to Empower Teams

To leverage the performance power of team, managers must have crucial team-building conversations around team engagement, team goals, and team performance.

A meta-analysis study[1] of virtual teams found that the two key elements to team success were coordination and communication.

> **Coordination and communication are critical to team success.**

Coordination and communication encourage relationship building and cohesion while also signaling to the teams what is important to organization and team success. The teams in the study used technology to carry out and coordinate team success.

Technology is increasingly mediating and improving teamwork for all types of teams by helping them:

- Set and track goals

- Meet virtually

- Recognize success

- Facilitate feedback

- Measure team effectiveness

- Improve communication

- Collaborate in real-time

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1. Effective Virtual Teams: The Big Picture, Science for Work

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From Insights to Action

Actionable Advice from our Employee Engagement Experts

In today's workplace, teams are how work gets done. Complex business problems—and the programs and initiatives intended to solve them—require coordinated efforts by diverse and cross-functional teams. The key to long-term organizational success lies, in part, in the success of your teams.

1. **Build trust across teams.** To increase trust between teams, you need to build up personal and professional relationships across the organization. As your organization grows, the demand and effort required to build this trust and collaborative culture will increase.

2. **Leverage cross-functional teams.** Cross-functional teams are a great way to collaborate and consider the diverse input and perspectives that come from different functional areas. When launching a cross-functional team or project, be sure to provide clarity on who is championing the efforts of the team.

3. **Create a culture of psychological safety.** Psychological safety refers to the degree to which team members feel they can take smart risks and share their opinions within their team without facing negative consequences. Leaders and managers should work to build a safe space, clear boundaries, and a shared understanding of culture across the team.

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Chapter 3:

Understanding Your Talent

Attracting and Maximizing Talent through Employee Listening

To best engage, leverage, and retain your talent, you need to understand your talent. The most effective way to do this is through employee listening. Listening carefully to your employees can help you uncover growth opportunities and obstacles that might be standing in the way of your success.

In this chapter, we'll discuss:

- **Section 1: Building an organization that attracts top talent**

- **Section 2: Architecting a comprehensive and continuous employee listening program**

- **Section 3: Using people analytics to improve organizational action**

- **Section 4: Moving from understanding to action through commitment planning**

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Section 1:
Building an Organization that Attracts Top Talent

Prior to 2020, the United States enjoyed a historically low unemployment rate[1]. The beginning of 2020 marked a 50-year low in unemployment for many groups, and the country had been in an era of full employment for the past few years.

This healthy labor market provided workers with more choices and opportunities in their job options. It changed the social contract between employees and organizations and gave workers more power to find meaningful jobs at organizations that inspire them.

Unemployment rate

Percentage

15

10

5

JAN 2010 | JAN 2011 | JAN 2012 | JAN 2013 | JAN 2014 | JAN 2015 | JAN 2016 | JAN 2017 | JAN 2018 | JAN 2019 | JAN 2020

Year

Source: bls.gov

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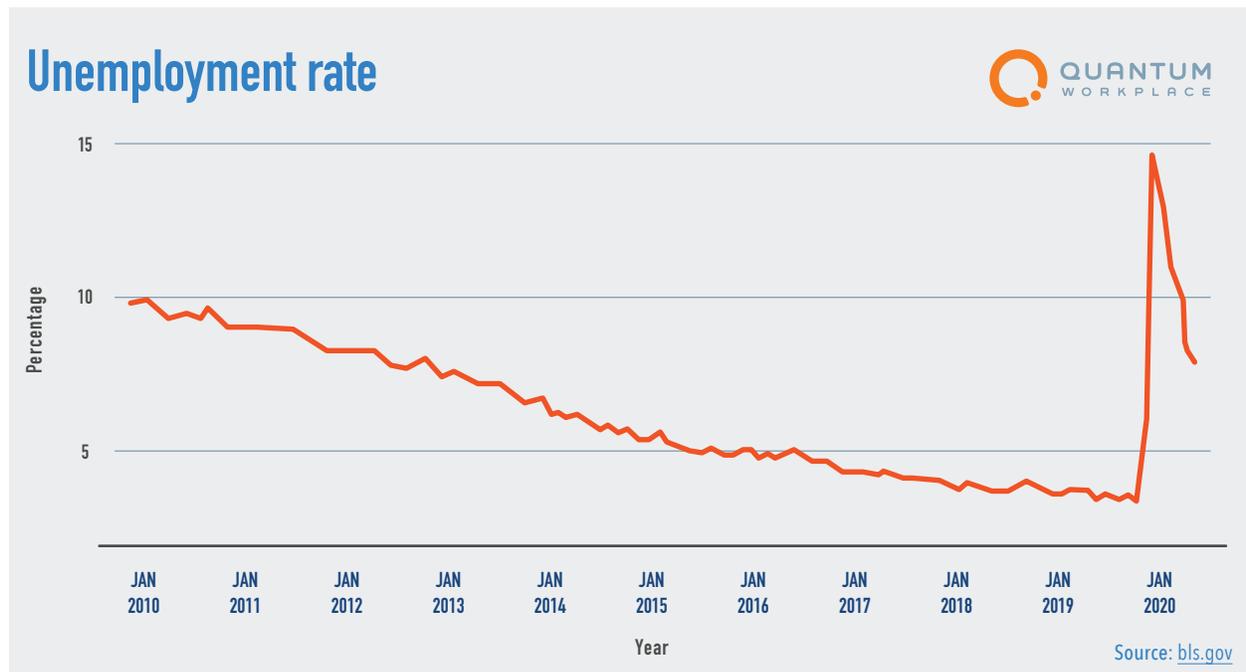
1. Unemployment Rate (2010-2020), U.S. Bureau of Labor Statistics

The global COVID-19 pandemic has disrupted labor market trends, and we do not yet know how this will affect what employees want in a workplace. It might be that workers will flock to more stable and secure organizations or companies that are on the forefront of future technology. Workers might gravitate toward jobs that are more flexible, remote, and technology enabled.

However, there are some aspects to the employee experience that employees have become accustomed to and will continue to be top drivers of being an employer of choice.

5 Key Strategies for Attracting and Retaining Top Talent

1. Connect employees to meaningful mission and purpose.

According to our 2019 Best Places to Work data, more than 8 in 10 employees agree they are inspired by the work that the do at their organization.

> "Average companies give their people something to work on. In contrast, the most innovative organizations give their people something to work toward."
> – Simon Sinek

Employees want to feel like they are working on something larger than themselves. They want to be part of something meaningful that has an impact on others. Mission-driven work doesn't just make employees feel good–it enriches employee and business success.

A recent study[1] found that just a 10% improvement in employee perceptions of mission and purpose at their organization equated to a 13% reduction in safety incidents, an 8% decrease in turnover, and a 4% increase in organizational profitability.

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1. Three Ways Mission-Driven Workplaces Perform Better, Gallup
2. Creating a Purpose-Driven Organization, Harvard Business Review

A 10% improvement in employee perceptions of mission and purpose leads to:

- 13% reduction in safety incidents
- 8% decrease in turnover
- 4% increase in profitability

Organizational leaders should clearly communicate their vision for the company and how that vision contributes meaningfully to society. And leaders and managers should reiterate these messages often.

