GALLUP

State of the American Workplace

"We change the world one client at a time through extraordinary analytics and advice on everything important facing humankind."

– JIM CLIFTON, CHAIRMAN AND CEO

About This Report

STATE OF THE AMERICAN WORKPLACE presents an unparalleled look into the modern workforce. The report is based on Gallup's in-depth research and study and was created to help business leaders optimize their attraction, retention, engagement and performance strategies in a time of extraordinary change. The findings and best practices speak to employees' evolving wants and needs and give leaders a clear understanding of what it takes to be an exceptional workplace.

Gallup developed *State of the American Workplace* using data collected from more than 195,600 U.S. employees via the Gallup Panel and Gallup Daily tracking in 2015 and 2016, and more than 31 million respondents through Gallup's Q^{12} Client Database. First launched in 2010, this is the third iteration of the report.

ABOUT GALLUP

Gallup delivers analytics and advice to help leaders and organizations solve their most pressing problems. Combining more than 80 years of experience with our global reach, Gallup knows more about the attitudes and behaviors of employees, customers, students and citizens than any other organization in the world.

For more information about Gallup solutions for optimizing business performance, please visit www.gallup.com/contact.

From the Chairman and CEO

THE VERY PRACTICE OF MANAGEMENT no longer works.

The old ways — annual reviews, forced rankings, outdated competencies — no longer achieve the intended results.

The American workforce has more than 100 million full-time employees. One-third of those employees are what Gallup calls engaged at work. They love their jobs and make their organization and America better every day. At the other end, 16% of employees are actively disengaged — they are miserable in the workplace and destroy what the most engaged employees build. The remaining 51% of employees are not engaged — they're just there.

These figures indicate an American leadership philosophy that simply doesn't work anymore. One also wonders if the country's declining productivity numbers point to a need for major workplace disruption.

If American companies were simply to double the number of engaged workers from one-third to two-thirds, spirited employees would reverse our seriously declining national productivity. America needs to historically transform the practice of management similar to the way Six Sigma and lean management improved processes in the 1980s.

Gallup owns the largest database in the world on the subject of management. Our teams of analysts and experts produced the report in your hands — your board, executive committee and top managers need to read every word of it.

Here's my short answer as to how to transform your workplace culture:

1. Call an executive committee meeting and commit to transforming your workplace from old command-and-control to one of high development and ongoing coaching conversations. Gallup can hold your hand through this. We will teach you everything we have learned as fast as we can.
2. Dive in — don't put your toe in. You can afford a lot of mistakes and even failures because the system you currently use doesn't work anyway.
3. Switch from a culture of "employee satisfaction" — which only measures things like how much workers like their perks and benefits — to a "coaching culture."
4. Change from a culture of "paycheck" to a culture of "purpose."
5. If you have 25,000 employees, then you likely have about 2,500 managers and leaders at various levels. Transform them all. Gallup has all the new tools for the right conversations — how to coach, building strengths-based workplaces, pulse polls. Everything is ready to go, tested and validated.
6. Require all 25,000 employees to take the world-renowned CliftonStrengths assessment so your organization recognizes each individual by their God-given strengths. Institute a leadership philosophy of developing strengths versus fixing weaknesses.

Like Six Sigma and lean management before it, this transformation will lead to historic bursts in productivity and will change your organization, America and the world.

Jim Clifton
Chairman and CEO

Executive Summary

"THE WORKPLACE IS CHANGING."

LEADERS HEAR THIS DECLARATION OR some variation of it frequently. It's a common refrain that, in the past, has carried little weight. After all, change is a constant in the business world. The workplace certainly was changing when we released past *State of the American Workplace* reports.

So why does it feel different now? Why does "change" feel so heavy, pervasive and notable?

Because the changes that are affecting organizations today are coming fast and furious. They are overlapping and colliding in ways they haven't before. They are historic and monumental. These changes are forcing organizations to reconsider how they manage and optimize performance in a time when the very essence of how, when and where people work and the value they place on work are shifting.

New and emerging technologies are transforming the way work gets done. More people do their job virtually or remotely and at various times of the day rather than between 8 a.m. and 5 p.m., and teams have fewer face-to-face interactions, communicating increasingly through email, instant messaging and conference calls. Gallup found that from 2012 to 2016, the number of employees working remotely rose by four percentage points, from 39% to 43%, and employees working remotely spent more time doing so.

While flexibility isn't a reality for all workers, many want it to be. Gallup consistently has found that flexible scheduling and work-from-home opportunities play a major role in an employee's decision to take or leave a job. Employees are pushing companies to break down the long-established structures and policies that traditionally have influenced their workdays.

