



Achievers Intelligence:

Insight Into Today's Workforce

Introduction

Engaging and retaining talent is emerging as among the top of every organization's critical challenges – and not just in the CHRO's office. Lloyd's Risk Index 2011, recently polled more than 500 C-Suite and board member executives from around the world and determined that talent/skills shortages is the number two business risk facing global organizations today. The top risk is loss of customers, which is directly correlated to employees and their levels of engagement. The reason companies lose customers is due to poor service and negative experiences. Unfortunately, we all know poor customer service all too well, whether it's at a restaurant, hotel or the mall. On the flip side, moments of outstanding customer service stick with us and turn us into lifelong loyal customers. Smart companies treat their employees as their first customer and provide a competitive employee experience, because loyal employees create loyal customers.

The global talent/skills shortage is top of mind for CEOs and board members around the world, and more and more organizations are exploring ways to raise the engagement levels of their current workforce. It just makes sense: investing in keeping the talent you have is far more cost effective than having to tap into shrinking, expensive and less skilled talent pools.

Achievers embarked on the first study of its kind with the purpose of discovering whether HR professionals and CEOs have an accurate depiction of how employees evaluate their employment experiences with respect to feedback, managerial communication, and recognition for contributions – all part of overall engagement. Gallup's research reveals that 71% of American workers are not engaged in their current positions. Furthermore, 19% of the workforce is "actively disengaged." The research also states that within the US workforce, disengaged employees cost \$300 Billion in lost productivity alone. Finally, Mercer recently revealed that 32% of employees are "planning on leaving" their employers, versus 19% two years ago.

There is a clear need to repair the employer and employee relationship. This can be accomplished by understanding the needs of the current workforce and which levers help create a more engaged workforce.

The Return on Investment for Employee Engagement

The proliferation of performance data that link high levels of engagement with superior organization performance is irrefutable creating a solid business case for focusing organization resources on improving employee engagement levels. Examples of this emerging data include:

- The Hay Group reports that highly engaged organizations have 40% lower turnover
- Towers Watson reports:
 - 3 times higher operating income
 - 5 times higher income growth rate
- Gallup reports:
 - 4 times higher earnings per share growth rate
 - 18% higher productivity
 - 16% higher profitability

Demographic Trends

As we look at the demographic projections for the United States alone, it's very clear that what Lloyd's Risk Assessment identifies as the second most serious risk to business success, is the number one risk that HR professionals need to be gearing up to handle. The U.S. Bureau of Labor Statistics provides the following projections for the talent pipeline between 2010-2020:

- 100% of Baby Boomers will be over 55 by 2020 and will grow from 19.5% of the workforce to 25.2% of the workforce
- "Prime-age" employees – ages 25-54 – will drop from 66.9% to 63.7% of the workforce
- "Entry level" employees – ages 16-24 – will drop from 13.6% to 11.2% of the workforce
- Today there are 30 million workers age 55 or older and just over 13 million workers between the ages of 20 and 24.
- Of the 54.8 million jobs openings expected in this decade, more than half – 61.6% -- will be from replacements (openings created by people leaving the workforce – most of them Baby Boomers)

Clearly, employers are facing a shrinking entry level workforce and growing more tenured workforce with one foot out the door.

The Bureau of Labor Statistics also reports on average tenure by age group. Currently, the 20-24 year-old age group is staying on the job an average of 1.5 years. Earlier survey data published by Achievers reports, however, that this age group fully expects to remain with their first employer after college for five to 10 years.

So the challenge is clear and bifurcated, and critical to business success: engaging and retaining the newest entrants into the economy while simultaneously engaging and retaining the Baby Boomers who appear to be ready to bolt as soon as the economy really recovers, according to Mercer as stated above. This challenge is critical to business survival.

This report on the findings, *Achievers Intelligence: Insight into Today's Workforce*, will help:

- Question the effectiveness of current employee engagement strategies
- Understand the value of Rewards and Recognition as a major employee engagement lever
- Begin to focus less on legacy programs that provide structured communication
- Help the C-Suite understand what employees are looking for in the workplace
- Prepare to win the talent war for Millennials and Baby Boomers

Who and What was asked?

- 1,800 employees were asked to evaluate their own personal experience.
- 232 CEOs were asked to evaluate the experience of the employees in their organizations.
- 645 HR professionals were asked to evaluate the experience of the employees in their organization.