Organizations should also ingrain mission and purpose into organizational culture. This goes beyond having mission and vision statements on office walls, but extending mission and vision into every aspect of how the organization carries out its business and how its people treat each other every day.

To better connect employees to mission, USAA[2] provides employees with a four-day culture orientation. Onboarding employees learn about examples of the service and heroism of their primary customers–military members and their families. Employees commit themselves to serving their customers much like their customers have served our nation. USAA also reiterates its mission and purpose in town hall meetings and other forums where employees share ideas about how to fulfill this commitment.

2. Value and recognize employees for their contributions.

According to our 2019 Best Places to Work data, when employees are confident they will be recognized for contributing to organizational success, they are 2.7x more likely to be highly engaged (88%) than those who are not (33%).

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Employees want to feel valued at work. They want recognition for their contributions to team and organizational success. This recognition is not just to make employees more engaged and feel good about their job. It can be a differentiator for organizations in their employee value proposition and can affect an employee's intent to stay at an organization.

A 2018 study by SHRM and Globoforce[1] found that a majority of HR professionals said that their recognition programs positively impact retention (68%) and recruitment (56%).

Despite the ease and clear benefits of employee recognition, many employees are not receiving enough recognition from managers or their teammates for their contributions.

In a Quantum Workplace and Bamboo HR study[2] about recognition, we found that more than half of respondents (53%) want to receive more recognition from their immediate manager while 4 in 10 respondents (41%) want more recognition from their immediate coworkers.

> **53% of employees want more recognition from their immediate manager.**

When recognition is public and available to all employees, it doesn't just make the sender and receiver feel good—it helps the rest of the organization understand the types of behaviors that are appreciated and rewarded and helps bring company values to life.

> **"Simple, public recognition is one of the most effective and most underutilized management tools."**
> **– Laszlo Bock, former SVP of People Operations at Google**

Disney and Google[3], for example, have recognition programs where anyone in the organization can recognize and encourage others. They can post it on social media or physically at the office. At Disney, even customers can recognize Disney cast members who have provided excellent service.

1. SHRM-Globoforce Survey: HR Professionals Indicate Recognition Programs Have Positive Impact on Retention and Recruitment, Society for Human Resource Management

2. Recognition in the Workplace, Quantum Workplace and BambooHR

3. Creative Employee Recognition: Making a Big Impact in 140 Characters (Or Less), Disney Institute

Orangetheory®
F I T N E S S

Orangetheory Adopts a Culture of Recognition & Appreciation

A leader in the franchise fitness industry, Orangetheory prides itself on being more than just a place to get a good workout. Their goal is to help members achieve more life not only inside an Orangetheory studio, but also at home, at work, or with family and friends.

The same holds true for the company as an employer. With an aggressive growth trajectory, Orangetheory knew they needed to create and maintain a culture where employees felt rewarded, valued and acknowledged. Orangetheory implemented Quantum Workplace's Recognition Tool to keep employees motivated and engaged, make employees feel valued, provide a platform for company-wide, public acknowledgement, and help employees see how they fit into the "big picture."

Results:

- **Year-Over-Year decrease in turnover**
- **26.5% YOY increase in headcount**
- **88% of employees surveyed said recognition would motivate them to exceed expectations**

Read more about Orangetheory's culture transformation.

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3. Invest in employee growth and development.

According to our 2019 Best Places to Work data, when employees see professional growth and career development opportunities in their organization, they are 2.5x more likely to be highly engaged (89%) than those who do not (36%).

When employees believe their immediate manager cares about their development, they are 3.1x more likely to be highly engaged (83%) than those who do not (27%).

Employee development is a consistent driver of employee engagement. When candidates are considering a workplace, they want one that can help them grow their skills, develop their careers, and offer promotion or career pathways to progress their careers within the company.

While the traditional conception of career growth is promotion up the organizational hierarchy, this is not the only option. Many organizations make career pathways that offer lateral moves that open doors for bigger projects, more learning, and increased expertise.

In a recent study by LinkedIn[1], 94% of employees said that they would stay longer at a company that invested in their career development. However, that same study found that lack of time to commit to learning was the primary barrier to employee development.

> ### 94% of employees said they would stay longer at a company that invested in their career development.

Employee perceptions of growth and development at their organization are strongly linked to feelings of commitment and intentions to stay at the organization. For many people-first organizations, their employee development opportunities are their best retention tools.

4. Prioritize team dynamics and support.

According to our 2019 Best Places to Work data, when employees feel that the people they work with treat each other with respect, they are 4x more likely to be highly engaged (82%) than those who do not (21%).

> **"Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results."**
> **– Andrew Carnegie**

Employees want to be part of a winning team. They want respect and recognition for their unique contributions to the team. But teamwork is difficult without a strong team leader. The tone of team collaboration and communication is set by the manager of the team through:

- Aligning team member strengths with tasks and projects
- Directing team efforts toward strategic priorities
- Setting the tone and culture for teamwork and how work gets done
- Recognizing and reinforcing desirable behaviors

Zappos[2] is well known for a company culture that emphasizes teamwork. In fact, two of their 10 core values are dedicated to teamwork, including: build open and honest relationships with communication; and build positive team and family spirit.

Managers at Zappos are expected to spend 10-20% of their time improving teamwork and building relationships across their teams.

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1. 2018 Workplace Learning Report, LinkedIn Learning
2. What We Live By, Zappos.com

5. Support employee health and wellness.

According to our 2019 Best Places to Work data, when employees believe their workplace supports their health & wellbeing, they are 3.5x more likely to be highly engaged (84%) than those who do not (24%).

Employees in the United States report some of the highest stress levels in the world. 55% of adults[1] in the United States report feeling stress "a lot of the day."

> ## 55% of adults report feeling stress a lot of the day.

Work can often be a primary source of stress. But improving health and wellbeing is difficult for everyone—as many as 8 in 10 people[2] say they are not ready to change their health behaviors.

Despite this, there are many aspects of employee wellbeing that employers can encourage improvement. Good management practices and strong wellbeing programs can often improve work-life balance and workplace stress.

Software company Asana[3] offers unique benefits like wellness classes and coaching, on-site culinary teams, and even rooms to nap and rest during the day. They have a focus on managing burnout, removing distraction from the workplace, and improving work-life balance.

1. Americans Are Among the Most Stressed People in the World, The New York Times
2. Winning with Wellness, U.S. Chamber of Commerce
3. 7 Companies with Epic Wellness Programs, Monster

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Actionable Advice from our Employee Engagement Experts

Identifying and communicating organizational values is important—but ingraining them into the fabric of your culture is more difficult. This is achieved through the actions people take, the words they speak, and the decisions they make across the organization. The outcomes and behaviors you hold each other accountable to signal what's important in your organization.

1. **Use employee feedback to improve your employee value proposition.** Your employee value proposition is what your organization has to offer employees in return for their work. It can be a magnet that attracts and retains high performing employees. The best source of information about why you are an employer of choice is your employees. Listen to their feedback about why they choose to work for you and why they leave.

2. **Integrate culture throughout the employee lifecycle.** Connecting employees to mission, purpose, and values is important during orientation and onboarding. But there are other moments where culture matters just as much, including key career transitions and during organizational change. Make sure to reinforce culture in these moments—no matter how tenured an employee is.

