



EMPLOYEE ENGAGEMENT POV

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Bringing **HEARTS** and **MINDS** to work.



INTRODUCTION

Employee engagement is not only a main driver of employee performance, productivity and turnover, but it also impacts overall business performance. In fact, organizations spent upward of \$720 million dollars on employee engagement in 2015; this number is expected to rise to \$1.5 billion over the next few years (LaMotte, 2015). Despite such investments, only 32 percent of U.S. employees are engaged at work, and the trend is not improving (Gallup, 2017). These staggering statistics highlight the importance of increasing our understanding of what engagement is and how to improve it. The goal of this paper is to review how employee engagement is defined and measured in the industry today, introduce the Limeade Employee Engagement Index and review ways organizations can positively impact employee engagement.

DEFINING ENGAGEMENT

While there are varying definitions of engagement in the industry, the overarching domain of engagement is comprised of two primary characteristics: (a) a psychological connection to one's work and (b) an investment of personal resources in one's work.

LIMEADE DEFINITION OF ENGAGEMENT

Our definition of employee engagement aims to provide a holistic overview by combining the two foundational elements of engagement, while also reflecting the common terms used to describe engagement.

EMPLOYEE ENGAGEMENT IS A DEEP CONNECTION AND SENSE OF PURPOSE AT WORK THAT CREATES EXTRA ENERGY AND COMMITMENT.



MEASURING EMPLOYEE ENGAGEMENT

There are numerous employee engagement surveys in the market and in academia — some focus on job characteristics, others include an assessment of personal resource investment. While there's some overlap among them, each approach adds a unique perspective on employee engagement.

HOW EMPLOYEE ENGAGEMENT IS MEASURED AT LIMEADE

Limeade provides a unique perspective on employee engagement. Specifically, we created the Limeade Employee Engagement Index, which combines the measures of engagement, the drivers of engagement and whole-person well-being (see Appendix B for the technical report). The Index is derived from the Limeade Well-Being Assessment, which represents a holistic model of well-being, combining work, financial, emotional and physical well-being (including health risk factors). It highlights the interdependencies between well-being variables and outcomes, such as organizational commitment, organizational support, work engagement, resilience, quality of relationships, stress, physical health and more.

The Limeade Well-Being Assessment continues to be the most comprehensive well-being assessment available not only in the market, but also in academia.

The Limeade Employee Engagement Index includes a subset of questions from the assessment and is comprised of two parts: (a) one question measuring employee engagement and (b) several questions that measure the drivers of engagement (see Appendix B for more detail).



THE LINK BETWEEN EMPLOYEE ENGAGEMENT AND BUSINESS RESULTS

Companies with high levels of employee engagement see the impact of this engagement in business success. Organizations with higher employee engagement levels see 2.5 times higher stock price growth when compared to peer companies with lower employee engagement (Hay Group, 2010). Additionally, organizations with higher employee engagement are 78 percent more profitable and 40 percent more productive (Aon Hewitt, 2009). And for every 1 percent increase in engagement, there's a .6 percent increase in revenue (Aon Hewitt, 2017). For the average Fortune 500 company that's \$150 million.

There's also growing evidence that higher engagement is related to better customer outcomes, such as customer service climate, customer satisfaction, and customer loyalty, (Harter et al., 2002; Salanova et al., 2005) and better business performance such as productivity, profit, employee turnover, and accidents; (Harter et al., 2002; Shuck, 2011).

FACTORS IMPACTING EMPLOYEE ENGAGEMENT

Both individual and organizational factors contribute to employee engagement. Industry research shows that autonomy, task variety and task significance (Christian et al., 2011; Macey & Schneider, 2008; Nahrgang, Morgeson, & Hofmann, 2011) are important drivers of engagement. Having freedom in how a job is performed, having a variety of tasks and also having tasks that are meaningful lead to higher engagement (Christian et al., 2011; Macey & Schneider, 2008; Nahrgang et al., 2011). Further, employees who strongly agree that they can link their goals to the organization's goals are 3.5 times more likely to be engaged.

