

# The State of Employee Engagement in 2018

Leverage leadership and culture to maximize engagement

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## Executive Summary

Research and practice in employee engagement have been expanding and maturing for over 25 years. But where exactly do employee engagement practices stand today? To find out, we surveyed 717 HR.com members who are in the HR profession and related fields.

### Here are some top-level findings from our report.

**There is no consensus on a single definition of employee engagement**, but there is wide agreement (84%) that it is a willingness to give one's best at work.

**Only 44% strongly agree or agree that employees in their organization give discretionary effort**, suggesting most organizations need substantial help in this area.

**Most participants believe less than 70% of their employees are engaged**, and about a third report that fewer than 39% of employees are engaged.

**Over 90% believe there is solid evidence linking engagement to performance**, and they believe it has the strongest impact on customer service and productivity.

**More than anything else, leadership and culture drive employee engagement.** About three-quarters link engagement to relationships, trust, and culture.

**Respondents were most likely to view leaders as being responsible for engagement**, and top leaders were viewed as nearly as accountable as direct supervisors.

**Yet, only two-fifths say their senior leaders prioritize employee engagement**, and just 28% said their managers are highly skilled at fostering engaged individuals and teams. This suggests that many of the engagement problems organizations face can be boiled down to lack of leader skills and prioritization.

**Only 53% of organizations measure employee engagement.** Of those that are measuring engagement, 77% still use an annual formal survey. However, four-fifths of those that measure engagement use multiple methods for doing so.

**Highly engaged organizations are much more likely than less engaged organization to measure engagement continuously,** and they are a little less likely to measure it once a year.

**Respondents from more highly engaged organizations are much more likely to instill good leadership behaviors.** While 57% of more highly engaged organizations instilled good leadership behaviors in managers to a high or very high degree, the same was true for only 34% of respondents from less engaged organizations.

**The ability to foster collaboration is a major differentiator between highly engaged and less engaged organizations.** Being able to build trust by being fair is another differentiator. Leaders in more highly engaged organizations are also better at listening carefully to employee feedback and maintaining a positive work culture.



## Introduction

Since shortly after William A. Kahn wrote [“Psychological Conditions of Personal Engagement and Disengagement at Work”](#) in 1990, the HR profession has been on a quest to define and improve engagement in the workplace.

The theory that higher engagement can improve productivity spurred over two decades of attempts to increase organizational performance by boosting employee engagement. Since then, businesses have spent billions of dollars on annual surveys, programs, and employee perks with relatively little to show for it.

Some organizations have, however, seen considerable progress. This study was designed to get an idea of how well today’s HR professionals believe their organizations are performing in this area.

### A Report Card on Engagement

What follows is a report card on employee engagement. It comes primarily from HR practitioners and those in related roles. Participants assess the current state of employee engagement in their organizations and provide information on the execution of engagement strategies and practices.



## What Is Employee Engagement?

Twenty-eight years after Khan wrote his article, we still do not have a consensus on a definition of employee engagement.

**Finding: Over three-quarters of respondents agree that employee engagement is both emotional commitment and a willingness to give your best at work**

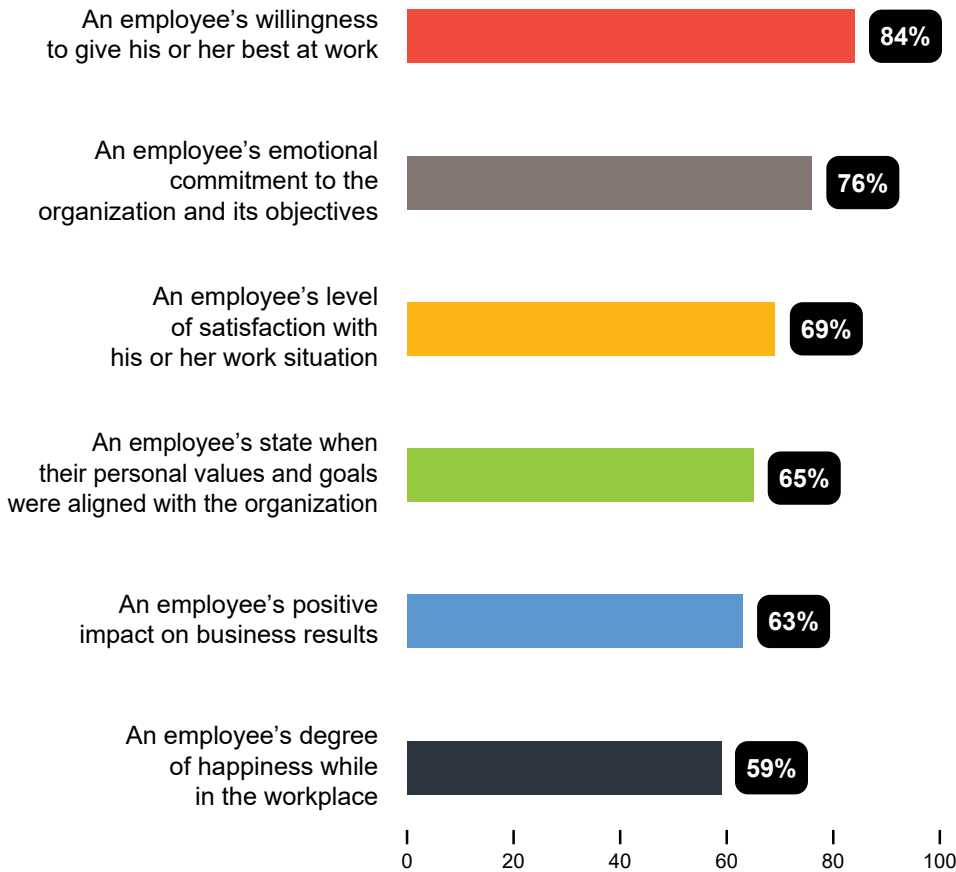
We asked a question in order to discern how HR practitioners define engagement. Each of the definitions we provided is commonly associated with engagement but is not necessarily a good definition of engagement. For example, 69% said that a valid definition of engagement is “an employee’s level of satisfaction with his or her work situation.” Some engagement experts would disagree that this is a valid definition, but the fact that a high number of respondents identify it demonstrates that many HR practitioners have an inclusive rather than exclusive view of engagement.

On the other hand, three-quarters or more of participants said that engagement can be defined as “an employee’s willingness to give his or her best at work” and “an employee’s emotional commitment to the organization and its objectives.” These tend to be more conventional definitions of engagement, so it’s a good sign that they were widely chosen.

So, why would there be so much variation in how HR practitioners define engagement? There are a variety of possible reasons for that:

- Professional associations and academic institutions often seek to differentiate themselves from others with their own interpretations, and definitions change as the body of knowledge grows.
- Vendors and consultants must differentiate themselves from their competitors to position themselves in the market.
- Every organization has its own culture and language.
- Although managers tend to like short, precise definitions, human motivation and behavior are complex.

**Survey Question:** Which of the following do you consider valid definitions of employee engagement? (Select all that apply)



An employee's willingness to give their best at work is the primary hallmark of engagement

