Consulting
Performance, Reward & Talent

2014 Trends in Global Employee Engagement

Aon Hewitt

2014 Trends in Global Employee Engagement

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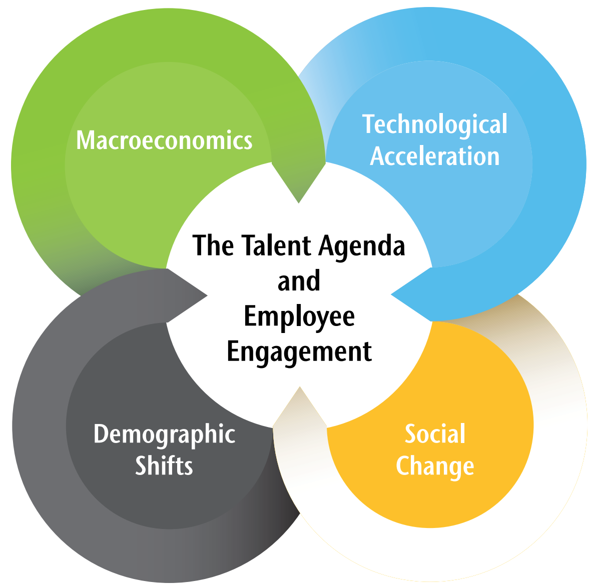
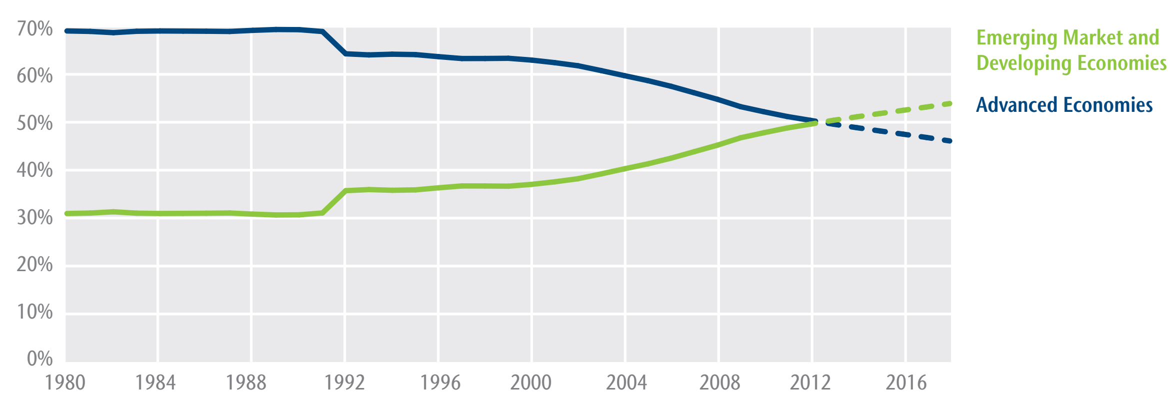
Employee Engagement at the Center of the Emerging Talent Imperative

How prepared are you, your company and your talent to drive performance in the face of impending change? Business leaders face unprecedented challenges brought on by simultaneous macro-level economic, technological, demographic and social trends. These trends have created a multitude of business challenges: industry consolidation and disruption, changing customer and consumer demand, availability of talent, changing requirements of the workforce from companies, and changing expectations of companies from the workforce, to name a few. Many business leaders will need to revisit and set new strategies, but they cannot effectively execute on what is required for future growth without people. Not just any people—but engaged employees. Engaged employees invest their discretionary effort in the right behaviors to achieve future business results. *Making engagement happen* will be the business challenge of the next decade and a focal point of the emerging talent imperative.



The global economy continues to stabilize in the wake of the Great Recession. According to data from the Conference Board, global GDP grew at a rate of approximately 2%–3% in 2013, and is forecasted to grow 3% in 2014.[1] However, a look around the globe highlights an interesting shift in the share of total global GDP. Large, mature economies have been stabilizing at lower levels of growth, while the smaller emerging economies have been growing at much higher annual rates. The outcome is that, collectively, emerging economies have overtaken mature economies in share of global GDP in 2013 and are forecasted to dominate the global economy in 2014 and beyond.[2]

GDP Based on Share of World Total (%)



1 Conference Board. http://www.conference-board.org/data/globaloutlook.cfm.
2 International Monetary Fund. Google Public Data Explorer. http://www.google.com/public data (October 2013).

Emerging economies continue to be a formidable presence, but much of the aggressive growth we have seen in recent years is wavering. Growth forecasts are strongest and higher than global averages in China, India and sub-Sahara Africa. However, some of the intense growth seen in Asia and Latin America has slowed, resulting in increased perception of economic contraction relative to the recent history of very strong growth. These shifts have tremendous implications from a talent perspective for companies operating solely in one region, and also for multinationals operating across several regions. A slowed pace within emerging markets presents new challenges all too familiar to those in mature markets. For example, companies operating in mature economies may find it difficult to keep employees engaged amid growth struggles and cost focus, while those operating only in emerging markets may struggle with attracting and retaining the talent needed to sustain growth yet keeping employees engaged through a relative economic contraction.

Technological advances present an abundance of opportunities, but also many challenges. Moore's Law posits that computer processing speed will double every two years.[3] Since this prediction took hold in the 1970s, we have indeed seen an exponential rate of computing speed and processing power. In fact, many significant advances seem to occur even more frequently than Moore's Law suggests. Ray Kurzweil presents a potentially darker projection of Moore's Law—the Singularity. This is the point at which computers become integrated into all aspects of life and actually become more intelligent than humans. The exponential acceleration of technological advances suggests that the Singularity will change both work and life as we know it, and that this change will happen in the next 20 or 30 years.[4] This may sound like science fiction, but consider Amazon's recent announcement about the likelihood of unmanned drones being used to deliver packages, or wearable computing trends such as wristbands that monitor your heart rate. Think of how technology like Google Glass will revolutionize how we integrate computing into daily activities. Fast-forward to ever-increasing integration of everyday technologies like the Internet, telephone, music, movies and television. Consider the widespread use of technology like Facebook, LinkedIn or Twitter, which codifies networks and accelerates interpersonal information and connectivity by both consumers and businesses alike. Finally, consider the number of people whose jobs have been replaced by machines or robots in manufacturing plants, the agriculture industry or in retail checkout lines.

Even if we are not on the brink of the social/technological Singularity, these technological trends have a significant impact on both businesses and people. Entire industries have already been and will continue to be disrupted (e.g., the music and movie rental industries), and new ones will emerge. Jobs will be eliminated, and new ones will be created. Consumers and employees have almost instant access to information, yet less face-to-face interaction. All of these things point to evolving requirements for businesses and employees alike where agility and the constant need to stay relevant become prerequisite. The emerging talent imperative is at this intersection between business and employee requirements. Fundamentally, companies will need employees to go above and beyond in different ways—not just to engage by working harder, but to engage in ways that show resiliency, learning, adaptability and speed.

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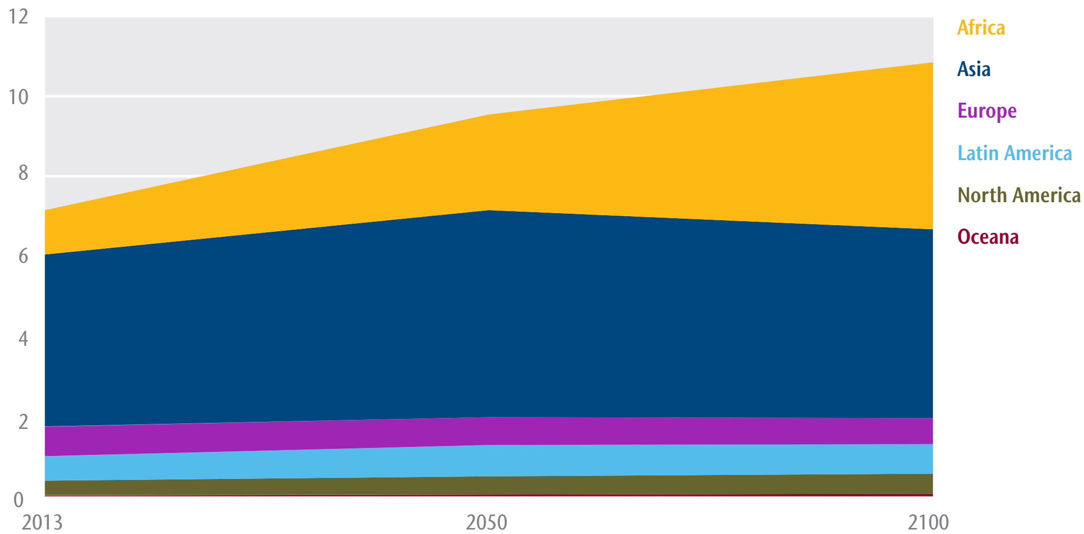
3 Moore, Gordon E. (1965). "Cramming more components onto integrated circuits." *Electronics*.
4 Kurzweil, R. (2005). *The Singularity is Near*. Viking Press.

The global demographic makeup is also shifting in significant ways. First, the world population is changing—most significantly, we will see India overtake China as the world's most populous country in the next five years. These two countries alone will overshadow the populations of the G7 combined. We will also see incredible population growth in African countries. In fact, some of the world's least developed countries have the highest rates of population growth.[5]

Total Population by Major Area (billions)



Workers aged 50 to 68 (Baby Boomers) are working longer than previous generations did, and the available talent for current and future leadership roles may be limited due to the relatively low number of employees aged 33 to 49 (Generation X). The large number of workers aged 20 to 32 (Millennials) represented in the workforce has significant voting power in the aggregate "voice of the employee." The large influx of Millennials into the workforce has significant implication for workforce dynamics: The size of this group gives them not only a large "vote" but also significant influence on other generations about non-negotiable expectations in a work environment (e.g., flexibility, rapid career movement, learning, transparency). All of these demographic shifts put significant strain on labor supply and demand. These evolving labor dynamics will dictate what employees in different segments expect of companies in order to engage, and what companies are willing to provide employees in segments with various levels of supply.

The three previous trends (economic, technological and demographic) have undoubtedly affected the final trend we see shaping the talent agenda—social change. There is significant social change happening across the globe. Whether there are tensions surrounding distribution of wealth, access to health care, access to education or views toward work itself, heightened attention to a sense of fairness seems to be at the center of social unrest. Employers have a direct impact on employees' wealth, health care and education, and their employment experiences through pay, benefits, and learning and development programs, respectively. These trends are directly affecting the talent agenda. Failure to meet increasing expectations for wealth, health and education will surely put employee engagement and performance in jeopardy. Is your company providing what employees expect in the ways they expect it? If not, what are the implications for your talent and for your business?

5 United Nations. World Population 2012 Wall Chart. http://www.un.org (September 2012).

Collectively, these trends mean that companies will struggle to thrive in a dynamic global economy, with increasing threats of technological disruption and complex and changing workforce demands. The talent agenda needs to have some flexibility built into it, as business demands seem to be rapidly changing with little sign of finding equilibrium. An agile, flexible, learning workforce will be required in the face of this change and uncertainty.

For employees, we see a growing desire for companies with a solid employer reputation, reward for performance, career trajectory and culture of collaboration. Yet, many companies in the wake of the recession seem to respectively offer a dismantled rewards package, push more cost and risk onto employees, display employment uncertainty and have individually based rewards. The employee value proposition (the EVP, employment contract or "deal") is breaking down—in fact, as this report will show, employee sentiment about "employee brand alignment" in mature markets has trended down for the last few years. Many leaders are calling for new employment contracts that move away from a talent strategy of the past based on loyalty, and move toward short-term agreements focused on performance and mutual value exchange.[6,7] Said differently, many employees have shorter-term horizons in any given role (not necessarily any given company) with different demands, so it is imperative that companies recast the deal to maximize the value provided to the company and to the employees during that horizon. Companies will constantly need to re-recruit their existing talent for the next role if they want to effectively retain valuable employees and keep them engaged.