An employee's manager also plays a huge role in engagement since managers can account for up to 70 percent of variance in employee engagement (Gallup, 2015). In a study conducted by Gallup (2015), employees who rated their manager as excellent were five times more engaged than those who rated their manager as poor. Additionally, results of a Gallup (2017) study found that employees who had discussed their goals with their manager within a six-month time period were 2.8 times more likely to be engaged.



FACTORS IMPACTING EMPLOYEE ENGAGEMENT (CONTINUED)

In our internal analyses (using our book-of-business data from our Well-Being Assessment) we found several significant drivers of engagement. Specifically, top drivers of engagement from our Well-Being Assessment included:

- **BEING VALUED BY THE EMPLOYER**
- **USING ONE'S GREATEST PERSONAL STRENGTHS ON THE JOB**
- **IDENTIFYING WITH AND SEEING MEANING IN ONE'S WORK**
- **ABILITY TO HAVE AN IMPACT**
- **BEING ABLE TO LEARN AND DEVELOP ON THE JOB**
- **HAVING A SUPPORTIVE MANAGER AND WORK TEAM**
- **WORKING A REASONABLE NUMBER OF HOURS**
- **HAVING A MANAGEABLE AMOUNT OF STRESS IN ONE'S LIFE**
- **BEING SUPPORTED BY ONE'S ORGANIZATION IN LIVING A HEALTHIER LIFE**

(See Appendix B for more information.)



RECOMMENDATIONS FOR IMPROVING EMPLOYEE ENGAGEMENT

While many engagement platforms and surveys measure employee engagement, very few provide actionable steps or recommendations to help organizations improve employee engagement. In alignment with the Limeade Organizational Support for Well-Being Model (see Figure 1), actionable steps can be taken at each level.

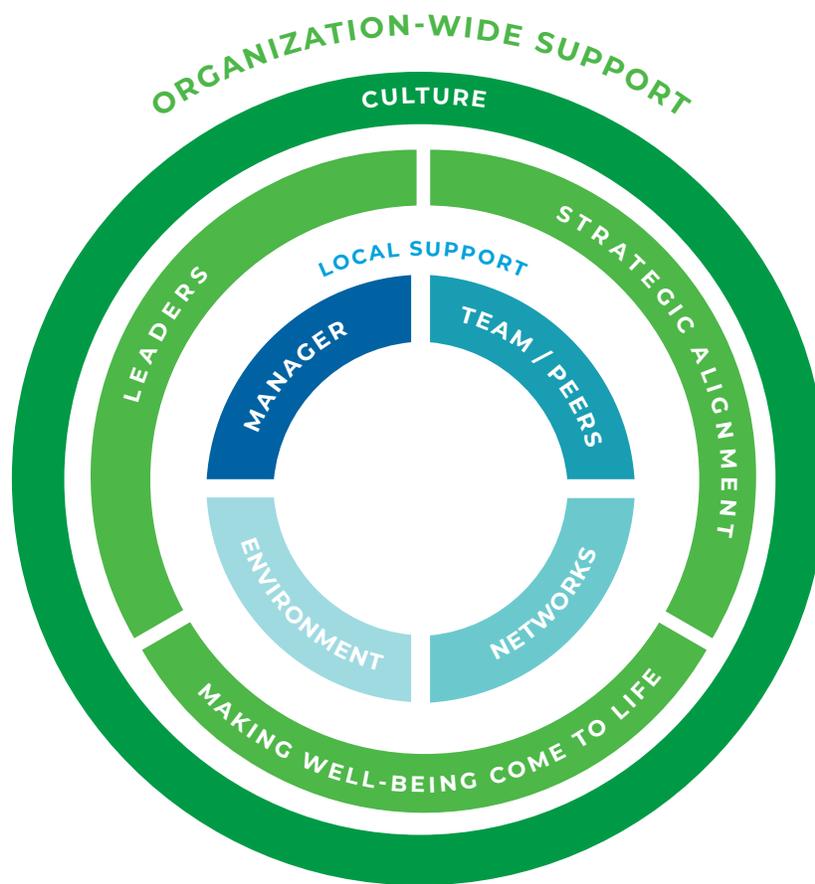


Figure 1. Limeade Organizational Support for Well-Being Model.