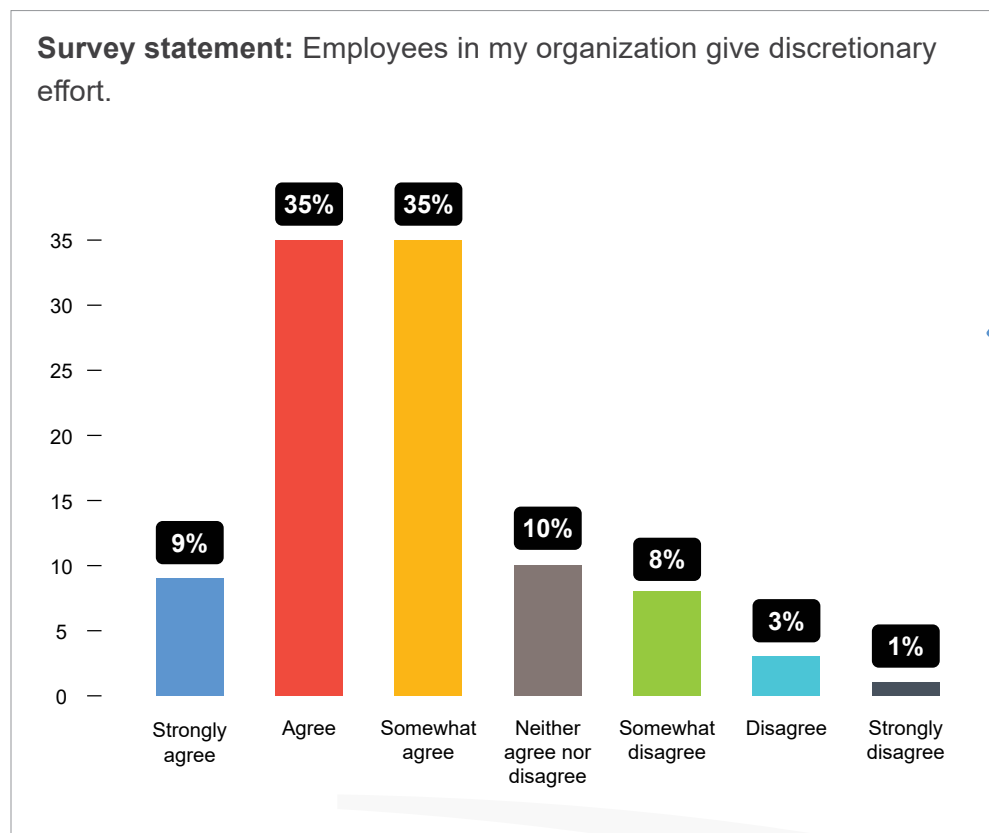


## How Engaged Are Today's Employees?

Our survey explored respondents' opinions on the current state of employee engagement in their organizations. Based on the previous finding, engagement is most widely viewed as occurring when an employee gives his or her best at work. This can also be called discretionary effort. In this study, we asked participants about the degree to which employees put forward such effort. Only 9% strongly agreed that their employees do, with another 35% agreeing. This indicates that most employers still face major employee engagement challenges.



**Finding: Only 44% agree that employees in their organization give discretionary effort**



Just 9% strongly agree that their employees give discretionary effort



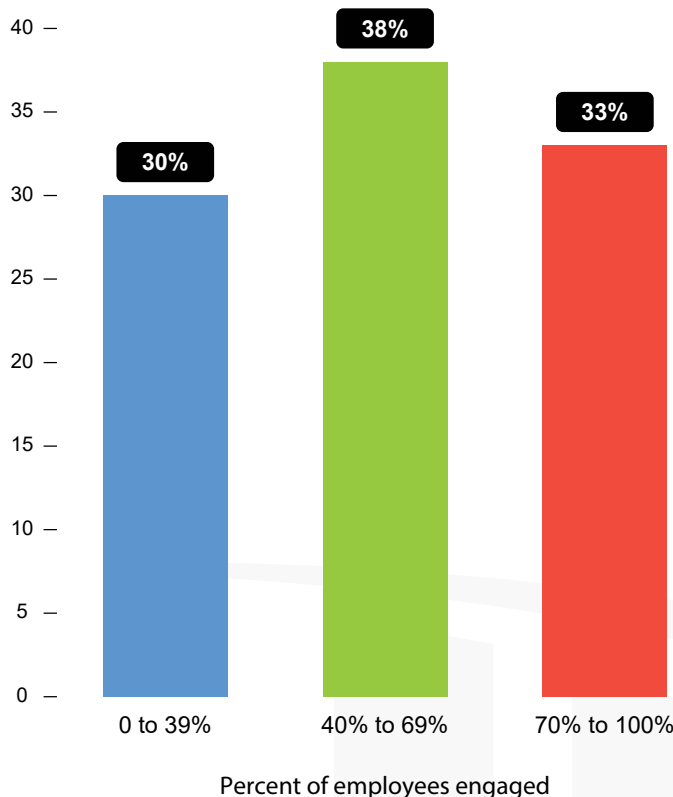
**Finding: Over two-thirds of respondents believe less than 70% of their employees are engaged**

The discretionary effort provides a general idea of the employee engagement problem. In any organization, however, some employees will be more engaged than others. With this in mind, we asked what percentage of employees are engaged. It turns out HR professionals tend to believe that large swaths of their organizations are not engaged. In fact, only about a third of respondents said that 70% or more employees are engaged. In this report, we will refer to organizations in which 70% or more employees are engaged as “highly engaged organizations” and we will refer to the rest as “less engaged organizations”.

Like the discretionary effort question, this one also indicates that most employers could be doing much better in the area of employee engagement.



**Survey Question:** About what percentage of your organization’s workforce do you believe is engaged?

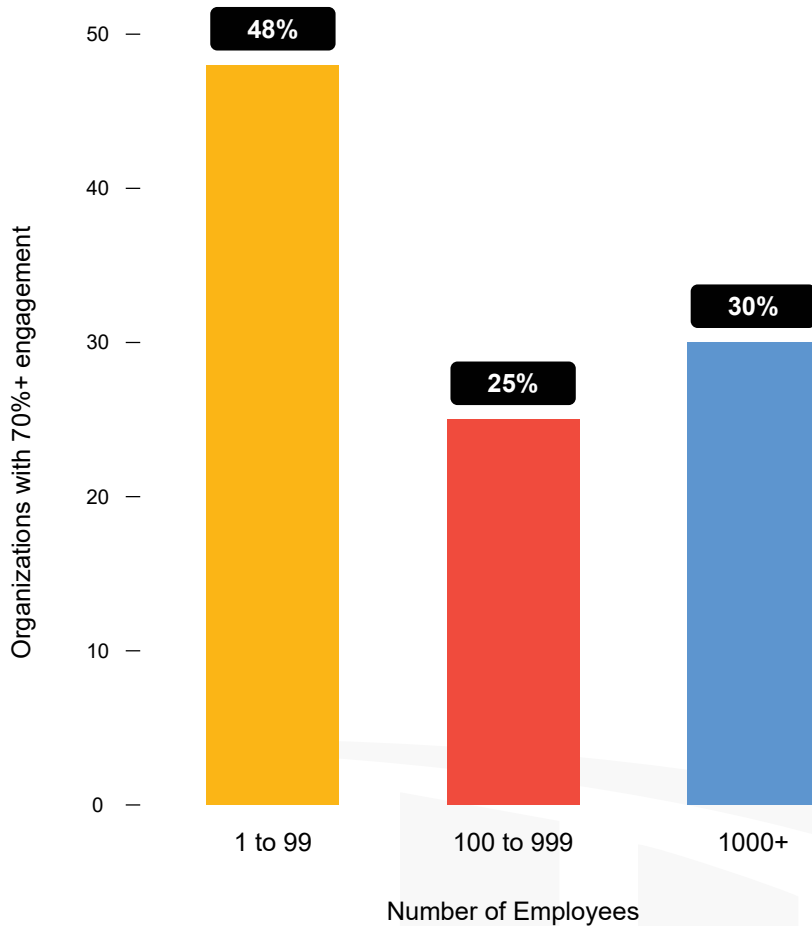


Only a third of organizations say that 70% or more of their employees are engaged

**Finding: Respondents in medium-size organizations report lower engagement than those in small and large organizations**

This study suggests that small organizations tend to view their employees as more highly engaged, while mid-sized organization have the biggest problem with engagement. These findings might be due to organizational maturity. Organizations with 100 to 999 employees have become too large to provide the kind of personal, high-touch management associated with higher engagement, but many mid-sized organization have not yet attained the talent management maturity of larger firms.

**Survey Question:** About what percentage of your organization’s workforce do you believe is engaged? [by size of organization and percent of engaged employees]



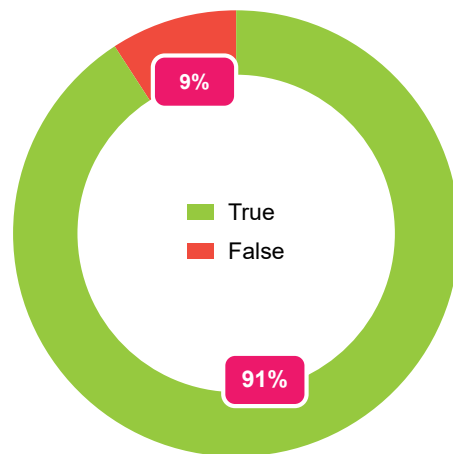
This research suggests that smaller organizations have an employee engagement advantage

## What Is the Impact of Engagement?

**Finding: Over 90% of respondents believe there is solid evidence linking engagement to performance**

Based on this data, it's clear that achieving high levels of employee engagement is difficult for many organizations. Is that because they do not believe engagement has a significant impact on organizational performance? No. In fact, this study indicates that there's wide agreement that it has a high impact on performance. Over 20 years, a variety of studies have indicated that there's a correlation between employee engagement and organizational performance. For many, the real question is whether engagement actually drives performance or is just associated with it (e.g., because similar organizational factors drive both performance and engagement).