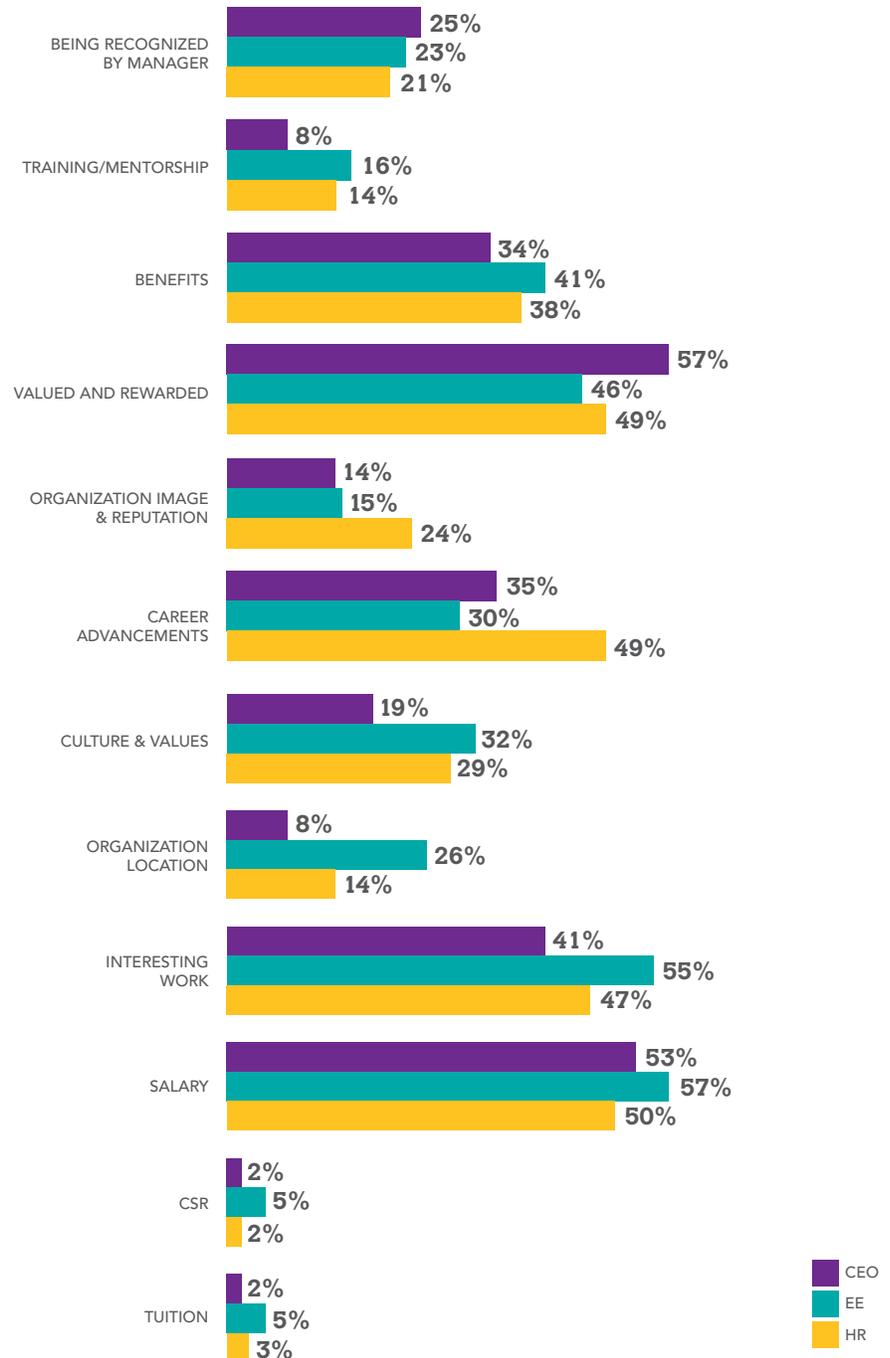
We wanted to identify opportunities for employers to increase the engagement of their employees as well as observe what, if any, disconnects as well as similarities exist between employees and the HR organizations that support them and the CEOs that lead them to identify levers to help employers engage and retain their critical workforce.

- The survey data fall neatly into three opportunities:
- Recruiting employees in a very competitive job market
- Retaining employees so they don't leave for perceived greener pastures
- Inspiring employees to do their best work

Recruit

Employers are spending critical resources – time, money and mind share – on establishing and cultivating strong employee value propositions (EVP) in order to attract the right talent to their organizations. This work generally falls into collaboration between HR and marketing, with HR taking the lead. It's clear that to be successful, employers need not just any talent. They need the right talent – because on-boarding, training, relocating, developing and inspiring their workforce is an expensive proposition. Hiring the wrong talent is costly and exceptionally culture-busting. We asked the following question to help organizations find the right talent and avoid costly mistakes. It appears from the results that organizations are in-line with what employees are looking for.

When choosing where to work, which of the following are most important to you? Please select your top three choices.