Attracting and retaining the talent needed for business performance will be challenging enough. *Making engagement happen* is the ultimate objective. Real employee engagement means that employees are maximizing their value to the organization. But the definition of what it takes to make engagement happen is a moving target; it is determined by the employee and is not based solely on competitive rewards. Companies that can redefine a compelling employee value proposition to balance the economic, technological, demographic and social challenges ahead will win.[8] The innovators, the game changers, the industry disruptors can win the talent war in the short term through reputation. People want to work for these exciting companies. Employers who do it best will pull away from the pack in the talent war and in business results through this type of reputation, but also through engaging their talent in the right behaviors for the future (see the section on best employer companies beginning on page 35). They do this through strong, healthy and engaging cultures that are driven by strong reputation, performance orientation and leadership excellence. The fundamental talent imperative is here—*make engagement happen*.

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6 Hoffman, R, Casnocha, B, Yeh, C. (2013). "Tours of Duty: The New Employer-Employee Compact." *Harvard Business Review*. June 2013.

7 McCord, P. (2014). "How Netflix Reinvented HR." *Harvard Business Review*. January–February 2014.

8 Ready, D.A., Hill, L.A., Thomas, R.J. (2014). "Building a Game-Changing Talent Strategy." *Harvard Business Review*. January–February 2014.

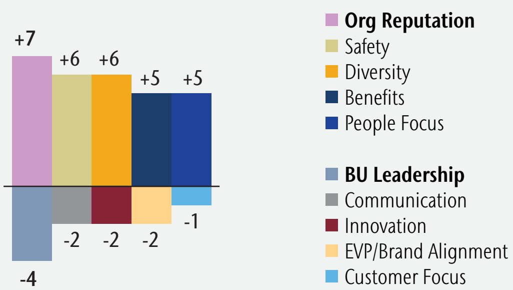

HOT DRINKS
CHOC CHIP
COOKIE
CHEESY BUTTERNUT
BUTTERNUT, CHEESE
& CINNAMON
THE BRUNCHER
BACON, MUSHROOM
& CHEESE
THE GREEKY
OLIVES, FETA
& PEPPADEW

Key Findings

Global

Employee Engagement 61% +1 Change since 2013

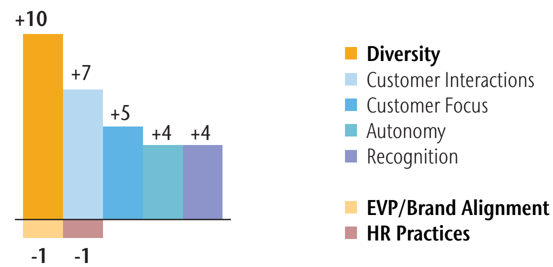
2014 GDP Forecast +3



North America

Employee Engagement 65% +2 Change since 2013

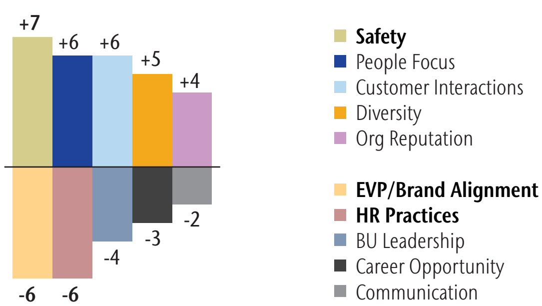
2014 GDP Forecast +3



Europe

Employee Engagement 57% 0 Change since 2013

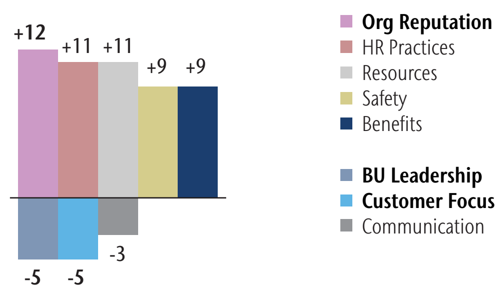
2014 GDP Forecast +1



Asia Pacific

Employee Engagement 61% +3 Change since 2013

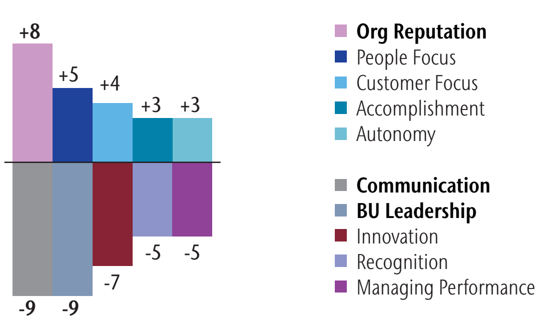
2014 GDP Forecast +5



Latin America

Employee Engagement 70% -4 Change since 2013

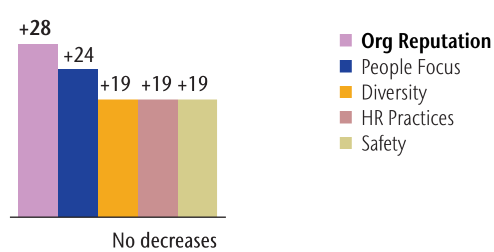
2014 GDP Forecast +4



Africa/Middle East

Employee Engagement 61% +8 Change since 2013

2014 GDP Forecast +4



- **Engagement is on the rise and is steadying following global economic stabilization**. The global economy is forecasted to grow 3% on average, with some signs of life in mature markets and some contraction in growing markets. Global employee engagement increased slightly (one percentage point) from 2012 to 2013, to 61% overall.

- **There are signs that the employee value proposition is breaking down**. Perceptions of internal brand alignment have decreased 4 percentage points in the last two years. More employees are saying positive things about their organization and striving to go above and beyond. Engagement overall has increased, but the global element signifying intent to “Stay” with their companies has shown no change. Employees are engaging more, but only a little over half see a long-term path with their current company and fewer see a compelling value proposition to keep their talents with the current company.

- **There are large differences in the dynamics of the economic, business and talent landscapes of emerging vs. mature markets**. North America is experiencing increases in employee engagement in the context of improving economic forecasts. Europe is showing a relatively flat forecast with 1% economic growth forecasted and no change in average employee engagement from 2012 to 2013. Latin America is in a relative “crisis” with decreasing economic growth forecasts and falling engagement levels; however, both economic growth and engagement baseline levels are considered above the global average. Despite economic contraction from high growth rates in parts of Asia Pacific, engagement levels are on the rise. The Middle East and particularly sub-Sahara Africa are showing strong economic growth prospects[9] and sharp increases in employee engagement.

- **The work experience is improving more than it is deteriorating, but not necessarily in the most important areas**. The top-improving areas increased 6 percentage points on average, whereas the areas with the largest decreases fell 2 percentage points on average. However, organizational reputation was the only significant driver of employee engagement appearing among the top 10 areas that improved.

- **Millennials are setting the tone for employee engagement and the evolving employment contract**. Top employee engagement drivers center on career opportunities, managing performance, pay and reputation, and communication. The top four drivers globally align with the top drivers for Millennials. The sheer size and influence of this generational cohort is likely having an effect on the perceptions of Generation X employees and Baby Boomers.

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9 Conference Board. http://www.conference-board.org/data/globaloutlook.cfm.

- **Best employer companies[10] drive higher engagement, revenue growth and shareholder value than do companies with top quartile engagement levels alone**. Best employer companies display significantly stronger cultures than average companies marked by strong leadership, reputation, performance orientation and employee engagement. They outperform the average company on revenue growth (6 percentage points), operating margin (4 percentage points) and total shareholder return (6 percentage points). They even outperform those companies marked by high employee engagement alone.

- **Best employer companies are pulling away from the pack**. Top quartile engagement companies in 2013 are 4 percentage points higher than previous years at the 76% engagement threshold. This represents a larger increase than average engagement levels and a further widening of the gap between average companies and those that excel at engaging their employees. The best keep getting better.

- **Leaders hold the key to employee engagement**. Engaging leaders think, feel and act in different ways than do typical leaders. Leaders have a multiplier effect on engagement in that they affect engagement through control over all the top drivers, in addition to having a direct effect on the engagement of others through their interactions.

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10 Companies identified in the Aon Hewitt Best Employers database. See analysis on page 35.

About this Report

Aon Hewitt defines engagement as the psychological state and behavioral outcomes that lead to better performance. The Aon Hewitt Engagement Model below examines engagement outcomes as Say, Stay and Strive. Engaged employees:

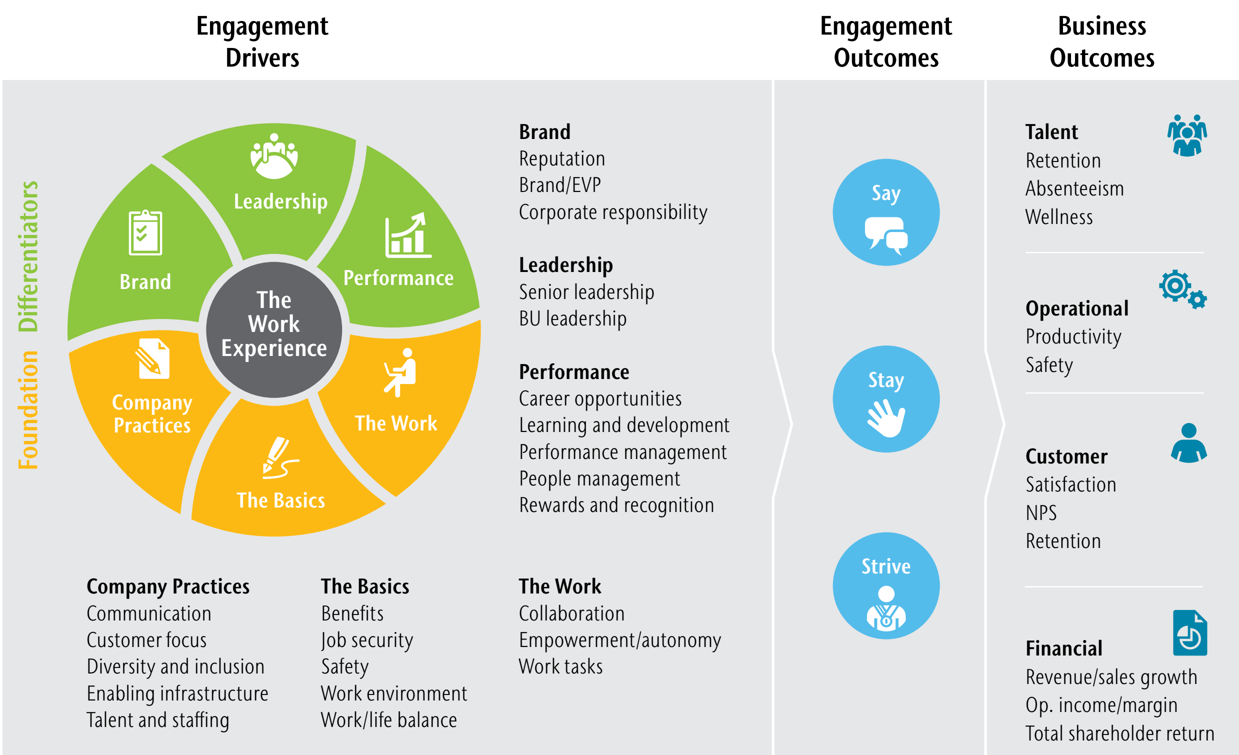
Say—speak positively about the organization to coworkers, potential employees and customers;

Stay—have an intense sense of belonging and desire to be a part of the organization; and

Strive—are motivated and exert effort toward success in one's job and for the company.