**Survey statement:** There is solid evidence linking engagement to performance.

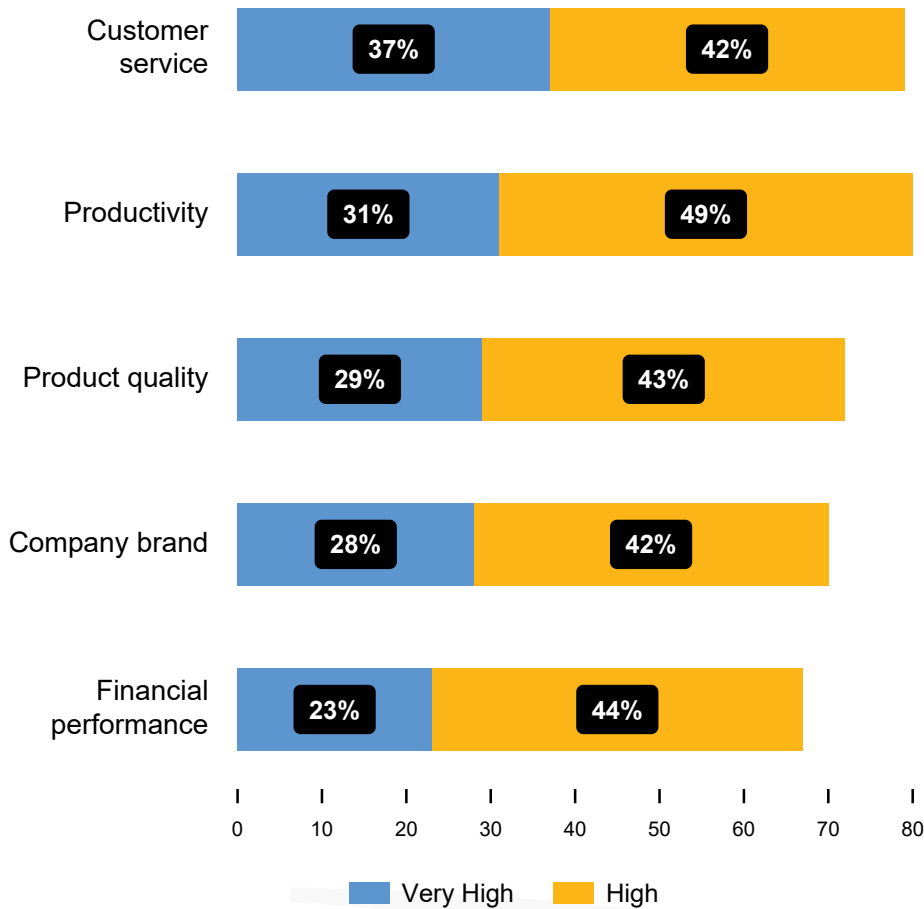


**Finding: Engagement has the biggest impact on customer service and productivity**

Study participants view engagement as having a positive impact on a number of performance indicators. Productivity and customer service were the areas where there was the greatest perceived impact, though two-thirds also stated that engagement has an impact on financial performance to a high or very high degree.



**Survey Question:** About what percentage of your organization’s workforce do you believe is engaged?

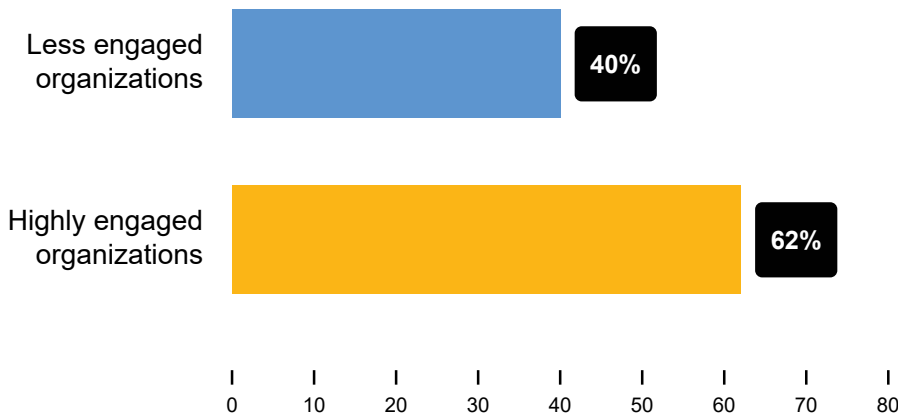


### Finding: Highly engaged organizations are more likely to be top financial performers in their industries

The survey asked respondents about how they fared in terms of financial performance in their most recent fiscal years. Among highly engaged organizations, 62% reported being in the top quartile of financial performers compared to competitors in their industries. Among less engaged organizations, the number was only 40%.

Although this relationship between engagement levels and financial performance may not be causative, it does lend some support to the view of many HR professionals who feel that engagement is linked to other types of organizational performance.

**Survey Statement:** Please rate your organization's financial performance in the most recent fiscal year compared to competitors in your industry. [by engagement level and percent in the top quartile of financial performers]



Over 60% of highly engaged organizations report being in the top quartile of financial performers in their industries



## What Drives Engagement?

### Finding: More than anything else, leadership and culture drive employee engagement

About three-quarters of respondents believe engagement is highly linked to supervisory relationships, leadership trust, and organizational culture. The top two factors fall clearly into the realm of leadership. To be engaged, employees must trust leadership. This includes building a trusting relationship with immediate supervisors, of course, but it also implies trust in other organizational leaders, including those at the top.

Not surprisingly, organizational culture is largely driven by leadership, but it includes a wide variety of other factors, from organizational values and norms to typical behaviors of employees. Organizational culture has become a primary factor in candidates' choice of employers, and capable employees no longer feel obligated to tolerate a toxic culture.



**Survey question:** Which of the following factors are most highly linked to employee engagement in your organization? (Select all that apply)

