

2013

TRENDS REPORT

The State of Employee Engagement

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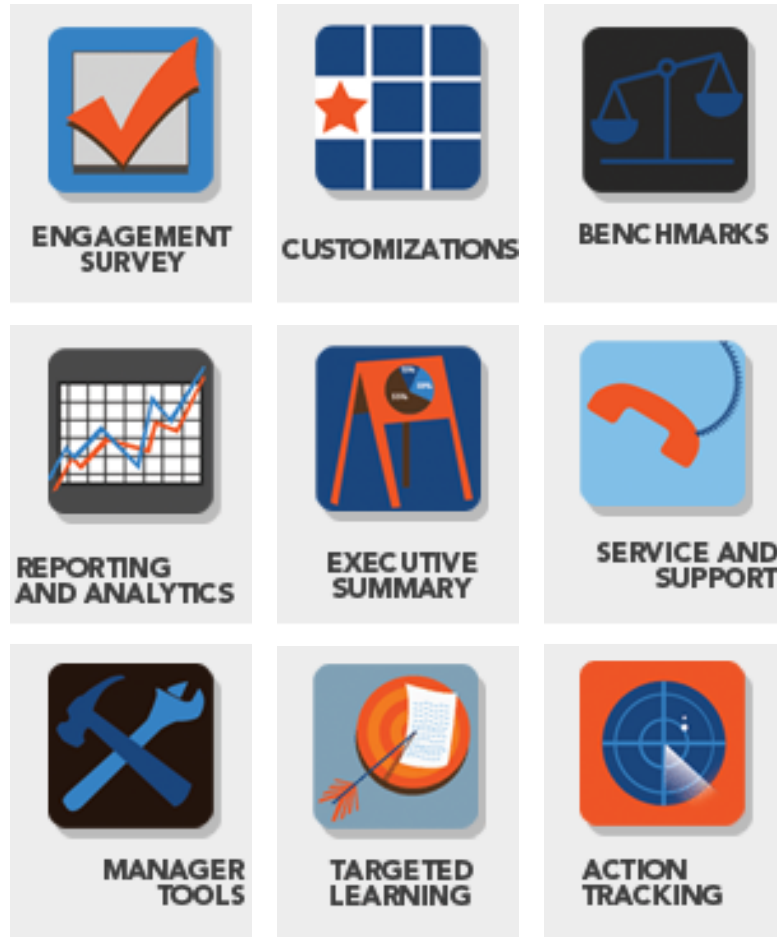
Quantum Workplace's engagement survey and action planning software and services

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WHAT'S EMPLOYEE ENGAGEMENT?

Make Work Awesome: Our Philosophy on Employee Engagement

When work is awesome, employees are engaged, clients are loyal, and business is good. The desire to be awesome is universal. Both employers and employees share it. The human brain is wired with the desire to master tasks and to win. Awesome workplaces maintain environments where those inherent ambitions are unleashed.

Awesomeness builds brands. It sustains success. It fuels the virtuous cycle between internal and external loyalty. The more awesome your culture, the more clients love working with you. The more clients love working with you, the more awesome your organization becomes. Making work awesome is the responsibility of every player on every team at every organization, and it is critical to your success.

The creation of an awesome workplace requires certain inputs, such as teamwork and trust, to create desired outputs, such as revenue and loyalty. We like to think of this as the engagement machine. Each organization has an engagement machine; some run better than others.



Meet David Weissner

Director of Research and Analytics

David is the brain behind Quantum Workplace's trends report data. As our senior researcher, David is responsible for evaluating and presenting survey data to help clients make data-driven decisions. In addition, David leads discovery-based research projects, aggregating total client and Best Places to Work data to deliver reports on workplace trends. David holds a degree in political science from Nebraska Wesleyan University and a master's in survey research from University of Nebraska. He formerly worked for Nebraska Health and Human Services, the University of Nebraska, and the Department of Labor, followed by nearly ten years at Kenexa, an IBM company.

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Inputs

A healthy engagement machine has optimal levels of the following inputs, or areas of engagement:

1. Teamwork
2. Manager Effectiveness
3. Trust in Senior Leaders
4. Trust in Coworkers
5. Retention
6. Alignment With Goals
7. Feeling Valued
8. Individual Contribution
9. Job Satisfaction
10. Benefits



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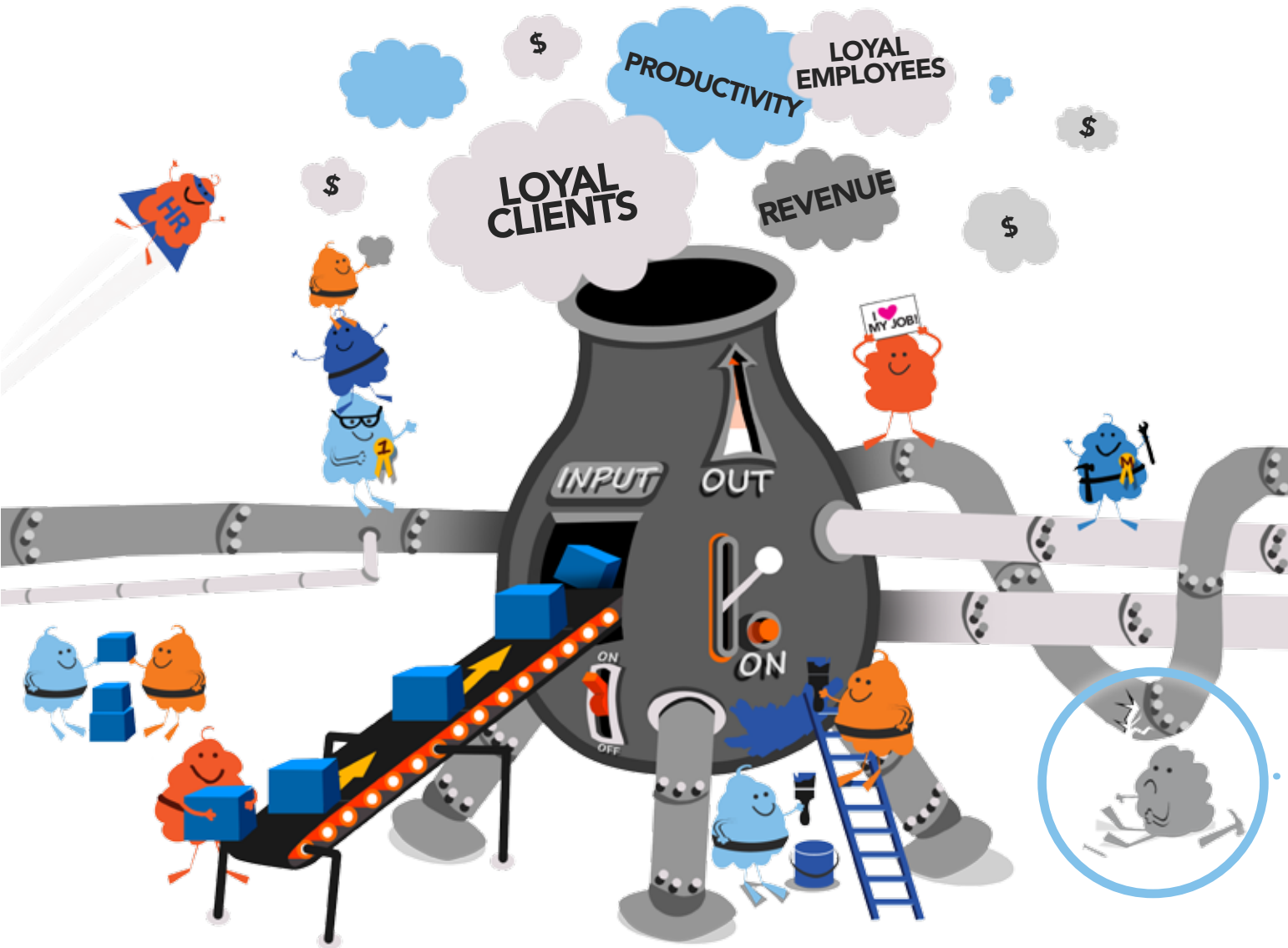
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Outputs

When all of these inputs work together, it results in engaged employees, which in turn deliver the following desired outputs:

1. Loyal Employees
2. Increased Productivity
3. Loyal Clients
4. Increased Revenue

Not every organization has a picture perfect engagement machine though. If part of the machine is broken, employees can become disengaged, or worse, hostile.