We also examine the work experience indicators that have an impact on engagement. These are the engagement drivers within management control—brand, leadership, performance, the work, the basics and company practices. Finally, we include the business outcomes that often result from strong engagement drivers and higher employee engagement levels. Our research has consistently found that companies with higher engagement levels also have better talent, operational, customer and financial outcomes.[11,12]

The Aon Hewitt Employee Engagement Model



Employee engagement and workforce perceptions data in this report come from Aon Hewitt's five-year rolling Employee Research Database and represent the views of over 7 million employees across more than 6,000 companies in 68 industries and 155 countries.

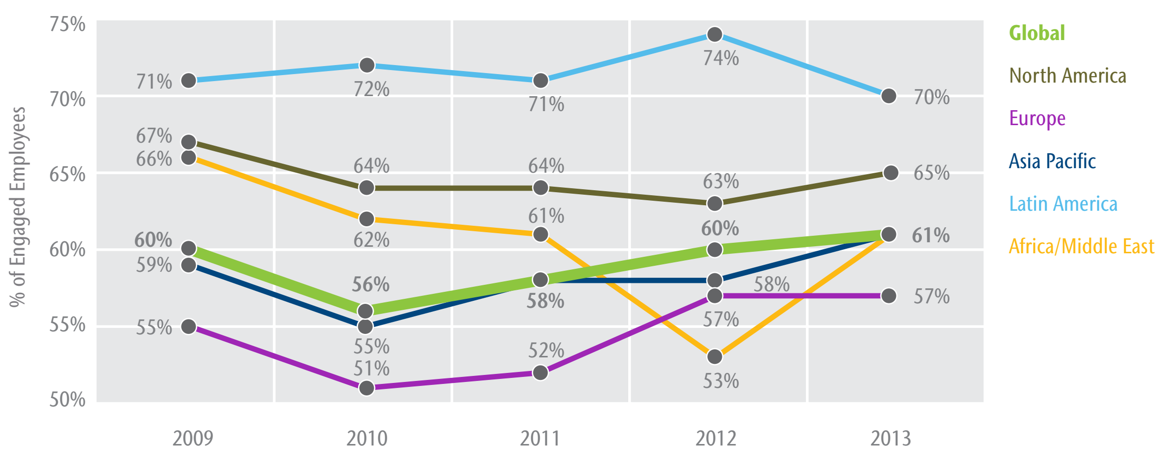
11 Roberts, D. (2013) "Using Engagement Analytics to Improve Organizational Performance." *Employee Relations Today*. Wiley Periodicals.

12 Adair, C., Morewitz, C., Oehler, K., Parker, S., Roberts, D., Rubin, D. and Smith, R. (2013, April 12). "Employee engagement linkage to business performance: Best practices and implications." Presented at the Society for Industrial and Organizational Psychology Annual Conference, Houston, Texas.

Global Engagement Trends

Global employee engagement continues to rebound since the lows of 2010, and rose 1 percentage point from 2012 to 2013 to a global average of 61%. North America increased 2 percentage points to 65%. European levels stayed the same at 57%. Asia Pacific increased 3 percentage points to 61%. Latin America fell 4 percentage points to 70%. Africa/Middle East improved 8 percentage points, from 53% to 61%. As the graph below illustrates, it appears as though various regions around the globe are converging around this global average more so than in previous years. Note that this is the first year that we have focused separately on Africa/Middle East, due to the forecasted population and economic growth in this region. Africa/Middle East's engagement has shown some volatility in previous years, but appears to have jumped significantly last year, perhaps due to some economic tailwinds; this region, and particularly sub-Sahara Africa, are forecasted to grow.

Global and Regional Employee Engagement (2009–2013)



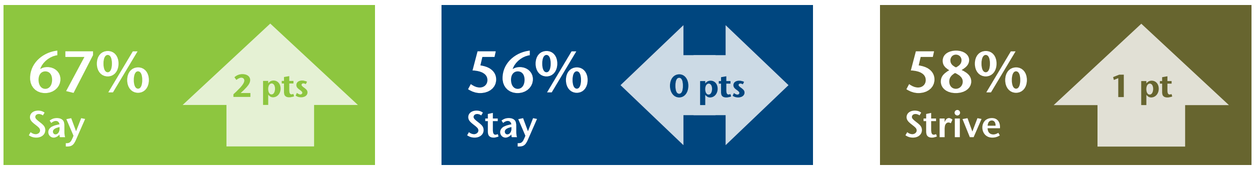
Source: Aon Hewitt database

Engagement is on the rise and is steadying following global economic stabilization.

Regional averages show some notable outliers (see Appendix A). North America increased 2 percentage points, mostly driven by a 4-percentage-point increase in the United States, while Canadian levels fell 1 percentage point. Flat engagement levels in Europe are masked by falling levels in Eastern Europe offset by engagement improvement in Western and Central Europe. The major markets in Asia Pacific are showing improvement in employee engagement, except for continued low engagement levels in Japan (34% engagement). Engagement decreases in Latin America are mostly attributable to the engagement decreases in the high-growth markets (also down 4 percentage points); moderate-growth markets fell 1 percentage point while low-growth markets stayed the same at 74%.

Elements of Employee Engagement

Aon Hewitt measures employee engagement through a consistent set of survey items assessing the extent to which employees speak positively about their organization (Say), want to be a part of their organization (Stay) and desire to go above and beyond in their job (Strive). As previously mentioned, the aggregate employee engagement score increased 1 percentage point from 2012 to 2013, both the Say and Strive areas have improved to 67% and 58%, respectively, while intent to Stay has remained constant at 56%.

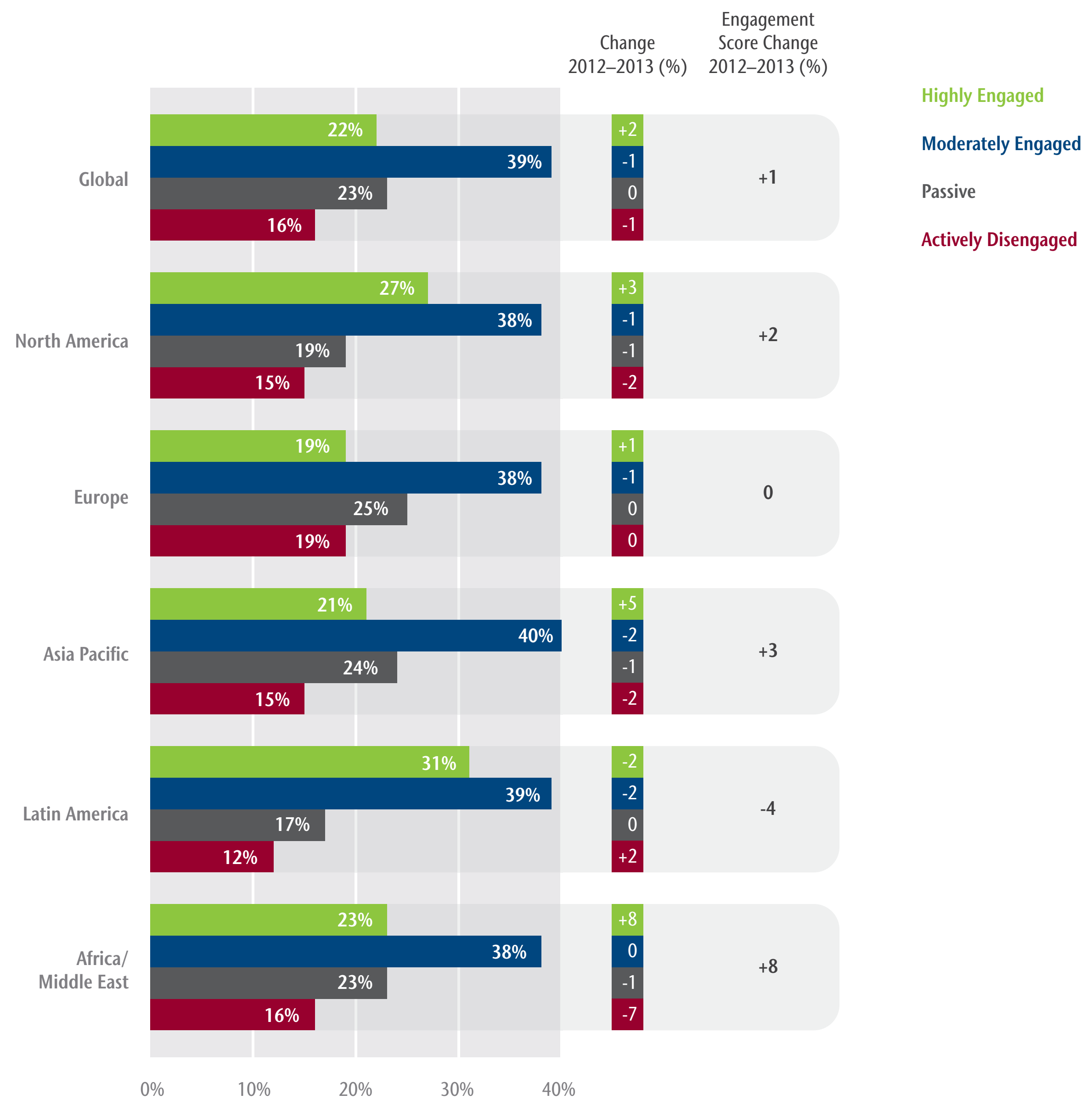


These data suggest some interesting dynamics in the engagement equation. More employees are saying positive things about their employers, and more are striving for greater performance, but the percentage who see a long-term track with their organization is leveling off at just over half of employees. These scores could signal a change in work expectations brought on by a combination of economic pressures, business reactions and demographic shifts. We are seeing an increasing percentage of employees who engage in terms of positive statement and extra effort, but may not be with an organization very long. How will organizations adjust their employee value proposition to meet this invitation for short-term value exchange from some employees? In aggregate, the results are clear. Employee engagement is improving marginally but generally stabilizing to pre-recession levels, and the results indicate significant room for improvement for the average organization.

There are signs that the employee value proposition is breaking down.

The results can be broken down further to see even more room for improvement. Six out of ten engaged employees means four out of ten are not engaged. Further examination of distributions of employees reveals that employees can be segmented into different engagement profiles. Within the 61% engaged population, we see that 22% are highly engaged and 39% are moderately engaged. Both engagement segments are valuable, but we find that these highly engaged employees are worth exponentially greater value to organizations. One company we work with found that the highly engaged sales force achieved 104% of their sales quota relative to 101% of target for the moderately engaged. In other words, if all of the sales people were highly engaged, the company would experience a 3% increase in sales. Another company we work with found that highly engaged customer-facing groups' Net Promoter Scores (NPS) were 35% higher than average versus 6% higher NPS scores for the moderately engaged groups. Finally, another organization found that highly engaged managers are more engaging of their teams (11% higher team engagement) compared to their moderately engaged counterparts. The percentage of highly engaged employees is up 2 percentage points globally, offset by a 1-point decrease in the moderately engaged and a 1-point decrease in the employees who were not engaged. Within the 39% "not engaged," we also see two segments. The passive employees who are ambivalent about their employer and work make up 23% of the workforce, on average. The remaining 16% are the actively disengaged—these employees actively destroy value through negativity across all the Say, Stay and Strive elements.

2013 Engagement Distribution



Source: Aon Hewitt database

Across the globe, we see shifts in the engagement segments at the extreme ends from actively disengaged to highly engaged, and vice versa. Global increases in employee engagement across all increasing regions appear to be coming from an increase in the highly engaged (and actually decreasing levels of the moderately engaged, in most cases). The percentage of passive employees remained relatively static from 2012 to 2013. Asia Pacific engagement distribution appears to be the most dynamic, where engagement overall is up 3 points with a 5-point uptick in the highly engaged offset by decreases in all other engagement segments. Latin America's decrease in engagement seems to be driven by people becoming actively disengaged (rather than passive).