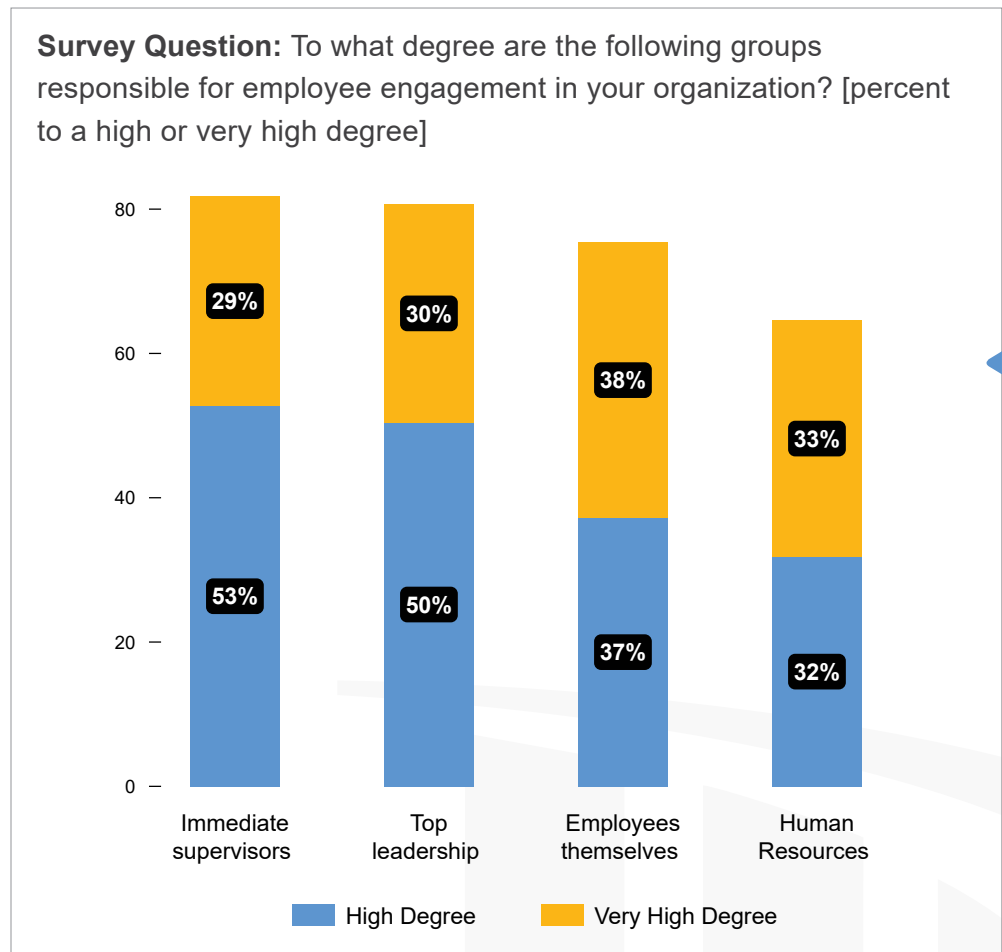


Trust in leaders is the foremost driver of engagement

**Finding: Respondents were most likely to view leaders as being responsible for engagement**

Another survey finding supports the notion that leaders bear most of the responsibility of improving employee engagement. What’s interesting is that top leaders bear about as much responsibility as immediate supervisors, which challenges some of the conventional wisdom in the area of engagement. Typically, managers say that employees do not leave jobs, they leave bosses. But that only scratches the surface. Employees need to feel not only that they have an environment where they can thrive but that their top leaders are taking the organization and its people in the right direction.

HR professionals, however, view themselves as bearing less responsibility than leaders or employees themselves. Why? It’s probably because they are not directly overseeing employees. On the other hand, HR professionals are often in charge of conducting organizational climate surveys and running programs that influence engagement.



**Top leaders and immediate supervisors are almost equally responsible for employee engagement**

## Finding: Only two-fifths say their senior leaders prioritize employee engagement

Leadership skills are the primary differentiators between highly engaged organizations and average organizations. Whereas only 39% of average organizations say their senior leaders prioritize engagement, the same is true for 56% of more highly engaged organizations (that is, those in which 70% or more of employees are engaged). Similarly, whereas only 28% of all respondents said their managers were highly skilled at fostering engaged individuals and teams, the same was true for 41% of more highly engaged organizations.

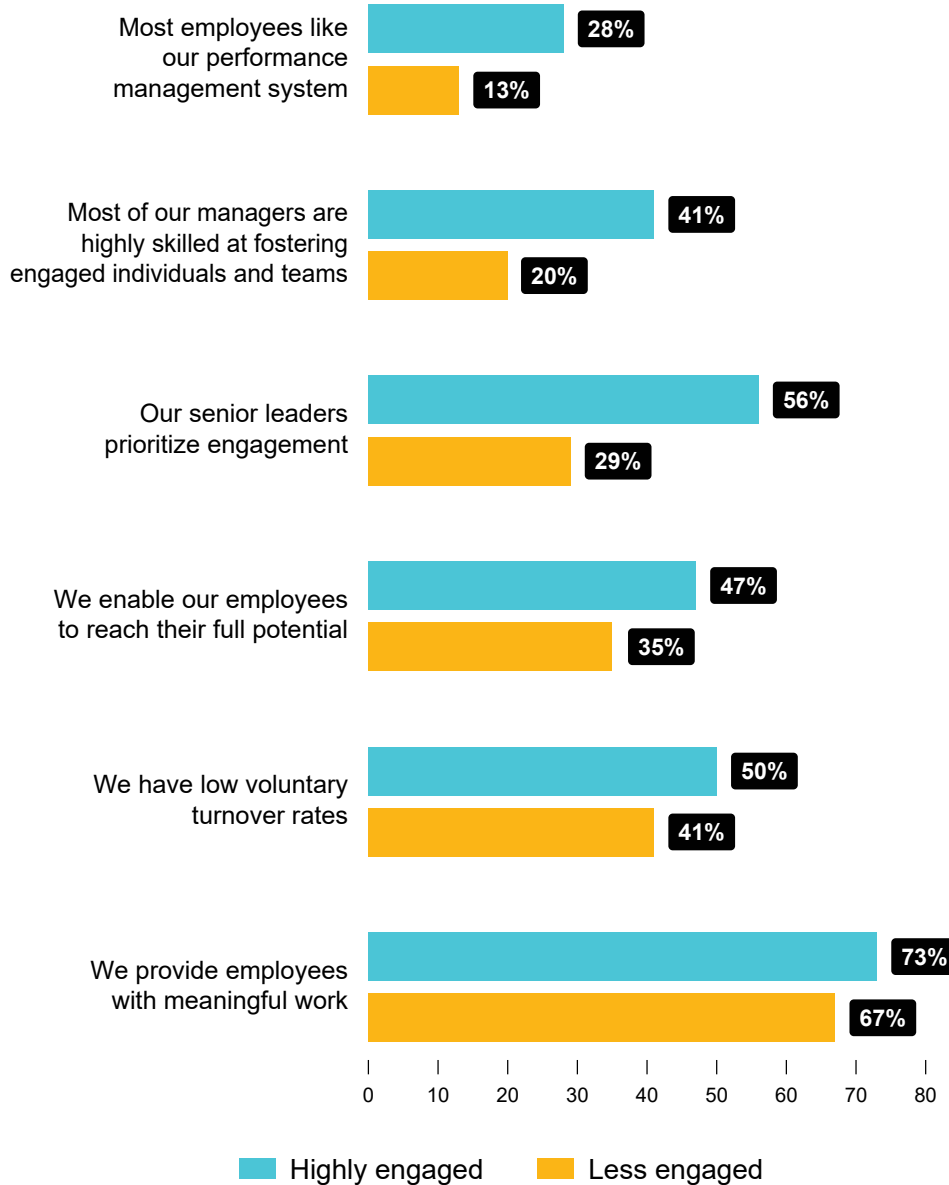
Less engaged organizations tended to do worse than average in these areas. For example, only 29% said their senior leaders prioritize engagement.

This data suggests that improving leaders' priorities and skill sets are keys to raising employee engagement levels. Few people have the innate skills required to be stellar managers. Leadership development is, therefore, one of HR's biggest challenges, but it is also a golden opportunity to help their organizations boost organizational performance.

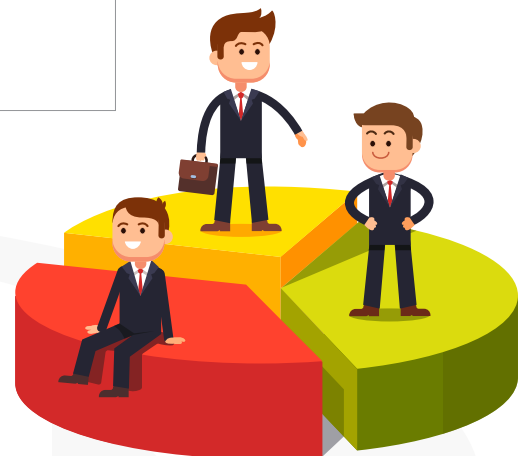




**Survey Question:** Which of the following is true in your organization?  
(Select all that apply)



In highly engaged organizations, senior leaders are far more likely to prioritize engagement



## How Do Organizations Measure Engagement?

If employee engagement is closely related to organizational performance, it follows that measuring it and finding ways to improve it should be a priority for most companies. Survey results do not, however, indicate this is true.

### Finding: Only about half of respondent organizations measure engagement

In fact, only about half of respondents say their organizations measure engagement, with the largest organizations being most likely to measure it. This raises the issue of why more organizations don't measure it.

Leaders of smaller organizations may be more likely to feel that they are in touch with their employees and do not need surveys or other measurements to tell them what they already know. Others may feel that engagement is low and do not want to call attention to it.

