

Consulting
Talent & Organization

Engagement 2.0

Focus on the Right People. Build the Excitement. Preserve the Passion.



AON Hewitt

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As the economy shows more signs of recovery, employees will begin to consider if there are greener pastures...maybe the “teamwork” is better at the firm across the street. Maybe the bosses are nicer and the pay is better.

What happens if there’s a mass exodus of key talent just as an organization is moving toward recovery?

I believe we are about to find out on a grand scale, unless organizations put forth significant effort to re-engage workers and provide meaningful reasons and benefits for them to stay.

Even if that weren’t the case, if we enhance the engagement of our people, we will build stronger, more resilient, more innovative, more productive and more fun organizations. The connection between engagement and productivity cannot be underestimated.

A handwritten signature in white ink, appearing to read 'K Hayley', with a stylized, cursive script.

Kathryn Hayley, CEO Consulting - Americas



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Executive Summary

The economic challenges of the past three years have significantly impacted the organization's ability to deliver on their employer/employee contract. Often benefits or pay, or both, have been slashed. Work environments have suffered. These decisions, while necessary, have adversely impacted the employees' view of their organization, other potential employers and their work experience.

To investigate the current level of employee engagement and what employers can do to impact engagement as they seek to motivate the workforce that will drive recovery, Aon conducted two surveys: one directed at employees and one directed at employers. The results of our study show that:

- Just over half of employees are passive or actively disengaged.
- There is a significant turnover risk, even among engaged employees.
- Employees have high levels of stress and exhaustion as a result of doing more with less.
- There are low levels of trust in senior leadership.
- Engagement is worse among employees who have been impacted by corporate transactions, corporate transformations and restructurings.

We find that the ability of an organization to engage employees has taken a step backward, and that today's employees have a much shorter-term, myopic view on what attracts, retains and engages them.

To positively impact engagement, organizations require a pragmatic approach. Giving all employees exactly what they want is unrealistic. Rather, focus on the highest-value employees. The 80/20 rule applies to human capital—20% of the organization's employees create 80% of the value. Identify the 20%. Then, deliver on the factors, under your control, that will engage them. The idea is to expend the appropriate level of organizational focus, attention and investment, commensurate with the relative value that an employee creates. That is the Engagement 2.0 Solution.

What Is an Engaged Employee?

Engaged employees are:

- Passionate and enthusiastic about their work
- Devoted to getting the job done right
- Immersed fully in the task at hand
- Focused and concentrate intensely while on the job
- Driven to do whatever it takes to complete the task