The following recommendations include actionable steps leaders and managers can take to help improve employee engagement. Each recommendation is focused on a different level of the Limeade Organizational Support for Well-Being Model. (See Appendix D for more information on how employee engagement and well-being are related.)



LOCAL SUPPORT

The first level of support comes at the local level, which is comprised of four factors: managers, teams/peers, social networks and physical work space.

MANAGER

Provide feedback regularly for employees. Develop a consistent process for giving feedback (timely, specific and actionable) that helps employees see a clear path forward toward their own professional development. Include both positive and constructive suggestions that enable an employee to grow and develop.

TEAM/PEERS

Provide time for teams to openly discuss ideas on how to function better as a team. Create a shared norm of providing encouragement and support for peers with some fun competition, without pressuring each other. Create a learning environment where all employees can try new things together without the fear of being reprimanded for failure.

SOCIAL NETWORKS

Offer interaction and collaboration across teams to help employees see themselves as part of something bigger and create connections between individuals who would not meet along strictly “professional” lines. Use social networks to report engagement successes and barriers to the organization.

PHYSICAL WORK ENVIRONMENT

Create workspaces that feel positive and energizing. Some things to consider include increasing natural light, providing space to move around and giving employees the freedom to make their spaces their own.



ORGANIZATION-WIDE SUPPORT

These four factors — strategic alignment, leaders, tools & programs and culture — are considered organization-wide support.

STRATEGIC ALIGNMENT

Create clarity and connection between individual roles and the mission of the organization. Employees must be able to see how their job contributes to the organization's reason for being. Managers can show employees how their individual work contributes to achieving the company's greater mission and purpose.

LEADERS

Leaders themselves should be active role models of engagement. They must be honest communicators and act as examples for others in order to create an engaged workforce. For example, leaders can act as role models by supporting and being personally involved in well-being initiatives throughout the company. It's important that employees believe in their leaders and the direction of the company in order to improve overall engagement.

TOOLS AND PROGRAMS

Provide a tool, platform, or program like Limeade that allows employees to report and track their engagement. Using a tool or program helps drive engagement by making well-being “come to life” and emphasizes the importance the organization has placed on improving employee well-being and engagement.

CULTURE

Focus on being intentional about building a culture that's aligned with your business strategy and supports engagement. To get started, conduct a culture audit to understand what aspects of your culture are supporting well-being and engagement and which ones might be hindering it.



CONCLUSION

Both individual and organizational factors contribute to employee engagement. From these findings, it's apparent that employers can improve employee engagement by authentically caring for employees. Whether leaders step up as active role models to be champions of well-being, managers provide a direct line of growth to show employees the impact they have on the company or employees simply rely on one another to foster a collaborative and supportive workplace, employee engagement relies on a psychological connection to work and an investment of personal resources in work. By discovering the main drivers of employee engagement with the Limeade Well-Being Assessment and actionable steps from the Organizational Support for Well-Being Model, employers can uncover what it takes to build an engaged workforce.



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APPENDIX A: EMPLOYEE ENGAGEMENT DEFINITIONS AND MEASUREMENT APPROACHES

Table 1

Definitions of employee engagement

Source	Engagement Definition
Gallup, Inc. website	Gallup defines engaged employees as those who are involved in, enthusiastic about and committed to their work and workplace.
Aon/Hewitt website	<p>“We define ‘engagement’ as the emotional and intellectual involvement that motivates employees to do their best work and contribute to your organization’s success.” Engaged employees consistently demonstrate three general behaviors. They:</p> <ul style="list-style-type: none">• Say—consistently speak positively about the organization to coworkers, potential employees, and customers.• Stay—have an intense desire to be a member of the organization despite opportunities to work elsewhere.• Strive—exert extra time, effort, and initiative to contribute to business success.