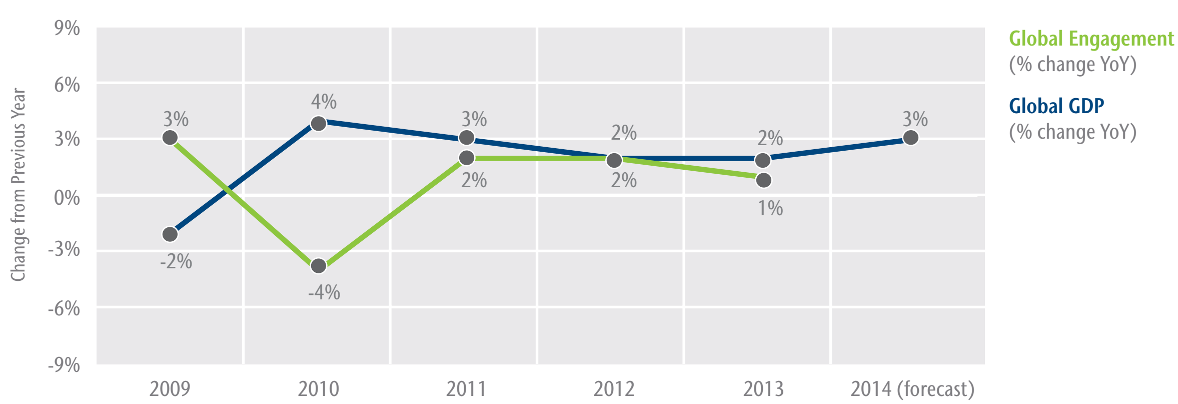
Economic and Employee Engagement Trends

We have been tracking the relationship between economic forces and employee engagement since 2010. The research started as a quest to understand the impact the Great Recession of 2009 was having on employee engagement and on the work experience in general. Indeed, the negative GDP growth that occurred across most markets in 2009 was followed by a large dip in employee engagement a year later. When global GDP recovered into positive growth territory in 2010, engagement also bounced back a year later in 2011. We posit that there is a lagged effect between economic forces and employee engagement. The mediating variable we suggest is that corporate decisions (either cost-cutting or investments), in response to economic forces, have a much more direct impact on employee engagement. These decisions come in the form of corporate transactions, restructurings, program designs and communications, as well as the general tone set by leaders. The steady, positive GDP growth (albeit moderate) since 2011 has been followed by steady, moderate growth in employee engagement.

There are large differences in the dynamics of the economic, business and talent landscapes of emerging vs. mature markets.

Since the more extreme economically driven engagement dynamics of the 2009–2011 period, the general pattern holds true, but to a lesser degree. Slowing GDP growth tends to be followed by slowing engagement growth in subsequent years. Note that GDP growth slowed from 4 percentage points year over year (YoY) growth in 2010 to 2 percentage points YoY growth in 2012. Engagement growth has also slowed from 2 percentage points YoY growth in 2011 to just 1 percentage point growth in the most recent 2013 engagement levels. This pattern can be seen in the global graph below, as well as in the regional graphs on the following page. What will the forecasted uptick in global GDP growth (to 3%) have in store for corporate investments in people and employee engagement levels? (See Appendix B for "Regional Economic Trends Compared to Economic Indicators.")

Global Engagement Trends Compared to Economic Indicators



Sources
GDP data: Conference Board
Engagement data: Aon Hewitt database

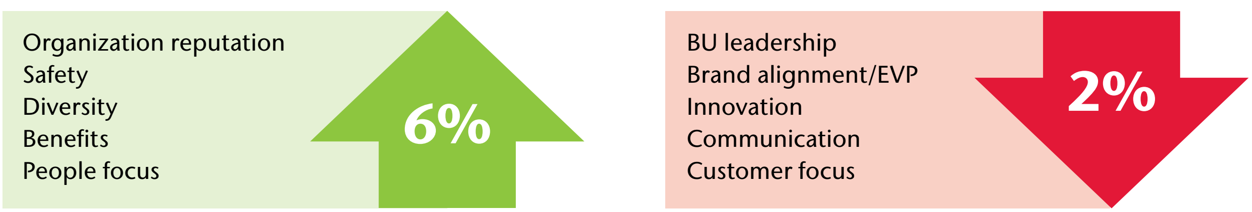
Work Experience Trends

Broadly speaking, the work experience is made up of several elements that can be grouped under foundational elements and potential differentiators. Foundational elements consist of company practices like communication, policies and infrastructure; basic need areas like job security and benefits; and the work itself. Differentiators are seen in perceptions of brand or reputation, leadership and performance orientation. In addition to driving strong engagement levels, these three areas of differentiation are the critical areas in which best employer companies excel (see the section on best employer companies on page 35).

> The work experience is improving more than it is deteriorating, but not necessarily in the most important areas.

We have seen some of the largest improvements in the brand (organizational reputation) and foundational elements of company practices and basics like safety and benefits. We also see some slight deterioration in the perceptions of business unit leadership, company practices regarding innovation, communication and customer focus, and the employee value proposition (EVP) or degree to which the external brand is aligned with the internal brand promise to employees. The deteriorating areas, although smaller in nature, are perhaps more disturbing than the improving areas. These perceptions seem to point to an employment contract in flux and risks to business-critical areas like innovation and customer focus. Together, these results present a picture of the work environment for the average employee.

Largest Changes in the Global Work Experience 2012–2013



The heat maps on the following pages shows that the work experience is changing in different ways across global regions and local markets. Consistent with the hypotheses that corporate investments follow economic trends, we see a general pattern where work experience indicators are highest in some of the areas that have the best prospects for economic growth.

Most notably, Africa and the Middle East collectively saw an average of 22 percentage points' improvement in positive perception scores in the top-increasing areas, with nothing deteriorating. This region is boosted by scores from the Middle East and North African region, as well as by sub-Sahara Africa, which is demonstrating significant economic growth potential. Asia Pacific, also poised for growth, saw significantly greater improvement than deterioration. Asia Pacific experienced some of the largest positive swings in greater China, Japan, Australia and New Zealand. Each of these markets has very different dynamics. China has the largest increases in the region considering its relatively positive baseline levels. Japan is showing improvement from its low baseline perception levels (e.g., 3 out 10 employees engaged in Japan). Other emerging markets that slowed in growth experienced some challenges, and as a result are seeing more negative perceptions than positive; most notably Eastern Europe and Latin America. Latin America is trending downward from a very high baseline where 7 out of 10 employees are engaged—yet the deterioration in areas like leadership, brand alignment and managing performance is alarming, as these are areas of critical differentiation for high-performing companies (as we will see later in this report). Mature markets in North America and Europe are generally improving at higher rates across work experience areas than they are decreasing. There is a similar pattern in these mature markets, where there is notable deterioration in HR programs and the EVP despite improvements in some of "the basics."

The highlighted areas in the following heat maps paint a picture of what employees have seen and experienced—the ups and the downs. They represent changes that companies have made intentionally or unintentionally, as perceived by employees.

Relative % Pt Change in Regional Work Experience Perception Scores 2012–2013

Engagement Score 2013	61%	65%	57%	61%	70%	61%
% Pt Change 2012–2013	1%	2%	0%	3%	-4%	8%

Work Experience Indicator	Global	North America	Europe	Asia Pacific	Latin America	Africa/ Middle East
Organization Reputation	7%	3%	4%	12%	8%	28%
Safety	6%	1%	7%	9%	0%	19%
Diversity	6%	10%	5%	8%	2%	19%
Benefits	5%	3%	4%	9%	-4%	13%
Valuing People/People Focus	5%	1%	6%	7%	5%	24%
Customers	4%	7%	6%	4%	1%	8%
Coworkers	4%	1%	4%	7%	0%	13%
Work/Life Balance	3%	3%	2%	3%	1%	8%
Work Processes	3%	3%	2%	7%	-2%	11%
Resources	3%	2%	0%	11%	-2%	18%
Sense of Accomplishment	2%	3%	0%	7%	3%	16%
Autonomy/Choice	2%	4%	4%	0%	3%	2%
Work Tasks	2%	1%	2%	3%	1%	9%
Pay	2%	1%	-1%	6%	-2%	14%
Recognition	2%	4%	0%	7%	-5%	12%
Physical Work Environment	2%	1%	2%	3%	-2%	
Managing Performance	2%	3%	0%	7%	-5%	15%
Manager	1%	3%	0%	2%	-3%	5%
Senior Leadership	1%	0%	-1%	5%	-2%	13%
Learning and Development	1%	3%	-2%	5%	-2%	12%
Career Opportunities	0%	3%	-3%	3%	-5%	6%
People/HR Practices	0%	-1%	-6%	11%	0%	19%
Customer Focus	-1%	5%	1%	-5%	4%	
Brand Alignment	-2%	-1%	-6%	4%	-4%	7%
Innovation	-2%	1%	1%	6%	-7%	
Communication	-2%	0%	-2%	-3%	-9%	4%
BU/Division Leadership	-4%	0%	-4%	-5%	-9%	1%

Heat Map Key Declining 2012–2013 Improving 2012–2013

Relative % Pt Change in Market Work Experience Perception Scores 2012–2013

Engagement Score 2013	61%	65%	63%	67%
% Pt Change 2012–2013	1%	2%	4%	-1%

Work Experience Indicator	Global	North America	North America	
		North America	United States	Canada
Organization Reputation	7%	3%	4%	2%
Safety	6%	1%	-1%	2%
Diversity	6%	10%	7%	14%
Benefits	5%	3%	6%	1%
Valuing People/People Focus	5%	1%	0%	2%
Customers	4%	7%	3%	9%
Coworkers	4%	1%	1%	2%
Work/Life Balance	3%	3%	4%	3%
Work Processes	3%	3%	3%	3%
Resources	3%	2%	5%	-1%
Sense of Accomplishment	2%	3%	4%	1%
Autonomy/Choice	2%	4%	5%	3%
Work Tasks	2%	1%	0%	2%
Pay	2%	1%	6%	-4%
Recognition	2%	4%	3%	4%
Physical Work Environment	2%	1%	-1%	2%
Managing Performance	2%	3%	4%	1%
Manager	1%	3%	5%	3%
Senior Leadership	1%	0%	-3%	1%
Learning and Development	1%	3%	4%	2%
Career Opportunities	0%	3%	5%	1%
People/HR Practices	0%	-1%	-3%	1%
Customer Focus	-1%	5%	5%	
Brand Alignment	-2%	-1%	-1%	-1%
Innovation	-2%	1%	1%	
Communication	-2%	0%	0%	0%
BU/Division Leadership	-4%	0%	1%	1%

Heat Map Key Declining 2012–2013 Improving 2012–2013

Relative % Pt Change in Market Work Experience Perception Scores 2012–2013 (continued)

Engagement Score 2013	61%	57%	55%	61%	60%
% Pt Change 2012–2013	1%	0%	3%	3%	-4%

Work Experience Indicator	Global	Europe			
		Europe	Western Europe	Central Europe	Eastern Europe
Organization Reputation	7%	4%	6%	-1%	4%
Safety	6%	7%	9%	9%	3%
Diversity	6%	5%	9%	6%	-1%
Benefits	5%	4%	9%	-1%	-2%
Valuing People/People Focus	5%	6%	4%	9%	5%
Customers	4%	6%	5%		5%
Coworkers	4%	4%	7%	-2%	3%
Work/Life Balance	3%	2%	4%	5%	-1%
Work Processes	3%	2%	5%	-7%	2%
Resources	3%	0%	1%	1%	-2%
Sense of Accomplishment	2%	0%	1%	-3%	-1%
Autonomy/Choice	2%	4%	7%	0%	2%
Work Tasks	2%	2%	7%	-4%	2%
Pay	2%	-1%	0%	-1%	-4%
Recognition	2%	0%	3%	-3%	-4%
Physical Work Environment	2%	2%	0%	3%	9%
Managing Performance	2%	0%	4%	0%	-7%
Manager	1%	0%	3%	0%	-5%
Senior Leadership	1%	-1%	1%	5%	-6%
Learning and Development	1%	-2%	0%	1%	-5%
Career Opportunities	0%	-3%	-1%	0%	-11%
People/HR Practices	0%	-6%	-2%	-4%	
Customer Focus	-1%	1%	1%	5%	0%
Brand Alignment	-2%	-6%	-10%	7%	-7%
Innovation	-2%	1%	-3%		6%
Communication	-2%	-2%	-4%	7%	-7%
BU/Division Leadership	-4%	-4%	-6%		