3. **Be realistic with candidates.** It's important to give candidates a realistic preview of what it's like to work at your organization and what their role will be like. Some well-intentioned recruiting departments might exaggerate what the organization has to offer to potential candidates. But, when new hires have an employee experience that does not match the promises made during recruitment, it could result in poor fit and eventual turnover.

4. **Understand that culture is fluid.** Culture is not an end state—it is ongoing. As employees join and leave your organization, and as employees evolve their development and interests, your culture evolves too. Be intentional about your culture so it doesn't slip away or evolve in an undesired way.

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Section 2:

Architecting a Comprehensive and Continuous Employee Listening Program

In an increasingly complex and competitive business environment, organizational leaders continuously face new challenges and difficult business decisions.

Senior leaders need information about these challenges to make more informed, evidence-based decisions, such as:

- What resources does our workforce need to be more productive?

- Who are our top performers?

- How can we ensure our people programs are meeting the needs of our business?

These questions need input and data from the workforce, and there are multiple channels by which to collect this information.

> **"Employees are the most valuable source of information about what's working (and what's not) in any business. If you create a wide variety of channels for feedback, you'll get an enormous wealth of help making the company perform better."**
> **– Josh Bersin, Global Industry Analyst**

The annual employee engagement survey

The annual employee engagement survey is a popular tool to understand the needs and perceptions of the workforce. According to a recent study by Harvard Business Review Analytic Services in association with Quantum Workplace[1], 36% of organizations say they measure employee engagement once a year.

However, many organizations are augmenting their annual employee engagement survey with more continuous measurement. For instance, we found that 39% of respondents say that they measure their employee engagement more often—some even monthly.

And only 16% of organizations have no formal method to measure employee engagement.

> **39% of organizations measure employee engagement more than once a year.**

1. A Winning Approach to Employee Success, Harvard Business Review Analytic Services in association with Quantum Workplace

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Moving toward continuous listening

A comprehensive employee engagement approach considers and measures the moments that matter across the employee lifecycle. Many people refer to this as measuring the employee experience.

This involves identifying data inputs and listening posts during employee moments that are critical to employee engagement, performance, and retention.

The purpose of a continuous listening strategy is to gain insight into employee needs and identify evidence-based interventions to improve performance on a more consistent basis.

Organizations that approach employee listening more comprehensively are not simply sending surveys to employees each week. They have carefully constructed approaches to ensure employees do not burn out from over-surveying. Some even have policies to ensure employees are not surveyed more than once a quarter.

When employee listening posts are strategic and centralized, employees are not receiving multiple surveys at the same time from different organizational functions for different purposes. Employee listening teams can combine research questions across functions and identify data sources to answer research questions another way.

There are many methods, data sources, and listening posts that organizational leaders can deploy for their comprehensive employee listening programs. However, the goal should not be to simply amass large amounts of data about your people.

Rather, the purpose of a strategic listening program is to align organizational goals and decisions with appropriate data sources. If no data or listening post exists for a given business problem, HR leaders should architect a solution that will provide insights into that decision. Next, we'll discuss some basic listening posts that leaders can deploy to gain these insights about their people and programs.
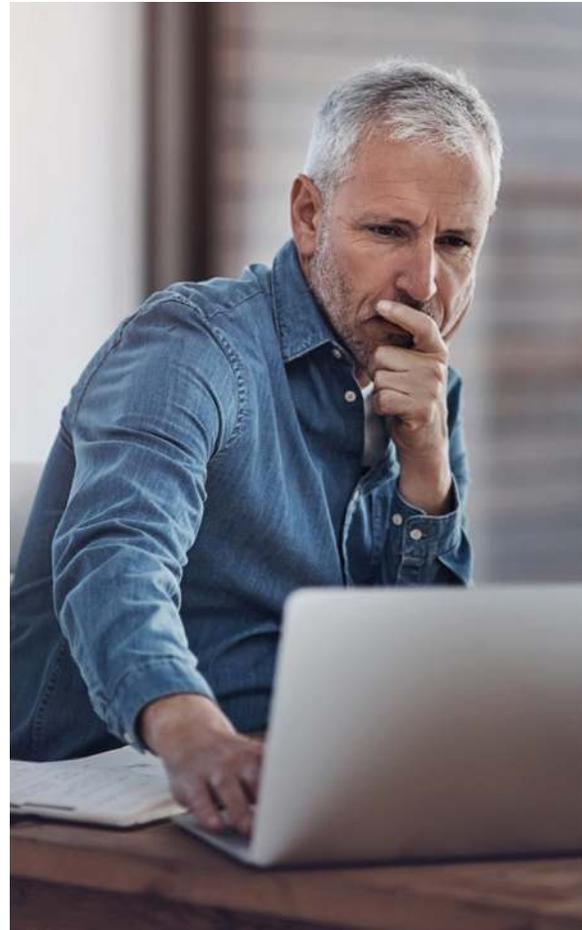
Pulse Surveys

Pulse surveys are short employee surveys on a focused topic. They allow managers and senior leaders to get a quick snapshot of employee perceptions about a specific subject.

Organizations can use pulse surveys to follow up on key drivers of engagement, ask about new areas of the employee experience, and drive more continuous employee listening.

However, a comprehensive listening strategy does not just mean sending out more surveys. Rather, strategic employee listening combines pulse surveys with employee one-on-one discussions and other qualitative sources to instigate action. These pulse surveys should be strategic in nature and include topics that organizational leaders are prepared to act upon.

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Automated Lifecycle Surveys

Most organizations are familiar with employee exit surveys. That is, to survey employees who are leaving the organization. However, a comprehensive employee listening strategy might also include other touchpoints during major moments of the employee lifecycle. These might include when employees join a new role or new team in the organization–or phased onboarding surveys to track a new hire's journey across the organization. These surveys give HR leaders insights into their onboarding and socialization programs. They also provide team leaders with the information on how to ramp up new hires to optimal performance more quickly.

One-on-one Conversations

Employee one-on-one conversations are a basic mechanism by which team leaders can listen to their employees and individualize action to their team. These performance and engagement-focused conversations provide managers with real-time, individualized information on important topics.

During one-on-one discussions, managers and employees can discuss goals, obstacles, opportunities, and areas of employee development. Managers can review performance with their team and prioritize their team goals. These can be short check-ins or more formal meetings with agendas and action plans.

Managers are not often naturally talented at these tough conversations and may need additional growth and development to have the right discussions. Research conducted by Harvard Business Review Analytic Services[1] found managers as the greatest barrier to deriving business value from employee engagement.

> **42% of executives say their managers don't know how to have effective development conversations with employees.**

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1. A Winning Approach to Employee Success, Harvard Business Review Analytic Services in association with Quantum Workplace

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BKD Reinvents Performance Management Strategy to Engage Employees and Elevate Success

In an ever-changing industry where talent retention has become a competitive advantage, BKD knew it needed to reinvent its performance management strategy to engage employees and help elevate employee and business success. Like many organizations, BKD used traditional and time-consuming performance management approaches to have critical employee conversations. Employees participated in an annual appraisal where more time was spent on completing the necessary paperwork than focusing on meaningful conversations about growth and development.

As part of their performance management transformation, BKD implemented Quantum Workplace's 1-on-1s and Feedback tool to promote agile, continuous coaching to employees and encourage more effective conversations about goals and development.

Results:

- 9 out of 10 employees found participating in the program to be valuable.