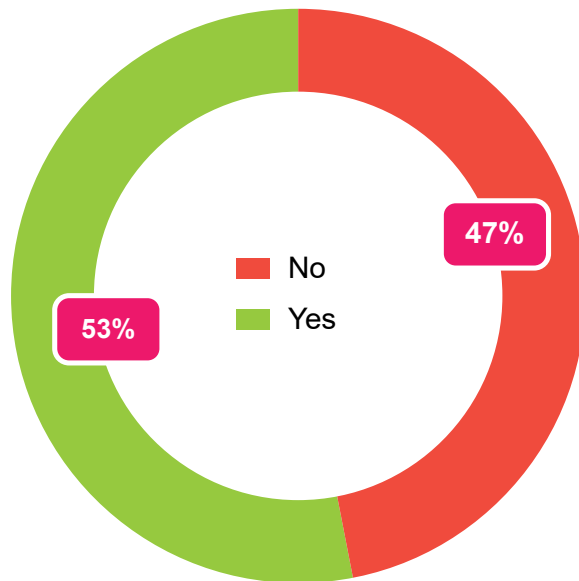
Whereas 58% of highly engaged organizations measure engagement, the same is true for only 51% of less engaged organizations.

Another possibility is that measuring and reporting on engagement requires some sophistication in reporting and analytics. HR capability is still lagging in terms of analytics competencies. Perhaps many organizations do not know how or what to measure.

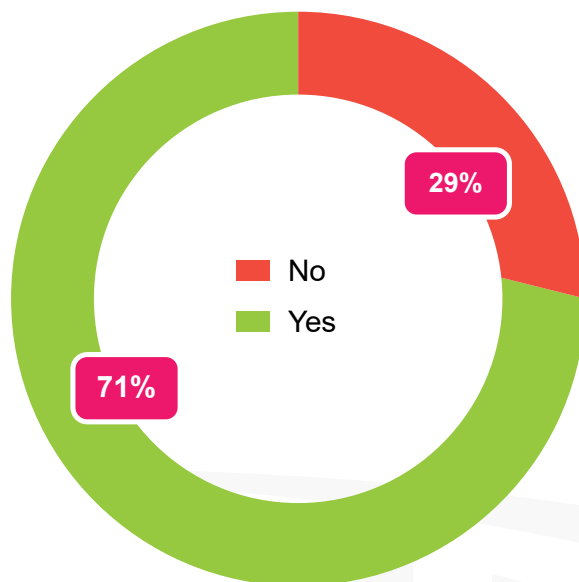


**Survey Question:** Does your organization measure employee engagement?

All Organizations



Organizations with 1000 or More Employees



Large organizations are far more likely to measure employee engagement

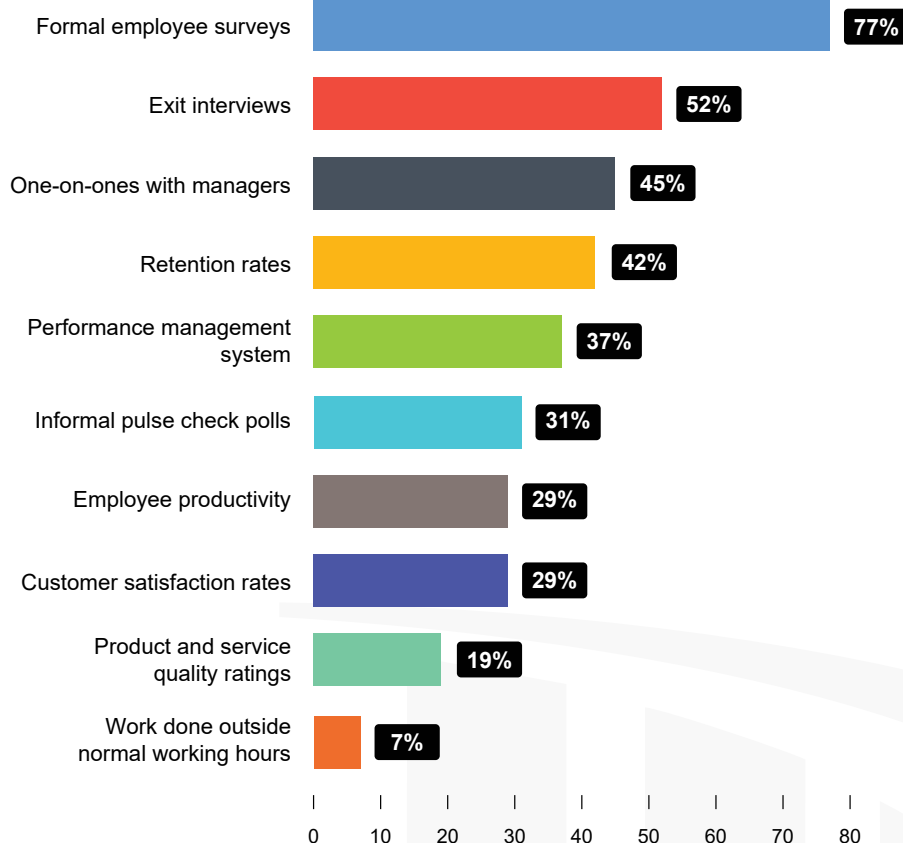
**Finding: Conducting formal surveys is still the go-to method of measuring engagement**

Employee surveys have been with us since the 1930s, and they have a long history of both use and misuse. An annual survey can be a very useful and organization-changing tool if used correctly. But such surveys often try to capture too much data all at once. Moreover, organizations sometimes take months to analyze and formulate a response to extensive survey findings. By that time, the lengthy silence may have already left employees wondering if anyone cares.

Organizations are experimenting with new ways to acquire more frequent and better-focused employee feedback. The use of more frequent surveys is receiving much attention, but organizations must find the right balance. They don't want to cause survey fatigue. Trying to perfect this is an area of experimentation and innovation in some of today's organizations.



**Survey Question:** How does your organization measure employee engagement?

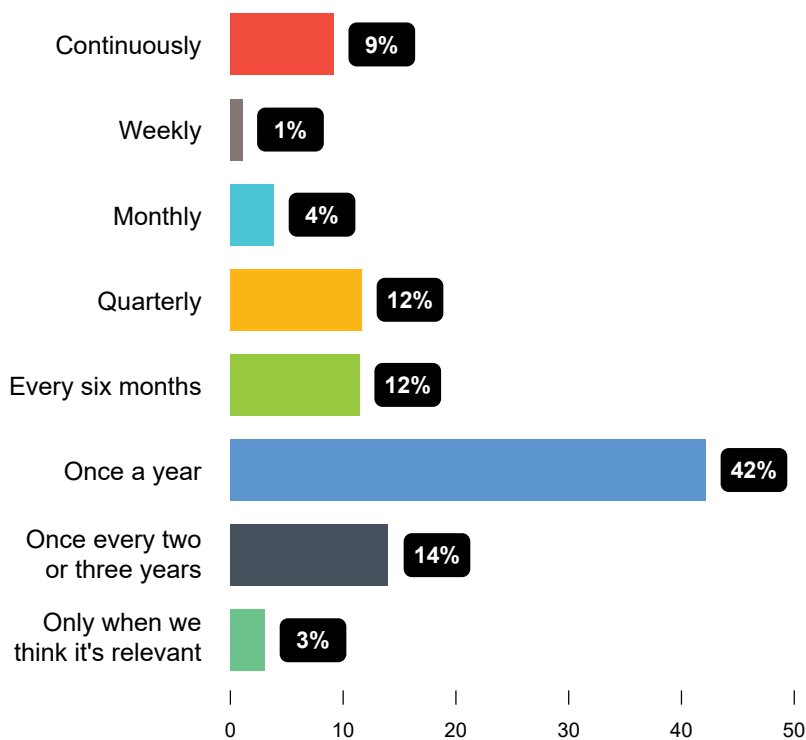


Even among companies that measure engagement, relatively few use pulse check surveys