Heat Map Key Declining 2012–2013 Improving 2012–2013

Relative % Pt Change in Market Work Experience Perception Scores 2012–2013 (continued)

		Asia Pacific					
Work Experience Indicator	**Global**	**Asia Pacific**	**Australia/ New Zealand**	**Greater China**	**India**	**Japan**	**Southeast Asia**
Engagement Score 2013	61%	61%	61%	64%	66%	34%	62%
% Pt Change 2012–2013	1%	3%	5%	7%	3%	0%	4%
Organization Reputation	7%	12%	8%	13%	5%	10%	7%
Safety	6%	9%	4%	2%	-3%	19%	0%
Diversity	6%	8%	4%	6%	1%	1%	0%
Benefits	5%	9%	5%	15%	6%	7%	4%
Valuing People/People Focus	5%	7%	3%	0%	1%	-1%	-3%
Customers	4%	4%	2%	7%	1%	11%	-2%
Coworkers	4%	7%	1%	7%	2%	6%	4%
Work/Life Balance	3%	3%	3%	10%	3%	1%	3%
Work Processes	3%	7%	7%	12%	3%	8%	4%
Resources	3%	11%	7%	13%	2%	5%	5%
Sense of Accomplishment	2%	7%	2%	8%	2%	0%	4%
Autonomy/Choice	2%	0%	3%	2%	8%	6%	-1%
Work Tasks	2%	3%	2%	7%	0%	5%	1%
Pay	2%	6%	3%	10%	6%	-1%	9%
Recognition	2%	7%	3%	11%	2%	3%	8%
Physical Work Environment	2%	3%	3%	9%	-9%	0%	0%
Managing Performance	2%	7%	7%	13%	4%	7%	4%
Manager	1%	2%	2%	8%	-2%	2%	1%
Senior Leadership	1%	5%	8%	9%	2%	6%	4%
Learning and Development	1%	5%	5%	11%	2%	7%	3%
Career Opportunities	0%	3%	4%	9%	2%	2%	3%
People/HR Practices	0%	11%	8%	20%	4%	0%	7%
Customer Focus	-1%	-5%	8%	8%	-2%	-9%	1%
Brand Alignment	-2%	4%	4%	12%	6%	-4%	8%
Innovation	-2%	6%	6%	11%	3%		4%
Communication	-2%	-3%	8%	-4%	6%	-5%	-5%
BU/Division Leadership	-4%	-5%	-7%	-10%	3%		-6%

Heat Map Key Declining 2012–2013 Improving 2012–2013

Relative % Pt Change in Market Work Experience Perception Scores 2012–2013 (continued)

	Global	Latin America			
Engagement Score 2013	61%	70%	74%	69%	71%
% Pt Change 2012–2013	1%	-4%	0%	-1%	-4%
Work Experience Indicator	**Global**	**Latin America**	**Low Growth**	**Moderate Growth**	**High Growth**
Organization Reputation	7%	8%		12%	14%
Safety	6%	0%	1%	0%	1%
Diversity	6%	2%		2%	2%
Benefits	5%	-4%	-3%	-1%	-5%
Valuing People/People Focus	5%	5%			5%
Customers	4%	1%		-2%	5%
Coworkers	4%	0%	-1%	2%	-1%
Work/Life Balance	3%	1%	4%	6%	1%
Work Processes	3%	-2%	-2%	-5%	2%
Resources	3%	-2%	-1%	-2%	0%
Sense of Accomplishment	2%	3%		1%	6%
Autonomy/Choice	2%	3%	1%	4%	5%
Work Tasks	2%	1%	1%	2%	3%
Pay	2%	-2%	1%	-1%	0%
Recognition	2%	-5%		-6%	-6%
Physical Work Environment	2%	-2%		0%	-2%
Managing Performance	2%	-5%		-10%	-4%
Manager	1%	-3%	-2%	-4%	-1%
Senior Leadership	1%	-2%		-7%	0%
Learning and Development	1%	-2%	-2%	-3%	0%
Career Opportunities	0%	-5%		-7%	-4%
People/HR Practices	0%	0%			1%
Customer Focus	-1%	4%		2%	5%
Brand Alignment	-2%	-4%		-8%	1%
Innovation	-2%	-7%			0%
Communication	-2%	-9%		-9%	-9%
BU/Division Leadership	-4%	-9%	-1%		-9%

Heat Map Key Declining 2012–2013 Improving 2012–2013

Relative % Pt Change in Market Work Experience Perception Scores 2012–2013 (continued)

Engagement Score 2013	61%	61%	62%	64%
% Pt Change 2012–2013	1%	8%	6%	17%

Work Experience Indicator	Global	Africa/Middle East: Africa/ Middle East	Africa/Middle East: Middle East/ North Africa	Africa/Middle East: Sub-Sahara Africa
Organization Reputation	7%	28%	27%	29%
Safety	6%	19%	21%	12%
Diversity	6%	19%	21%	13%
Benefits	5%	13%	14%	
Valuing People/People Focus	5%	24%	19%	16%
Customers	4%	8%	14%	9%
Coworkers	4%	13%	14%	14%
Work/Life Balance	3%	8%	5%	19%
Work Processes	3%	11%	10%	9%
Resources	3%	18%	19%	10%
Sense of Accomplishment	2%	16%	16%	16%
Autonomy/Choice	2%	2%	3%	1%
Work Tasks	2%	9%	6%	12%
Pay	2%	14%	11%	15%
Recognition	2%	12%	9%	17%
Physical Work Environment	2%			
Managing Performance	2%	15%	14%	9%
Manager	1%	5%	2%	14%
Senior Leadership	1%	13%	9%	27%
Learning and Development	1%	12%	10%	13%
Career Opportunities	0%	6%	1%	16%
People/HR Practices	0%	19%	18%	11%
Customer Focus	-1%			
Brand Alignment	-2%	7%	4%	16%
Innovation	-2%			
Communication	-2%	4%	3%	14%
BU/Division Leadership	-4%	1%	1%	

Heat Map Key Declining 2012–2013 Improving 2012–2013

Making Engagement Happen:
The Top Drivers of Employee Engagement

The previous section focused on the largest positive and negative trends in areas of the general work experience—what employees perceive companies offer. But some of these areas are more important to improving engagement than others. The key drivers below were identified through analyses that prioritize the work experience areas based on statistical importance to employee engagement, as well as opportunity for improvement in the work experience area itself. The table below displays the results from a meta-analysis across almost 3,000 client organizations in our database representing over 3 million employees across the globe. These drivers are the priorities for *making engagement happen*.

Key Drivers of Employee Engagement (ranked)

Drivers	2012 Global	2013 Global	Perception Change 2012 to 2013	North America	Europe	Asia Pacific	Latin America
Career Opportunities	1	1	0% pts	1	1	1	1
Managing Performance		2	2% pts	2	5	5	
Organization Reputation	2	3	7% pts	3	2		
Pay	3	4	2% pts		3	2	4
Communication	5	5	-2% pts				3
Innovation			-2% pts		4		
Recognition	4		2% pts	5		4	2
Brand Alignment			-2% pts	4		3	5

Three of the top engagement drivers—managing performance, organizational reputation and pay—improved; communication fell 2 percentage points; and the top engagement driver, career opportunities, remained the same. Pay continued to be an employee engagement priority in 2013 and continues to increase in positive perception. As we pointed out in the *2013 Trends in Global Employee Engagement* report[13], pay's importance in the engagement equation could be attributable to a variety of factors. Pay freezes could be hitting a hygiene threshold in contracting markets. For example, pay is the #3 driver in Europe and perceptions of pay are down in this region. Pay could also be increasing in importance due to talent competition in the emerging markets of Asia Pacific and Latin America. Also, with more and more employers focusing on "pay-for-performance" strategies, and thus forcing more variation in reward levels, there could be more variability in pay that is better aligned with engagement and performance output. All of these possible reasons point to a shifting employment contract where getting pay right is not just a price of entry, but critical to motivate the best performance.

Innovation, a top engagement driver in Europe, improved 1 percentage point in that region despite falling globally by 2 percentage points. Recognition improved globally in Asia Pacific and North America, but fell 5 points in Latin America. It appears as if the improvements in three out of the five 2012 engagement drivers globally were sufficient to push employee engagement forward; however, bear in mind that improvements of 7, 2 and 2 percentage points in three out of the top five engagement drivers only produced a 1-point improvement in employee engagement.

13 Aon Hewitt. *2013 Trends in Global Engagement* report.

A key element to *making engagement happen* is not just understanding broad engagement drivers across populations, but understanding how these drivers vary among critical segments of your employee population. In addition to the geographic segments we examined above, there are other critical segments of interest that are relevant and actionable for companies today. Some critical segments are generational, job function and job level. We recommend understanding and tailoring actions based on combinations of these segments (e.g., Generation X, sales executives) as well.

Engagement Levels and Engagement Drivers by Generation

		Generation		
	Global	**Millennials**	**Generation X**	**Baby Boomers**
Engagement Score 2013	61%	56%	60%	66%
% Pt Change 2012–2013	1%	1%	2%	1%
Career Opportunities	1	1	1	1
Managing Performance	2	2	2	2
Organization Reputation	3	3	4	5
Pay	4	4		
Communication	5			4
Innovation		5	3	3
Recognition			5	

As noted earlier, shifting demographics and the impact of entering Millennials and exiting Baby Boomers have an enormous impact on companies' ability to attract, retain and motivate talent. Engagement is improving across generations globally, but we see the lowest engagement level among Millennials at 56% and the highest engagement level among Baby Boomers at 66%.

Millennials are setting the tone for employee engagement and the evolving employment contract.

A look at the engagement drivers reveals that Millennials are setting the tone for the workforce, as evidenced by the top four drivers for this group aligning perfectly with the top four drivers over all populations globally. This finding is likely a function of the large number of Millennials in the workforce and thus represented in the data itself. In essence, Millennials get a larger vote, and they will continue to vote in different ways as they make their way through the workforce toward retirement age. The sheer size and influence of this generational cohort is also likely having an effect on the perceptions of Generation X employees and Baby Boomers. Innovation emerges as a differentiating engagement driver for this younger generation, in addition to the top global engagement drivers of career opportunity, managing performance, reputation and pay. Pay is also a unique engagement priority for Millennials compared to other generations.

Baby Boomers converge on a similar set of engagement drivers, although in a slightly different priority ranking. Generation X employees are unique among the global average in that recognition is a top engagement driver. Generation X and Baby Boomer employees are often overshadowed by discussion of the "Millennial" impact, but there are some important things to keep in mind. First, consider that even though Millennials are often thought of as synonymous with the Internet, social networks and technology, many of the top game-changing technology companies were founded and led by leaders from the Baby Boomer generation or the cusp of Generation X (e.g., Apple, LinkedIn, Amazon, Google, Twitter). In addition, those currently in or eligible for middle management and senior leadership roles in the next five years will most likely come from Generation X due to the high correlation between age and organizational level. Finally, the effect of Baby Boomers on the workforce is not yet over, as we see more employees working past traditional retirement age.

Despite any differences in engagement drivers across generations, it is clear that there are more commonalities than differences. Career opportunities and managing performance are the same top two drivers, regardless of generation. Organizational reputation also ranks highly as a key ingredient to engagement. People want a path, goals and focus, and to be part of a winning team no matter what their generation. A look into other employee segments reveals some more dynamic, and perhaps more actionable, differences in key drivers of employee engagement.