- 9 out of 10 employees would recommend the new program to others.

- 76% of employees believe that BKD's people–first culture drives their overall success

Read the full BKD success story here.

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Actionable Advice from our Employee Engagement Experts

A comprehensive employee engagement survey is a great starting point for your employee listening strategy, but it is not the only point. We know people are complex and there are many factors in play when it comes to their engagement with their work, team, and organization. Those factors also change and evolve over time. Therefore, it is important to set a comprehensive listening strategy.

1. **Know where to start.** There is a spectrum of organizational listening strategies. It is important to start where your organization can manage. Many organizations have never conducted employee surveys. Others might only conduct exit interviews. Do what makes sense for your organization and what will make it more successful.

2. **Use information from your engagement survey to help set the strategy.** Look at your engagement survey data and determine areas where you'd like to dig deeper. You can use a pulse survey to focus in on a specific topic, program, or segment of employees. Using information from multiple listening posts can help inform a stronger strategy.

3. **Identify proactive and reactive moments that matter.** You can plan for some organizational change—like new DE&I initiatives or mergers and acquisitions. These are great opportunities to gather employee feedback and strengthen your approach to help things go more smoothly. But sometimes listening will need to be reactive in nature. You'll want to measure these situations as they progress—such as the COVID-19 crisis or sudden changes in your industry.

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Section 3:
Using People Analytics to Improve Organizational Action

Measurement alone is not enough to improve employee engagement. Most HR systems' metrics focus only on reporting. They are often counts like benefits utilization or learning program hours completed.

> "Not everything that can be counted counts and not everything that counts can be counted."
> – Albert Einstein

However, organizations can only realize the value of this data when they use data points focused on problem solving or decision making. HR professionals need to be analytical storytellers that can connect metrics to the outcomes that matter most to leaders outside of HR. With these connections, senior leaders will have more buy-in to these HR metrics and use them for their decision making.

> HR professionals need to be analytical storytellers that can connect metrics to the outcomes that matter most to leaders outside of HR.

The Impact of Technology on HR Data

At the turn of the century, many HR experts and thought leaders exclaimed and publicized the growth of "big data"—that is, computers and other technologies tracking business and people metrics automatically at large scale.

Though organizations have been tracking business metrics at scale for decades, if not centuries, technology has rapidly increased the scale, amount, and frequency of the data we collect. But more data does not necessarily equate to better insights to improve decision making and problem solving.

> Read more:
> The Beginner's Guide to HR Analytics

In response, organizations are increasingly investing in People and Talent Analytics departments to help them sift through and make sense of their people data. A 2015 study[1] found that most organizations planned to increase their investments in workforce and people analytics over the next few years. These teams usually consist of workplace experts, database engineers, and data scientists.

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1. Use of Workforce Analytics for Competitive Advantage, Society for Human Resource Management

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Senior leaders work with these analysts to bring evidence, data and information to make more evidence-based decisions.

The ultimate goal of people analytics is to drive managers and senior leaders to take action on the data and help them make more evidence-based decisions. Though many of these teams deploy machine learning algorithms and artificial intelligence technologies, many of the questions business leaders have can be answered with simple descriptive statistics or crosstabs.

The analytic technique is not as important as the appropriateness of the data to solve the business problem.

> **The ultimate goal of people analytics is to drive managers and senior leaders to take action on the data and help them make more evidence–based decisions.**

If an organization is having turnover challenges, for example, advanced analytics may help pinpoint the roles and teams most at risk for leaving, identify the most effective interventions to retain them, and predict future turnover.

When these analytics are coupled with good research design, they might help answer questions like: Is the new onboarding program more effective at ramping up new employees? Are the new manager learning sessions helping people leaders to retain our best?

These important business questions will only be answered through analytics combining employee survey data with other metrics related to technology utilization, program usage, and performance metrics.

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People analytics, though widely established, is still a new concept for many organizations. It's important to understand what your organization can manage. Don't let the data overwhelm you—the action you take based on the data is more important than the data itself. It's also important to remember there are humans behind the data. The more you focus on numbers, the less connected you'll feel to the people behind them.

1. **Tie in metrics that matter.** People analytics are only useful to the degree that they solve a people or business problem for the organization. It's important to tie your analytics to your business strategy and to the business problems that matter most to your leaders.

2. **Ensure there is transparency when data is involved.** If you're going to make decisions based on data, you need to be transparent about that process. How will you show employees that you're using their feedback to make decisions? How will you use any data you're collecting?

3. **Avoid analysis paralysis.** It's easy to get lost in the weeds of your people data. Your goal should be to identify critical opportunities and quick wins. Remember that your people metrics are more than just numbers—they are rooted in perceptions and experiences.

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Section 4:
Moving from Understanding to Action

Data, metrics, and analytics will not fundamentally change an organization. True organizational transformation occurs when teams use that information to take action. Thus, comprehensive employee listening programs use action planning to meet the needs of individual employees and teams.

> **"An organization's ability to learn and translate that learning into action rapidly is the ultimate competitive advantage."**
> **– Jack Welch, Former Chairman and CEO of GE**

Action planning is the process by which teams meet to discuss survey results and organize team or organizational changes to improve employee engagement and productivity.

According to research by Harvard Business Review Analytic Services in association with Quantum Workplace[1], many managers are not doing action planning at all. We found that 31% of respondents disagreed that managers were talking with their teams about engagement results.

Action planning has been around for as long as employee engagement surveys. The traditional action planning process involves managers meeting with their teams to discuss their survey results. As a team, they decide on the areas of results they want to improve and strategize solutions and behaviors to improve those results.

Because these action planning meetings typically occur after an employee survey, these sessions typically only occur as often as

organizations survey. For many organizations, that means annual action planning that often gets ignored after a month or two for more pertinent organizational priorities.

However, as listening posts have become more continuous, there has been a move to make action planning more continuous and goal oriented. There are some fundamentals of action planning that HR leaders can plan for.

Productive Engagement Conversations

Managers in my organization have productive conversations with their teams about their engagement survey results.
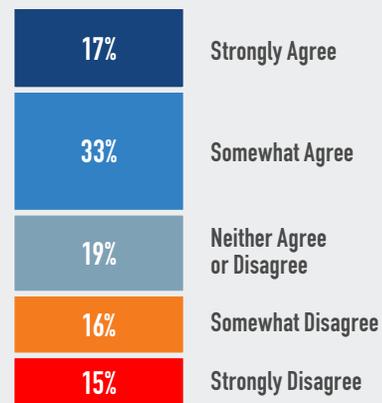
17%	Strongly Agree
33%	Somewhat Agree
19%	Neither Agree or Disagree
16%	Somewhat Disagree
15%	Strongly Disagree

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1. A Winning Approach to Employee Success, Harvard Business Review Analytic Services in association with Quantum Workplace

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4 Fundamentals of Employee Engagement Action Planning

1. Plan at the local level.

Action planning is best done at the team level. Of course, senior leaders should do their own action planning, but it should also be an individualized, team-based exercise. Teams will have different engagement needs that require different solutions—so use localized action planning to build a tailored approach to engagement.

2. Organize continuous action.

Just as many organizations only survey employees once a year, many only action plan once a year. This leads to shallow, short-lived changes. Managers should plan out their action steps over time and use check-ins to follow up and ensure continuous improvement.