## Finding: Most measure engagement once a year or less often

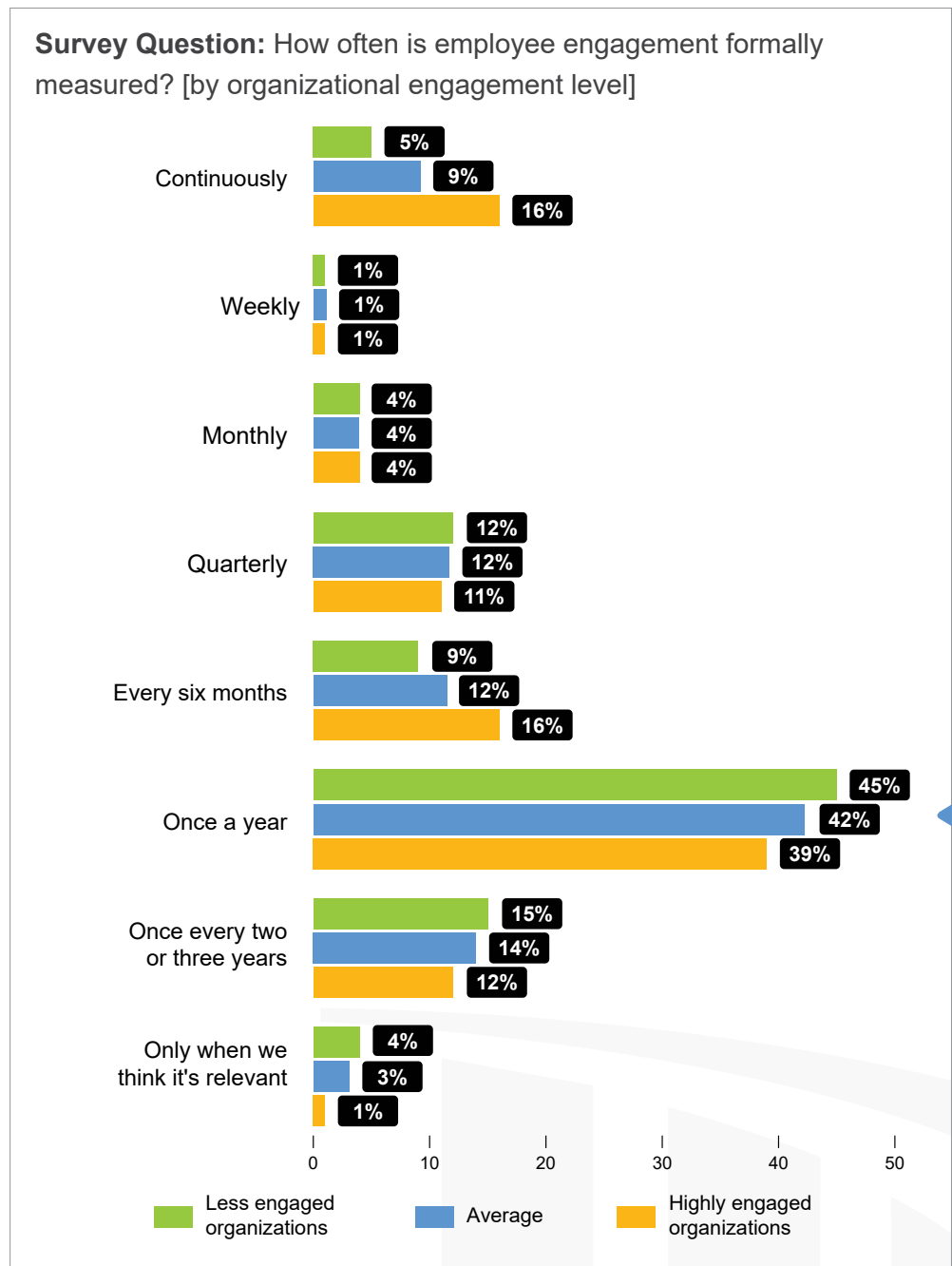
Some organizations are moving toward more frequent measurement and multiple measurement methods. One reason for this is that they find that engagement is not a constant that we can capture in a once-a-year snapshot. It fluctuates for every individual over time.

**Survey Question:** How often is employee engagement formally measured?



**Finding: Highly engaged organizations are more likely than other organizations to measure engagement continuously**

Whereas only 5% of less engaged organizations measure engagement continuously, over three times as many (16%) of highly engaged organizations do so. Highly engaged organizations are also more likely to measure engagement every six months and slightly less likely to measure it once a year.



Highly engaged organizations are slightly less likely to conduct engagement surveys once a year

**Finding: Of those that measure engagement, most (81%) use multiple methods**

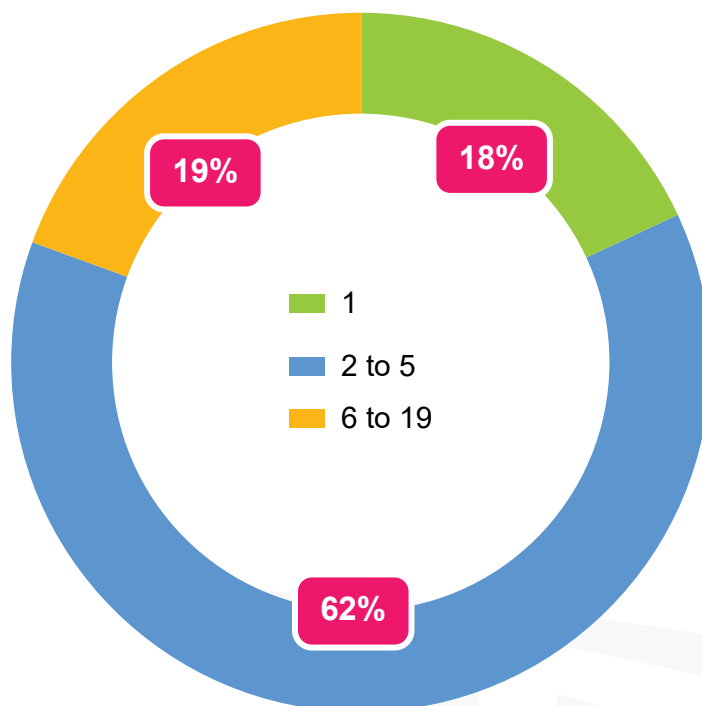
Pulse surveys are growing in popularity because they rely on very short survey on small samples of employees. Aggregated and analyzed over time, they can produce valuable intelligence.

We find the use of exit interviews troubling. Although they can capture valuable data, they are difficult to administer in a way that will make a departing employee comfortable with being truthful. We recommend thorough validation before using them to gauge engagement.

Other companies are experimenting with passive methods such as using data from other sources. We recommend caution. Employee productivity, customer satisfaction, and product and service quality may not be under the employee's control, and work done outside normal working hours has been proven to be counterproductive in some cases.



Number of Measurement Methods Used



Only about a fifth of organizations limit themselves to one engagement metric

## How Do Organizations Respond to Engagement Metrics Data?

Sharing the results of employee surveys is essential to building trust in the organization and its leaders. Whether you share feedback and how you do it can have a profound effect on organizational culture.

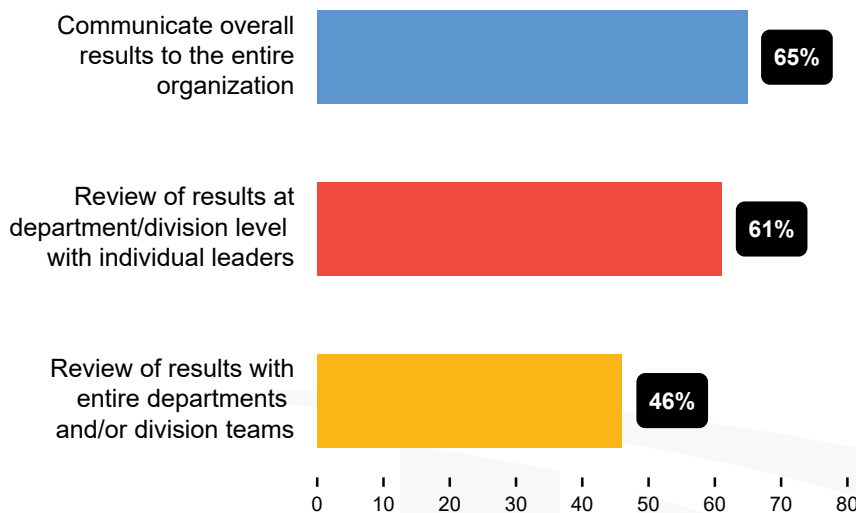
**Finding: Only 46% of respondents say their organizations review results with entire departments or division teams**

About two-thirds of participants said their organizations communicate results to the entire organization. We think, generally speaking, this is a sound practice because it confirms with employees that the organization is paying attention to engagement.

Fewer, however, review results with entire departments or division teams. Since, as this study shows, engagement is largely driven by immediate supervisors, this may be something more organizations should consider. The trick is to communicate wisely and well. Determining how best to do this is HR's opportunity to influence two-way communication in the organization.