Aon's Employee Engagement Model

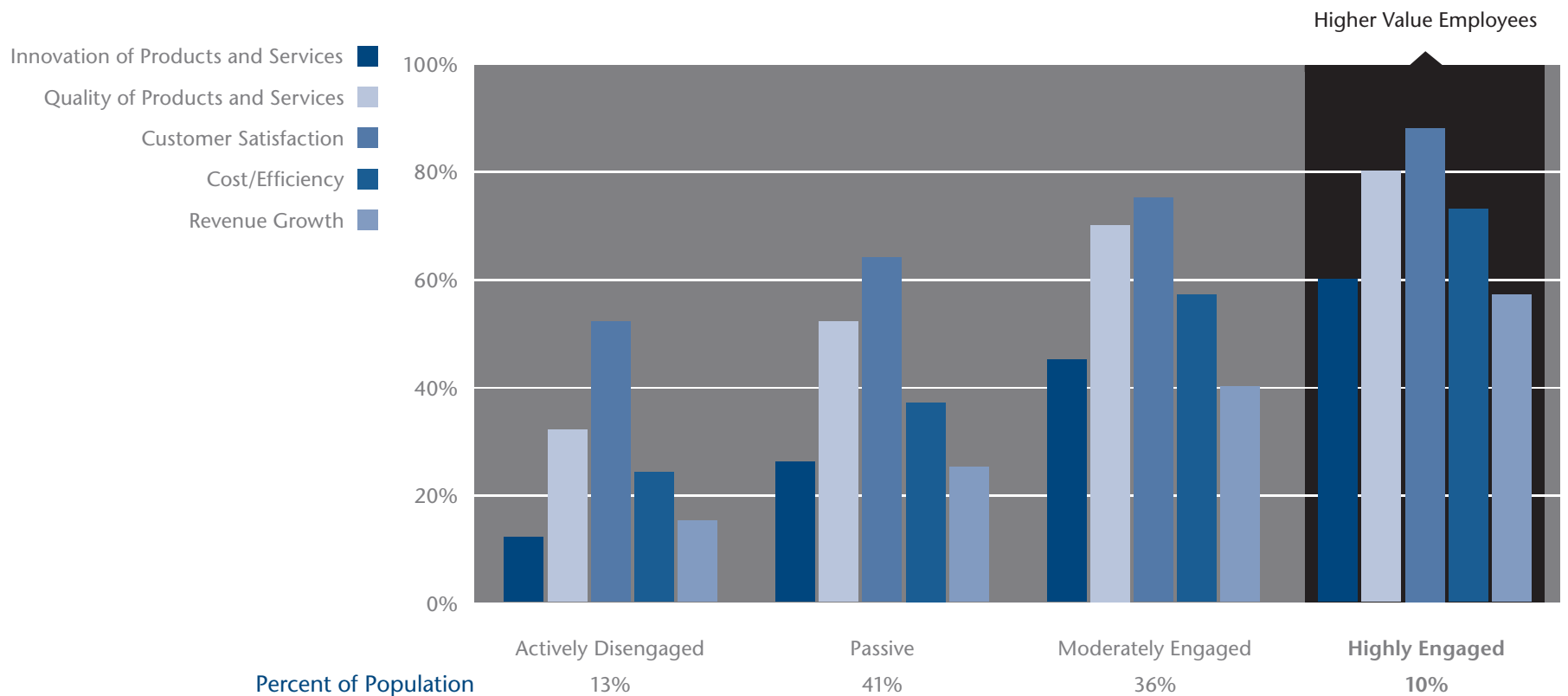
We measure employee engagement through a series of items that fall into four engagement categories/factors:

- **Understanding:** I understand what I need to do and how it fits into organizational objectives.
- **Emotion:** I care about the company, my job and I'm passionate about my work.
- **Intent:** I am driven to do what it takes and motivated go above and beyond.
- **Application:** I fully apply myself and perform up to my potential and do what is required.

Why Do You Want Engaged Employees?

Simply stated, highly engaged employees provide higher value. They are more effective at producing high quality, innovative products/services, and they more positively impact customer satisfaction, cost, and revenue growth.

Ability to Impact Key Business Drivers



Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.



Key Findings

- How Bad Is It?
- What Do Employees Want?

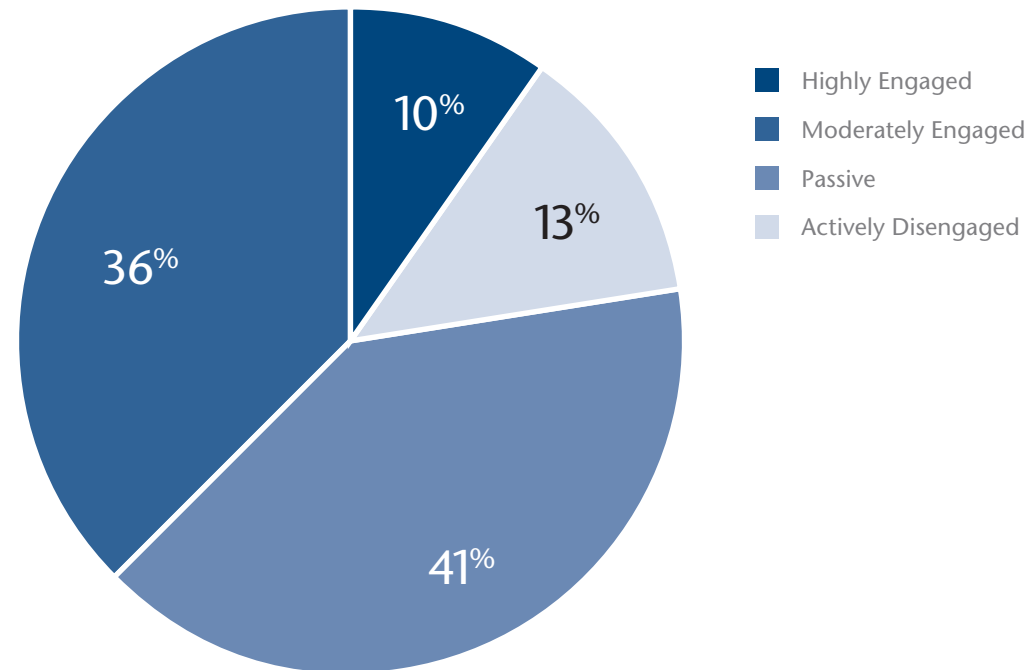
How Bad Is It?