As more people work away from the office, organizations recognize their opportunity to cut costs by minimizing real estate. They are moving to open and hybrid floor plans that allow more people to coexist in less space. But tearing down walls and taking away assigned workspaces isn't just about the expense. Organizations have a pressing need to become more agile and collaborative. They are exploring new ways to encourage people to talk to each other and move more quickly, whether that's putting them in the same space or structuring teams that cut across functions, reporting lines and geographies.

Underlying all of this is an evolving employee attitude about what a job should and should not be. Most workers, many of whom are millennials, approach a role and a company with a highly defined set of expectations. They want their work to have meaning and purpose. They want to use their talents and strengths to do what they do best every day. They want to learn and develop. They want their job to fit their life.

Most workers, many of whom are millennials, approach a role and a company with a highly defined set of expectations. They want their work to have meaning and purpose.

The modern workforce knows what's important to them and isn't going to settle. Employees are willing to look and keep looking for a company that's mission and culture reflect and reinforce their values. They have seemingly unlimited resources to help them conduct their job searches — far beyond classified ads and their immediate professional networks. And as the job market has been opening up, employees have been feeling increasingly optimistic about what they're finding. A record 47% of the workforce says now is a good time to find a quality job, and more than half of employees (51%) are searching for new jobs or watching for openings.

With more people on the job hunt, organizations must hone their attraction strategies so they can more effectively recruit and hire sought-after candidates. They also have to ensure their retention strategies are sound. Only one-third of U.S. employees are engaged in their work and workplace. And only about one in five say their performance is managed in a way that motivates them to do outstanding work. Employees feel rather indifferent about their job and the work they are being asked to do. Organizations are not giving them compelling reasons to stay, so it should come as no surprise that most employees (91%) say the last time they changed jobs, they left their company to do so.

21%

of employees strongly agree their performance is managed in a way that motivates them to do outstanding work.

The competition for skilled and talented workers keeps intensifying. Employers can use social media to locate experienced employees in minutes. Similarly, employees are hyperconnected and can access information on any company just as quickly. Through the web and social media, they can see what an organization offers and what past and current employees are saying about it. They can read articles and headlines, see Facebook and LinkedIn posts and develop a clear idea about what makes an employer not just "good" or "bad," but "exceptional." And, if employees can't find an exceptional job that complements other aspects of their life or, at a minimum, pays enough to make the 8-to-5 grind worthwhile, they can create their own job category. They might work 20 hours a week at a contracted office gig, 20 as a ride-hailing service driver and 10 as a freelancer.

Organizations have nowhere to hide. They have to adapt to the needs of the modern workforce, or they will find themselves struggling to attract and keep great employees and therefore customers.

Regardless of all the changes in the workplace, people remain the core component in an organization's success or failure. Leaders have to think about their technology, policies, products and services — but only because these are factors that influence the engagement and success of their employees. The key to an organization's growth has been and always will be its workforce.

An extensive amount of information is available regarding what employees want at their workplace today and how organizations can best adapt. The number of articles and blog posts that have been written on the topic of the "changing workforce" is vast and often overwhelming.

Organizations have nowhere to hide. They have to adapt to the needs of the modern workforce, or they will find themselves struggling to attract and keep great employees and therefore customers.

State of the American Workplace was created to help leaders cut through the clutter. The report provides analytics and advice on various aspects of the modern workforce, pinpointing the issues that matter most in attracting, retaining and engaging employees. This report is based on extensive work with organizations in a wide variety of industries and our study of more than 195,600 employees, using data collected through the Gallup Panel, Gallup Daily tracking and Gallup's employee engagement database.

That said, this report is not intended to be “the answer.” We recognize that the modern workforce has only just begun to define itself and requires ongoing study. We wrote *State of the American Workplace* to spark conversation and provide leaders with best practices they can apply in their unique workplace culture. For some leaders, this report may be a starting point for adjusting to a modern workforce, and for others, it may be a guide that provides clarity and direction for enhancing strategies and policies they already have in place.

Above all, it is a call to action. The one thing leaders cannot do is nothing. They cannot wait for trends to pass them by, and they cannot wait for millennials to get older and start behaving like baby boomers. That won’t happen. This workforce isn’t going to acclimate to the status quo.

There is an urgency for leaders to define and convey their vision more clearly — and rally employees around it. Gallup data reveal an unsettling pattern in the U.S. workplace. Employees have little belief in their company’s leadership. We have found that just:

- 22% of employees strongly agree the leadership of their organization has a clear direction for the organization.
- 15% of employees strongly agree the leadership of their organization makes them enthusiastic about the future.
- 13% of employees strongly agree the leadership of their organization communicates effectively with the rest of the organization.

But these numbers can improve with leaders’ renewed commitment to their employees. Each chapter of *State of the American Workplace* represents an opportunity for leaders to enhance their human capital strategies.

