

What Matters Most at Work

Employee engagement is a hot issue for organizations of all sizes. Yet despite the attention, employers have a long way to go in figuring out what employees really want from them.

Our study of more than 5,500 executives and employees in 27 countries provides ample evidence of a gap between what companies do to build loyalty and engagement and what people actually desire from their jobs. For instance, while employees rank competitive compensation, bonuses, and merit-based rewards as by far the most important job benefits, only 39% of executives say their companies offer competitive compensation. And perhaps it is not surprising that only 39% say they are satisfied or highly satisfied with their jobs.

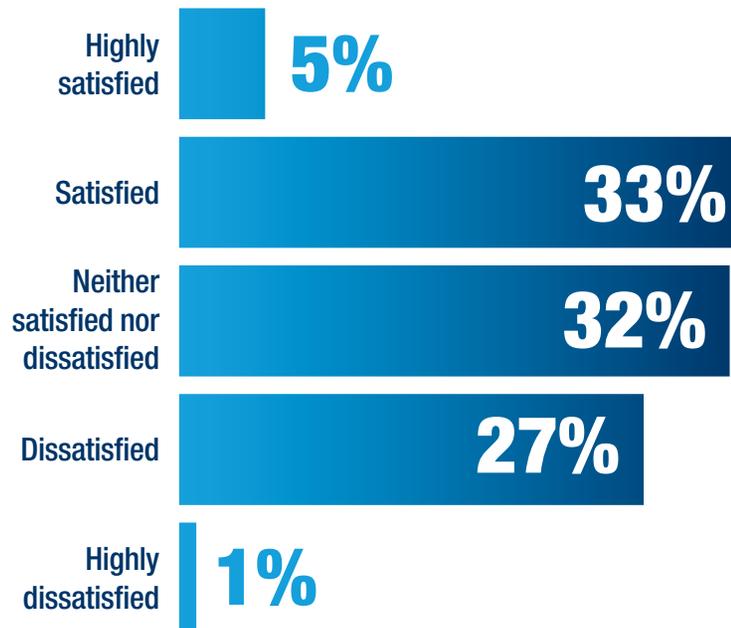
Meanwhile, in areas such as career development and loyalty, companies are hitting the wrong notes by failing to match their efforts to employee needs and preferences. They do not give employees the tools and benefits they want, but sometimes give them perks they do not especially care about. And there is little doubt that companies are suffering for these lapses, in terms of workforce development and, ultimately, business performance.

Compensation matters most

Employee engagement is built on more than money, but everyone has bills to pay. Our research suggests that companies are focusing excessively on offering benefits and perks that rank far below cash on employees' priority lists.

So while a healthy proportion of employees care about retirement plans (45% say it is important or very important), supplemental training programs to develop new skills (44%), a flexible working location (44%), and vacation time (43%), their top priority by a wide margin is competitive compensation. Compensation is especially important to employees in North America (81%), Latin America (74%), and Europe (68%), and its importance to employees in the Middle East/Africa (50%) and Asia Pacific (59%) regions is second only to the closely related category of bonuses and merit-based rewards. This universal desire to be paid fairly is not being satisfied, with less than one-third of employees (30%) saying that their employers offer competitive compensation.

How satisfied are you with your job overall?