We measured the engagement level of employees using Aon's Engagement Index.

We find that:

- Only 10% of employees are highly engaged
- Over 50% are passive or actively disengaged

Engagement Index Results



Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

Who Destroys More Value?

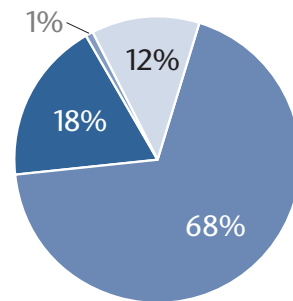
The study shows that nearly 30% of your highly engaged employees are either leaving or open to other job offers. When they leave, they destroy value.

The Highly Engaged Who Leave?

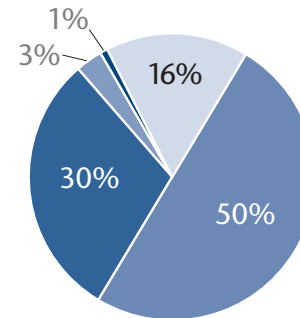
Or, the Actively Disengaged Who Stay?

At the same time, many of the actively disengaged employees are not considering leaving the company and by staying, they too destroy value.

The Highly Engaged

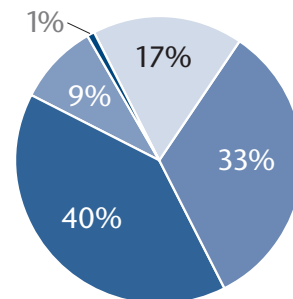


The Moderately Engaged

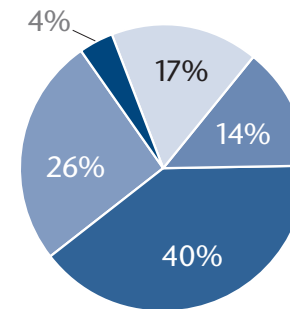


- No Plans to Leave
- Not Looking but Would Consider Another Job Offer
- Actively Looking
- Made Plans to Leave
- Planning to Retire in Next Few Years