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Table 1

Definitions of employee engagement

Source	Engagement Definition
IBM Kenexa website	<p>The Kenexa Employee Engagement Index is comprised of four key components -- pride, satisfaction, advocacy and retention. Employee engagement, therefore, is not strictly happiness, excitement or the willingness to work long hours. Engaged employees align with their organization's goals and are personally vested in the outcomes.</p> <p>"Through analysis of the WorkTrends data, we've identified four primary and universal drivers of employee engagement. Employees are engaged by leaders who inspire confidence in the future; managers who respect and appreciate their employees; exciting work that employees know how to do; and employers who display a genuine responsibility to employees and communities."</p>
Willis Towers-Watson website	<p>Engagement is defined as employees' willingness and ability to contribute to company success. Put another way, engagement is the extent to which employees "go the extra mile" and put discretionary effort into their work — contributing more of their energy, creativity and passion on the job. When we speak of an "engagement gap," it is the difference between the level of discretionary effort employers need from employees to drive results and what they are actually able to elicit.</p>



APPENDIX A: EMPLOYEE ENGAGEMENT DEFINITIONS AND MEASUREMENT APPROACHES

Table 1

Definitions of employee engagement

Source	Engagement Definition
Employee Engagement: Tools for Analysis, Practice, and Competitive Advantage by W.H. Macey, B. Schneider, K.M. Barbera, and S. A. Young (all of Valtera)	<p>“Engagement is an individual’s sense of purpose and focused energy, evident to others in the display of personal initiative, adaptability, effort, and persistence directed toward organizational goals.” (p. 7)</p> <p>Engagement is a value chain. It starts with a high-performance work environment, which leads to employee engagement feelings, which lead to employee engagement behaviors, which yield tangible performance outcomes (productivity), and intangible assets (brand equity, customer satisfaction, loyalty, innovation, lower risk) and then onto shareholder value. Employee engagement includes a personal internal state and an external behavioral state.</p>

Note. Some of these definitions were found on company websites, while others come from Bousman’s (2011) white paper on engagement.



APPENDIX A: EMPLOYEE ENGAGEMENT DEFINITIONS AND MEASUREMENT APPROACHES

Table 2

Engagement measurement approaches used by employee engagement companies

Company

Gallup

12 closed-ended items that are behavioral/actionable at the supervisor or manager level, and do not include attitudinal or internal feelings or intentions. Concepts include role clarity, materials and equipment, opportunities, company mission, quality of work, rewards and recognition, learning and growth, and expectations. (Retrieved from Gallup website)

AON/Hewitt

AON/Hewitt measures employee engagement with a comprehensive model that includes six factors that create the work experience: brand, leadership, performance, company practices, the basics, and the work. The first three components are described as their differentiators, while the later three are described as the foundation. (Retrieved from AON/Hewitt website)

IBM Kenexa

Using a combination of a fully managed census survey consisting of a library of questions, self-service pulse surveys, and integrated data analytics, IBM Kenexa measures employee engagement with a set of questions tailored to the individual organization. Their employee engagement package is called Kenexa Employee Voice. (Retrieved from IBM website)

Willis Towers Watson

Willis Towers Watson measures employee engagement through their Employee Insights services. Using a combination of agile pulse surveys, annual census surveys, advanced comment analysis, and project management and advisory services, they comprehensively measure engagement using a continuous listening strategy that is always on. (Retrieved from Willis Towers Watson website)



APPENDIX B: LIMEADE EMPLOYEE ENGAGEMENT INDEX TECHNICAL REPORT

Developed in 2017, the Limeade Employee Engagement Index (LEEI) was created to help employers measure and improve engagement levels of their workforces. The Index uniquely combines holistic drivers of engagement through the lens of whole-person well-being. It includes the measurement of engagement, the drivers that lead to engagement and whole person well-being. The Index is derived from the Limeade Well-Being Assessment, which was developed by Limeade in 2006. The following report includes a brief review of what engagement is, which factors impact it, the Limeade approach to engagement and our methodology in developing the LEEI.