Engagement Levels and Engagement Drivers by Type of Job

		Job Function			
	Global	Sales, Marketing and Business Development	Engineering/ Production	Finance/ Administration	Other Support Functions
Engagement Score 2013	61%	60%	64%	58%	58%
% Pt Change 2012–2013	1%	2%	11%	3%	5%
Career Opportunities	1	1		1	1
Managing Performance	2				
Organization Reputation	3	3			
Pay	4	2	1	3	2
Communication	5				
Innovation		4			
Brand Alignment		5		5	
Recognition			3	2	3
Work Processes			2		4
Benefits			4		
Work Tasks				4	
Learning and Development			5		
BU/Division Leadership					5

An examination of some major organizational job functions shows that fewer employees in finance and similar corporate job functions are engaged compared to other job functions. Those in front line operations appear to have a higher percentage of engagement than average. Sales, marketing and business development employees have typical engagement levels. This analysis also revealed a greater variation in engagement drivers than by generation or region. Engineering and production workers are engaged by pay, work processes, recognition, benefits, and learning and development. This group is unique in that pay is the top engagement driver, which could be due to engineering professionals being in high demand around the globe. The second most important engagement driver for this group is work processes, which makes intuitive sense in that these types of employees are most facilitated (and perhaps most demotivated) by this type of enabling infrastructure. Pay also ranks high for sales and marketing professionals. In addition, brand alignment (an EVP that aligns external brand with internal value proposition) ranks as a unique engagement driver for this group compared to the global average. This finding seems intuitive in that these sales and marketing employees are probably closer to the delivery of the external brand than most on a day-to-day basis. Finance and other administrative support functions appear to converge on top drivers regarding opportunities, pay and recognition.

Engagement Levels and Engagement Drivers by Organizational Level

		Job Level			
	Global	Executives and Senior Management	Middle Management	Professional Employees	Team Member/ Front Line Employees
Engagement Score 2013	61%	75%	65%	54%	61%
% Pt Change 2012–2013	1%	9%	1%	-1%	3%
Career Opportunities	1	2	1	1	1
Managing Performance	2		2		
Organization Reputation	3		3	4	3
Pay	4			3	4
Communication	5				2
Brand Alignment			5	2	
Recognition		1		5	5
Work Processes		3	4		
Senior Leadership		5			
Learning and Development				1	
Valuing People/People Focus		4			

We also see a wide range of engagement levels and drivers by job level. The average front line non-management employee is on par with global engagement levels (at 61%) as well as typical engagement drivers. Professional employees have the lowest levels of engagement across all levels, at 54%. The areas required to lift engagement for this group are centered on an aligned package of development, rewards and recognition. Employee engagement levels are highest and on the rise among executives and senior management. Perhaps some of this has to do with more favorable business environments brought on by a stabilizing economic environment. These senior leaders are also engaged by different things than the average employee is—most notably, by a culture focused on people and by their other senior leadership peers. One of the topics we will explore later is the fact that in order to engage others, leaders must first be engaged themselves. These drivers provide some insight into the different areas of focus required to engage leadership groups.

The engagement drivers globally and across all segments above paint a compelling picture about what employees are looking for in order to engage. They provide useful insights with some powerful lessons:

- Segment to understand specific engagement nuances and how to address them. Engagement drivers are not a one-size-fits-all solution.

- Know your workforce profile and build engagement programs and interventions based on what the segmentation or combination of segments is telling you.

- Tailor your recruiting, onboarding and performance management messages based on these unique drivers. Organizations do not necessarily have to tailor programs for segments, but managers should know that a message about pay, benefits and work processes might be more powerful for an engineer, while messages about career opportunities and organizational reputation may resonate more with a Millennial.

The engagement priorities are equally as important as engagement itself in that the drivers and engagement outcomes collectively create a more holistic picture of culture and organizational health (just as diagnostics for cholesterol intake, exercise, stress and resultant heart function provide a holistic view of individual health). Strong and engaging cultures have a strong brand (marked by drivers like organizational reputation and EVP alignment), performance orientation (marked by aligned drivers like performance management, pay, recognition and career opportunities) and leadership (marked by drivers like communication and innovation which are leaders' responsibility to execute). These collective themes are seen as significant strengths by best employer organizations.

Making Engagement Happen:
Best Employer Companies Do Things Differently

Employee engagement is an important business outcome, but on its own is not a sufficient indicator of organizational health, a strong culture or solid business performance. Other indicators are required to provide a more balanced picture of how an organization is positioned in the job market and for business success. Aon Hewitt conducts numerous regional and market best employer studies, as well as the global Aon Hewitt Certified Best Employer™ program. Certified companies are identified using criteria of strong employee perceptions by current employees, best-practice HR programs and strong financial results. Our studies have shown that these companies drive consistent long-term performance through organizational cultures marked by strong leadership, strong performance orientation, a strong brand and, ultimately, strong employee engagement.

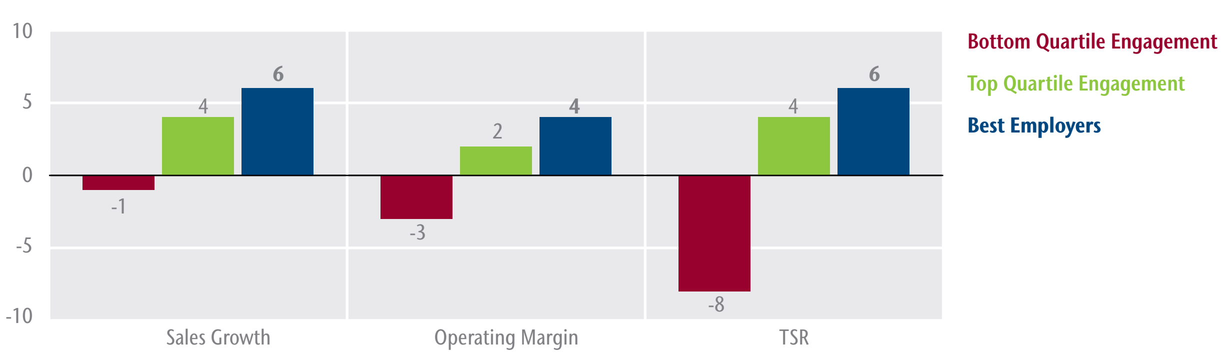
Best Employer Companies Achieve Better Business Performance

Not only are these companies well positioned to win the war for talent, they are seeing better business results as well. We analyzed 284 global companies in our database and correlated 2010–2012 employee perceptions with 2012 financial performance in sales growth, operating margin and total shareholder return (TSR). We compared three groups of companies against companies with average engagement: bottom quartile engagement companies (those with roughly half or less of their employees engaged), top quartile engagement companies (those that have greater than 7 out of 10 employees engaged) and those we will refer to as best employer companies (all of which are top quartile engagement companies but also have top quartile levels of leadership, performance and brand). The results are compelling.

> Best employer companies drive higher engagement, revenue growth and shareholder value than do companies with top quartile engagement levels alone.

Bottom quartile engagement companies perform worse than average on all financial indicators—particularly operating margin and TSR. Companies with top quartile engagement levels outperform the average company by 4 percentage points on sales growth, 2 percentage points on operating margin and 4 percentage points on TSR. The best employer organizations outperformed these top quartile engagement companies by 2 points on each of the three financial indicators. To illustrate the impact of these results, this means that for three separate $1 billion companies (one average, one with the top quartile engagement and the third a best employer company), the top quartile engagement company is driving $20 million more in profits than average, and the best employer company is driving $40 million more profits than average. The best employer company drives twice as much incremental operating profit than companies with high engagement alone.

Incremental Business Impact vs. Average Company (% Pt Difference from Average)

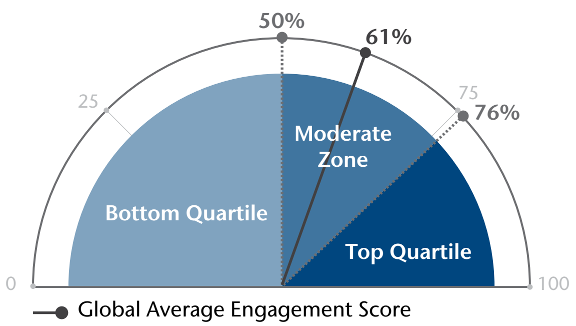


Best Employer Companies Create Strong Cultures

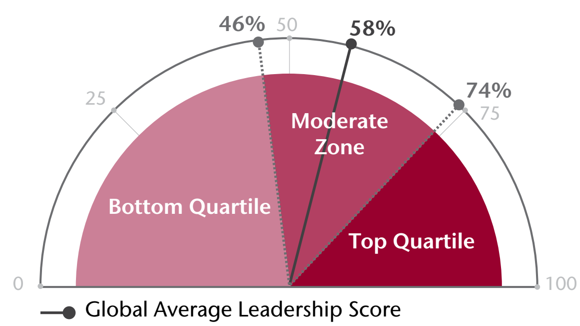
Best employer companies have top quartile levels in employee engagement and in at least two of the other three best employer indicators (leadership, performance and brand). As the top quartile thresholds in the best employer indices below indicate, generally almost 8 out of 10 employees in best employer companies have positive views about these important areas. These companies more effectively and efficiently compete for talent. They attract the best through a strong reputation, they select and retain the best through a compelling value proposition, and they focus and engage their talent through a performance orientation that is driven by many facets of performance management, growth and rewards.

Best Employer Indices 2013

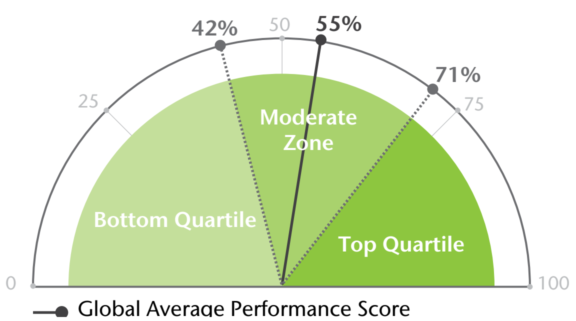
Global Engagement Meter 2013



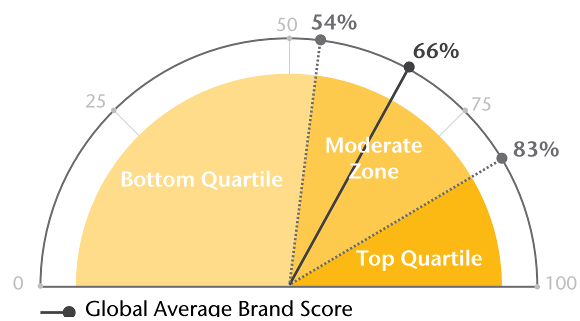
Global Leadership Meter 2013



Global Performance Meter 2013



Global Brand Score 2013



Note: Best employer qualification criteria require comparison to five-year rolling average benchmarks for appropriate markets and regions. Data above provides only global score distributions for 2013.

Setting the Bar for Strong Employee Engagement

A prerequisite to being designated a best employer company is being at or above the top quartile of companies for employee engagement levels. Moreover, this top quartile threshold is rising. The five-year rolling average engagement score is 60% and the top quartile engagement score is 72%. We see that in 2013, the average improved 2 percentage points over the five-year rolling average, but the top quartile engagement companies are now at 76% engagement or higher—an improvement of 4 percentage points above the five-year rolling average.

Best employer companies are pulling away from the pack.

Best employer organizations are pulling away from the pack with regard to employee engagement. Another interesting nuance regarding a best employer company's engagement relative to the average company centers on the "Stay" element, or the degree to which employees want to be with the company for the long term. Fifty-six percent of employees at the average company want to stay with their organizations (below the overall engagement level of 61%), which indicates that "Say" and "Strive" are higher than "Stay" for the average company. Seventy-four percent of employees at a best employer company want to stay with their organization (on par with the overall engagement of 76%). Employees at best employer organizations want to invest their energy in these companies and are at lower risk of taking their talents elsewhere than the average employee at the average employer.