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So how do you know if your organization's engagement machine is awesome or notsome? And how do you know if your employees are engaged or hostile? You ask them. Every year, we gather feedback from employees at more than 5,000 organizations. Through our engagement surveys, employees provide feedback on the level of the 10 inputs, and thus the level of their engagement. This trends report highlights those findings.

In this whitepaper, we'll examine:

- How engaged today's workforce is
- Variation among different position levels
- The ROI of an engaged workplace
- Regional engagement trends
- Industry engagement trends
- Where organizations are exceling and failing
- Employee recognition

About Best Places to Work

Best Places to Work gives organizations the opportunity to compete to be recognized as a place where people simply love to work. Founded in 2004, Best Places to Work is the original contest created to honor companies where talent is valued and engaged. The contest is held annually in nearly 40 cities and garners participation from nearly 5,000 organizations.

Participation in Best Places to Work is free. Through the contest, organizations have the opportunity to purchase a customized survey, as well as detailed reporting on their employees' feedback.

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The Survey

Developed in 2003, the employee engagement survey contains 37 standard items that fall into 10 areas of engagement. These 37 items were tested among 75 pilot items on one million employees. The 37 items making up today's survey account for 99 percent of the variation in overall engagement found in the test group. Quantum Workplace validates the survey annually through Best Places to Work, gathering responses annually from nearly 5,000 organizations.

When evaluating what makes the most impact on engagement, we analyze two different levels:

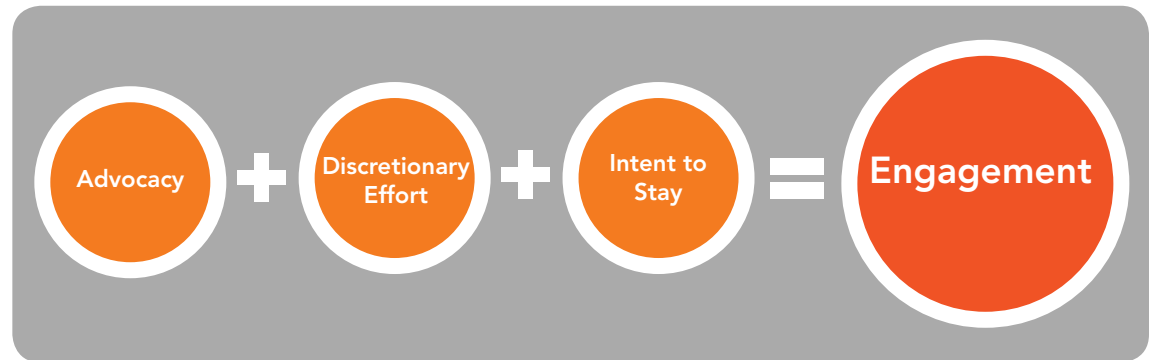


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Among the 37 survey items, six are what we call engagement anchors, and the other 31 are what we call engagement drivers. **Engagement anchors** are diagnostic. They measure what an organization's employee engagement level is, but they do not provide insight on what action can be taken to improve engagement. These anchors are further divided into three categories: advocacy, discretionary effort, and intent to stay. This is Quantum Workplace's model for successful employee engagement.

- **Advocacy:** Identifies the level at which employees serve as advocates for the organization
- **Discretionary Effort:** Identifies the level at which employees report spending their time to put forth extra effort to enhance the organization
- **Intent to Stay:** Identifies employees' reported interest in staying at the organization



Unlike engagement anchors, **engagement drivers** are actionable. While all engagement drivers impact engagement anchors, and therefore the level of overall engagement, some drivers have more of an impact than others.

This analysis examines the data collected through Best Places to Work over the course of the past six years, as well as a smaller data set of organizations that didn't participate in Best Places to Work, to provide insight on trends and what they mean for 2013. The report provides an overview of how engagement is trending in general, as well as an in-depth look at the individual areas and items examined in the survey. Armed with this information, you should be able to determine where to place your greatest efforts to improve engagement in 2013.

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THE STATE OF ENGAGEMENT

Today's Workforce: Hostile or Engaged?

Engagement continues to climb back to the level found prior to the late-2008 recession. In 2007, 70.6 percent of employees participating in Best Places to Work ranked as engaged. Engagement among these organizations hit its lowest point in 2010 with only 66.7 percent of employees ranked as engaged. However, since then engagement has slowly been making a come back. From 2011 to 2012, engagement increased by .6 percent.

In our analysis, employees responded to an engagement survey using a 6-point Likert scale. Based on an average of their answers, without factoring in skipped questions, they placed in one of four groups: Engaged, Contributing, Disengaged, and Hostile.

67.7%
of employees ranked
as engaged in 2012.



ENGAGED

Average Score: 5-6
Highly favorable
Advocates
Intend to stay
Lead with discretionary effort



CONTRIBUTING

Average Score: 4-4.9
Moderately favorable
Something holds them back
Opportunity for increased
performance



DISENGAGED

Average Score: 3-3.9
Indifferent
Lack motivation
At-risk for retention



HOSTILE

Average Score: 1-2.9
Negative
Lack commitment
Impact productivity of others

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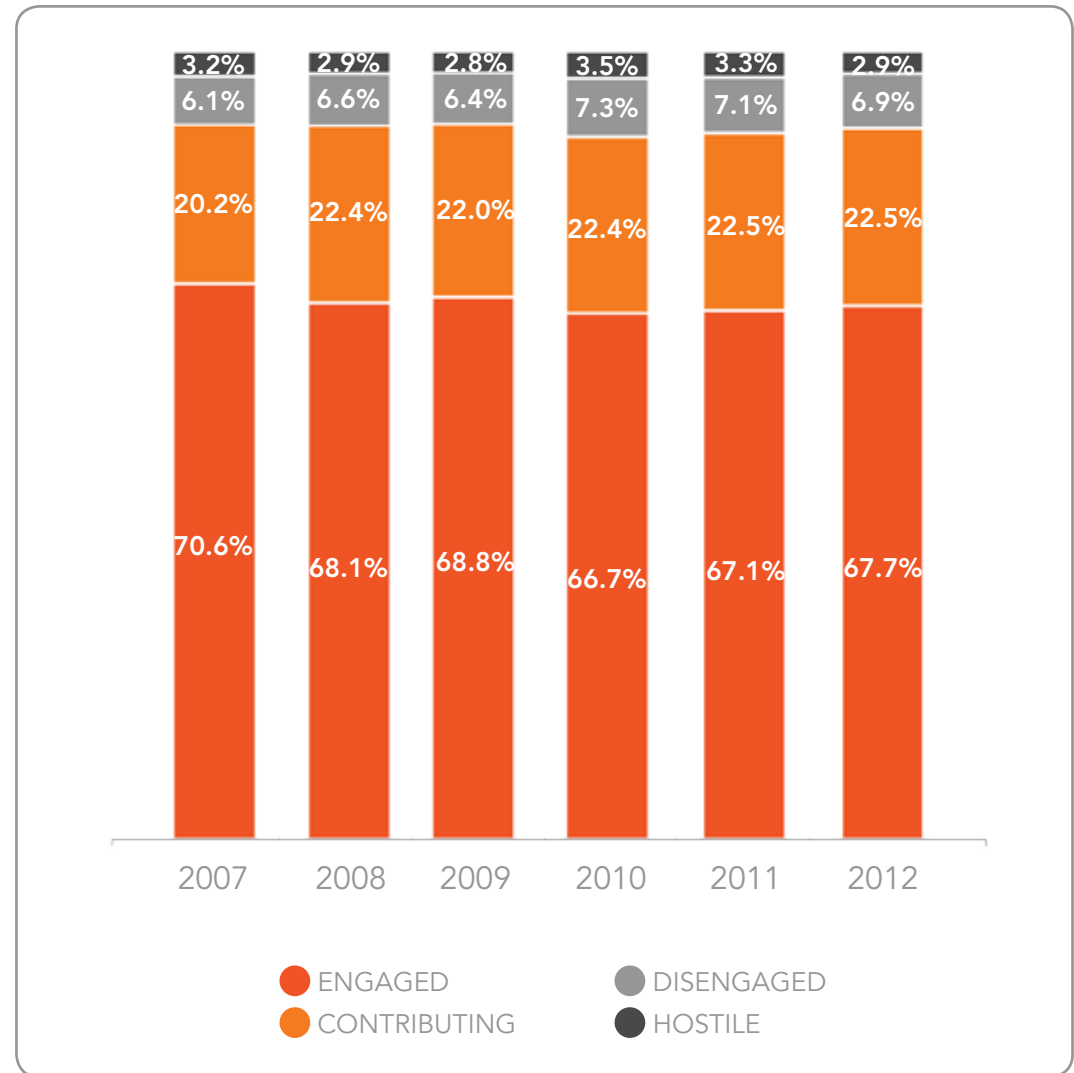
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Year Over Year Changes