3. Be specific.

Action planning commitments are much like goal setting. If the plans are too broad, generic, or ambiguous, change is unlikely to occur. Action planning needs to be time-bound and tied to specific actions, behaviors, and goals that the team is trying to change.

4. Keep it reasonable.

One temptation with action planning is to try to solve all of the challenge areas found in an employee survey. Instead, managers should identify one or two areas of focus for action and outline one or two specific actions the team will make on those focus areas. Small, continuous action will be more successful than transformative changes that are short-lived.

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Gathering and reviewing data is important. Sustained action based upon that data is even more important. Successful employee engagement initiatives are much more than a once-a-year survey. People are dynamic, thus the program intended to engage them needs to be dynamic.

1. **Only measure as much as you can change.** Employee surveys will become stale if employees suspect a lack of action or a lack of acknowledgement of their needs. It's important to act on the aspects of the employee experience that are most needed in your organization.

2. **Make action planning visible and transparent.** Collaborate across leaders and teams on action planning and make action goals visible throughout the organization. This holds teams accountable for carrying out engagement goals. Provide a platform for teams to learn from each other on what's working and what's not when it comes to engagement.

3. **Action planning should be a grassroots movement.** Leaders shouldn't build engagement action plans alone. Employees from across the organization should have their input and needs considered in action planning. Managers should be held accountable for carrying out this change, but teams should take ownership and shape the goals.

Chapter 4:

Retaining Your Talent

Understanding and Preventing Costly Turnover through Strategic Retention Practices

It's hard to lose good talent. Employee turnover is expensive and negatively affects productivity, morale, customer satisfaction, and more. Organizations need to understand what is causing turnover on their teams and put strategies in place to prevent unwanted exits.

In this section, we'll discuss:

- **Section 1: Why top talent leaves**

- **Section 2: How employee engagement impacts turnover**

- **Section 3: The true cost of turnover**

- **Section 4: How to reduce unwanted turnover**

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Section 1:
Why Top Talent Leaves

Top talent might leave organizations for myriad reasons. Michael Jordan famously left the Bulls to pursue a baseball career. Steve Jobs left Apple in 1985 after disagreements with the company's board. Michael Scott left Dunder Mifflin Paper Company and moved to Colorado to start a family.

The reasons employees leave their companies are important to organizational leaders–and how leaders respond to that departure has an impact on business success.

Our 2019 Best Places to Work data shows that 3 in 4 employees say it would take a lot to get them to leave their organizations. This might indicate employees had high intentions to stay at their jobs.

However, according to the Bureau of Labor Statistics[1], the quit rate (the proportion of United States workers who voluntarily left their jobs) was at its highest in 2019. Other research[2] shows that more than half of employees are actively looking for a new job or watching for openings.

> **More than half of employees are looking for a new job or watching for openings.**

Taken together, these findings show there is no guarantee that your current employees intend to work at your organization for the long haul.

5 Reasons Top Talent Leaves

People leave organizations for a variety of reasons, both personal and professional. Quantum Workplace recently conducted a study[3] of 90,000 workers in the United States examining the differences in employee perceptions between people who exited their organization and those that stayed. We found some consistent themes that may offer clues as to how to predict employee turnover.

1. They are unsatisfied with their jobs.

We found that employees who left their organizations were meaningfully less favorable about their happiness with their jobs and other items related to their job satisfaction. Namely, employees who left their organizations felt their jobs were not challenging, enjoyable, and did not use their strengths.

2. Their needs are unmet.

Employees who left their organization were also less likely to say that their opinions counted at work. They also reported that their organization was not investing in their success. Finally, employees left when they felt that their work-life balance and wellbeing needs were not met.

1. Workers Quit their Jobs at the Fastest Rate on Record in 2019–Here's Why, CNBC
2. Are Your Star Employees Slipping Away?, Gallup
3. Top 5 Predictors of Employee Turnover, Quantum Workplace

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3. They are unhappy with their teams.

Employees are more likely to leave an organization when they express uncertainty about their team members' effectiveness and the likeability of their immediate supervisor. They are also more likely to leave if they feel that employees are not committed to producing high-quality work.

4. They are unsure about organizational fit.

We found that when employees felt that their current job is not aligned with their career aspirations, they were more likely to leave the organization. Employees who left their organization felt that they were unsure about how they fit into the future plans of the organization.

5. They indicate their openness to leaving.

Finally, we found that employees who are thinking about leaving are not shy about it. They often report they are unlikely to stay at the organization when asked in surveys, feedback, and one-on-ones.

Read more:
[The Top 5 Predictors of Employee Turnover](#)

Types of Employee Turnover

Employee turnover can be an unwelcome phase of the employee lifecycle, especially when the organization's top talent is leaving.

Voluntary turnover is when employees decide to exit an organization through resignation or retirement.

Involuntary turnover is when an organization asks employees to leave due to low performance, reduction in force, reorganizations, budget cuts, or inappropriate behavior.

It is important to differentiate between these two broad categories of turnover because HR professionals need to respond to these types of turnover in different ways.

Some turnover might be positive for an organization. For instance, when toxic teammates, persistent low performers, or unethical employees leave or are fired from the organization, there might be an overall increase to team and organizational morale.

However, when talented employees voluntarily leave the organization, it is often regrettable turnover that might need further investigation. This turnover is often preventable and critical to solve for many reasons.

Regrettable turnover is often preventable and is critical to solve for.

Five Reasons Employee Turnover is Important to Organizational Leaders

1. It's an indicator of a company's overall health.

Turnover, attrition, and retention are a good indicator of a company's overall health and how the company is doing on their growth trajectory, investments, and employer brand. Employees want to stay at companies that are successful. Thus, turnover can be an early warning sign that a company might be diminishing.

2. It affects goal attainment.

Organizations without strong succession plans can lose high performers who are critical to the success of their key organizational strategies. When this critical talent leaves the organization, their institutional knowledge and productive momentum can often leave with them. These losses can affect goal attainment and carrying out strategic initiatives.

3. It impacts customer relationships.

Businesses thrive by building relationships with key customers and partners. Customers can feel an impact from turnover through diminished service or other inconveniences. When key personnel leave the company, it can disrupt the relationship between the customer and the organization.

4. It can hurt employer brand.

Another impact of turnover is to the employer brand. Turnover can negatively affect recruiting and future hiring via negative reviews or word-of-mouth about turnover. Employees that have poor employee experiences tend to warn other professionals in their network about these bad experiences.

5. There is a war for talent.

Many skills needed for the modern workforce are in scarce supply. The so-called skills gap is the talent shortage associated with a difficulty in filling roles due to lack of skills and talent. About 4 in 10 employers[1] report having this difficulty filling roles due to the skills gap. Turnover is hard on HR departments that must continuously find the right talent for the right role.

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1. Employers Aren't Just Whining—the Skills Gap is Real, Harvard Business Review

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It's always difficult when an employee exits an organization—but what you learn from that experience can make you more successful and an employer of choice.

1. **Be proactive.** If you have systems in place for continuous listening, you can often find and tackle issues before they lead to turnover. Managers should have retention and career development conversations with their employees. If you're listening, you can better understand. And if you better understand, you can avoid preventable and costly departures.