Brand and Reputation

Best employer companies are created through strong reputations. Strong reputations are also created through being known as one of the best places to work. It is difficult to determine which comes first, but there is clearly a virtuous cycle regarding brand and best employer company status for these organizations. However, strong brands are derived through more than just reputation in the job market. Strong brands also come from strong financial performance, social responsibility and a compelling EVP that connects an external brand promise to customers with delivery on the internal brand promise to employees.[14] Eighty-two percent of employees (or more in best employer companies) have positive views on these aspects of their company's brand (compared to 65% of employees at the average company). The strength of this reputation is a talent magnet. The best want to work for these companies and the best want to stay at these companies.

Performance Focus

Best employer companies focus on clear performance outcomes. They do this holistically as part of their culture, which is supported by enabling performance management processes, effective people management, ensuring learning and development support the capability required to perform, and reinforcement of performance through rewards and recognition. About half of employees at the average company experience this type of performance alignment across people programs, compared to the lower threshold of 72% at best employer organizations. This performance orientation is critical not only to having an engaging work environment with a great reputation, but also to having a healthy organization that is clearly focused on definition, enablement and delivery of high performance. This performance outcome is apparent in both individual and company performance.

14 Harris Interactive (2013). The Harris Poll 2013 RQ® Summary Report. A Survey of the US General Public Using the Reputation Quotient®.

Leadership Excellence and the Engaging Leader

A company does not become a best employer without strong leadership. Companies that excel at leadership are differentiated through four disciplines: 1) Leaders set the tone for the importance of leadership by cultivating and developing talent; 2) they pursue an unrelenting focus on talent beyond a typical performance management cycle; 3) leadership programs and practices are aligned with business strategy; and 4) leadership is a way of life—it is embedded into the values and expected behaviors and culture of the organization.[15]

Leaders hold the key to employee engagement.

Leaders play an important role in employee engagement and becoming a best employer company. They do this in direct and indirect ways. First, leaders have an indirect "multiplier effect" on all the top engagement drivers and other best employer indices. Ultimately, leaders make the decisions on brands, performance goals, pay and recognition, communication to employees, work process and innovation. We analyzed survey responses in our database and found perceptions of leadership had an average correlation of $r=0.6$ ($p<.01$) with the top global employee engagement drivers. Among the Aon Hewitt Best Employer indices, leadership also has the strongest unique statistical relationship with sales growth and operating margin in separate multiple regression equations. Excellent leadership is, in fact, the top differentiator between the average company and best employer organizations.[16] Roughly 8 out of 10 employees from best employer organizations rate their leaders positively compared to just over half of employees from the average company.

Leaders also directly impact the engagement of others, and the ability to engage others has become a core leadership requirement rather than a "nice to have." The engaging leader has a very unique profile. Our research with best employer organizations, Aon Hewitt Top Companies for Leaders™ and interviews with leaders of highly engaged groups has revealed some interesting findings about the experiences, beliefs and behaviors of these unique leaders. They typically have had early experiences that stretched them and allowed them to grow. These experiences support and shape unique belief structures about their own sense of purpose, the importance of followers and a generally optimistic outlook. These experiences and belief systems ultimately manifest themselves in behaviors that exhibit the leader's own sense of purpose and focus to inspire others, demonstrate personal connection and authenticity, and help others grow and develop. Time and time again, we find leaders own the employee engagement equation. Leaders who ignore their engagement responsibility will sub-optimize talent, business investments and outcomes. However, leaders who seize the opportunity to engage themselves, engage others, and holistically drive a culture of brand, reputation, performance and engagement will help lead their teams and organizations to growth and better business outcomes.

15 Aon Hewitt Top Companies for Leaders™, 2001–2014.
16 Oehler, K. (2013). "Beyond the Survey: How to Increase Engagement." Workspan 6 | 2013.

Conclusions

We are at an inflection point. Economic, technological, demographic and social forces have put pressure on businesses in unprecedented ways. The change is accelerating—not slowing down. Standing still is not an option for most companies with regard to the talent agenda. Beyond attracting and retaining necessary talent, engaging talent in the right behaviors for future business challenges will be a point of focus. Adaptability, agility, speed, relevance and incremental value are at the center of an evolving employee value proposition. These are the required traits of high-performing companies in the market as well as what employees and leaders will be required to deliver. The trends in this report, our analysis of best employer organizations and our work with companies that have achieved strong engagement results offer some insights for *making engagement happen*.

1. **Understand the trends affecting your talent strategy.** Most companies are being affected by one or more trends outlined in this report. It is absolutely critical for leaders to connect economic challenges and emerging business imperatives to the workforce profile required for future success. Businesses are being affected or disrupted by global economic and technological trends. As we have seen, employee demographics will have a big impact both in terms of where available talent will be around the globe, and also in terms of how large segments like Millennials and Baby Boomers are changing the expectations workers have of their companies.

2. **Focus on the engagement behaviors required for performance and business success.** Getting real about employee engagement requires moving beyond a generic concept and clarifying the behaviors in which you would like employees to go above and beyond. For many employers there is increasing need for agility, speed and flexibility—these traits and behaviors will vary by industry and job profile. Clarifying what engagement looks like for employees is a prerequisite to their engagement. Aligning performance management, people management, learning and development, and rewards and recognition with these engaged behavior expectations will focus, enable and reinforce employees' efforts and energy.

3. **Deliver on a compelling employee value proposition (EVP).** Employees want to be valued and provide value in return. Many trends have created a disconnect between what companies require, what they are offering and what employees expect in return in order to unlock their full engagement. Top engagement drivers such as career opportunities, pay for performance and communication provide some insight into how employees define value from their company. Employees are also engaged by a company with a strong reputation. An EVP that clarifies the one or two things your organization wants to be famous for, and delivers against this promise, is at the core of a strong reputation. Companies that have a compelling and aligned EVP will have employees who say positive things about their organization, will want to stay and will strive to go above and beyond in their jobs.

4. **Create a culture of engagement.** Engagement is not a survey score or a program. Engagement is about people. Building a culture of engagement is about what you do and how you do it. As we saw in our best employer research, companies need to take a holistic view beyond the employee engagement outcome alone. Healthy organizations with strong cultures demonstrate concerted effort, and top quartile performance in not just employee engagement but also brand, performance orientation and leadership.

5. **Protect the foundational elements.** Many organizations with lower levels of engagement struggle to jump right to a "culture of engagement." Leaders should not overlook the positive impact of strong company practices and enabling infrastructure; basics like benefits, safety and work-life balance; or fulfilling work itself. Many companies that have had significant increases in employee engagement in a short period of time focus on fixing issues in some of these basic elements.[17] Getting the foundation right is often the first step in building a culture of engagement, and cracks in this foundation can quickly erode employee engagement for any organization.

6. **Build engaging leaders.** Our work consistently points back to the impact of leaders on employees' engagement, and to the fact that companies that excel at engagement almost invariably have strong leaders who implicitly understand and value employee engagement. Engaging leaders—or leaders who are very engaging of others—have been shaped by early experiences, have beliefs about purpose and people, and behave in ways that inspire, focus, stabilize, build trust, and connect with and grow others. Leaders can be assessed, selected and developed based on this profile. Those companies that focus on building engaging leaders will see an exponential impact on employee engagement.

17 Aon Hewitt (2013). *The Engagement Outliers.*

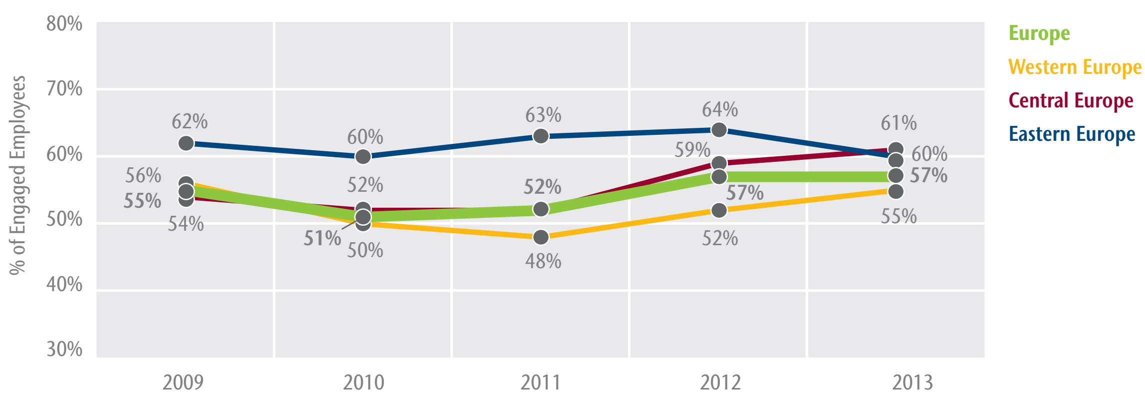
Appendix

Appendix A

Regional and Sub-Regional Employee Engagement Trends*

North America Trends in Employee Engagement

Europe Trends in Employee Engagement



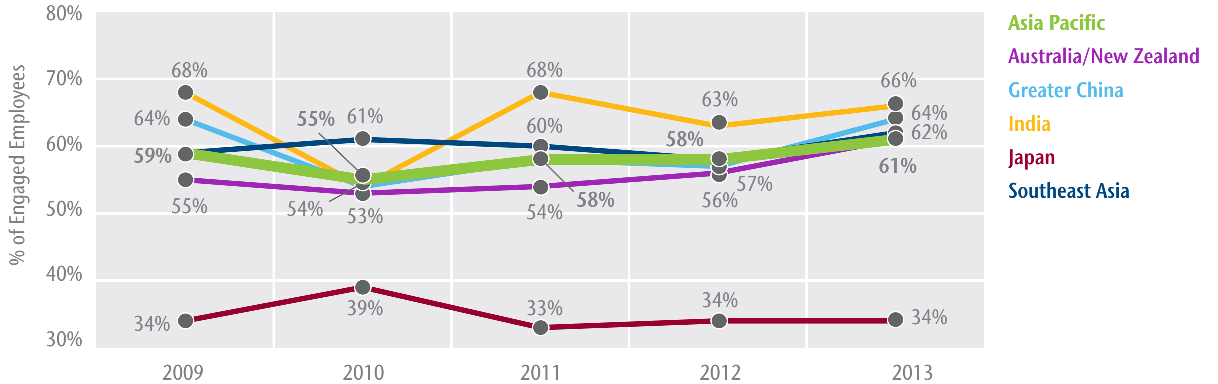
Western Europe: Andorra, Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Italy, Liechtenstein, Luxembourg, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom

Central Europe: Bosnia, Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, Poland, Romania, Slovakia, Slovenia

Eastern Europe: Albania, Belarus, Cyprus, Estonia, Georgia, Greece, Latvia, Lithuania, Moldova, Russia, Serbia, Turkey, Ukraine

* Source: Aon Hewitt database

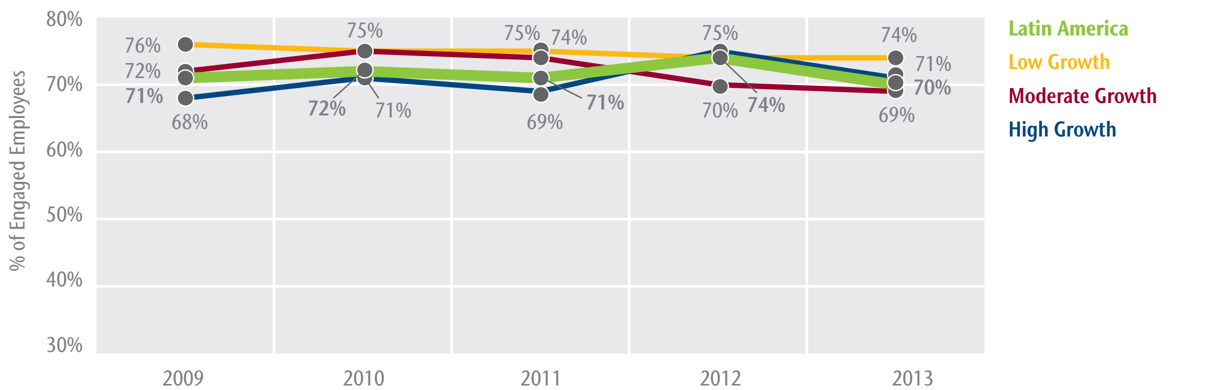
Asia Pacific Trends in Employee Engagement