The chart on the right illustrates the distribution among the four employee profiles of Best Places to Work participants over the last six years.

Looking at how these engagement profiles have fluctuated, it is apparent that as you move from hostile to engaged, the amount of variance increases. For example, over the past six years, the highest level of hostile employees was 3.5 percent in 2010, and the lowest was 2.8 percent in 2009. This represents a .7 percentage point change, whereas the engaged profile experienced a 3.9 percentage point change during the past six years. Combining the middle profiles, contributing and disengaged, delivers a 3.5 percentage point change.

So what does this mean? An extremely negative perception is not likely to change. It is very difficult to change the minds of people whose minds are already made up. Also, keep in mind that perception of excellence is more likely to shift to the middle, even over something small or based on how someone is feeling that specific day. Organizations should spend their efforts on those who are still in the middle and haven't made up their minds. This is where engagement strategies can have the most impact. Once you shift your middle-ground employees to engaged employees, it'll be easier to bring those hostile employees around because you'll have the rest of your employees on board to influence perception.



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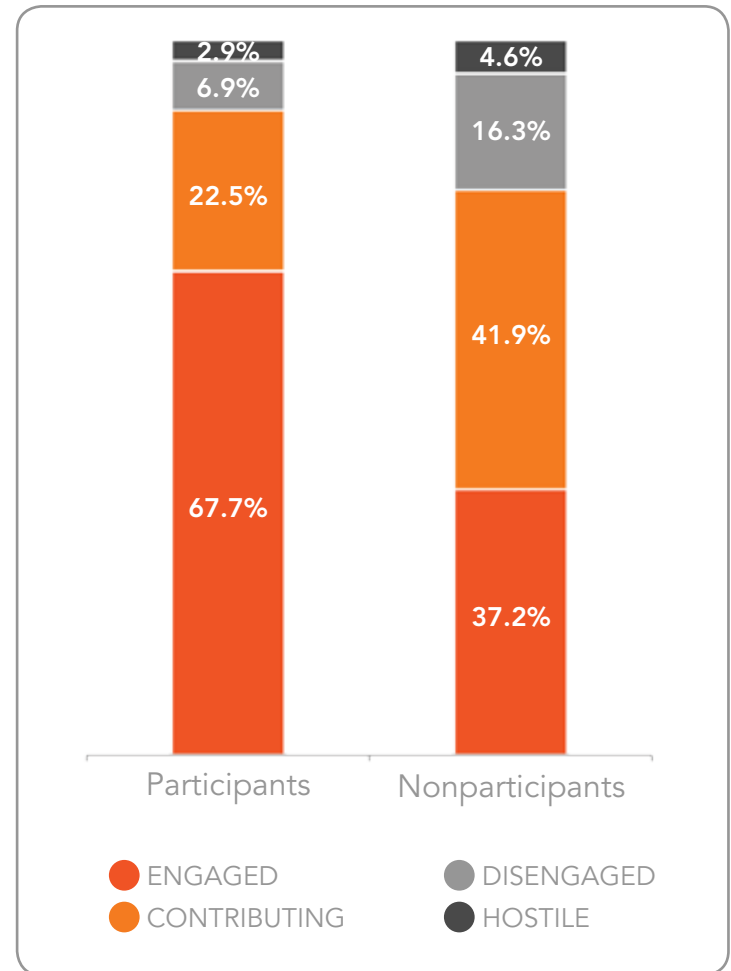
Is Engagement Really This High Nationwide? Maybe Not.

Keep in mind this data is collected from employees whose organizations voluntarily participate in Quantum Workplace's Best Places to Work survey. What kind of organization participates in Best Places to Work? Likely, an organization that believes it is among the best of the best in terms of employee engagement. Organizations with incredibly low employee engagement probably do not opt to participate in an employer of choice contest.

This year, in addition to our analysis of Best Places to Work participants, we've decided to take a look at a sample of nearly 100,000 employees from organizations that did not participate in Best Places to Work. The organizations in this sample recognize a need to commit to employee engagement and have taken action by deciding to survey their employees.

Among the sample of organizations that did not participate in Best Places to Work, 37.2 percent of employees ranked as engaged. That is 30.5 percentage points below the organizations that participated in Best Places to Work. The chart to the right illustrates the difference between the two different data sets.

In many cases, organizations in the smaller sample are motivated to survey in order to solve organizational issues rather than a desire to win a contest; therefore, it is no surprise that engagement among employees in this sample is lower. In reality, the national average of engaged employees is likely somewhere between the Best Places to Work participants, who already know they excel at corporate culture, and the smaller sample of non-participating organizations, who recognize the need to improve and monitor corporate culture.



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Position Level and Engagement

Engagement varies depending on an employee's position level within the organization. In our analysis of the 2012 Best Places to Work survey responses, we examined the following five position levels: Executive Level, Manager Level, Salaried Professional/Technical Roles, Other Salaried Employees, and Employees Paid Hourly.

As mentioned earlier, survey responders rated each item on a 6-point scale with six being most favorable. The first chart on the right shows how often each position level responded favorably to the survey. As exhibited in the chart, frequency of favorable response increased as position level within the organization increased. Executives responded favorably to survey items 93.4 percent of the time, whereas employees paid hourly responded favorably 75.5 percent of the time.

Looking back over the past three years, all but one of the position levels has trended more favorably over the years. Executives reported a very small decline in favorability at a .02 percent decrease. Professional/technical employees have experienced the greatest improvement in favorability from 2010 to 2012 with a 1.3 percent increase in the number responding favorably.