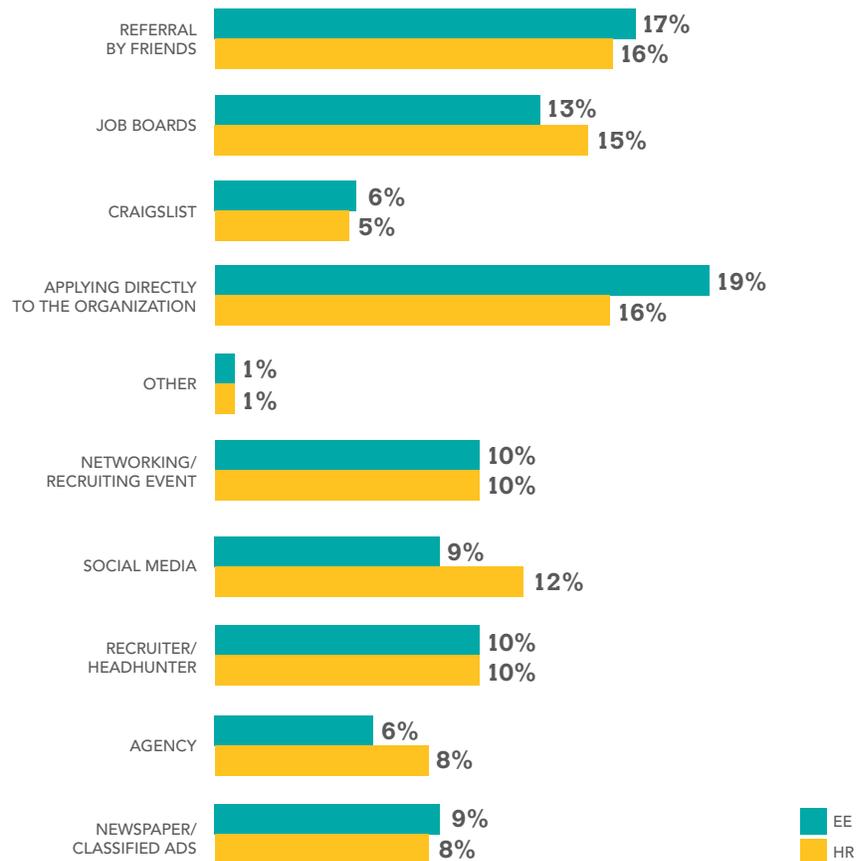
In aggregate, salary is the most important component for employees, followed closely by interesting work and feeling valued and rewarded. It's interesting to peel back a layer or two and look more closely by age demographics ranked in order of importance.

EMPLOYEE AGE	SALARY	INTERESTING WORK	VALUED AND REWARDED	CAREER ADVANCEMENT	CULTURE AND VALUES	BENEFITS
18-24	3	1	4	2	5	-
25-30	1	2	4	3	5	-
31-36	1	2	3	5	-	4
37-46	1	2	4	-	5	3
47-54	1	2	4	-	5	3
55-65	1	2	3	-	5	4
65+	3	1	2	-	-	4

Age makes a difference! Salary is less important to the youngest and most mature employees while interesting work is more important to those two groups. The important takeaway is the understanding that the different generations in our workforce aren't all that different when it comes to what engages them. The order shifts over time, but the importance remains constant throughout their career.

By looking at the age demographics, we can see that the values of providing interesting work and providing a culture where employees feel valued and are rewarded is critical both in creating an attractive EVP and in the actual employee experience. Employers who begin to evaluate their Rewards and Recognition programs and budgets in order to provide more recognition and more interesting work will also be rewarded with higher retention rates and stronger engagement scores.

If you were to search for a job again, which methods would you use? Select all that apply. Which methods do you believe candidates utilize to search for jobs? Select all that apply.



Applying directly to the organization is the top method today's employees use to seek new opportunities – and certainly the use of social media networks like LinkedIn and FaceBook make these direct connections easier than they used to be, especially for passive candidates. Companies have an opportunity to elevate their corporate image and attract passive candidates. If they don't know you, they won't find you. Additionally, the ubiquity of robust career sites within employers' web presences makes going direct an easy approach.

Referral by friends – particularly with the popularity of paying referral bonuses to employees for their introductions – gives a new meaning to “friends with benefits” and is also a strong tactic used by today’s employed job seekers. Referral programs have changed and a referral is no longer just a close friend, but also can be acquaintances found through social networking sites.

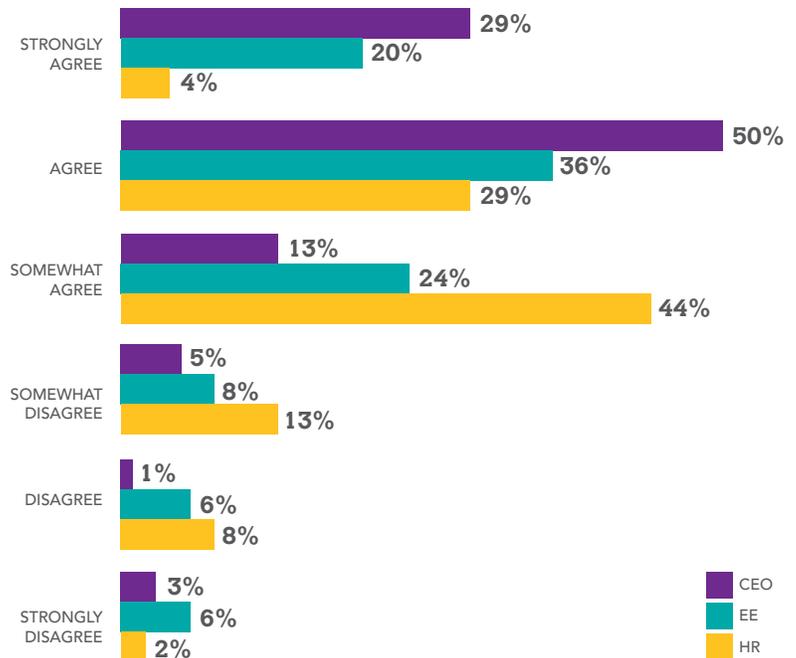
All of these job search methods – applying directly to the employer, being referred by friends and utilizing job boards -- point to the opportunity employers and HR have in projecting an EVP that will entice the right job seekers to apply. A word of caution, however: the EVP you project must be authentic. The right employees don’t want to be baited and switched. Perhaps the 18 month average tenure of the newest workforce entrants has to do with a conflict between the marketed EVP of their first employer and the actual employee experience they live. This research suggests that providing frequent communication and feedback within a culture of recognition builds positive employee experiences.