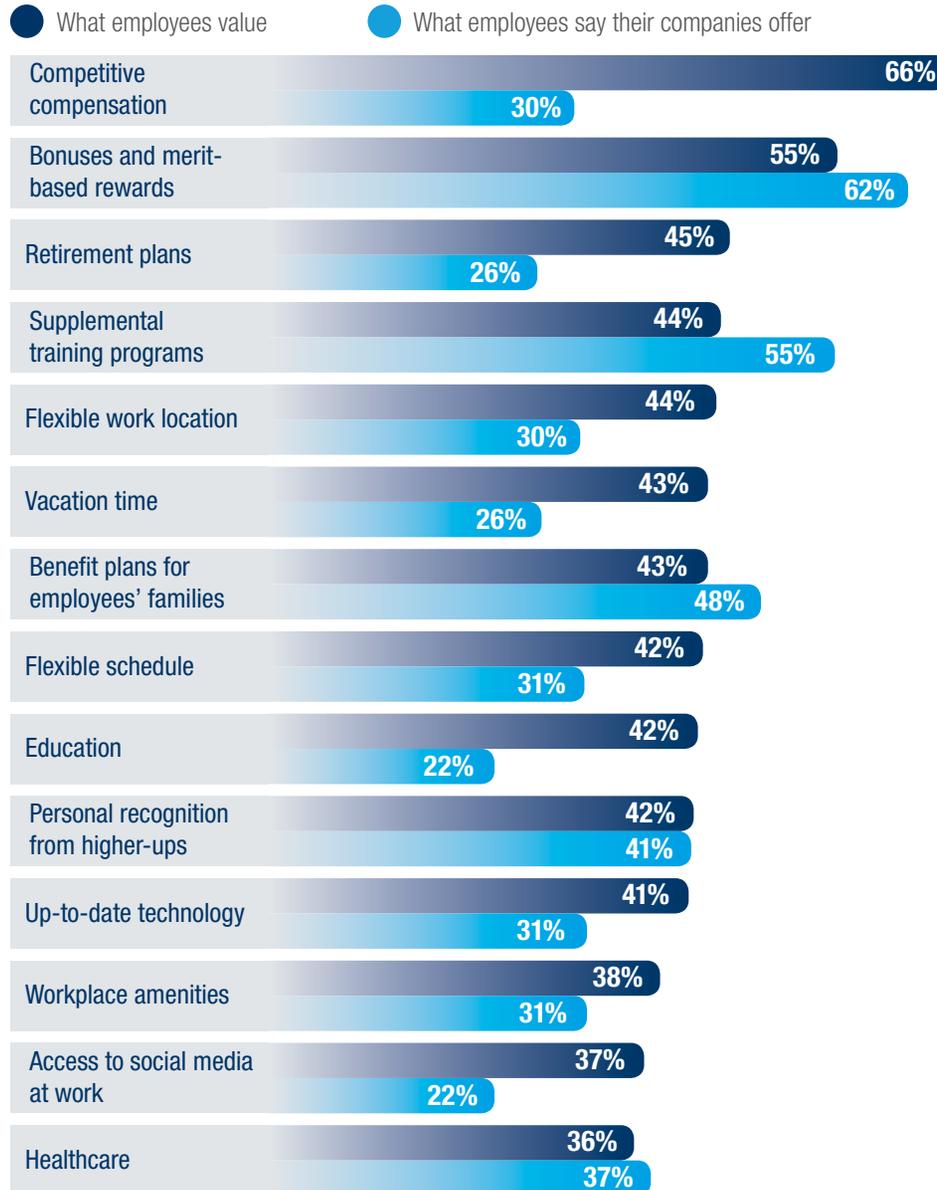
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What matters most?

Chart shows share of employees ranking these benefits “important” and “highly important,” and share of employees who say their company offers these benefits.



“What employees like about our company is that the environment is not routine. It’s constantly changing. We’re going to different markets. We’re developing new services.”

Martina Zimkute,
director of administration
and communication,
Avia Solutions Group

Even in companies that offer an exciting work environment, offering competitive compensation is very important. Martina Zimkute, director of administration and communication for Poland’s Avia Solutions Group, one of Eastern Europe’s largest providers of business solutions and services for the aviation industry, says the combination of interesting work and good pay creates a desirable work experience.