2. **Regularly celebrate employee success.** Celebrating progress and accomplishments creates a "we're all in this together" mentality. When employees feel supported by their teams and leaders, it reduces stress and motivates them to keep moving forward in critical moments.

3. **Use data to understand trends.** You can often tie turnover back to shared experiences and trends. Use the data at your fingertips to dig into important questions around turnover. Who is leaving and why? Are there pockets of the organization with high turnover? What is the risk for additional turnover? Are new employees having the desired experience?

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Section 2:

How Employee Engagement Impacts Turnover

Employee engagement has long been associated with employee retention. It seems intuitive that if employees have strong connections to their role, team, and organization, they will be more likely to stay at that organization.

For many organizations, employee retention is one of the key goals of their investments in employee engagement. In a study conducted by Harvard Business Review Analytic Services in association with Quantum Workplace[1], we found that employee retention and turnover were the most cited outcomes organizations were aiming to improve as a result of their investments in employee engagement, development, and performance management.

Based on the results of multiple academic and industry studies, organizational investments in employee engagement appear to be well spent. That is, there is ample evidence to suggest that employee turnover decreases with improvements in employee engagement.

> **There is ample evidence that turnover decreases with improvements in employee engagement.**

In a large meta-analysis, turnover was reduced from 4-51%[2] between the teams in the top vs. bottom employee engagement quartiles depending upon the organizations' baseline turnover levels.

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1. A Winning Approach to Employee Success, Harvard Business Review Analytic Services in association with Quantum Workplace

2. Business-Unit-Level Relationships Between Employee Satisfaction, Employee Engagement, and Business Outcomes: A Meta-Analysis, American Psychological Association

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Recent Quantum Workplace research shows a similar trend. We collected turnover information from 26 companies representing more than 600,000 employees that conduct regular employee engagement surveys. We wanted to study turnover after their employee engagement survey to determine if we could predict employee leaving behaviors from their survey responses.

Turnover Rates by Engagement Profile

90–Day Turnover Rate

- 4.3%
- 3.3%
- 1.8%
- 1.3%

180–Day Turnover Rate

- 6.3%
- 5.4%
- 3.1%
- 2.4%

365–Day Turnover Rate

- 9.5%
- 8.6%
- 5.6%
- 4.5%

- Disengaged
- Barely Engaged
- Moderately Engaged
- Highly Engaged

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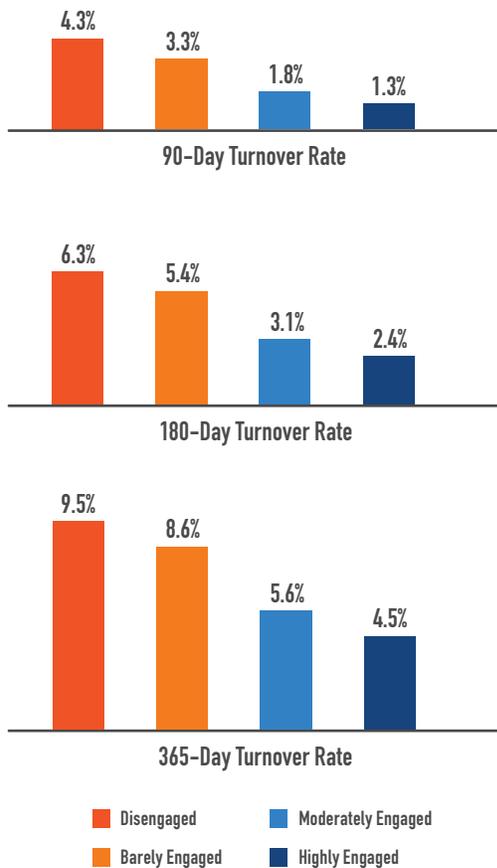
We found a strong connection between employee engagement and employee turnover:

- Disengaged employees were 3.3 times more likely to leave their company within 90 days of the survey compared with highly engaged employees.

- After 180 days post-survey, disengaged employees were 2.6 times more likely to leave the organization.

- And a year after the survey, disengaged employees were 2.1 times more likely to leave their organization compared with their highly engaged counterparts.

If all employees left the organization at the same rate of highly engaged employees, these companies could collectively save 6,369 employees from leaving their organizations per year, saving millions of dollars in the process.

Employee Turnover is Preventable

Much of employee turnover is preventable. According to the Work Institute[1], 77% of employees who quit their organizations could have been retained by their employers. Additionally, a Gallup study[2] found that more than half (52%) of employees said their team leader or company could have prevented their exit.

> **52% of employees said their exit from the organization was preventable.**

That same study found that about half of employees who exited their organization did not have a conversation with their managers about job satisfaction or intent to stay at the company leading up to their departures. Taken together, these findings show that managers are not taking the necessary actions to prevent their team members from leaving.

1. 2018 Retention Report, Work Institute
2. This Fixable Problem Costs U.S. Businesses $1 Trillion, Gallup

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According to our 2019 Best Places to Work data, 1 in 4 employees are not favorable on the item "it would take a lot for me to leave the organization." Much of the research on turnover has focused on intentions to stay or leave the organization. This research has consistently found that employees tend to be open and transparent about their intent to leave.

For instance, one study found[1] that perceptions of stress and behavioral intentions to leave were the strongest predictors of voluntary job termination. Thus, employees' intentions to stay or leave their companies can be an early warning sign of more serious turnover problems.

Much like employee engagement, employee perceptions of their intentions to stay at their organizations change over time. Our Best Places to Work data shows an interesting trend when we look at intentions to stay at the organization across employee tenure groups.

New hires that have been at the organization for less than a year tend to have relatively high intentions to stay with the organization. However, over the next 2-4 years, employees enter the "trough of despair" where they have higher turnover intentions and lower engagement. Employees who stick with their organizations through that period tend to have a stronger connection.

"It would take a lot to get me to leave this organization."

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■ % Unfavorable   ■ % Neutral   ■ % Favorable

Tenure	% Unfavorable	% Neutral	% Favorable
< 1 Year	4%	16%	81%
1–3 Years	6%	20%	74%
3–5 Years	6%	19%	75%
6–9 Years	5%	17%	78%
10–14 Years	4%	15%	80%
15+ Years	4%	13%	84%