**Survey Question:** How do you share employee engagement data?  
(select all that apply)



Most communicate engagement data to the whole organization



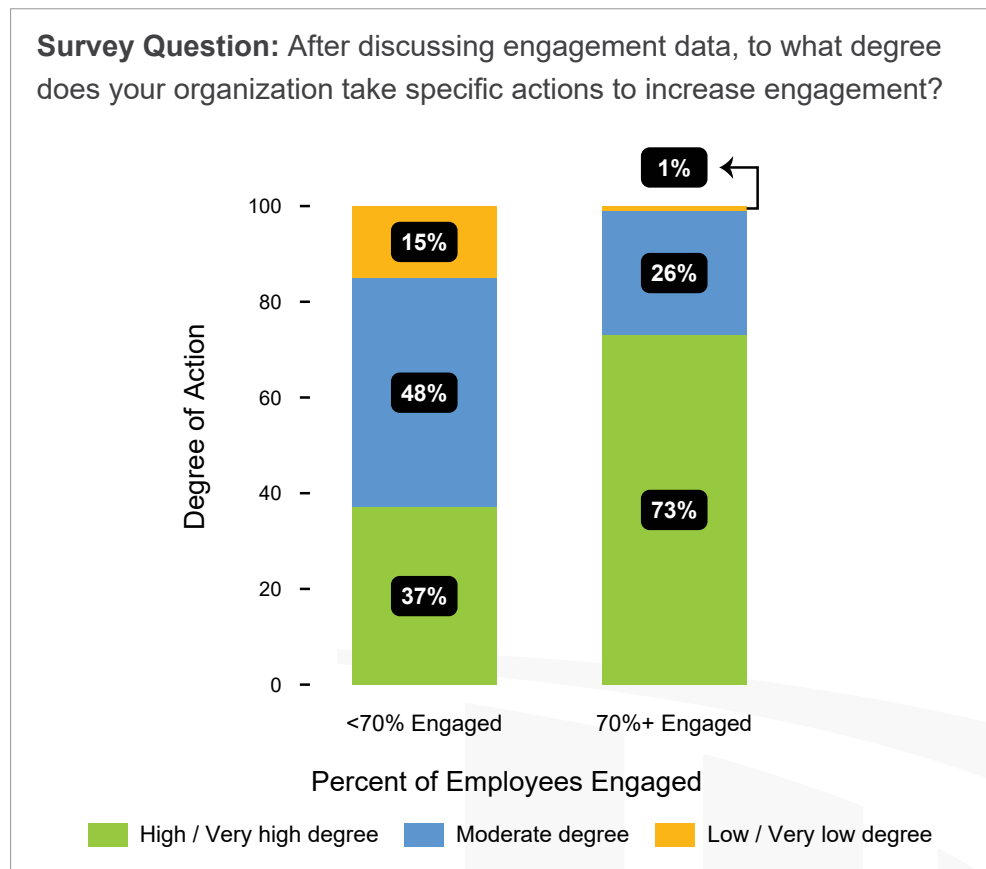
**Finding: Organizations with low engagement are less likely to take specific and forceful actions based on the data**

Highly engaged organizations are more likely to take specific actions to boost engagement after engagement data is discussed within the company. Whereas 73% of highly engaged organizations take such actions to a high or very high degree, the same is true for only 37% of less engaged organizations.



Why? Perhaps there is a severe disconnect between HR and business leaders in less engaged organizations. If HR conducts an engagement survey and leaders do not act on it, then engagement may become worse than if the survey never happened.

Most of the responsibility for action on engagement rests on senior leaders and immediate supervisors. Without communication and follow-up, the result will be low trust in top leaders, frustrated supervisors, and disengaged employees – and, as we have seen, lower organizational performance.

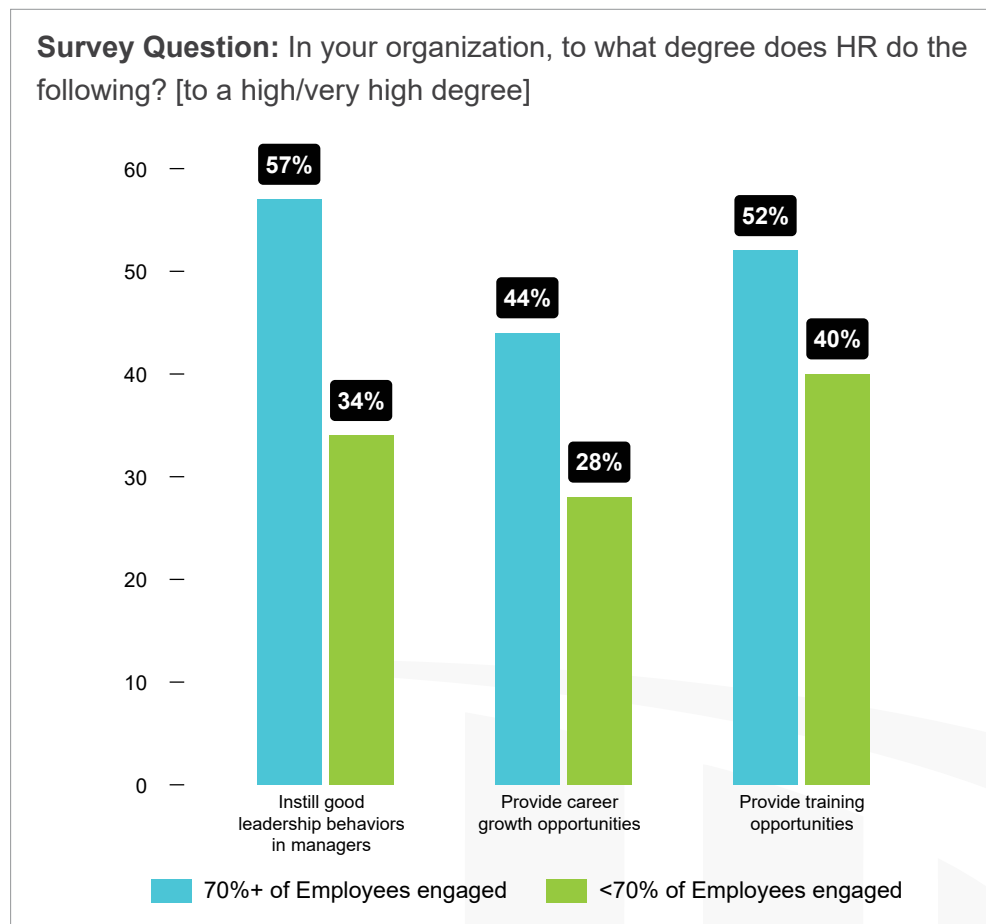


## How Can HR and Management Influence Engagement Levels?

### Finding: Respondents from more highly engaged organizations are much more likely to instill good leadership behaviors

Respondents were asked about the degree to which their HR departments engage in various development activities. We found sizeable differences among participants from highly engaged organizations and those from less engaged organizations. The largest difference was in the area of instilling good leadership behaviors among managers.

We should note, however, that even relatively highly engaged organization could do better in many of these areas. More than just 44% should, we believe, provide career growth opportunities to a high or very high degree, especially at a time when many Millennial employees are striving to advance their careers.



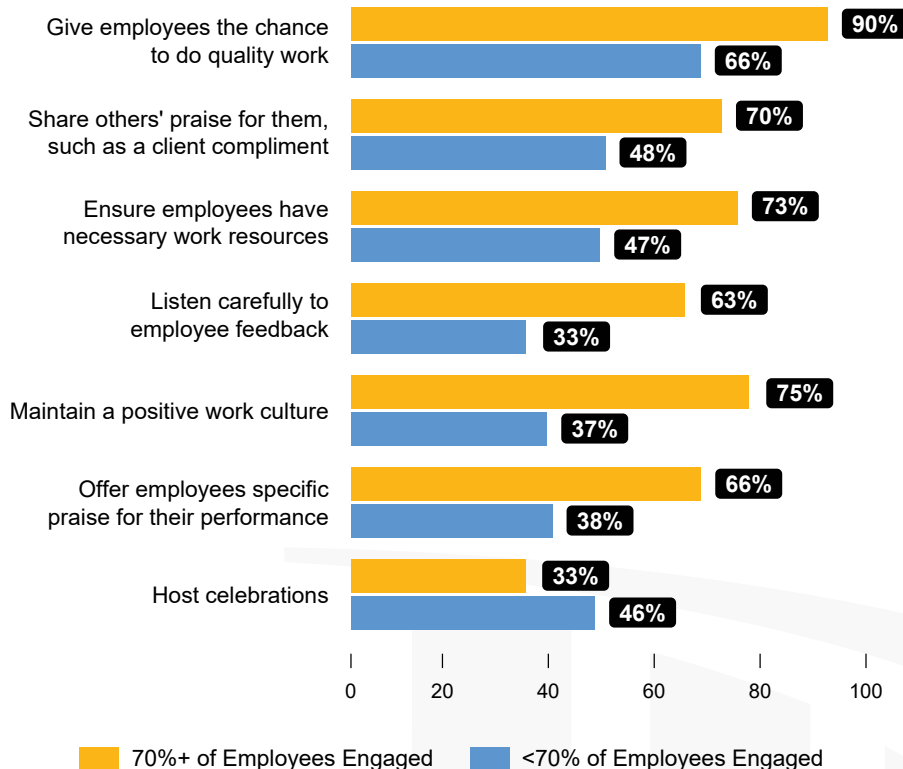
**Finding: Listening, praising and maintaining a positive work culture are linked to highly engaged organizations**