The Passives



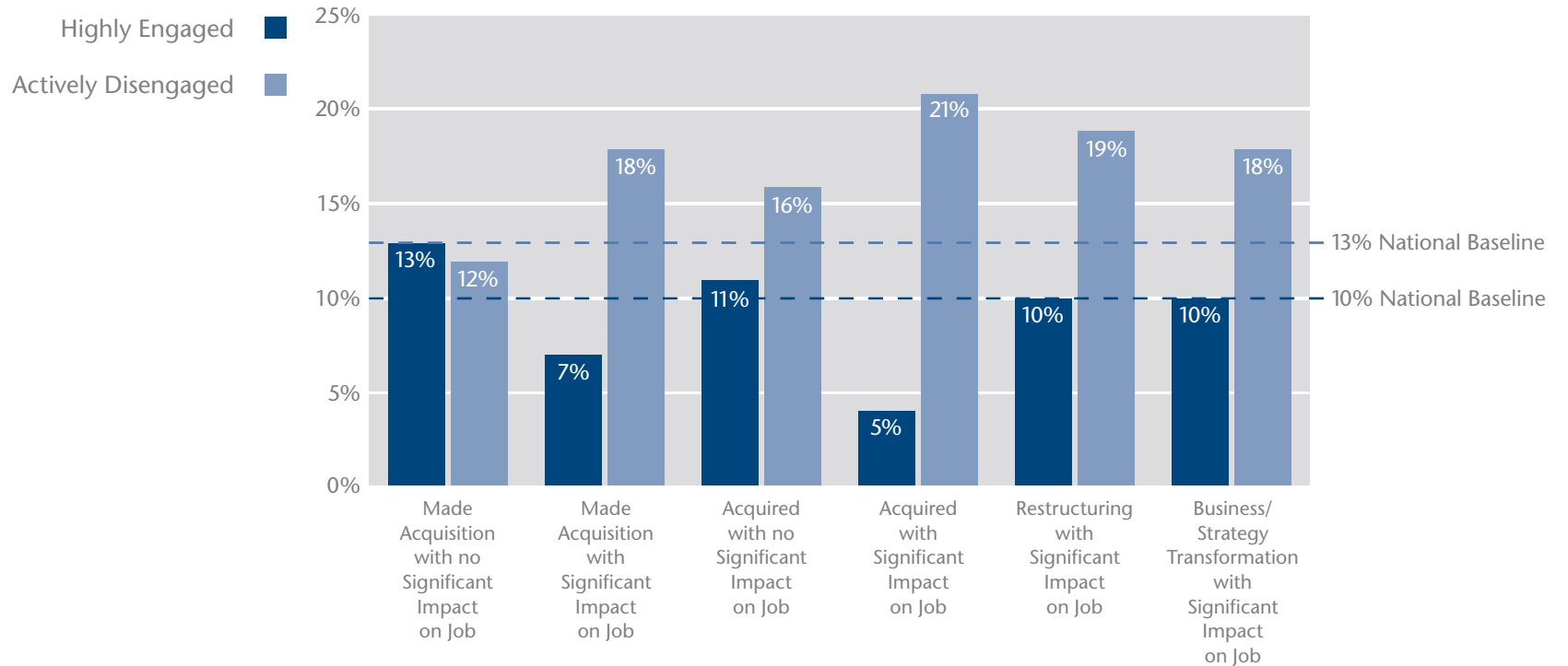
The Actively Disengaged



Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

Effects of an Economic Downturn

Corporate Transactions, Restructuring and Business Transformations, common during an economic downturn, exacerbates employee engagement challenges.

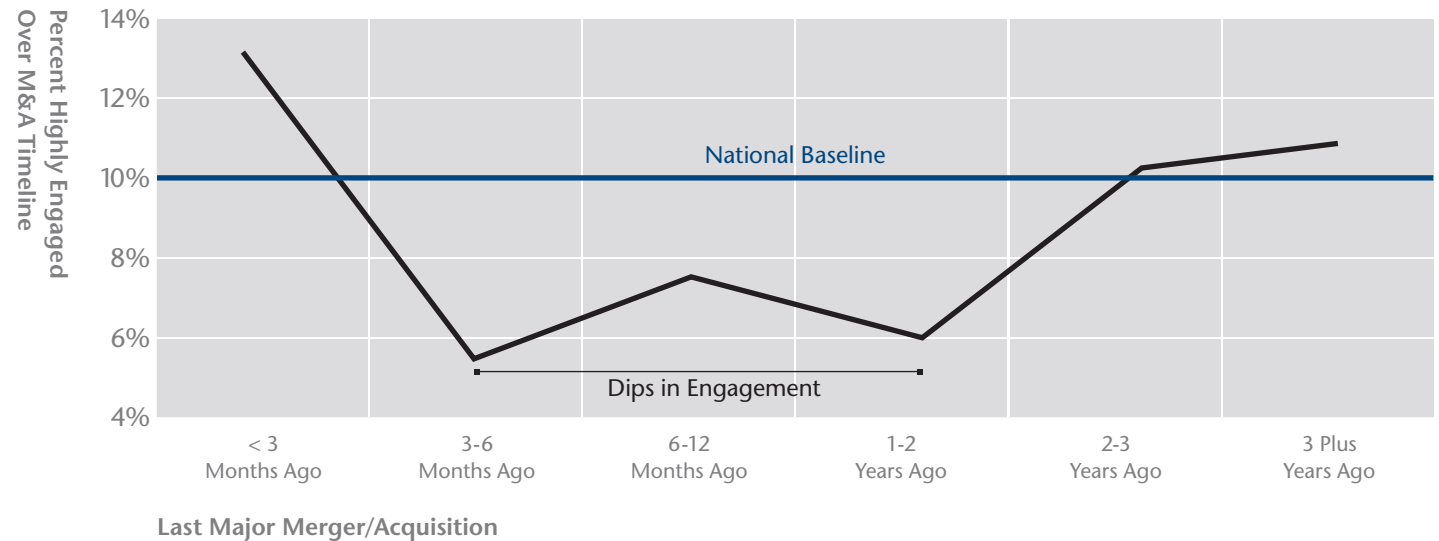


Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

More Effects of an Economic Downturn

During M&A activity, today's highly engaged employees can easily become the disengaged of tomorrow.