Retain

Vineet Nayar, HCLT’s celebrated CEO and author of, *Employees First, Customers Second*, believes that leadership lies at the bottom of the corporate hierarchy. Nayar changed conventional wisdom that companies must put customers first by turning the hierarchical pyramid upside down by making management accountable to the employees, and not the other way around.

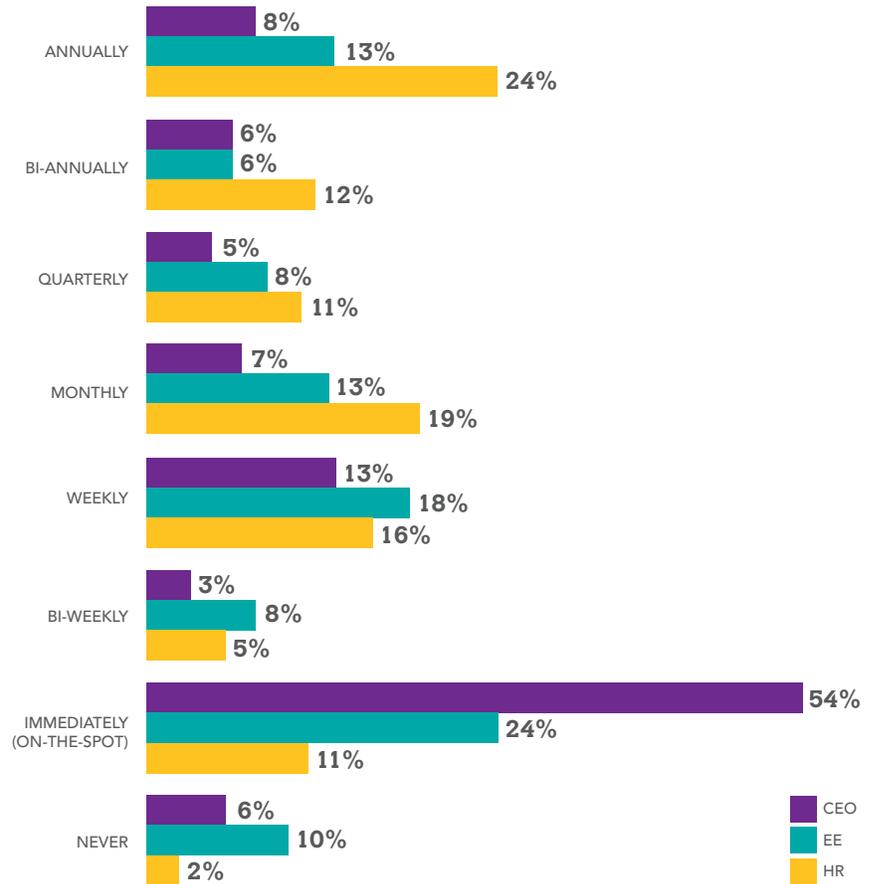
Overall, our questions asked employees to reflect on multiple levers of retention. The results show a strong opportunity for employers to be far more effective in creating persistent relationships with their employees. In all the questions we asked around retention, there was a significant lack of agreement between employees, CEOs and HR professionals. Of further interest is the apparent disconnect between CEOs and HR. It is essential in order for organizations to retain their top people, business leaders (HR and C-Suite) need to come together to determine what employees need in the workplace to be successful and happy. Our research revealed the secret ingredients are communication, feedback and recognition.

The feedback (my) manager(s) provides is constructive and useful.