Favorability by Position Level



Change in Favorability, 2010 to 2012



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ROI: THE VALUE OF ENGAGEMENT

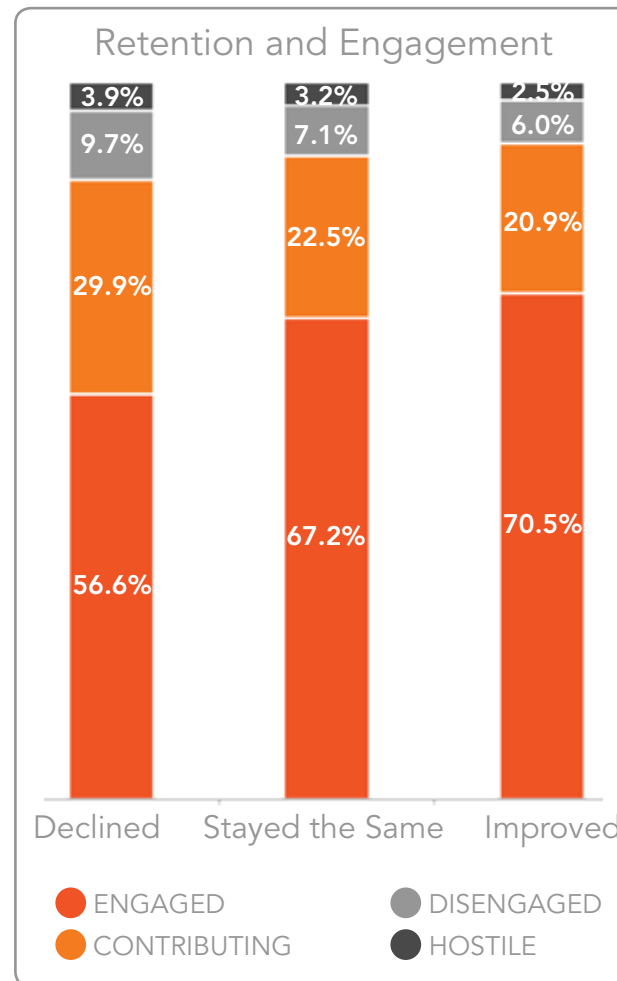
As a part of the Best Places to Work contest, each organization's main contact was asked to report on key business performance indicators, including employee turnover, profit, and sales. On each item, they reported whether their organization increased, stayed the same, or decreased over the past three years.

Retention and Engagement

Organizations that experienced improvements in retention over the last three years had significantly more employees engaged than at organizations where retention declined. To the right, you can see the differences among companies where retention declined, stayed the same, and improved by engagement profile.

Employees responded considerably more favorably than those at companies that reported retention staying the same or decreasing in the same time period. The average difference in favorability between organizations with increases in retention and those with decreases in retention was 8.2 percent, while the difference between those with increases and those that stayed the same was 2.1 percent. This means that

the difference between improving and declining was four times worse than the difference between improving and staying the same.



When looking at the 10 areas of engagement, the only area that didn't show a significant difference between those companies with an improvement in retention versus those with a decline in retention was benefits. Alignment with goals, trust in senior leaders, and feeling valued were the areas of engagement that saw the biggest difference in favorability between those that reported improved retention and those that reported decreased retention.

It is clear that organizations with higher levels of engagement are more likely to retain employees. Organizations suffering from high turnover are likely to find that employees don't feel valued, don't trust senior leaders, and don't understand the organization's goals and how they contribute to meeting those goals.

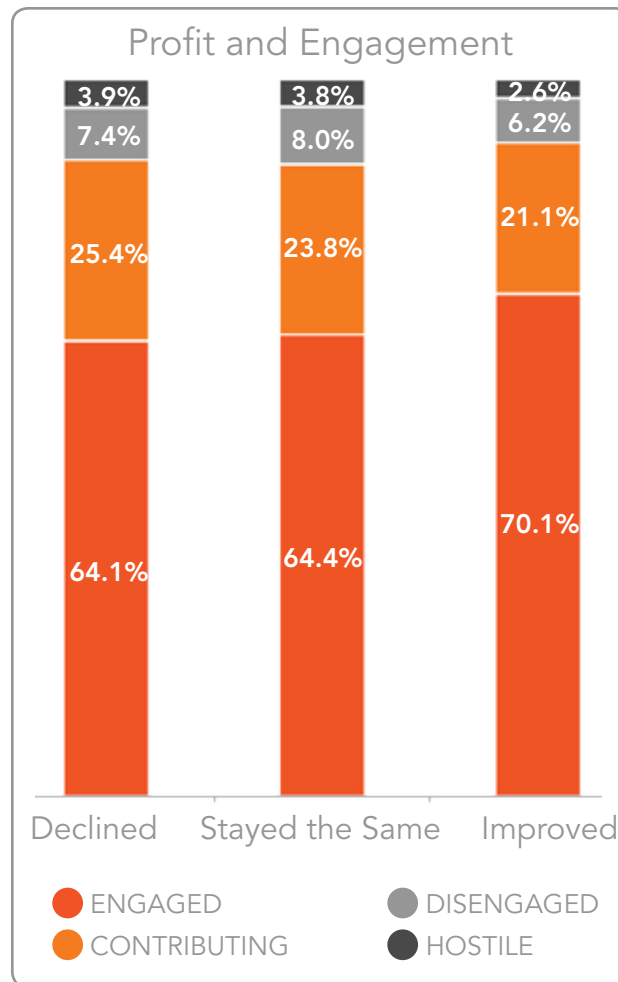
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Profit and Engagement

When asked about changes in profit, organizations with higher levels of engagement were more likely to report increases. The average difference in favorability between organizations with increases in profit and those with decreases was 3.4 percent. Interestingly, organizations reporting stagnant profits experienced the same level of engagement as those that reported decreasing profits. The same areas that suffered the most when retention was low also suffered the most when profits were stagnant or decreasing: alignment with goals, trust in senior leaders, and feeling valued.

On the right, you can see the differences among companies where profits declined, stayed the same, and improved by engagement profile.



The same areas that suffered the most when retention was low also suffered the most when profits were stagnant or decreasing:

- Alignment With Goals
- Trust in Senior Leaders
- Feeling Valued

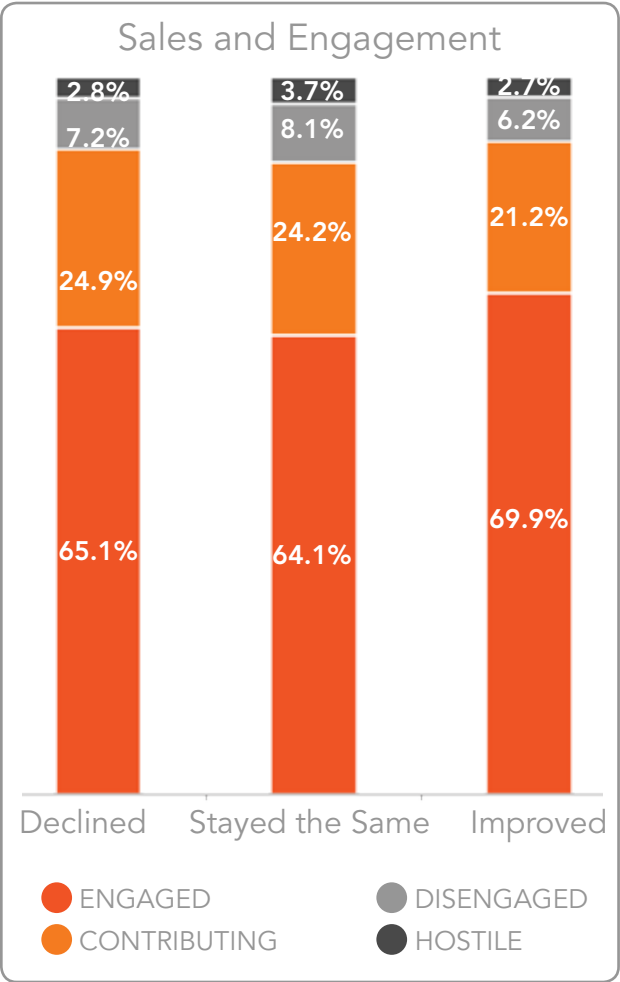
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Sales and Engagement