Leaders must determine how they can:

- design and deliver a compelling and authentic employer brand
- take employee engagement from a survey to a cultural pillar that improves performance
- approach performance management in ways that motivate employees
- offer benefits and perks that influence attraction and retention
- enable people to work successfully from locations besides the office
- construct office environments that honor privacy while encouraging collaboration
- improve clarity and communication for employees who work on multiple teams

The rulebook is being rewritten. Leaders must decide what role they want to play in their organization — now in the midst of change and in the future. They can be passive bystanders or active participants in creating and guiding an exceptional workplace.

The one thing leaders cannot do is nothing. They cannot wait for trends to pass them by, and they cannot wait for millennials to get older and start behaving like baby boomers.

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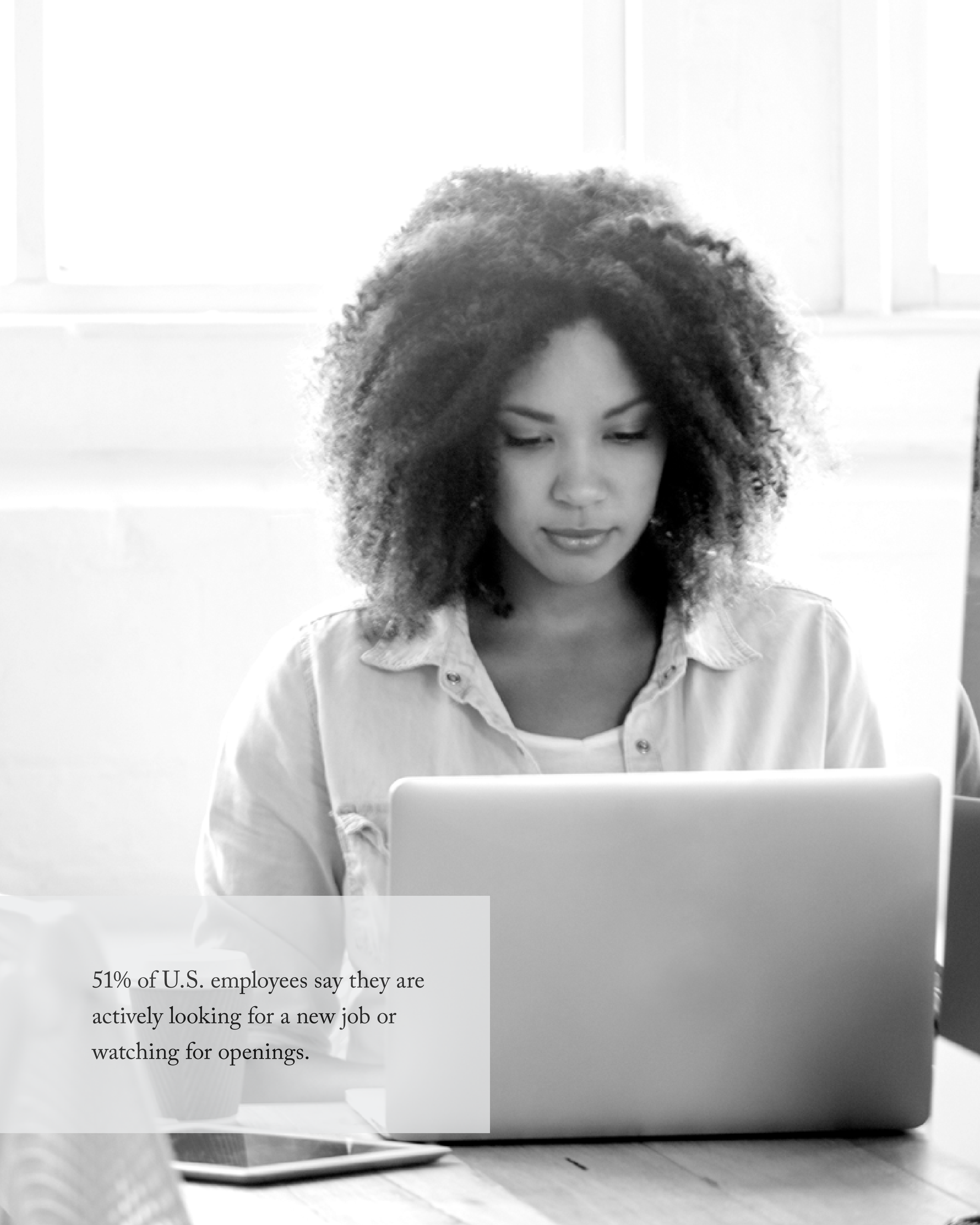
U.S. Workers: Increasingly Confident and Ready to Leave



51% of U.S. employees say they are actively looking for a new job or watching for openings.