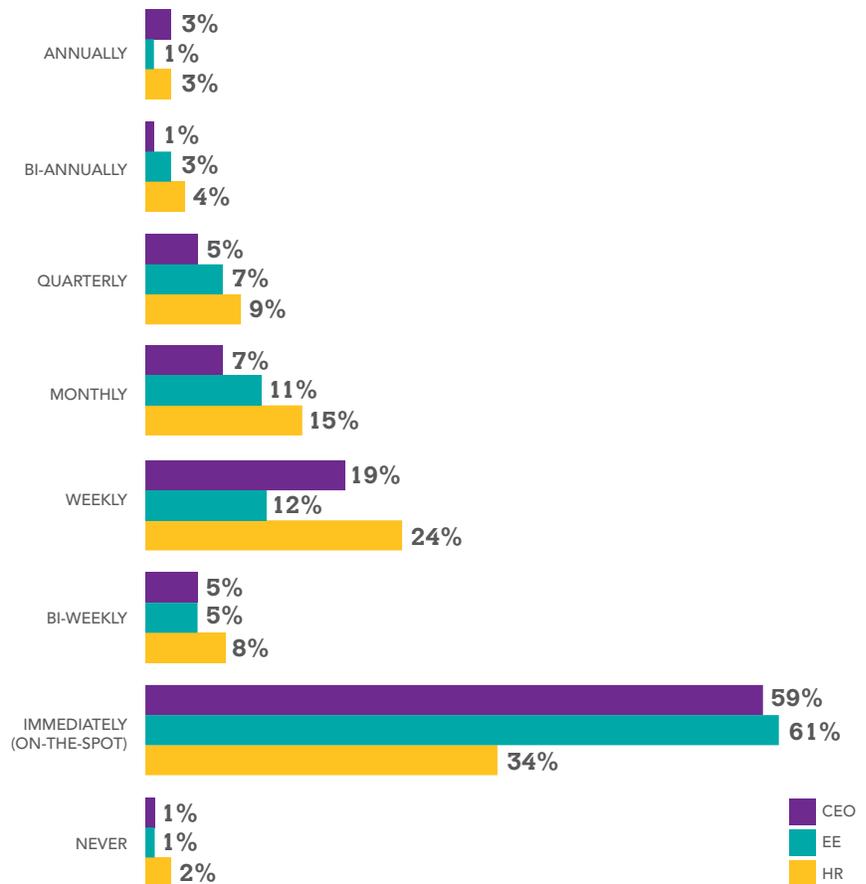


There is an overwhelming opportunity to improve the quality and frequency of feedback to improve performance within an organization. Not only do top performers crave feedback because they inherently want to perform, but all employees need it to improve and grow the business. Providing continuous skill development and frequent feedback undoubtedly ensure optimal performance and feeds the need to how employees are progressing.

How frequently do you receive feedback?



How frequently would you like to receive feedback from your manager?



Employees are very clear that they want feedback much more frequently than most organizations provide. Performance management systems that spit out rote annual feedback information do not align with the desire for immediate feedback. The research clearly shows that both CEOs and HR professionals understand that annual, process-driven performance feedback systems are not effective and not what employees want.

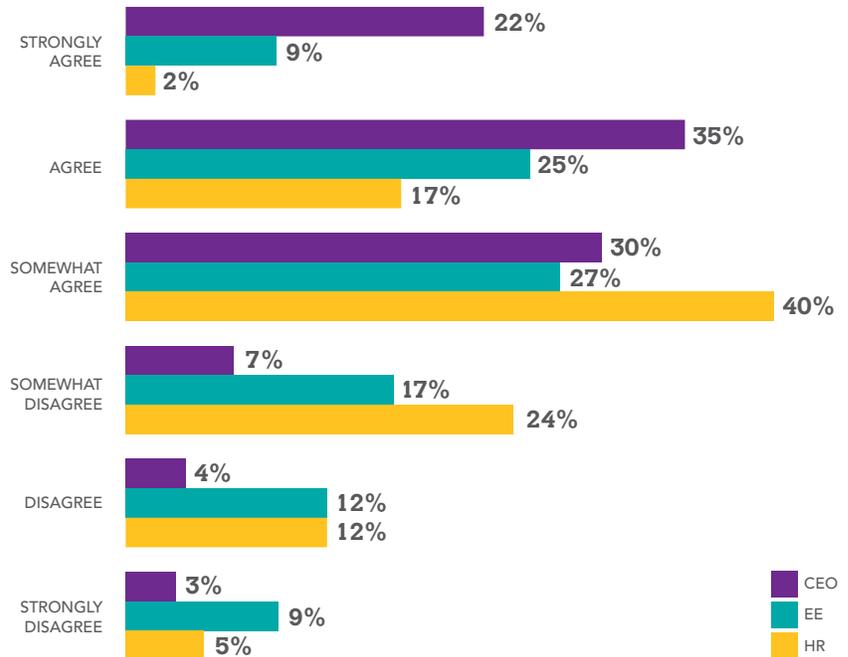
Everyone is in agreement, so why do annual systems persist? They mainly continue because they are deeply embedded in managerial and organizational DNA. Like annual salary increases, annual benefits open enrollment, annual budget setting, annual business planning,

many employers operate on yearly planning cycles. It's the way we've always done it. This data would support a re-thinking of an annual only approach to performance feedback – and the inclusion of more frequent and informal ways to recognize employee contributions.