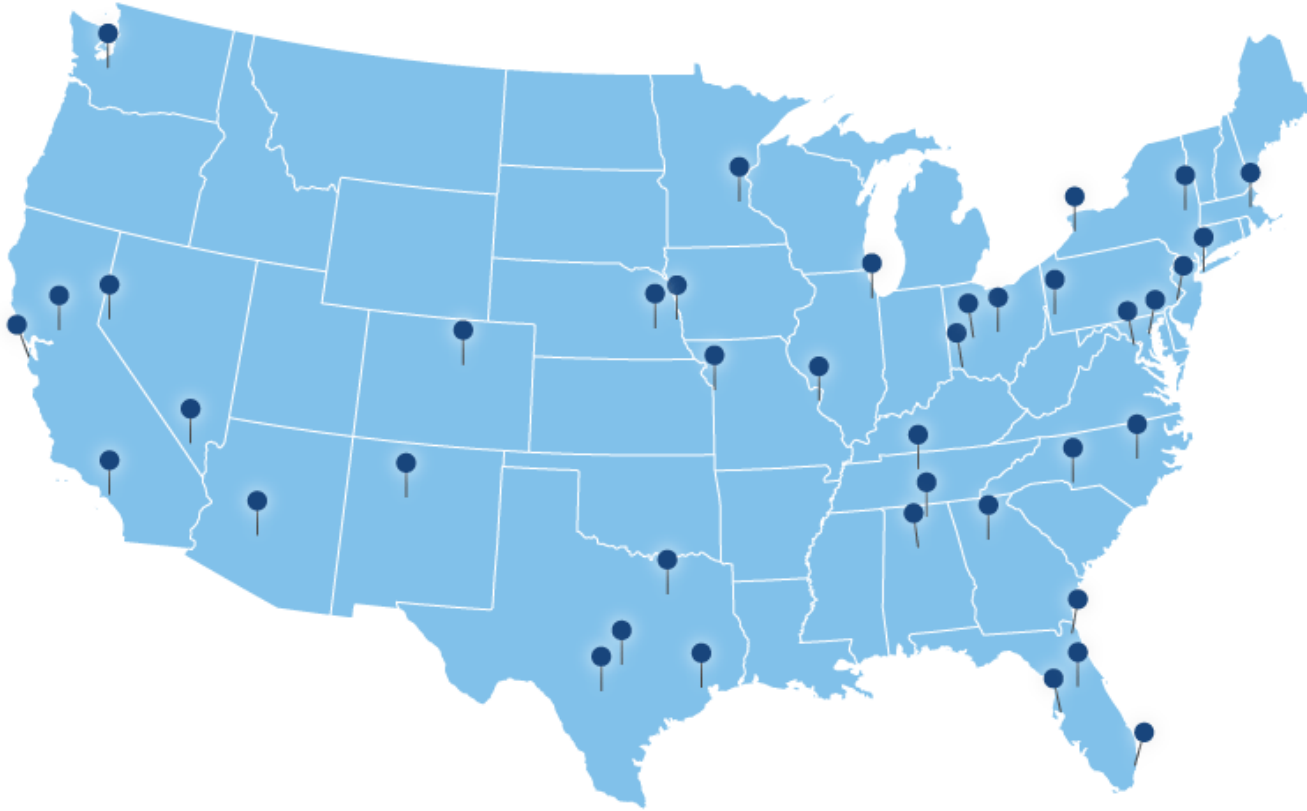
Reported change in sales is one area that didn't follow the predicted pattern. Unlike retention and profit, stagnation in sales actually correlated with a more negative level of engagement than a decline in sales. This is similar to some of our past findings on the relationship between the stock market and engagement. When business begins to decline, engagement increases at first as people band together to overcome tough times. However, as business becomes stagnant, it feels negative.

To the right, you can see the differences among companies where sales declined, stayed the same, and improved by engagement profile.



REGIONAL ENGAGEMENT TRENDS

Cities across the United States compete for recruiting top talent, but which cities offer the most when it comes to an engaged work environment? This section will examine engagement in the cities surveyed in 2012. Workplace perceptions varied among the cities; some experienced improvements in engagement, and some experienced declines.



The following cities ranked highest and lowest by percent engaged employees:

Top Five Cities

1. Charlotte, 70.7%
2. Denver, 70.7%
3. Sacramento, 70.7%
4. San Antonio, 70.1%
5. Washington D.C., 69.4%

Bottom Five Cities

1. Cincinnati, 53.2%
2. Omaha, 54.8%
3. Las Vegas, 58.3%
4. Albuquerque, 59.4%
5. Kansas City, 59.4%

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These cities experienced the biggest improvements and declines in engaged employees between 2011 and 2012:

Top Five Most Improved Cities

1. Baltimore, +11.5%
2. Phoenix, +8.4%
3. Las Vegas, +7.7%
4. Dallas, +4.5%
5. Omaha, +3.8%

Bottom Five Most Declined Cities

1. Huntsville, -6.3%
2. Cincinnati, -3.6%
3. Albuquerque, -3.5%
4. Houston, -3.4%
5. Nashville, -3.3%

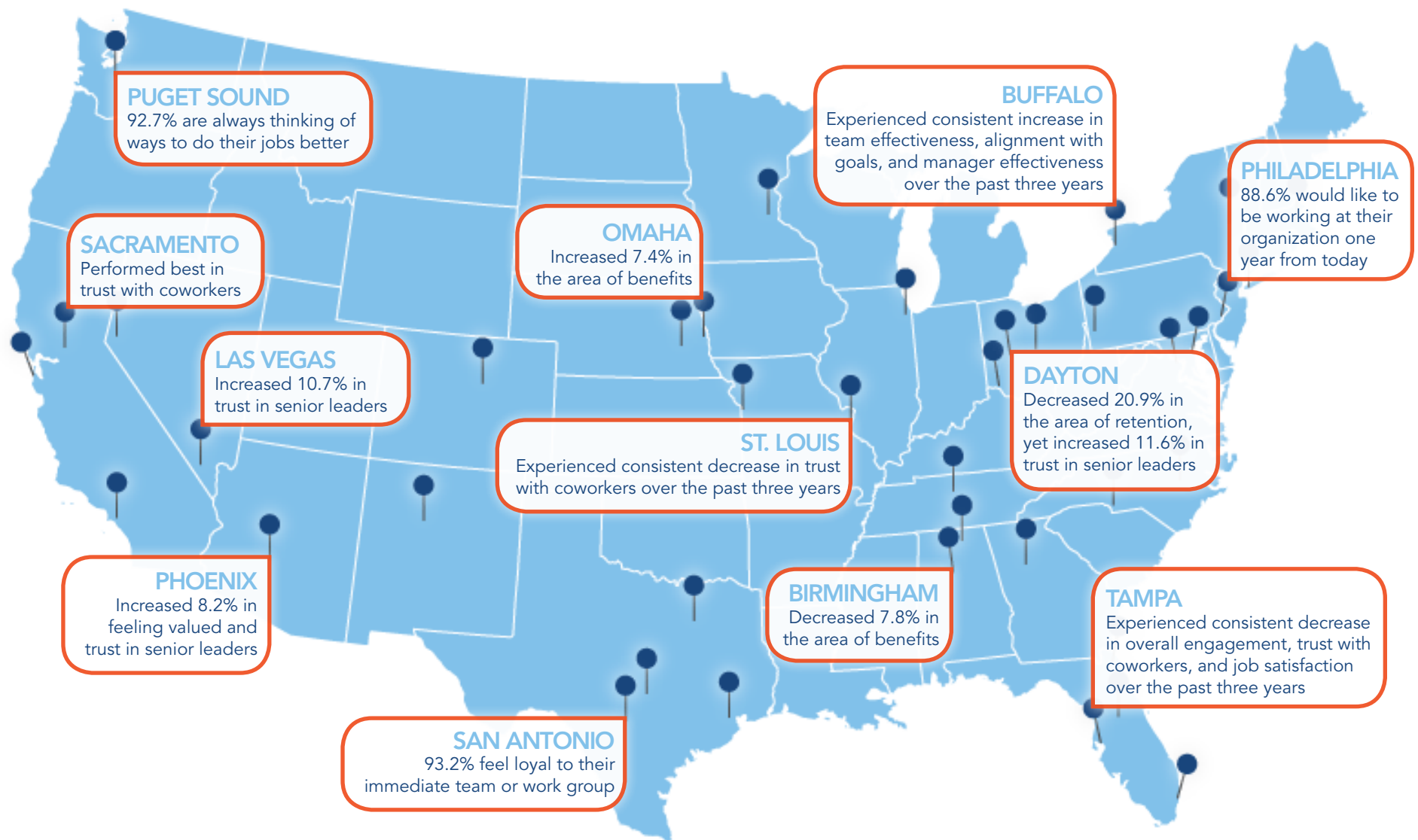
Looking back over the past four years, a few trends stand out:

- Only Denver and Charlotte have shown consistent and significant increases in engagement since 2009. All other cities have shown increases, as well as declines, over the same period.
- More than two-thirds of the cities exhibited declining perceptions in the areas of job satisfaction, retention, and benefits.
- Since 2009, 14 cities have increased favorability in manager effectiveness, which was only ranked eighth out of the 10 areas of engagement.
- Fourteen cities also increased favorability in trust in senior leaders, which ranked fifth out of the 10 areas of engagement.

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INDUSTRY ENGAGEMENT TRENDS

The diverse industries surveyed in 2012 demonstrated great variance in employee engagement. A distinctive difference exists between the most highly engaged industries and the lowest. Organizations in industries experiencing low levels of engagement would be wise to look outside their industry peers and instead gain ideas from organizations in high-performing industries.

The following industries were represented in the analysis:

Accommodation and Food Services	Other Services
Arts and Entertainment	Real Estate
Construction	Professional Services
Education	Public Administration
Finance and Insurance	Retail
Healthcare	Technology
Manufacturing	Utilities
Nonprofit	Wholesale Trade

The top three performing industries had an average of 74.6 percent engaged employees, which is nearly seven percentage points higher than the national average. The top performing industries were:

- Real Estate
- Accommodation and Food Services
- Construction

These have been the top three performing industries the past two years. However, in 2011 real estate ranked third. In 2012, engagement increased in the real estate industry, while it decreased in construction and accommodation and food services.

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75%
of employees
were engaged in
top performing
industries.

Want to dig deeper
into your industry's
engagement trends?
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INDUSTRIES: THE MOST TO LEAST ENGAGED

Real Estate

Accommodation and Food Services

Construction

Technology

Professional Services

Other Services

Finance and Insurance

Wholesale Trade

Retail

Arts and Entertainment

Healthcare

Nonprofit

Education

Manufacturing

Utilities

Public Administration



Unfortunately, not all industries experience such a high level of engagement. The three lowest performing industries had an average of 57.9 percent engaged employees. The industries with the lowest level of engagement were:

- Education
- Manufacturing
- Utilities

When looking at the number of hostile employees across industries, two industries stood out as having the greatest percentage of hostile employees:

- Healthcare, 4.4%
- Education, 4.3%

Four industries had less than two percent hostile employees:

- Construction, 1.2%
- Real Estate, 1.6%
- Professional Services, 1.7%
- Wholesale Trade, 1.8%

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Our analysis also evaluated how perceptions changed in industries from 2011 to 2012. Some industries remained constant, while others became drastically more positive or negative. The chart below displays the percent change in the engaged profile. The outlook in industries on the left became drastically more positive. Outlook in industries on the right became more negative.



**Arts and
Entertainment**
(+8.2%)

Education (+7.5%)

Retail (+7.4%)

Wholesale Trade
(+4.9%)

Manufacturing
(+2.2%)

**Finance and
Insurance** (+2.1%)

Other Services
(+2.0%)

Real Estate (+1.2%)

Professional Services
(+0.9%)

Technology (+0.6%)

Healthcare (-0.7%)

Nonprofit (-0.9%)

Utilities (-1.3%)

Construction (-1.9%)

**Accommodation and
Food Services** (-2.1%)

Note: In 2012, none of the industries analyzed experienced a drastic decline.

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ANALYSIS OF THE 37 SURVEY ITEMS

Now that we've looked at how engagement is trending at a high level, let's take a closer look. When analyzing each of the 37 survey items, we examined which items rated the highest and lowest, differences between Best Places to Work participants and nonparticipants, which items had the greatest amount of uncertainty, how uncertainty varied among different position levels, and which engagement drivers had the biggest affect on overall engagement.

Highest and Lowest Rated Items by Favorability

When analyzed separately, the Best Places to Work participants and the sample of nonparticipants rated the same items as highest and lowest. The top three rated items in 2012 were the same items rated in the top three in 2011. However, the three lowest rated items changed slightly from 2011 to 2012.

TOP THREE RATED ITEMS

1

I am always thinking about ways to do my job better.

2

I understand how my job helps the organization achieve success.

3

I feel loyal to my immediate team or work group.

BOTTOM THREE RATED ITEMS

We have benefits not typically available at other organizations.

35

Considering the value I bring to the organization, I feel I am paid fairly.

36

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

37

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Best Places to Work Participants vs. Nonparticipants

Recall from earlier that Best Places to Work participants exhibited a higher level of engagement than nonparticipants. This held true across all items; Best Places to Work participants rated every item more favorable when compared to nonparticipants. In fact, 31 of the 37 items differed by 10 percent or more favorability. The five items that exhibited the greatest differences between the data sets centered on themes of recognition and leadership. Differences in favorability are illustrated in the chart below.



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Areas of Uncertainty

On the survey's 6-point Likert scale, choices range from strongly disagree to strongly agree. Those answering somewhat disagree (3) or somewhat agree (4) are considered uncertain. In this section, we'll examine where the greatest amount of uncertainty lies in organizations.

Similar to the findings on the highest and lowest rated items, the Best Places to Work participants and the sample of nonparticipants also rated the same items as having the highest amount of uncertainty. Two of these items were also among the three lowest rated items.

MOST UNCERTAIN ITEMS

1

We have benefits not typically available at other organizations.
(31% uncertainty)

2

Considering the value I bring to the organization, I feel I am paid fairly.
(26.2% uncertainty)

3

I know how I fit into the organization's future plans.
(24.6% uncertainty)

Position Level and Uncertainty

The level of uncertainty measured on survey items increased as level of position within the organization decreased. So, executive level employees experienced the least amount of uncertainty while hourly employees experienced the greatest amount of uncertainty. In addition, the results showed both similarities and differences between the survey items that higher-level positions experienced uncertainty and lower-level positions experienced uncertainty.

Across the five position levels (executives, managers, salaried professional/technical roles, other salaried employees, and hourly employees), three items were among each level's top five most uncertain items:

- We have benefits not typically available at other organizations.
- Considering the value I bring to the organization, I feel I am paid fairly.
- There is open and honest communication between employees and managers.

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Of the executive employees, 21.4 percent were uncertain about the survey item, “We have benefits not typically available at other organizations,” compared to 32.5 percent of professional/technical employees, who experienced the greatest amount of uncertainty on this item. This was the only survey item on which more than 20 percent of executives showed uncertainty.

Two survey items were among executives’ top five most uncertain items that didn’t even appear in the top 10 of the most uncertainly rated items for other salaried employees or hourly employees. These were:

- My immediate supervisor regularly gives me constructive feedback on my job performance.
- My benefits meet my (and my family’s) needs well.

Only two survey items were rated with uncertainty by 20 percent or more of managers:

- We have benefits not typically available at other organizations.
- Considering the value I bring to the organization, I feel I am paid fairly.

Two survey items were among the top 10 most uncertain items for all position levels except executives and managers:

- My team effectively collaborates leveraging individual strengths.
- This job is in alignment with my career goals.