More highly engaged organizations are much more likely than less engaged organizations to maintain a positive work culture. Correlation is not causation, of course, but this finding suggests that organizations may want pay attention to their corporate cultures if they want to boost engagement levels.

Part of maintaining a positive culture is having leaders listen to employees as well as praise people for a job well done. These are also areas there highly engaged organizations vastly outpace their less engaged counterparts. In fact, hosting celebrations is the only action that highly engaged organizations do less than organizations suffering from lower engagement levels. This doesn't mean that organizations should stop hosting celebrations, but it does suggest that this strategy alone may fail to substantially boost long-term engagement levels.



**Survey Question:** To what degree does your organization do the following? [percent to a high/very high degree]

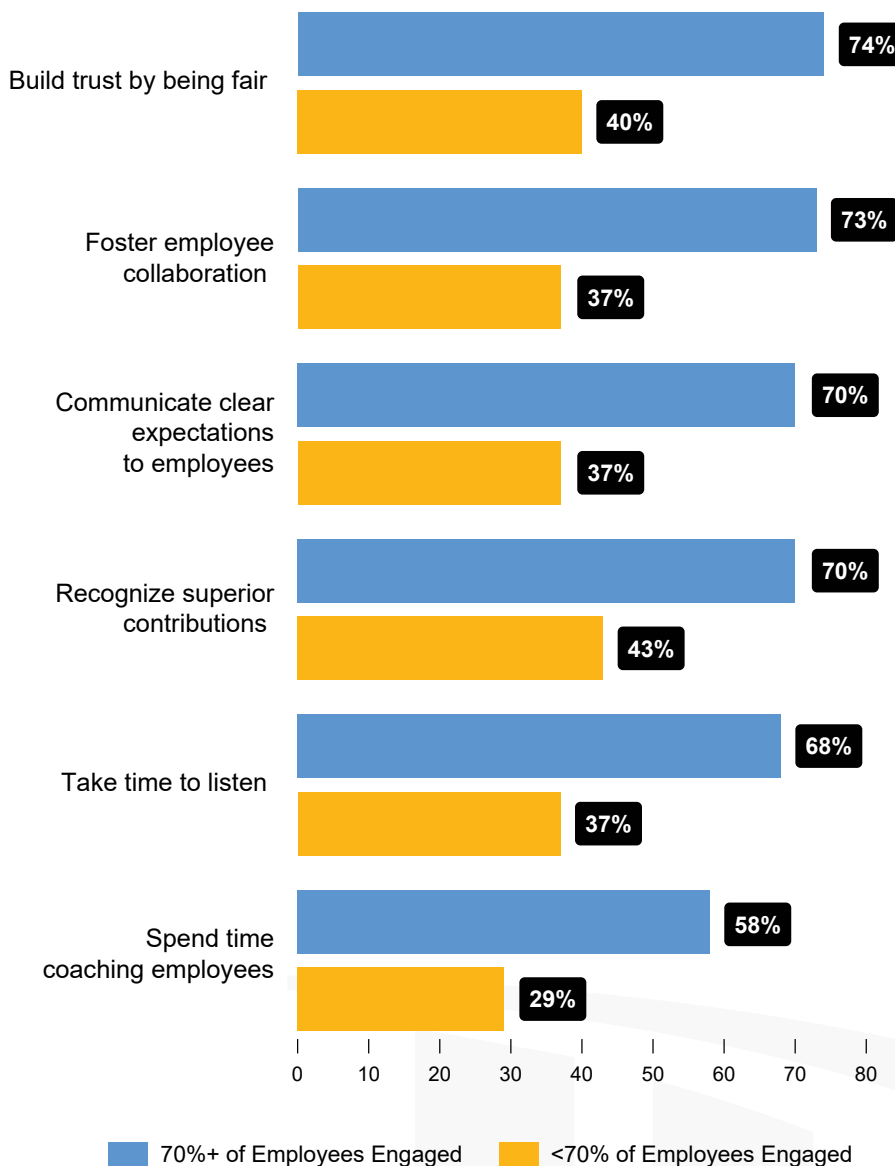


**Finding: More highly engaged organizations have leaders with much better skill sets**

There are major differences in the leadership skill sets of highly engaged and less engaged organizations. Percentage point differences are especially high in two areas: building trust by being fair and fostering employee collaboration.



**Survey Statement:** Rate your organizational leaders on the following characteristics [percent rating good or excellent]





## Top Takeaways

Theory and practice in employee engagement management have matured to the point that any organization can take advantage of them. No matter where you are on the path to high engagement, you can benefit by stopping to reflect on where you are and what your strategy should be to take the next step.

Even in organizations where leadership hasn't yet grasped the importance of employee engagement, the HR team can form and execute a long-term plan to improve organizational culture and the practices that support employee engagement. Changing a culture takes time, of course, even with the enthusiastic support of senior leadership. With this in mind, organizations that wish to boost employee engagement should consider the following key takeaways from the research.

**1**

**Make employee engagement a core business strategy, not just an HR initiative.** Senior leaders should take greater ownership of employee engagement because leadership and culture are correlated with higher engagement success.

**2**

**Come to agreement on what employee engagement means.** Organizations can best influence engagement when they clearly define what they're trying to influence and whether or not their actions are having an impact.

**3**

**Acquire the right tools and methods for measuring and reporting on employee engagement.** Be cautious, however, of chasing the latest fads. Invest in proven analytic technologies and work with experts. The best source for finding these resources will be colleagues who have successfully made the transition to highly engaged corporate cultures. Consider measuring engagement on a continuous basis if this can be done in ways that are not onerous or intrusive.

**4**

**Make sure that leadership development programs emphasize behaviors that engage employees.** Among the key behaviors to stress are listening to employee feedback, maintaining a positive culture, fostering collaboration, and communicating clear expectations to employees.

5

**Communicate and collaborate with leaders.** Help them discover best practices by maintaining an ongoing flow of information on best practices. For example, a series of articles, videos, and white papers on engagement strategies may have a positive impact on the quality of leadership over time.

6

**Help leaders act on good information.** If you find that HR is gathering and reporting on employee engagement data but leaders are not acting on the recommendations, you are not alone. Use the information from research and speak with managers about the negative impact of the gap between rhetoric and action. You will know you are having an impact when you sense that those who are not open and transparent become less comfortable with their behaviors.

7

**Try content curation.** The internet is flooded with learning content, much of it free. Every day brings a new deluge of good content on leadership and development. Consider using a content aggregator like Feedly, Commafeed, or Inoreader and share resources in a weekly email newsletter.

8

**Set engagement goals, but be careful about it.** Once your organization knows how to measure engagement and has honed strategies for boosting it, measure successes or failures over time. However, be careful about how this is done. Keep in mind that engagement is often a means, not an end unto itself. The ultimate goal is to boost performance and improve the corporate culture. Keep your initiatives framed in business objectives.

9

**Measure the impact of engagement.** As it improves, are there other benefits in the organization such as better customer service, high productivity and other factors? Understand how engagement interacts with other factors in your particular corporate culture.

10

**Develop a positive corporate culture.** This study suggests that organizational culture is among the factors most closely linked to employ engagement. Make sure leaders understand culture change techniques and know how to build an environment of trust.

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