In the early stage of an M&A, your employees are excited, energized and more engaged. As concerns about the reality of integration and restructuring set in, employees may start to disengage. Strategies must be in place to anticipate and manage the ebb and flow of engagement during a significant corporate transaction—to reduce the amount of time and the number of people that disengage.



Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

And Yet More Bad News Our study shows that today's work experience has been hit at the core.

43% Trust their senior leadership
(they trust their managers more)

42% Not very energized by
their work

40% Generally stressed to the point of
feeling burnt out

64% Physically exhausted when they
get home from work

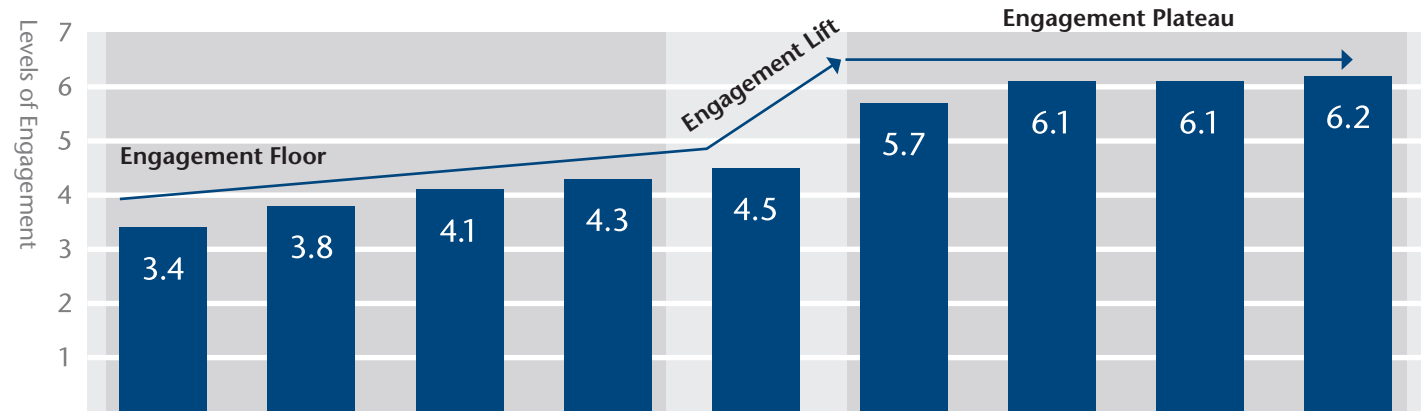
23% Don't think they're in
very good health

27% Not motivated to
be healthy

45% Don't feel they feel financially
secure for retirement

How Do we Turn Things Around?

What if you simply reinstate programs that have been cut? Results show that getting “back to average” gets you middle-of-the-road engagement. It will not give you an “engagement lift.”



Base Pay	Below Avg.	Below Avg.	Average	Below Avg.	Below Avg.	Average	Above Avg.	Above Avg.	Above Avg.
Incentive	Below Avg.	Below Avg.	Average	Below Avg.	Below Avg.	Average	Below Avg.	Average	Above Avg.
Pay Fairness	Below Avg.	Below Avg.	Average	Below Avg.	Below Avg.	Average	Above Avg.	Above Avg.	Above Avg.
Perf Management	Below Avg.	Below Avg.	Average	Below Avg.	Below Avg.	Average	Average	Above Avg.	Above Avg.
H&W Benefits	Below Avg.	Average	Average	Above Avg.	Below Avg.	Average	Above Avg.	Above Avg.	Above Avg.
Retirement Benefits	Below Avg.	Below Avg.	Average	Above Avg.	Below Avg.	Average	Above Avg.	Above Avg.	Above Avg.
Career Development	Below Avg.	Below Avg.	Average	Below Avg.	Below Avg.	Above Avg.	Above Avg.	Above Avg.	Above Avg.
Immediate Manager	Below Avg.	Below Avg.	Average	Below Avg.	Above Avg.	Above Avg.	Above Avg.	Above Avg.	Above Avg.

Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

Back to Average Gets You Middle-of-the-Road Engagement

Engagement Lift

What Do Employees Want?

After years of employers “taking away” benefits, perks, and compensation, we find today’s employees to be short-term focused and myopic: my control, my career, my team, my manager, my well-being.

Top National Engagement Drivers (Listed in Descending Order of Impact)



**Can you deliver on all these factors? Most likely not.
Truly engaging all employees is unrealistic.**



What's Next

The Engagement 2.0 Solution: The Greatest Opportunity

Our study shows that the greatest opportunity lies in giving the higher value employees (the ones you want the most) what they want.

- **Engage in who.** Start by identifying and focusing on the highest value employees. You need to know who matters most to your organization. Maybe you are focused on a specific job function (e.g., sales) or job title (e.g., your future leaders) or a generational segment.
- **Engage in what.** Be clear about the specific behaviors you need segments of employees to engage in to drive the most value.
- **Engage how.** Re-engage the disengaged to get “the engagement lift” your organization needs.
 - Reinstate baseline rewards to meet baseline needs.
 - Focus on enabling people-managers to be the connection point.
 - Figure out what drives engagement for your higher value employees.
 - Focus your improvement on those employees who provide the most value.
- **Engage with.** Change how the conversation happens: more frequent involvement and two-way dialogue.

Who Are the High-Value Employees?

The 80/20 rule applies to human capital—20% of your employees create 80% of the value. Identify those 20%.

Perhaps you are focused on the 20% in your entire population. Or, perhaps you want to focus on a specific job function (for example, the sales organization) or a specific level (for example, your future leaders).

Your engagement process should be focused and tailored for those higher value segments to drive the business results you need.

How Do You Engage Employees?

All decisions should stem from data. You will need input from your targeted, high-value employees about what they want.

Ranked Engagement Drivers by Critical Functions

	Sales	Administration Functions	Manufacturing	Research & Development	Customer Service
Manager understands what motivates me	1				
Involved in decisions that affect my work	2	3	1		
Have resources necessary to do my job	3		2		2
Good understanding of how my retirement benefits work	4				
Trust the senior leadership of the organization	5				
Appropriate amount of decision-making authority		1		1	
Employees make personal sacrifices when required to help the organization succeed		2		5	3
Training by my company to do my job		4			
Team works well with other groups in the organization		5			
Good understanding of how my health care benefits work			3		
Senior leadership is making the right decisions for the future of our company			4	4	
Competitive base pay			5		
Company encourages and supports career development				2	
People in my workgroup are reliable				3	
Understand my potential career path in my company					1
Good team work within my workgroup					4
Culture supports employee health and wellness					5

Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

And, Once You Engage Them, Invest in Retaining Them.

Attraction and retention drivers may or may not be the same as engagement drivers.