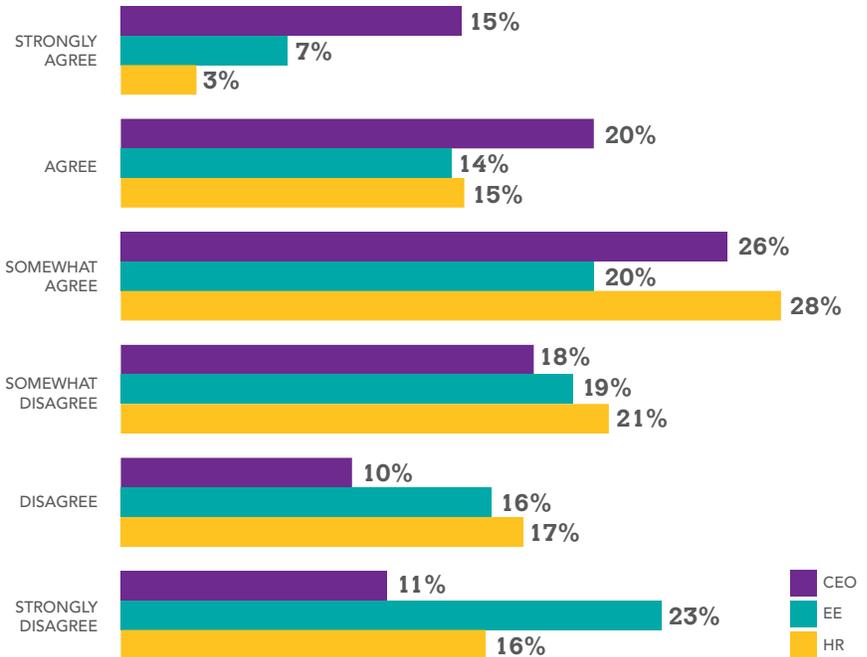
The disconnect between what is in place and what HR professionals believe employees want is significant and provides an excellent opportunity for HR to introduce solutions to managers that meet employees' needs while strengthening the performance of the organization.

In a recent Aberdeen Group study, research found that, "the biggest barrier in performance management is the lack of follow-up between individuals and their managers, cited by 42% of respondents. Recognition and rewards are a powerful tool to overcome this barrier by reinforcing alignment and providing tools and processes to help managers that improve results throughout the talent lifecycle. Even if you can't change your annual performance review over night, recognition can start today and can help bridge the gap between engagement and performance."

My/employees' individual contributions are regularly recognized.



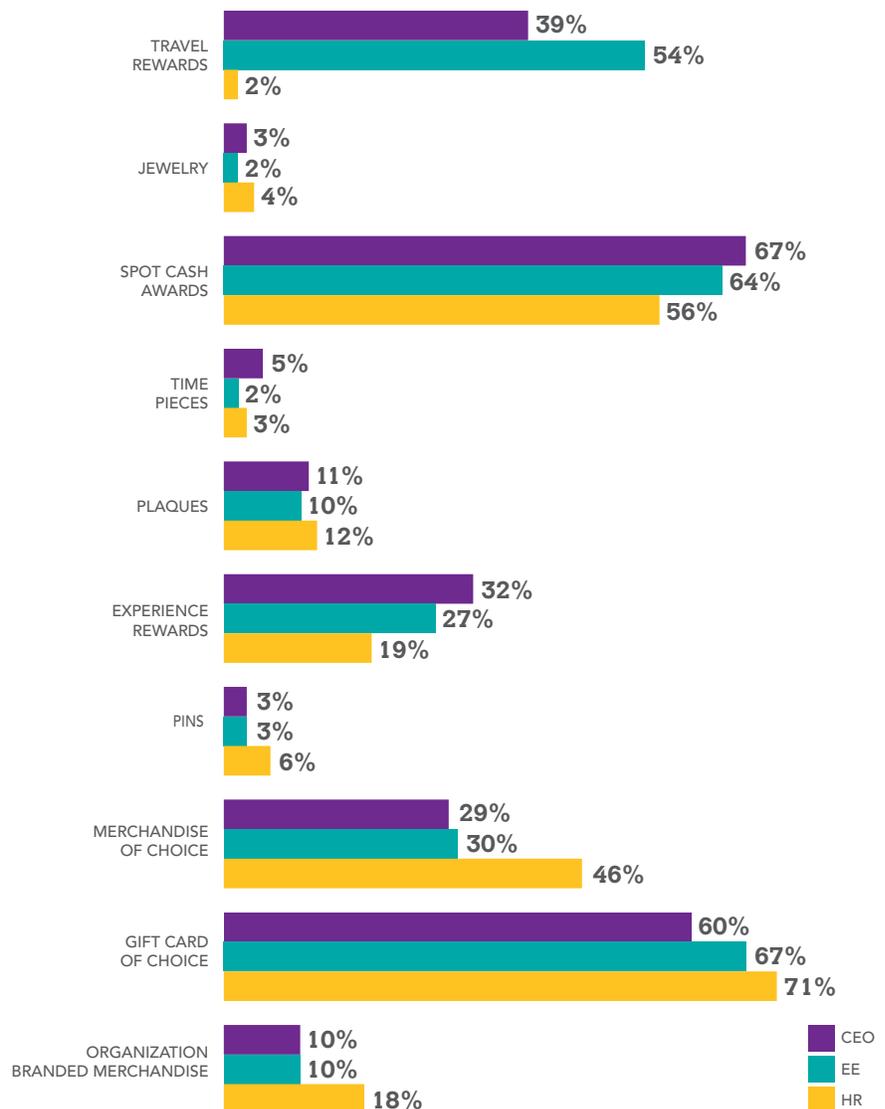
My organization has an effective rewards and recognition program.