Areas of uncertainty represent areas of opportunity. If your goal is to raise favorable workplace perceptions, it’s often best to focus on areas of high uncertainty. Why? Because the most unfavorable attitudes are typically the hardest to change. Such employees have their minds made up. Luckily, they tend to represent the minority opinion. Your best bet is to identify areas of high uncertainty and offer clarity to those who have retained an open mind. This can be done through measured, structured communication strategies.

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Top Engagement Drivers: What's Driving Engagement?

As mentioned earlier, the survey contained six engagement anchors that measure what an organization's employee engagement level is based on employees' advocacy, discretionary effort, and intent to stay. The other 31 items in the survey are called engagement drivers. Employees' perceptions on these items affect, or drive, their overall engagement level. While all items have an impact on the overall level of engagement in organizations, as stated before, some have a greater effect than others.



The top three engagement drivers have been constant for the past six years.

Over the past six years, the same three items have risen to the top as having the greatest impact on the six anchors of engagement. These top three drivers are:

1. The leaders of this organization are committed to making it a great place to work.
2. I trust the leaders of this organization to set the right course.
3. I believe this organization will be successful in the future.

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Universally, the top three drivers impact engagement in all organizations. If you're performing well on these three items, it is highly likely you have a high level of overall engagement.

In 2012, the next three items driving overall engagement were:

4. The leaders of the organization value people as their most important resource.
5. I know how I fit into the organization's future plans.
6. I see professional growth and career development opportunities for myself in this organization.

These items have varied slightly from year to year. The fourth and sixth drivers increased in importance in 2012, while the fifth driver dropped one position. Your 2013 strategies can affect change on these items, positive or negative. Focusing on tactics to improve perceptions of these top engagement drivers will be a successful strategy for 2013. For ideas on how to take action on these drivers, check out Quantum Workplace's additional free resources on quantumworkplace.com that offer ideas and other insight on these topics, including:

- **The Six Forces Driving Engagement:** A whitepaper giving tactical next steps geared toward impacting the six top engagement drivers
- **How to Be a Great Leader:** A whitepaper detailing the qualities of the most effective leaders
- **Can You Bring Your Workplace Zombies Back to Life?:** A whitepaper discussing how to save (or let go) your disengaged employees
- **Fun and Work Can Coexist:** A quick webisode video featuring a Best Places to Work recipient
- **The Leader-Follower Paradox:** A webinar on using employee feedback effectively

For more insight and best practices, visit:
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ANALYSIS OF THE AREAS OF ENGAGEMENT

Now, let's take a look at the individual areas of organizational culture.

Employees' perceptions in all 10 areas have an impact on the level of their overall engagement. Naturally, some organizations rate certain areas of their culture more favorably than others. High-scoring as well as low-scoring organizations have need to identify what drives engagement for them. And what drives engagement for any organization likely changes over time.

From a normative standpoint, some items tend to be among key drivers more frequently than others. For example, perceptions of recognition tend to drive engagement more frequently in organizations than perceptions of compensation. But we have found through this study that the higher employees rate a particular item, the less likely that item is to be a key driver of engagement for that company.

So the questions we want to ask are:

- What do organizations that received the highest ratings have in common?
- What do the most engaged organizations rate more favorably: Manager effectiveness or trust in senior leaders? How about teamwork versus feeling valued?
- What about organizations with the lowest overall ratings? What is their most favorably rated category?

10

Areas of Engagement

Teamwork
Manager Effectiveness
Trust in Senior Leaders
Trust With Coworkers
Retention
Alignment With Goals
Feeling Valued
Individual Contribution
Job Satisfaction
Benefits

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To study these questions, we calculated each organization’s overall rating — that is, we gave it a score. Then we calculated scores for each organization’s 10 areas of engagement. We sorted the areas from highest to lowest to see what, if any, patterns emerged.

The goal was to identify patterns among the highest and the lowest performing organizations. Our research shows that high-performing organizations’ most favorable scores are in different areas than those of low-performing organizations.

Both in 2011 and 2012, the areas of engagement that had the strongest association with overall engagement were feeling valued and trust in senior leaders.

Yet, less than one percent of companies surveyed actually performed best in the area of feeling valued, and only one in

five companies performed best in the area of trust in senior leaders. It is very likely that organizations performing best in the areas of feeling valued and trust in senior leaders, compared to the other areas of engagement, also have a very high level of overall engagement.

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The most engaged organizations ranked feeling valued, trust in senior leaders, and retention the most favorably.

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Perceptions of retention, including the perception of professional development and career growth, fit this pattern as well. Said another way, when employees rated their organization most favorably in the area of retention,

they tended to have the highest engagement overall. These trends in the areas of engagement have remained constant for the past two years.

Of the remaining organizations surveyed, 50 percent scored the highest on items related to trust with coworkers. However, this group’s average engagement score was the lowest compared to other company groups that saw one of the other nine areas of engagement rated more favorably by their employees. Therefore, it can be concluded that when trust with coworkers is a company’s highest rated category, its relative overall engagement level will tend to be lower than competitors who excel in feeling valued, trust in leaders and retention.

The same can be said about the category job satisfaction. Again, if current job roles were found to be an organization’s most favorably rated area of engagement, then its overall

engagement scores tended to be among the lowest scoring companies overall.

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The least engaged organizations ranked trust with coworkers and job satisfaction the most favorably.

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To the right, you can compare highly engaged organizations versus lower-performing organizations. The most favorable areas of engagement for lower-performing organizations, trust with coworkers and job satisfaction, share a common theme: self-interest. These employees are thinking about themselves and their friends at work. In contrast, organizations with the highest levels of engagement scored most favorably in trust in senior leadership, feeling valued, and retention. These employees are thinking about the leadership team and their vision, the recognition of other employees' contributions, and professional development opportunities. The common theme is organization-interest. These employees are thinking about how they can better the organization's future.

What about the remaining areas of engagement? High alignment with goals ratings tended to be associated with higher scores overall. High individual contribution and teamwork ratings tended to be associated with lower overall ratings, but correlations between these categories and overall engagement scores were small.

Both perception of manager effectiveness, as well as perception of benefits, were not significantly associated with whether an organization earned a high overall engagement score. That is not to say that such perceptions are unimportant; it only means that whether they ranked high or low, it did little to predict an organization's overall score.

THE MOST FAVORABLE AREAS OF ENGAGEMENT

MOST ENGAGED ORGANIZATIONS

Trust in Senior
Leaders

Feeling Valued

Retention

LEAST ENGAGED ORGANIZATIONS

Trust With
Coworkers

Job Satisfaction

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RECOGNITION: WHAT DO EMPLOYEES WANT?

Knowing that feeling valued and being recognized for good work are key ingredients to an engaged workforce, two questions were added to the Best Places to Work survey for the second year in a row to find out more on the topic of recognition.

The research sought to discover what types of recognition employees value the most and their perception of its frequency (was it too much or not enough?). The survey examined 11 types of recognition:

- Granted time off
- Granted more flexibility/autonomy
- Additional job responsibility
- A personalized gift (plaque or company merchandise)
- Access to new learning/training opportunities
- Team celebration
- Praise from direct manager
- Praise from senior leadership
- A promotion
- Pay increase
- Spontaneous cash bonus

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Rather than look at overall perception, let's look at how perceptions varied among the engagement profiles discussed earlier. The diagram below shows how each engagement profile ranked their top six preferred forms of recognition.