OUR APPROACH

The index includes a subset of questions from the assessment and is comprised of two parts:

- (a) One question measuring employee engagement (q#206 “I feel personally engaged in my work”). This item was used in previous research as an indicator of employee engagement and demonstrated strong criterion validity (Limeade & Quantum Workplace, 2016)
- (b) 23 questions that measure the drivers of engagement. Some of the dimensions represented in the drivers include work meaning, work growth, resources and support and feeling energized.

METHODOLOGY

In order to develop the LEEI, multinomial logistic regression was used to identify which LWBA items are significant drivers of employee engagement. The following includes a step-by-step explanation of the process used to develop the LEEI.



APPENDIX B: LIMEADE EMPLOYEE ENGAGEMENT INDEX TECHNICAL REPORT

STEP 1: IDENTIFY ITEM AND DIMENSION LEVEL DRIVERS

In order to group respondents based on level of engagement (engaged, neutral and disengaged), responses on the engagement item are recoded into three groups along a 5-point Likert-type scale (engaged- 1 and 2, neutral- 3, and disengaged- 4 and 5).

We determined item-level and dimension-level drivers, comparing the engaged to the disengaged groups. To identify the drivers, we ran the Multinomial Logistic Regression with all items in the assessment as predictors and q206 as the dependent variable. All assessment items were entered as predictors in the multinomial logistic regression and were assigned to an engagement group. Then, the engaged and disengaged groups were compared to identify which items strongly predicted landing in the engaged group. B weights

and significance levels were used to determine the best predictors. Once all significant items had been identified, some were removed because of their strong overlap/correlations with the dependent variable and other non-significant items were removed. The remaining items were entered back in and rerun through multinomial logistic regression. Again, non-significant items were removed, and the remaining items were rerun for the final time, resulting in 25 items. These 25 items were the strongest predictors of engaged group membership as compared to disengaged group membership. We used a similar approach in identifying dimension-level drivers. Note that for both item and dimension level drivers the relationship between each driver and the outcome was in the expected direction.

STEP 2: IDENTIFY ITEM AND DIMENSION LEVEL DRIVERS

Next, we decided to present engagement as four engagement groups instead of three. As a result, we had to re-run driver analyses, changing our grouping. In order to group respondents based on four levels of engagement (engaged, moderately engaged, moderately disengaged, and disengaged), responses on the engagement item were recoded into four groups along a 5-point Likert-type scale (engaged- 1, moderately engaged- 2, moderately disengaged- 3, disengaged- 4 and 5).

To determine the drivers of engagement, we compared engaged and disengaged groups using Multinomial Logistic Regression, following the same process as in step one. There was considerable overlap between step one and step two item-level drivers; 13 of the items overlapped. All items and dimensions represented had loadings with significance at $p < .01$. Of the dimensions, eight overlapped with the previous analyses.



APPENDIX B: LIMEADE EMPLOYEE ENGAGEMENT INDEX TECHNICAL REPORT

Table 3

Employee engagement drivers (R squared = .779).

Item	Question	Dimension	Wald Value
q205	Most days, I feel energized by my work.	Feeling energized	9288.796
q204	Overall, I like my job.	Feeling energized	2042.671
q211	I identify with my work.	Work meaning	939.508
q207	I feel valued by my employer.	Feeling energized	755.533
q203	At my job, I use my greatest personal strengths.	Job satisfaction	420.497
q411	I give my work my all.	Limeade productivity	331.292
q210	I am contributing to something that matters at work.	Work meaning	251.881
q253	I am committed to this organization.	Belief in company	190.73
q212	My work has purpose.	Work meaning	144.873
q213	I am able to have an impact.	Work meaning	144.523
q231	I am realizing my potential at work.	Work growth	134.522
q201	My skills and abilities fit well with my job.	Job satisfaction	115.735
q410	My time at work is spent wisely.	Limeade productivity	109.629



APPENDIX B: LIMEADE EMPLOYEE ENGAGEMENT INDEX TECHNICAL REPORT

Table 3

Employee engagement drivers (R squared = .779).