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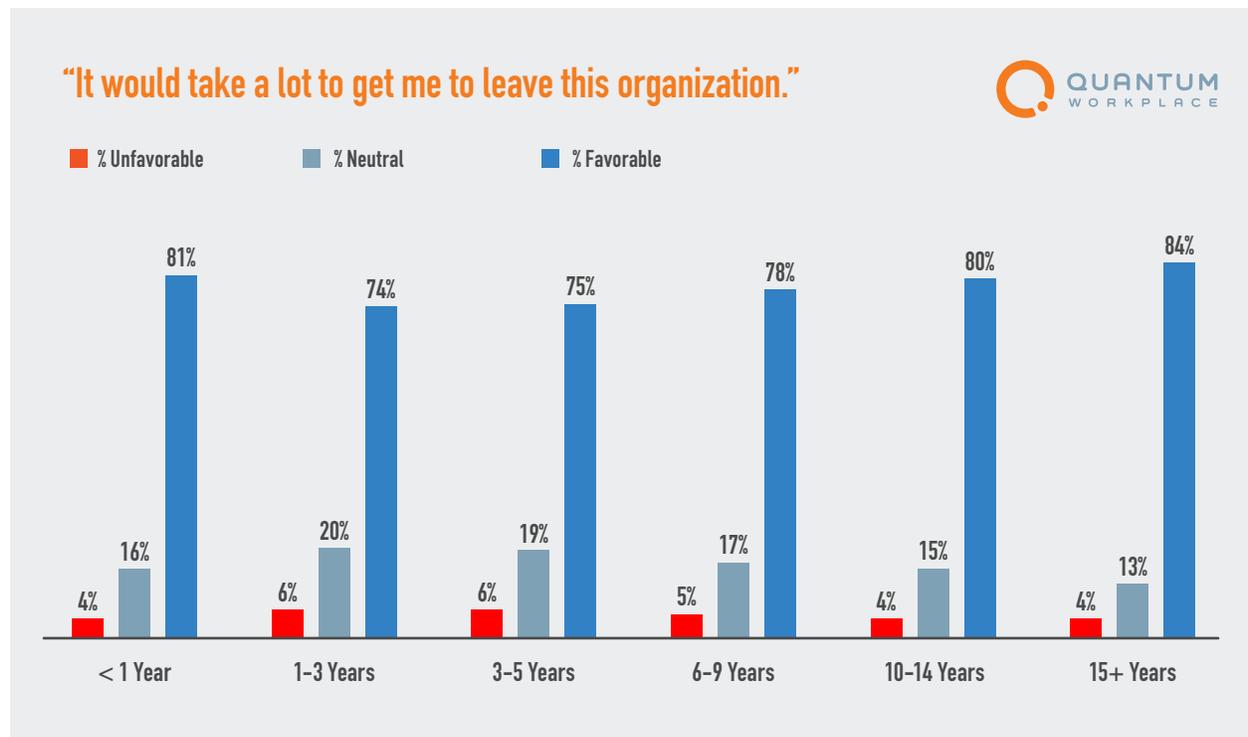
1. Predicting Turnover Intentions and Turnover Behavior: A Multivariate Analysis, Journal of Vocational Behavior

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Actionable Advice from our Employee Engagement Experts

There is an obvious and strong relationship between engagement and turnover. When employees feel connected to their teams, love their jobs, and have positive feelings about your organization, they are going to want to stay. Measuring employee engagement is important because it is the strongest predictor of employee retention.

1. **Engagement should be a daily practice.** You shouldn't need to take a time-out to work on engagement. It should be part of your everyday conversation and work processes. If you make engagement a cyclical experience, you will struggle to drive true engagement.

2. **Identify areas of retention risk.** There might be some phases of the employee lifecycle where employees are more at risk of leaving your organization. There are likely positions that turn over more frequently and others more difficult to fill. It is important to find and understand these risk areas so you can be a better and more proactive problem solver.

3. **Consider a "re-orientation" experience.** Study your employee lifecycle and notice where there are dips in engagement. Brainstorm ways in which you can give proper attention to these groups to reorient, engage, and celebrate their commitment to your organization.

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Section 3:
The True Cost of Turnover

Employee turnover isn't just inconvenient for teams and HR departments. It costs organizations millions of dollars each year to find and train new replacement employees. Thus, employee retention is critical to the financial success and stability of an organization. HR leaders can often boost support for their programs, policies, and practices by correlating those initiatives' relative impact on employee turnover.

There are many estimates when it comes to calculating the cost of employee turnover. The Society for Human Resources Management[1] suggests that these costs can range from six to nine months of the exiting employee's salary. These estimates might include hard costs such as advertising, selection, assessments, relocation expenses, or training costs.

Other research has shown[2] that voluntary turnover may cost United States businesses over $1 trillion.

> **Voluntary turnover may cost the US $1 trillion in expenses.**

Hard Costs of Turnover (easier to estimate)

- Job Advertising
- Recruitment Efforts
- Interview Time
- Selection Assessment & Process
- Relocation Expenses
- Starting Bonuses
- Cost of Vacancy
- Onboarding & Training
- Skills Training
- Severance Pay
- Exit Interview Time
- Legal Fees
- Staffing or Recruitment Firm Fees

Soft Costs of Turnover (difficult to estimate)

- Brand Awareness
- Lost Productivity
- Chair Reaction Exits
- Reduced Morale
- Lost Institutional Knowledge
- Opportunity Costs
- Increased Team Stress & Workload
- Team Cohesion
- Diminished Employer Brand
- Additional Manager Time
- Customer Lost
- New Hire Ramp Up Time
- Cost of a Bad Hire

1. Retaining Talent: A Guide to Analyzing and Managing Employee Turnover, Society for Human Resource Management

2. This Fixable Problem Costs U.S. Businesses $1 Trillion, Gallup

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There are still other costs that are often overlooked by these estimates, such as expenses related to:

- Loss of team morale and productivity

- Damage to relationships with valued customers or partners

- Damage to employer brand when high-profile resignations are made public

Some of these soft costs of turnover might be the most costly in terms of monetary value and business momentum. Voluntary turnover may have future costs associated with lost business, or future employee recruitment unrelated to simply refilling the role. These costs might be very difficult to calculate.

Quick Read:
13 Statistics that Reveal the
Shocking Price of Employee Turnover

All of these different costs can make estimating the expense of unwanted turnover daunting. However, there are some different estimates and shortcuts one can use to make this estimation easier.

For instance, as previously mentioned, SHRM estimates that these costs can range from six to nine months of the exiting employee's salary. Using this estimate, turnover costs are simply a function of employee salary and the number of employees turned over.

Even if you do not have access to salary data for a particular position, the average salary of your organization or even Bureau of Labor Statistics information about the average salary for US workers can provide some conservative turnover cost estimates.

From Insights to Action

Actionable Advice from our Employee Engagement Experts

It can be difficult to put a true number to the cost of turnover. If you are tracking turnover costs in your organization, you're likely underestimating those figures because of the soft costs mentioned in this chapter. Here are some tips for keeping those costs in check.

1. **Do what you can to prevent turnover costs.** Some organizations take the approach to be slow to hire and quick to fire. But quick to fire might not be appropriate in all cases. Provide effective coaching, training, and development to help managers and employees improve.

2. **Avoid turnover avalanches.** If you do lose a great employee, it's important for the manager to understand the relationships that person had with other employees and to take steps to prevent additional disengagement and turnover. If someone leaves, it might affect their close friends at work or close collaborators. Other team members might become overburdened by trying to pick up the slack.

3. **Regularly check in with employees.** When someone leaves, it is important to listen to that employee and why they made that choice. But more importantly, managers should talk with their teams to understand how they are feeling and how it might affect their engagement.

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Section 4:

How to Reduce Unwanted Turnover

Given the excessive costs associated with unwanted turnover, senior leaders should view employee retention as a strategic priority. There are a wide variety of tools, resources, and technologies available to identify, evaluate, and take action to reduce unwanted turnover.

Many might think additional perks, increased salaries, or finally installing that ping-pong table will solve their turnover problems. However, those solutions will only temporarily keep employees around. To truly reduce regrettable turnover for the long haul, it takes a cultural change toward continuous conversations and understanding the needs and aspirations of your workforce at the local level.

> ## To reduce unwanted turnover for the long haul, it takes a cultural change.