Greater China: China, Hong Kong, Taiwan

Southeast Asia: Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam

Latin America Trends in Employee Engagement



Africa/Middle East Trends in Employee Engagement

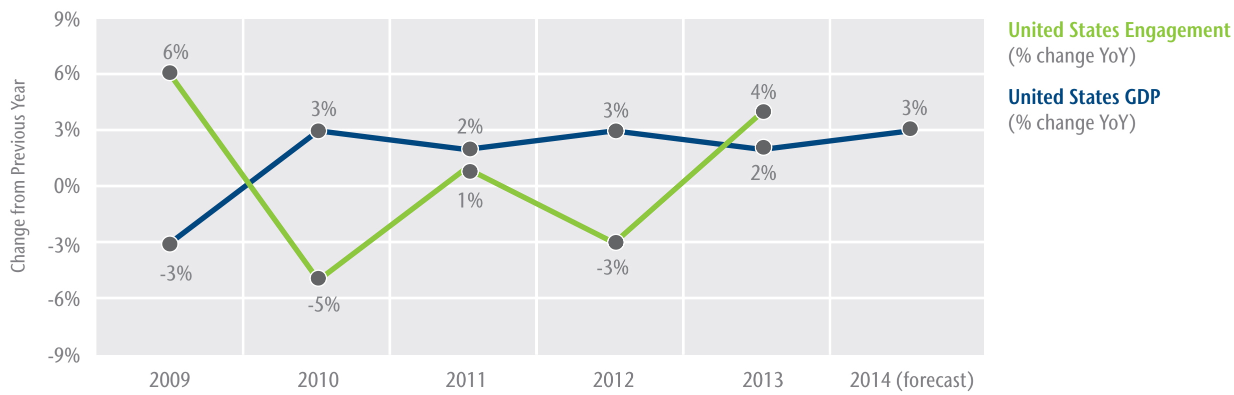
Middle East/North Africa: Afghanistan, Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, UAE, Yemen

Sub-Sahara Africa: Angola, Botswana, Burundi, Cameroon, Congo, Ethiopia, Gabon, Ghana, Ivory Coast, Kenya, Lesotho, Liberia, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somaliland, South Africa, Sudan, Tanzania, The Gambia, Tristan da Cunha, Uganda, Zambia, Zimbabwe

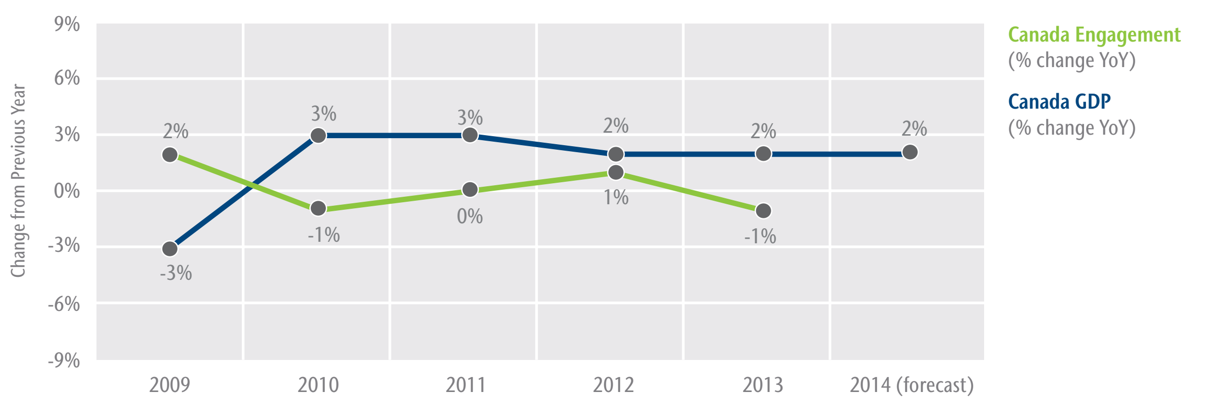
Appendix B

Regional Economic and Employee Engagement Trends*

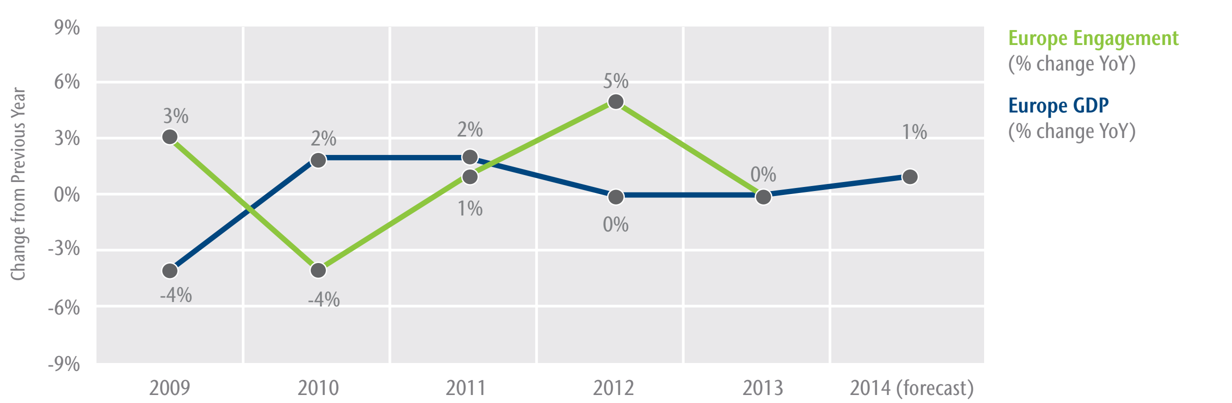
United States Engagement Trends Compared to Economic Indicators



Canada Engagement Trends Compared to Economic Indicators

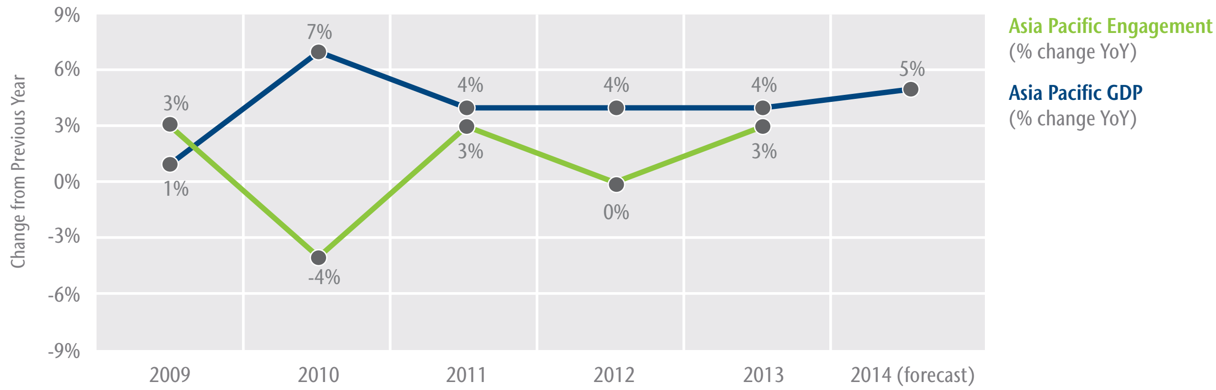


Europe Engagement Trends Compared to Economic Indicators

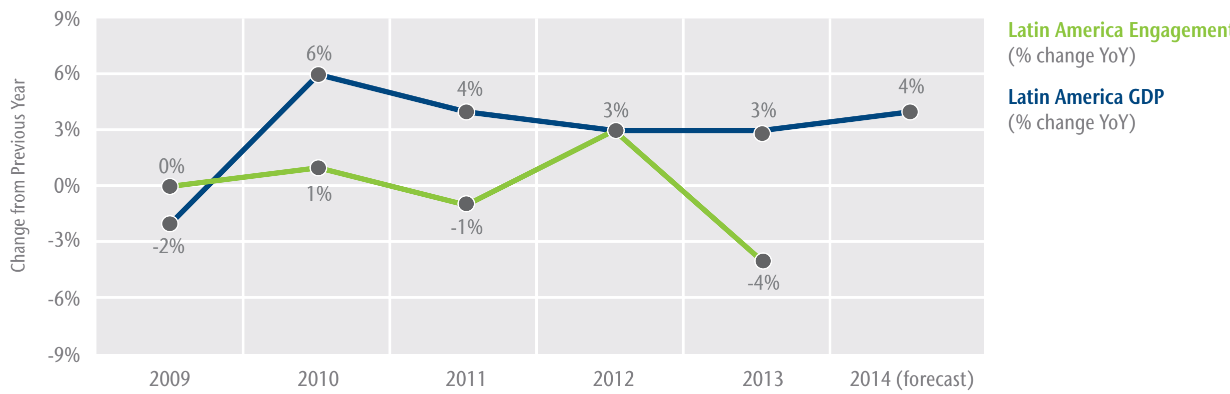


* Source: Aon Hewitt database

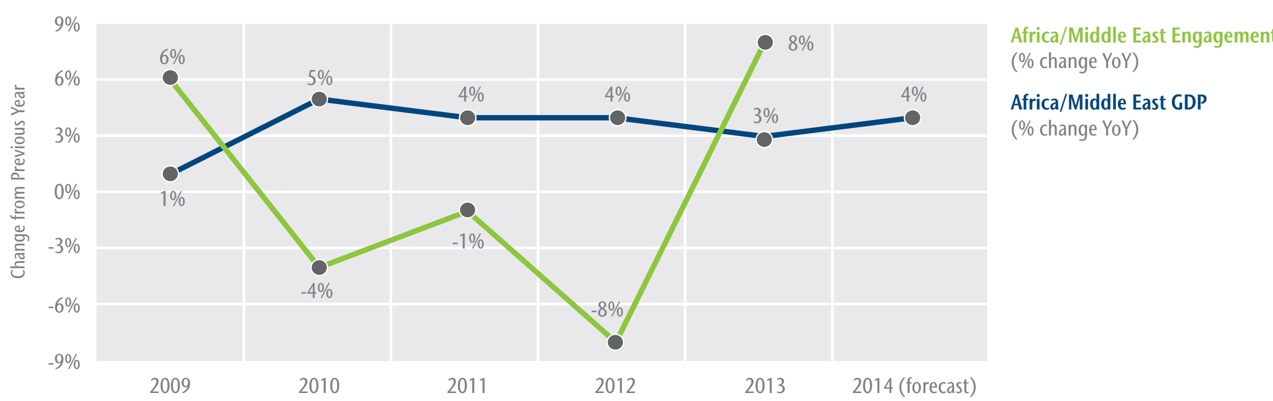
Asia Pacific Engagement Trends Compared to Economic Indicators



Latin America Engagement Trends Compared to Economic Indicators



Africa/Middle East Engagement Trends Compared to Economic Indicators



Appendix C

North America | Engagement Score: 65%

71% Say (3 pts)	61% Stay (2 pts)	64% Strive (3 pts)

Europe | Engagement Score: 57%

62% Say (0 pts)	54% Stay (-1 pt)	53% Strive (1 pt)

Asia Pacific | Engagement Score: 61%

69% Say (6 pts)	55% Stay (3 pts)	61% Strive (2 pts)

Latin America | Engagement Score: 70%

76% Say (-3 pts)	65% Stay (-3 pts)	67% Strive (-2 pts)

Africa/Middle East | Engagement Score: 61%

72% Say (10 pts)	54% Stay (7 pts)	61% Strive (6 pts)

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Aon Hewitt empowers organizations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organizational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon Hewitt is the global leader in human resource solutions, with over 30,000 professionals in 90 countries serving more than 20,000 clients worldwide.

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