Item	Question	Dimension	Wald Value
q227	I am able to learn new things in my job.	Work growth	85.462
q221	I work a reasonable number of hours.	Work-life balance	75.57
q252	I would recommend this organization to my friends as a good place to work.	Belief in company	71.246
q238	There is an equal balance between what I put into my job and what I get in return.	Square deal	69.544
q228	I have challenging yet achievable goals.	Work growth	66.339
q397	Which of the following best describes the current level of stress in your life?	Managing stress and anxiety	53.885
q236	In my work team, we have mutual respect for each other.	Sense of team	53.755
q214	My manager "looks out" for me.	Resources & support	53.618
q19	I get into a place of deep concentration and focus when I'm doing work.	In the flow	51.126
q413	Overall, my organization supports me in living a healthier life.	Overall	50.87



APPENDIX C: SUMMARY OF EMPLOYEE ENGAGEMENT RESEARCH

GROWTH AND PROFIT

- Organizations with higher employee engagement levels see 2.5 times higher stock price growth when compared to peer companies with lower employee engagement (Hay Group, 2010).
- Organizations with higher employee engagement are 78 percent more profitable and 40 percent more productive (Aon Hewitt, 2009).
- For every 1 percent increase in engagement, there is a .6 percent increase in revenue (Aon Hewitt, 2017). For the average Fortune 500 company that's \$150 million.

CUSTOMER SERVICE AND SERVICE QUALITY

- Higher employee engagement is related to increased patient satisfaction and quality of care among healthcare customers (Bacon & Mark, 2009).
- Higher engagement is related to better customer outcomes such as customer service climate, customer satisfaction, and customer loyalty (Harter et al., 2002; Salanova et al., 2005).
- Nurse engagement is the number one predictor of mortality variation across hospitals (Gallup, 2005).
- Highly engaged business units achieve a 10 percent increase in customer metrics (Gallup, 2017). process used to develop the LEEI.

SAFETY

- Engaged workforces have fewer safety incidents. Disengaged employees are five times more likely to have a safety incident and seven times less likely to have a lost-time safety incident (Vance, 2006).



APPENDIX C: SUMMARY OF EMPLOYEE ENGAGEMENT RESEARCH

EMPLOYEE PERFORMANCE AND PRODUCTIVITY

- Disengaged workers have 37 percent higher absenteeism, 49 percent more accidents and 60 percent more errors and defects (Aon Hewitt, 2015).
- Work units in the top quartile of employee engagement saw significantly lower turnover (25 percent in high-turnover organizations, 65 percent in low-turnover organizations), shrinkage (28 percent) and absenteeism (37 percent) (Gallup, 2013).
- Gallup estimates that actively disengaged employees cost the U.S. \$483 billion to \$605 billion each year in lost productivity (Gallup, 2017).
- Highly engaged business units achieve a 20 percent increase in sales (Gallup, 2017).

COST OF EMPLOYEE ENGAGEMENT EFFORTS

Although most HR leaders understand the importance of employee engagement and most organizations devote a lot of effort to increasing engagement of their employees, employee engagement of U.S. employees has changed little over the last decade:

- Organizations spent around \$720 million dollars on employee engagement in 2015; this number is expected to rise to \$1.5 billion over the next few years (LaMotte, 2015).
- Only 32 percent of U.S. employees are engaged at work, and this number has changed little over the last decade (Gallup, 2017).



APPENDIX D: HOW WELL-BEING AND ENGAGEMENT ARE RELATED

Limeade is an employee engagement platform that builds great places to work by improving well-being and strengthening workplace culture. Since our founding, we believed, and research shows, that well-being and engagement are connected. For example, in our research with Quantum Workplace (Limeade & Quantum Workplace, 2016), we found that:

- When employees feel their employer cares about their well-being, they're 38 percent more engaged.
- Employees with higher well-being and higher engagement are more likely to report enjoying their work, more loyal to their teams, less likely to leave and more likely to recommend their organization as a great place to work.

Similarly, Gallup (2013) found that employees with strong well-being are more than 2 times as likely to be engaged in their jobs compared to other employees.

BOTH ENGAGEMENT AND WELL-BEING ARE RELATED TO BETTER BUSINESS RESULTS

When organizations have employees who are engaged AND who have well-being in their life, they see better business results.