The primary mechanism to affect this local-level change is the team leader. It is often said that people leave bad managers, not bad companies. Therefore, managers must be equipped to have productive one-on-one conversations with their teams about their employees' future development and intent to stay with the organization. More importantly, managers need to make a growth and development plan with each individual on their team in order to retain their best employees.

Many organizations deploy employee retention strategies to reduce turnover and ensure employees maintain engagement and productivity for as long as possible. There are some simple

practices, intelligent tools, and employee listening posts that can help HR professionals and senior leaders diagnose and correct retention issues.

One-on-One Conversations

A simple solution to addressing employees' intentions to quit is to have continuous conversations with them about their future. However, many managers neglect to have these conversations with their team.

Research has shown that many employees are often transparent about sharing their openness to other opportunities. Managers should have regular communication with their team members about their intent to stay and what actions the manager could take to retain them. One study[1] showed that employees who received feedback had a 15% lower turnover rate compared with those who did not.

One-on-one retention conversation topics can include:

- Career aspirations
- Stretch assignment opportunities
- Learning or training needs
- Role and responsibilities
- Compensation and rewards

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1. The Secret of Higher Performance, Gallup

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Talent Review Conversations

Through open and honest communication, senior leaders can use the information from their team-level conversations to plan for the future. One method to mitigate turnover risk is to conduct regular talent reviews of the workforce.

Talent reviews are typically used for career growth and succession planning. However, many organizations have started to incorporate ratings of retention risk for employees. This allows senior leaders to identify retention issues and correct them before they spread through the organization.

Talent reviews encourage managers and other people leaders to assess individual employees' performance, potential for growth, and likelihood of staying with the organization. Managers can then take targeted action to retain and develop top talent. Managers should evaluate these ratings for their direct reports regularly to understand how retention risk and growth of their teams change over time.

Employee Engagement & Retention Surveys

The employee engagement survey is perhaps one of the best people intelligence tools to evaluate retention risks and the aggregate intent for your workforce to stay at your organization. However, some organizations have utilized pulse surveys that are designed specifically to evaluate employees' intentions to stay at the company and what their manager or senior leaders can do to improve that retention.

These surveys can help investigate the reasons employees might leave the organization. And perhaps more importantly, they can help identify the reasons employees stay at the organization. These insights can help inform your employee value proposition and ensure you are maintaining the programs and policies that make you an employer of choice.

Predictive Turnover Analytics

One of the best reasons to continuously listen to employees and to measure their intent to stay is to use that data to make more informed decisions. Many HR professionals are using people analytics to identify retention risks across their organizations. These analytics can be descriptive in nature to help identify and assess the turnover problem, but also predictive in nature to identify employees and groups that might be at higher risk of turnover.

Based on a meta-analysis from our engagement and turnover database that includes over 600,000 employees, we have identified the metrics that matter from survey responses and have tailored predictive turnover analytics to help our customers identify retention risks before they become a problem. Our flight risk tool analyzes employee responses to engagement surveys and categorizes them according to their potential risk for turnover.

Our research indicates that employees who are identified as a high turnover risk are 4.5x more likely to leave their organization compared with those who are not identified as a retention risk.

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Employee Exit Programs

Employee exit surveys are widely used. In a Quantum Workplace – Human Capital Institute survey[1], we found that exit interviews (61%) and turnover rates (55%) were the two most frequently used metrics to evaluate organizational culture.

However, employee exit surveys and interviews are only a part of a comprehensive employee exit program to build brand advocates and maintain business relationships. Exiting employees should feel appreciated for their efforts, be welcomed to return if warranted, and encouraged to recommend the organization to others in their network.

If properly designed, a comprehensive employee engagement program will provide both qualitative and quantitative insights about how to improve employee retention. A comprehensive employee exit program should be able to address the following questions:

- What are the top reasons talent is leaving your organization?

- At what point in the employee lifecycle are we losing our best talent?

- Are there particular roles that are at risk for retention?

- What teams are continually having turnover challenges and why?

- What actions can we take as an organization to improve employee retention for top talent?

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1. The Culture-Centric Organization, Quantum Workplace and HCI

From Insights to Action

Actionable Advice from our Employee Engagement Experts

Not all turnover is avoidable and not all turnover is regrettable. It is important to maintain team morale after departures and have proactive engagement and retention conversations with your teams. Your managers need support and development when it comes to identifying retentions risks and proactively retaining top talent.

1. **Provide challenging work and new opportunities.** Employees become bored and disengaged when their work is repetitive and mundane. Spice up their roles and offer new challenges and stretch projects suited to employee strengths. When employees make progress on new projects and initiatives, it brings a sense of accomplishment and pride, keeping employees engaged in their work.

2. **Reinforce desirable performance and behavior.** Recognize employees when they show desirable behavior. Encourage them to recognize their coworkers for the same. Notice people for who they are as people, for their contributions, and during key moments. When employees feel noticed, they're more likely to stick around.

3. **Integrate culture throughout the employee lifecycle.** Connecting employees to mission, purpose, and values is important for cultural alignment during orientation and onboarding, yet these intense efforts can and should be refocused at key lifecycle moments for employees: During key transitions in their career and when organizational changes need to be made, be sure to pull in the WHY and how it aligns.

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Conclusion

The events of 2020 have overturned organizational plans and accelerated change in many workplaces. But employee engagement will continue to be critical as we navigate this new world of work.

Successful organizations use purposeful, proactive, and evidence-based practices that ensure employees are engaged and can perform at their best. These practices include:

- Attracting and selecting top talent into key positions.

- Onboarding new hires with programs and processes that decrease ramp up time to belonging, engagement, and high performance.

- Using employee listening to engage and support employees.

- Welcoming and respecting people from diverse backgrounds and ensuring their opinions count.

- Enabling managers to have continuous conversations with individuals about their performance.

- Creating a local-level strategy of more continuous and collaborative goal setting for performance and development.

- Aligning individual goals to team goals—and team goals to organizational strategic intents.

- Providing meaningful opportunities for employees to develop in their roles and grow in their careers.

- Publicly recognizing the contributions and successes of employees and teams.

- Proactively studying retention risk and implementing interventions aimed to prevent losing top talent.

- Identifying the right tools needed to accomplish their strategic objectives and implementing those tools with fidelity and leader advocacy.

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About Quantum Workplace

Quantum Workplace offers trusted software solutions for employee, team, and business success.

We believe your talent is your greatest lever for business success. Our engagement, performance, and intelligence tools help:

- Leaders focus on what matters

- Managers become better coaches

- Employees do their best work

Our approach to employee success is quite simple: if employees are engaged, they'll perform at their best. And when they perform at their best, your company succeeds.

Want to talk about employee, team, and business success in 2021?

Schedule a demo with one of our employee engagement experts today!

Get a Demo

The Most Reliable Solutions for Employee, Team, and Business Success

ENGAGEMENT

Understand and improve engagement.
Our employee engagement software helps you understand what is happening deep within your organization—so you can target your efforts to drive engagement, performance, and success.

Learn more

PERFORMANCE

Boost employee performance.
Our performance management software helps you align and grow your teams, empower critical dialogue, and celebrate employees success with ease.

Learn more

INTELLIGENCE

Leverage intelligence for smarter business decisions.
Our intelligence tools are always working behind the scenes to surface critical engagement and performance insights that will help you move forward with confidence.

Learn more