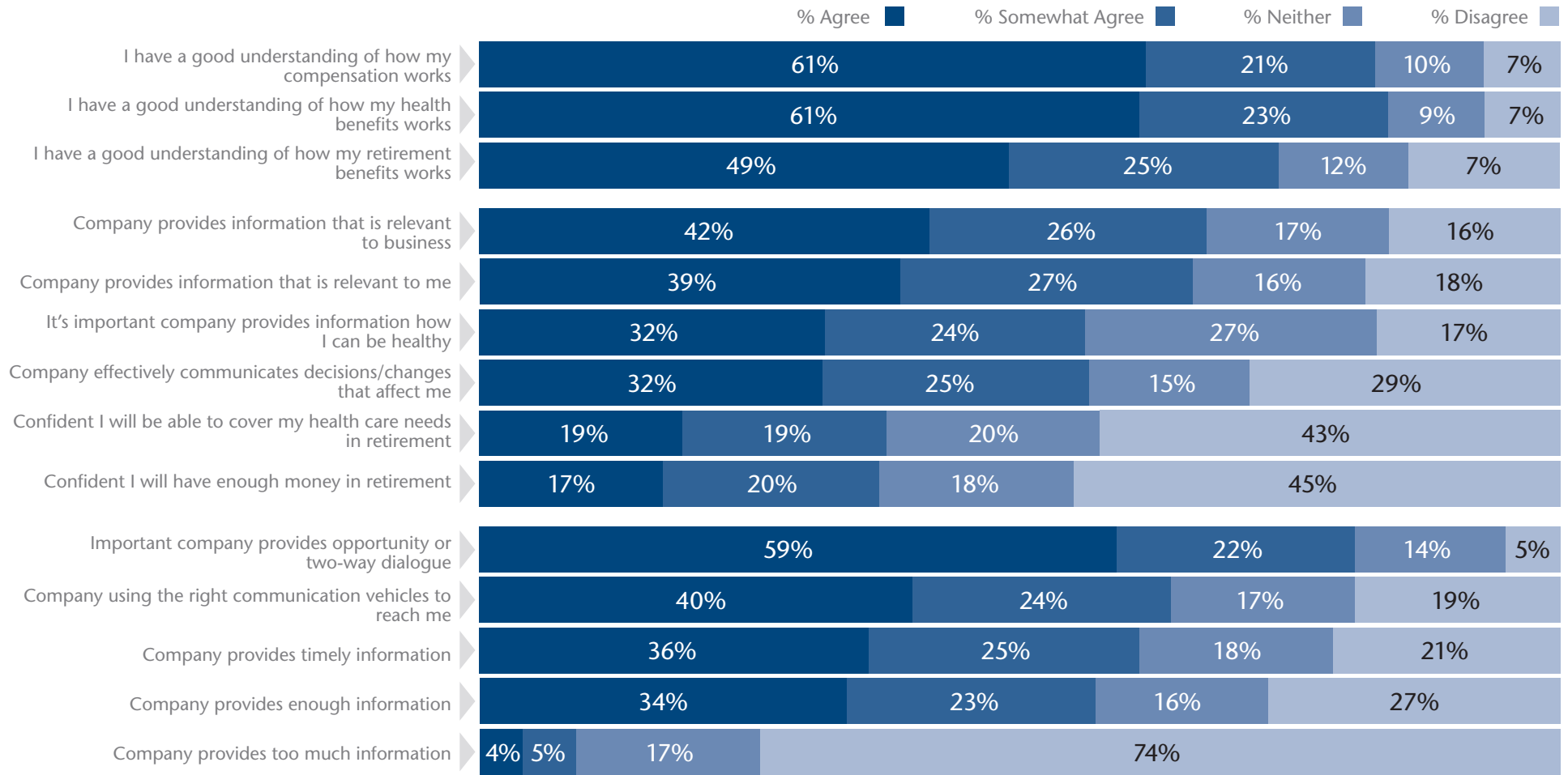
Higher Value Segments

	All Highly Engaged	Highly Engaged Sales	Highly Engaged Engineers/R&D	Highly Engaged Operations/ Production	Highly Engaged Customer Service
Top Attraction Drivers (what another organization could offer them)	<ol style="list-style-type: none"> 1. Competitive base pay 2. Competitive health benefits 3. Company financial stability 	<ol style="list-style-type: none"> 1. Opportunity for advancement 2. Competitive health benefits 3. Company financial stability 	<ol style="list-style-type: none"> 1. Competitive health benefits 2. Competitive base pay 3. Company financial stability 	<ol style="list-style-type: none"> 1. Competitive base pay 2. Company financial stability 3. Challenging work 	<ol style="list-style-type: none"> 1. Competitive base pay 2. Competitive health benefits 3. Company financial stability
Top Retention Drivers	<ol style="list-style-type: none"> 1. Necessary tools 2. Trust in senior leadership 3. Company using the right communication vehicles to reach me 	<ol style="list-style-type: none"> 1. Company provides timely information 2. Co-workers 3. Manager understands what motivates me 	<ol style="list-style-type: none"> 1. Provided with proper training 2. Competitive retirement benefits 3. Company provides enough information 	<ol style="list-style-type: none"> 1. Provided with proper tools/ resources 2. Action oriented culture 3. Disciplined culture 	<ol style="list-style-type: none"> 1. Visible & accessible senior leadership 2. Career development 3. Growth focused culture

Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

Engage with Your Employees and Communicate the Right Thing

Employers invest a lot in rational communication (what everyone should know) but not enough in relevant communication (what I want and need to know to do my job and impact business results), the way employees want it.



Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

Emerging Demands for New Media

Employers May Not be Investing in the Types of Communication That Are Most Valued by Employees

Communication Vehicle	Employer Survey		Employee Survey
	Employers Current Investment	Employer Views of Preferred Employee Ranking	Overall Employee Preference Ranking
Email	79%	1	1
Printed materials sent to your home	78%	3	2
Printed brochures	61%	5	3
Printed newsletters	70%	4	4
Electronic bulletin boards	75%	7	5
Company intranet	65%	2	6
Instant messaging	47%	11	7
Focus groups	56%	10	8
Multimedia/Video	33%	8	9
Pulse surveys	51%	12	10
Blogs/discussion boards	45%	8	11
Social networking	42%	14	12
Podcasts	27%	13	13
Town halls/All-company meetings	34%	6	14

Highlighted Area Represents High Investment/Low Rate of Employee Preference

Source: 2010 Aon Consulting Engagement 2.0 Employee Survey – U.S.

Aon's Point of View.

The Engagement 2.0 Solution, Step-by-Step.

1. Articulate your human capital objectives.
 - Confirm strategic intent and desired business outcomes.
 - Identify how value is created for customers, through operations, through corporate transactions.
2. Identify key human capital segments.
 - **Higher value employees.** The highly engaged, critical groups that provide the highest impact on delivery of value and desired business outcomes.
 - **Core employees.** Those that are critical to basic business operations.
 - **The passives/actively disengaged.** The high-risk employees that need to be managed.
3. Measure what you want to manage.
 - Conduct workforce planning to understand supply/demand.
 - Understand engagement levels, engagement profiles within your organization and turnover risk.
 - Identify attraction, retention and engagement drivers for key segments.
4. Most importantly engage WITH your employees!
 - Manage program design.
 - Immediate manager relationship and line of sight to a career path critical to "the engagement lift."
 - Optimize total rewards investments to maximize engagement given cost constraints.
 - Focus on the programs and the designs that will (re)engage your high value segments.
 - Manage perceptions and behavior change.
 - Leadership as key point of contact to re-build trust.
 - Communicate with relevant, behavioral messages in the way employees want it (in addition to rational communication).
 - Manage needed behavior change through a holistic set of levers.

Survey Methodology: Two Surveys

Aon Consulting conducted two surveys: one directed at employers and one directed at employees.

Employer Survey

- Survey conducted of a sampling of 712 U.S. employers
- Representative sample across key demographics and workforce profiles, including:
 - HR, communications, C-suite
 - Industry, company size, public/private
- 37 questions covering aspects of business, people, Rewards communication, including:
 - Human capital priorities versus communication strategy focus
 - Communication effectiveness
 - Thoughts on communication preferences by generations
 - Investment in social media and other communication vehicles

Employee Survey

- Survey conducted of a sampling of 3,642 U.S. employees
- Representative sample across key demographics and workforce profiles, including:
 - Age, gender, ethnicity, income
 - Job tenure, level, job family, union/non
 - Industry, strategy, region, company size
- 130 questions covering all work experience and human capital areas, including:
 - Attraction, retention, engagement
 - Impact on business drivers
 - High-performance culture and strategy alignment
 - Leadership and immediate management
 - Tools and resources, staffing, stress and workload
 - Pay, learning/development, health and wellness, retirement
 - Collaboration and empowerment
 - Communications and change management

About Aon Hewitt

Aon Hewitt is the global leader in human capital consulting and outsourcing solutions. The company partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates and administers a wide range of human capital, retirement, investment management, health care, compensation and talent management strategies. With more than 29,000 professionals in 90 countries, Aon Hewitt makes the world a better place to work for clients and their employees.

For more information on Aon Hewitt, please visit www.aonhewitt.com.