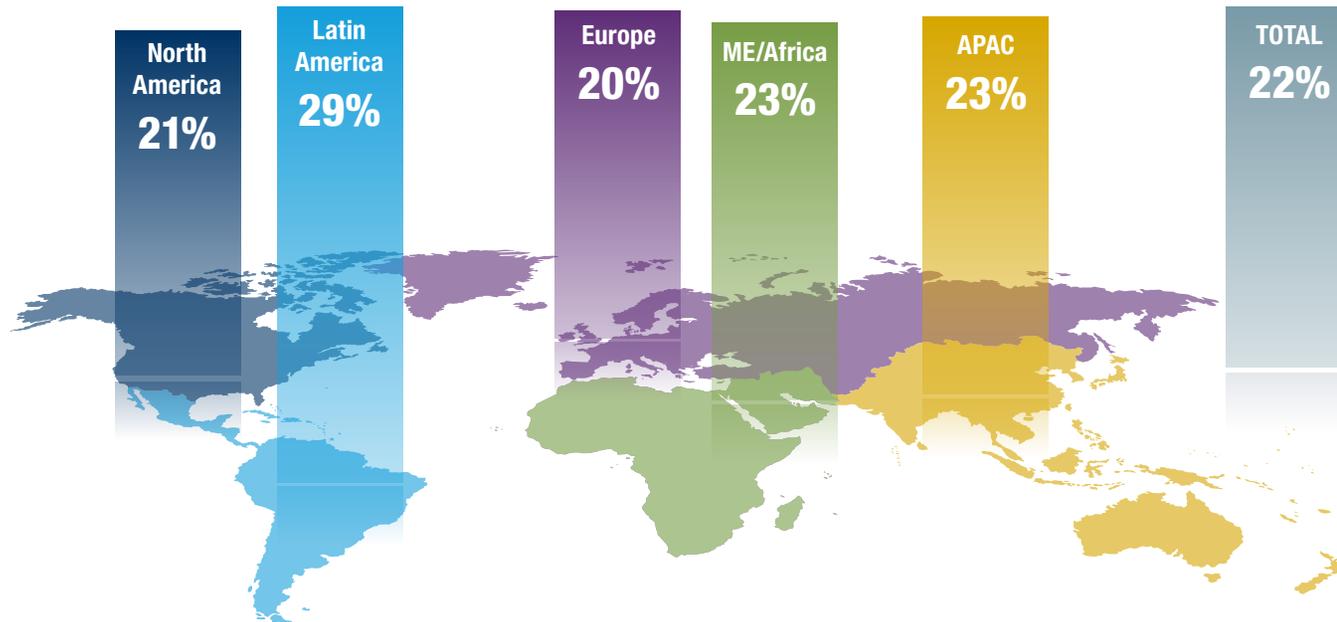
“I think that what employees like about our company is that the environment is not routine. It’s constantly changing. We’re going to different markets. We’re developing new services. It’s an interesting industry,” says Ms. Zimkute. “And the salary rates are good in comparison to the local market. So that gives them the satisfaction.”

Striking the right balance

The importance of compensation does not mean that a company can keep all its employees happy simply by throwing money at them. Employers must also figure out the right assortment of benefits, tools, and development opportunities needed to maximize employee engagement and loyalty—and minimize turnover.

Employees' likeliness to leave their job in the next six months

Chart shows "quite likely" and "very likely" responses.



Half of all employees say they want more current technology at their fingertips, yet less than one-third say their employers offer up-to-date tools.

Our research suggests companies have significant opportunities to improve on that mix. For instance, trendy amenities like recreational facilities, gourmet cafeterias, and on-site massages may grab headlines—and even lure some job candidates—but their appeal appears to be limited. Only 38% of employees say such perks are important or very important to them, suggesting that companies would be better off spending their money on other engagement methods. And despite the fact that 44% of employees rank flexible work locations this highly and 42% say flexible schedules are important/very important, only about one-third of employers are actually offering flexible work locations or schedules.

It helps to listen

Arla Foods, a Danish company that is Scandinavia's largest producer of dairy products, conducts both an employee survey and an organizational health review that capture the views of managers and executives. It is no surprise that the two often show conflicting viewpoints. Those areas of difference, says Lori Jenson Sawyer, head of human resources, excellence, and transformation, are where the company sees an opportunity to improve employee engagement.

"When our employee engagement survey says one thing and our organizational health review says another, we actively take those results and ask ourselves why the results are dissimilar," says Ms. Jenson. "Once we understand the real issues, we address them."

For global hotelier Hilton Worldwide, regular employee surveys yield more than information—the results are used to spur real change at each of the company's more than 4,000 hotels. Says David Mallet, senior director of workforce metrics, analytics, and support, "The action planning that we require of the hotels post-survey is going to go a long way toward having a better engaged workforce, and a workforce that will grow and move around with us."