- Employees who are engaged and have high well-being are 59 percent less likely to look for a new job in the next 12 months and 18 percent less likely to leave their organization in a 12-month period (Gallup, 2015).

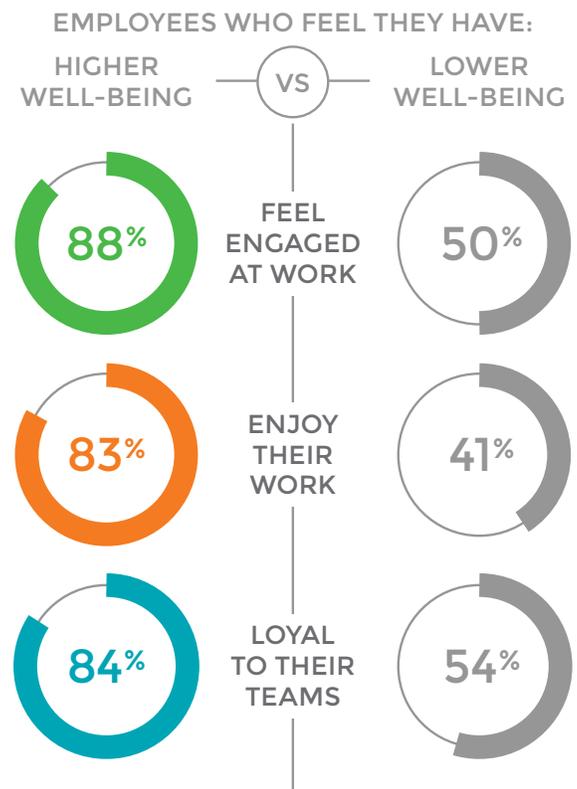


Figure 2. Limeade and Quantum Workplace (2016) research findings.



APPENDIX E: DEFINING EMPLOYEE ENGAGEMENT

Originally defined by Kahn as “the harnessing of organisation member’s selves to their work roles” (Kahn, 1990), various and often conflicting definitions of employee engagement have emerged over the years. Although definitions vary, some common themes are beginning to surface. Many researchers are defining engagement as high levels of personal investments in work-related tasks (Kahn, 1990). Engagement is driven by a psychological connection to the work itself (Maslach, Schaufeli & Leiter, 2001), and is often described as an emotional connection to work. It goes beyond simple participation in work tasks and involves a dedication of focused energy and enthusiasm for the work. Engagement also includes an individual’s sense of purpose in the work they do. This energy, enthusiasm and purpose is evident in the display of personal initiative, adaptability, effort and persistence toward organizational goals (Macey, Schneider, Barbera, & Young, 2009; Schaufeli et al., 2002).

In reviewing employee engagement definitions in literature, we identified two consistent elements of employee engagement. First, engagement includes a psychological connection with one’s work tasks (Christian, Garza, & Slaughter, 2011; Kahn, 1990) and is driven by the psychological connection to the work itself (Maslach et al., 2001). While engagement is impacted by larger organizational factors such as

organizational support and culture in some ways, it’s more deeply shaped by the extent to which someone identifies with and connects with their work. The second characteristic of engagement is a self-investment of personal resources (physical, emotional, and cognitive) in one’s work tasks (Christian et al., 2011; Rich et al., 2010; Wollard & Shuck, 2011). This is often described as discretionary effort, and indicates the employee is willing to go beyond their basic job responsibilities and invest deeply in their work. Refer to Table 1 in Appendix A for example definitions used in the industry by prominent employee engagement vendors and consulting companies.

Some of the current industry definitions of engagement refer to the closely related construct of organizational commitment. Understood as a personal and psychological bond to one’s organization (Choi, Oh, & Colbert, 2015), commitment overlaps with employee engagement on similar affective components (i.e., investment of personal resources). While the focus of engagement is the work an employee does, commitment focuses on the organization within which one completes this work. Given the close relationship (both conceptually and statistically) of the two constructs, as well as their shared antecedents and outcomes (Christian et al., 2011), we recognize this intimate relationship in our approach to engagement.