Recognize Us! Employees' Top 6



ENGAGED

1. Pay increase
2. Access to new learning/training opportunities
3. Granted more flexibility/autonomy
4. Praise from senior leadership
5. Spontaneous cash bonuses
6. Praise from direct manager



CONTRIBUTING

1. Pay increase
2. Spontaneous cash bonuses
3. Access to new learning/training opportunities
4. Granted time off
5. A promotion
6. Granted more flexibility/autonomy



DISENGAGED

1. Pay increase
2. Spontaneous cash bonuses
3. A promotion
4. Granted time off
5. Access to new learning/training opportunities
6. Granted more flexibility/autonomy



HOSTILE

1. Pay increase
2. Spontaneous cash bonuses
3. A promotion
4. Granted time off
5. Access to new learning/training opportunities
6. Granted more flexibility/autonomy

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What's the Most Important Form of Recognition?

For the second year in a row, a pay increase ranked first across all engagement profiles, and a spontaneous cash bonus ranked second among every engagement profile except engaged employees, who preferred having access to new learning or training opportunities. As engagement rose, the importance of having access to learning or training opportunities increased.

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Engaged employees would rather receive training opportunities than a spontaneous cash bonus.

.....

As hostility rose, the desire for a promotion and more time off became increasingly important.

- Employees with an engaged profile ranked a promotion tenth, falling one spot in rank from 2011.
- Hostile and disengaged employees were nearly twice as likely as engaged employees to rank promotions as an important form of recognition.
- Employees with an engaged profile ranked more time off seventh in importance out of the 11 types of recognition.
- Hostile employees were 1.5 times as likely as engaged employees to rank time off as an important form of recognition.

Whether engaged or not, all employees ranked a personalized gift as the least important.

As engagement declined, **the desire for promotions and more time off became more important.**

Engaged vs. Hostile: The Biggest Differences in Recognition Preferences

The greatest differences between engaged and hostile employees were in the areas of team celebration, additional job responsibility, and praise from senior leadership.

Although ranked lower across all engagement profiles, team celebration showed the greatest variance among employees' perceptions. As employees became more engaged, desire for a team celebration increased. Engaged employees were 2.4 times more likely to see a team celebration as important when compared to hostile employees.

All engagement profiles ranked additional job responsibility low compared to other forms of recognition. However, engaged employees were nearly twice as likely to rank it important compared to hostile employees.

Praise from senior leadership is another area where engaged employees' opinions were remarkably different from the rest. Engaged employees were nearly twice as likely to rank praise from senior leadership as important, and they were the only engagement profile to rank praise from senior leadership as more important than praise from direct managers.

.....
ENGAGED EMPLOYEES
were nearly twice as
likely to rank praise
from senior leadership
as important.
.....



Frequency of Recognition

As employees' level of engagement increased, they were more likely to report the frequency of recognition as just right. Hostile employees were more likely to report that recognition was awarded too infrequently.

Across all engagement profiles, promotions, pay increases, and spontaneous cash bonuses were the top three recognition types reported as given too infrequently. The difference between engaged and hostile employees was significant. For example, 90 percent of hostile employees reported a pay increase as too infrequent, whereas only 37.9 percent of engaged employees reported it as too infrequent.

Following these compensation-based forms of recognition, praise from senior leadership was the next form of recognition too infrequently awarded for each profile except engaged employees, who reported a personalized gift as the next recognition type given too little, followed by praise from senior leadership.

For hostile employees, praise from direct manager was ranked fifth in terms of being awarded too little. For all other engagement profiles, it ranked eighth or ninth.

Being given additional job responsibilities was the top form of recognition reported to occur too frequently across all types of employees. 19.2 percent of engaged employees and 39.9 percent of hostile employees said it was awarded too often.

Granted time off and more flexibility and autonomy were most often reported as being just right in terms of frequency. The biggest difference between engaged and hostile employees' perceptions of recognition frequency was in the areas of praise from direct managers and senior leadership. Of the engaged employees, 82.2 percent said praise from direct managers was just right, compared to only 18 percent of hostile employees. That's a 64.2 percentage point difference. When looking at praise from senior leadership, 75.4 percent of engaged employees reported it being just right, compared to only 11.8 percent of hostile employees, a 63.6 percentage point difference.

**Praise from
senior
leadership
isn't awarded
frequently
enough.**

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Position Level and Recognition

This year we were also curious to see how preferences for recognition differed among different levels within organizations. We compared the following types of employees and how they ranked their preferred forms of recognition:



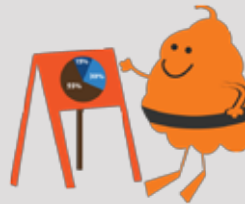
EXECUTIVE LEVEL

1. A pay increase
2. Praise from senior leadership
3. Granted more flexibility autonomy
4. Additional job responsibility
5. Access to new learning training opportunities



MANAGER LEVEL

1. A pay increase
2. Praise from senior leadership
3. Granted more flexibility autonomy
4. A spontaneous cash bonus
5. Access to new learning training opportunities



PROFESSIONAL/TECH

1. A pay increase
2. Access to new learning training opportunities
3. Granted more flexibility autonomy
4. A spontaneous cash bonus
5. Granted time off



OTHER SALARIED

1. A pay increase
2. A spontaneous cash bonus
3. Access to new learning training opportunities
4. Granted more flexibility autonomy
5. Granted time off



HOURLY

1. A pay increase
2. Access to new learning training opportunities
3. A spontaneous cash bonus
4. Granted time off
5. Praise from direct manager

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Executives were the only position level that ranked additional job responsibility in its top five forms of preferred recognition. Other position levels ranked it much further down, eighth, ninth, or tenth out of 11. Executives were also the only position level to not rank a spontaneous cash bonus in its top five, ranking it seventh instead.

Executives and managers ranked praise from senior leadership more important than praise from direct manager. For all other position levels, this was reversed.

The only forms of recognition listed in every position level's top five were a pay increase and access to new learning or training opportunities.

In terms of perceived frequency, executives were significantly more likely than managers to report "just right" ratings for each recognition opportunity.

Managers were most likely to report too much additional job responsibility, even among the most engaged managers. Other than a pay increase, managers were more likely to report too little in the way of promotions and praise from senior leadership.

Executives were the only position level that ranked additional job responsibility in its top five forms of preferred recognition.

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GO MAKE WORK **AWESOME!**

You've taken the first step.

By reading this report, you've already demonstrated your commitment to creating an awesome workplace with engaged employees. So what's next?

Survey. This report gave you insight to how organizations are doing as a whole, but what's the level of engagement in your organization? Understanding where you stand is essential to understanding where you need to go. Start by listening to your employees. Discover what aspects of your culture promote or detract from their engagement.

Analyze. Administering an engagement survey will allow you to examine where you're succeeding and where you're struggling. What sort of story does the data tell? How are you comparing to organizations similar to yours? Are some areas of your organization more engaged than others? What are they doing right?

Act. Now that you analyzed your organization's engagement data, prioritize where you're going to focus your efforts to make the biggest impact and then create a plan. Empower your managers with the data on their departments, so they can make an impact as well. Is it time to implement new strategies? Do you need to put an end to practices that aren't working? What needs to be enhanced?

About Quantum Workplace

Quantum Workplace delivers smart tools for achieving and recognizing workplace awesomeness. When work is awesome, employees are engaged, clients are loyal, and business is good. Founded in 2002, Quantum Workplace makes complex data understandable, so it's easy for organizations to take action. Quantum Workplace serves more than 5,000 organizations annually through employee engagement surveys, action-planning tools, leadership assessment, and employer of choice recognition.

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Relax. You may have a lot to work on, maybe not. But you've taken the appropriate steps to ensure you have an engaged workforce. You have a strategic action plan based on your findings, so you can rest at ease knowing you are doing the right thing.

Repeat. Are your new strategies working? Did you take the right course of action? Only time will tell. The most successful companies repeat this process annually to ensure they're on the right track and continuing an ongoing conversation with their employees.

Need Help? Quantum Workplace offers TeamPulse, LeaderGrade, Wyygo, and Best Places to Work to help organizations nationwide achieve high levels of employee engagement by following the process outlined above. It's our mission to help you make work awesome. Give us a buzz.

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