The second area of fruitful opportunity for employers to improve the engagement of their employees is how they deliver recognition. While employees report some level of regular recognition for their contributions, more than a third of employee respondents disagree that they are receiving regular recognition. This creates another opportunity for HR to evaluate its Rewards and Recognition programs with an eye towards strengthening the Recognition component.

Recognition is the best form of feedback, but only when it's specific, timely and meaningful. You lose those elements when you provide recognition annually, semi-annually and even monthly. When positive behaviors are recognized those behaviors are then repeated. For example, the simple act of validating employees' efforts with a thank you has positive lasting power in establishing and maintaining behavior change.

If your organization has a rewards and recognition program, which rewards do you think your employees find most appealing? Please select your top 3 choices. If/when you are recognized for your contributions at work, which rewards are most meaningful and appealing to you? Please select your top 3 choices.



As we saw earlier with legacy annual performance management initiatives, we see the same thing in today's workplace when it comes to rewards. Most legacy programs focus solely on rewards – and rewards for length of service, or tenure. Typical these programs award at 5-, 10-, 15- and 20-years of service. Employees who achieve these tenure milestones can usually choose merchandise of their choice at escalating levels of value. It's questionable whether the achievement of these tenure-based rewards motivates any employee to stay with employer at all. Do you believe that tenure-based reward programs have any impact on retention? A tough indictment on a persistent big spend! Furthermore, when we asked which rewards were most appealing to employees; jewelry, time pieces, plaques, pins and company branded merchandise were the least popular and are what employees are given for their anniversaries. And the reality is, CEOs and HR know employees don't want them either.

According to the Bureau of Labor Statistics, Millennials' tenure is currently averaging only 1.5 years. Recognizing their contributions at year five – or even year three – will not impact their retention, nor will it motivate your other employees. Remember that when we asked what the top three factors are when choosing where to work, being recognized and rewarded for their efforts – not their tenure -- is one of three most important factors potential employees use in evaluating a new employer -- along with salary and interesting work.

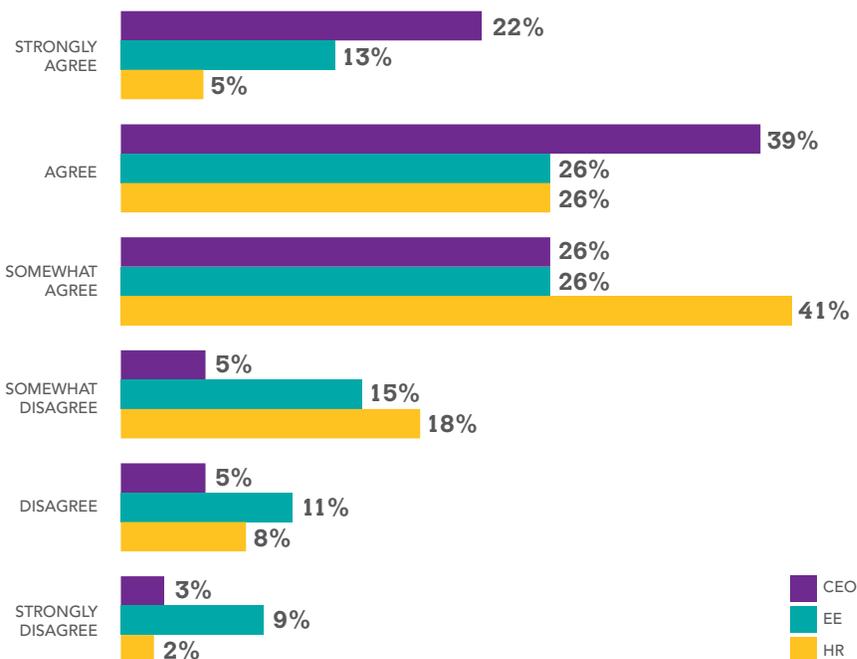
By delivering more informal types of recognition and feedback that are not structure- or process-bound and that encourage peer-to-peer interaction can help HR overcome this gap and make employees feel more recognized -- translating into increased engagement and organizational performance.

HR has a unique opportunity to make a strategic impact on retention and engagement. Rewards and Recognition programs that focus on informal, peer-to-peer recognition are shown to provide much more meaningful motivation than tenure-based recognition programs. They use the informal power of employee relationships and communication rather than the bureaucratic rules of management-controlled systems.

Inspire

While engagement can be tactically addressed through improving manager/supervisor communication and feedback skills, as well as through the increase of effective recognition experiences and the reduction of expensive and ineffective reward programs, the ability to inspire employees to do their best work also has a positive impact on engagement.