Meanwhile, half of all employees say they want more current technology at their fingertips, yet less than one-third say their employers offer up-to-date tools. (Only a slightly larger portion of executives, 36%, claims their companies do so.)

On the development front, 44% of employees prioritize supplemental training to develop new skills. While a narrow majority of employees and executives agree that their companies offer such training, only 34% of employees say they can get the training they actually need. That is an important gap, as nearly one-third of employees say that such training would increase their loyalty and engagement. More ominously, 13% of employees—and nearly 30% in both North America and Latin America—say they have considered quitting due to lack of learning and development options.

Companies that want to retain their employees and keep them engaged have to adopt a well-rounded approach that addresses as many important needs as possible. Kenya Power and Lighting Company thinks it has achieved the right mix. “There is a reasonable level of employee satisfaction at the company, and that comes from giving employees clear targets as part of a system of performance management,” says Kevina Wepukhulu, chief manager of human resources and administration. “Our compensation and benefits package is competitive for the local market. And employees can learn new skills thanks to the effort we make in training and development. Coupled with clear and open channels of communication, these are the keys to keeping workers engaged and motivated.”

Looking for loyalty in the wrong places

Loyalty is an important component of any employment relationship. Employees want to know their jobs will be there for as long as they need them, even if a company hits a few bumps in the road, and companies want to feel confident that their employees will stay for the long term, providing much-needed continuity. There is a lot of room for improvement on both sides.

Major impediments to meeting workforce goals

Chart shows share of executives ranking these among their top two impediments.



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Companies with truly engaging work environments will find themselves creating the most successful 2020 workforces.

Our research shows that 41% of executives consider loyalty an important part of their talent strategy, with nearly one-third identifying it as one of the three most important employee attributes. But more than one-third say lack of employee longevity and loyalty prevents them from meeting strategic workforce goals (only 77 of the Fortune 500 companies have an average employee tenure over five years, according to a PayScale survey). And with 83% of executives saying they are increasingly using contingent, intermittent, seasonal, or consultant employees, the need for successful engagement across all type of employment is paramount. It seems, then, that the widespread inability to consistently engage employees is undermining efforts to build loyalty.

Consider that 41% of employees say they never or seldom interact with their managers, or that 22% say they are likely to leave their jobs within the next six months, and you start to get a sense of the work companies have to do on this front. Meanwhile, if employees want their employers to invest more in career development, they can demonstrate their commitment by participating in self-directed learning and other development alternatives in larger numbers.

Conclusion

Employee engagement is difficult to achieve. Trying to understand the needs and wants of diverse workers requires more than surveys, gimmicky perks, and unfocused training and development options. And yet getting the pulse of employees and using that knowledge to make their work lives better is a critical component of succeeding in business.

That means the companies with truly engaging work environments will find themselves creating the most successful 2020 workforces. To achieve this goal they must bring management and employee perceptions closer together on everything from compensation and development to working conditions and perks. If they fail, their ability to execute on strategy will be compromised, as they are forced to rely on unenthusiastic employees who are dreaming of their next jobs.

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CASE STUDY: Building a culture of engagement

Few executives face the engagement challenges confronting Alessandra Ginante, vice president of human resources for Avon Brazil. The company has more than 2 million representatives selling its products door-to-door across a huge country that is plagued by dilapidated infrastructure. Meanwhile, the job market offers enough opportunities to keep employees on the lookout for something different. So Ms. Ginante is dealing with major obstacles in terms of scale and circumstances as she attempts to engage her people.

And the engagement problems she sees are part of a larger pattern. Many job candidates have been in their current positions so briefly that she finds herself trying to keep them from leaving. "I feel awful, because I don't want to hire them," she says. "These are senior people. They say, 'My boss told me that I have to wait three to five years to become a vice president.' I don't want to hire someone who will do the same to me two years down the road."

Ms. Ginante's experience reflects a hard truth revealed by our research. Just 39% of respondents are satisfied with their jobs, with Latin America reporting the lowest number (24%) of any region.

One solution Ms. Ginante see as promising is big data technology. "How can we tell, out of these 2 million people, who are the ones who are going to sell more? Or where to find the next 2 million?" she asks. "If we are able to use data to guess who we should go after, that would have a major impact."