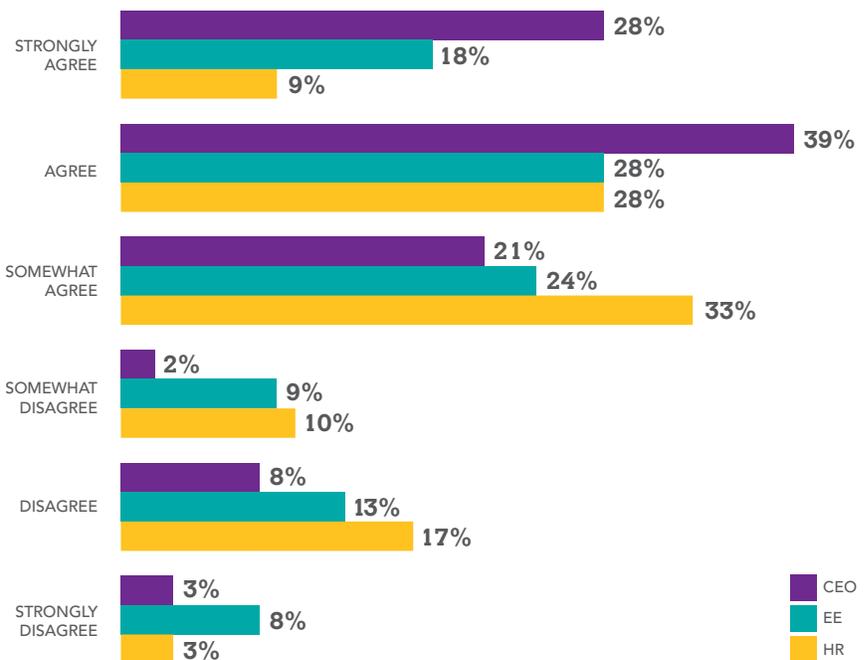
My/employees feel that their organization inspires them to do their best work every day.



If focusing on improving engagement by attracting and retaining the right employees, then capturing the hearts and minds of those employees – inspiring them to do their best work every day – cannot be ignored. Talking in terms of “hearts and minds” is uncomfortable for many outside of HR but the hard benefits of retaining a highly motivated workforce cannot be ignored.

Zappos takes employee engagement and customer service seriously! “Our philosophy is [communications] comes from everyone and it’s driven by company culture,” says Tony Hsieh, CEO, Zappos. “If you get the culture right, other stuff like great customer service or building a long-term brand will happen on its own.” All employees are focused on ensuring positive customer experience, and WOW do they do it well. 75% of purchases on Zappos.com are from repeat customers. Their net promoter score remains in the 90s, and as they continue to get bigger, inspiring employee happiness and engagement and empowering those employees to make business decisions based on customer happiness continues to make them successful.

Employees/I rate the company culture as positive, strong and motivating.



Only 18% of employees strongly agree with this statement, while 30% selected one of the three “disagree” answers. Strong cultures of recognition – that include frequent, constructive feedback – will inspire greater discretionary effort and provide a platform for inspiring the hearts and minds of employees.

Questions to Consider

- Have you thought about the differences between reward programs and recognition behaviors?
- Do you know how your workforce wants to be rewarded?
- Are your employees receiving enough feedback?
- Are your employees receiving feedback frequently enough?
- Do you know what will engage your employees more?

And finally,

- How are your Reward and Recognition programs going to help you win the war for retaining Millennial and Baby Boomer talent?

Final Thoughts

There are three sides to every story, CEOs, HR and the truth (employees). Instead of assuming what employees want, just ask them. It is evident from the research that business leaders have blinders on when it comes to employee engagement. Assumptions can no longer be made.

- Interactions with direct reports are not indicative of all manager/employee relationships within an organization.
- Organizations cannot project their own personal levels of engagement onto their employees
- Just because you've always done something, doesn't mean it's working
 - Organizations using legacy programs are missing opportunities to make work more personal, more interesting and more engaging

Business leaders may look at this data and have a real “a ha!” moment. It may provide the impetus to think about communication, feedback and recognition as a way to close the considerable gaps between what employees report and what HR and CEOs believe about how employees want to be communicated with, given feedback and recognized for their contributions.

Finally, the ball is in your court. Business is competitive and talent is the competitive advantage. To win the war-for-talent and retain your top performers, it's necessary to understand the current workforce and create a talent strategy that is in line with your EVP and continually strives to create happy employees and loyal customers.

Survey Methodology

Achievers Intelligence: Insight into Today's Workforce was conducted in March 2012 through an online survey amongst a sample of 2,677 people across the United States. The sample included 645 HR professionals, 232 CEOs and 1,800 employees.



The Achievers mission is to *Change the Way the World Works*. We are accomplishing this by helping companies around the world recognize and reward positive employee behaviors on a daily basis resulting in higher employee engagement and better business results. With our award-winning technology, unmatched customer service and industry-leading expertise we have powered the world's most successful rewards and recognition programs. Check us out on the web at www.achievers.com.