WHEN GALLUP LAST RELEASED THE *State of the American Workplace* report in 2013, conversations about the U.S. economy and job market had a decidedly different tone. Although the National Bureau of Economic Research officially called an end to the Great Recession in mid-2009, the years that followed were characterized by slow and uneven growth, with some analysts using the term "jobless recovery" to describe economic conditions.

The current job market continues to struggle in some aspects. New business startups are at historical lows, and those that do get off the ground are growing at slow rates. According to the U.S. Small Business Administration, 65% of all new jobs are created by small businesses, not large ones. For job creation — especially middle-class job creation — to thrive, America needs a resurgence of small businesses.

While it is true that the U.S. has a high number of job openings, not all workers have been able to benefit from expanded opportunities. Individuals without the skills to fill in-demand roles are finding it more difficult to secure full-time employment with decent wages. Millennials have the highest rates of unemployment and underemployment, and those who hold full-time jobs often struggle to pay their bills. In addition, Gallup finds that 68% of employees believe they are overqualified for their current job, meaning they have more education than what's required for the role.

Considering these realities, it's clear why people in the U.S. continue to drop out of the labor force in alarming numbers. In some cases, they can't find a job or the right job, and in other cases, they can't find a job that pays enough to justify incurring other costs that sometimes go along with working, such as child care or transportation. The U.S. Bureau of Labor Statistics (BLS) reports that the percentage of the total U.S. adult population that has a full-time job has been hovering around 48% since 2010 — the lowest full-time employment level since 1983. More jobs may be available, but they are not always the jobs people can or want to fill.

But there is encouraging news on the job front: Hiring has picked up. The Gallup U.S. Job Creation Index represents the percentage of workers who say their employers are hiring new people minus the percentage who say their employers are letting people go. In 2012, the Job Creation Index averaged +18. For the first three quarters of 2016, it averaged +32.

In addition, worker optimism is on the rise. Typically, a relatively high number of employees who voluntarily leave their job signals greater confidence among workers who believe they have more and better options. The number of Americans voluntarily leaving their job in August 2012 was 2.1 million. In December 2015, BLS data showed that the number of Americans who voluntarily left their job reached a post-recession high of nearly 3.1 million workers. In August 2016, the number still stood at 3 million workers.

Gallup data support this notion of improved optimism. Americans have increasingly positive perceptions of the job market and what it offers. In 2012, an average of 19% of people said it was a good time to find a quality job. For the first three quarters of 2016, an average of 42% said the same. Among those in the labor force (employed, unemployed or looking for work), the number was even higher at 47%.

19%

of Americans said it was a good time to find a quality job in 2012.

vs.

42%

of Americans said the same for the first three quarters of 2016.

Americans' confidence that they can find a job as good as their current one if they happen to be laid off also has been restored. Currently, 63% believes it is "very likely" or "somewhat likely" that they would find a job as good as the one they have, up from 42% who said the same in 2010. The current figure is similar to what Gallup measured in early 2007 before the recession.

While there remains room for improvement in these metrics, they reflect important changes in employees' views. Whether perception or reality, people increasingly see opportunity in the job market.

EMPLOYEES ARE LOOKING AND LEAVING

The ebbs and flows of the U.S. job market have vital implications for organizations. The more that employees believe the job market is opening up, the less likely they may be to stay in a role that doesn't meet their needs and expectations. In the U.S., only 33% of employees are engaged in their job. Many workers have incentives to explore their options and plan to do so. Slightly more than half of employees (51%) say they are actively looking for a new job or watching for openings, and 35% of workers report changing jobs within the past three years.

Employees also have a "grass is greener" mentality. An overwhelming majority of employees (91%) say the last time they switched jobs, they left their employer to do so. This is unfortunate, as Gallup analysis shows that the longer people stay at their job, the more likely they are to strongly agree they have opportunities to do what they do best every day (the third element of engagement). Organizations could be losing many workers before these individuals have a chance to realize their full potential.

EMPLOYEES ARE LEAVING THEIR JOB FOR NUMEROUS REASONS. THE MOST COMMON EXPLANATIONS EMPLOYEES GIVE WHEN VOLUNTARILY EXITING THEIR JOB ARE:

- career growth opportunities
- pay and benefits
- manager or management
- company culture
- job fit

Each of these explanations can be tied to some aspect of an organization's human capital strategies, including its strategy for engaging employees. Workers who believe they are a poor fit for their job are unlikely to agree that they have opportunities to do what they do best every day. Similarly, workers who feel detached from their company culture are unlikely to agree that the mission or purpose of their company makes them feel their job is important (the eighth element of engagement).

Even pay and benefits have an engagement connection. Gallup research has found that employees who do not agree their coworkers are committed to quality work (the ninth element of engagement) can develop feelings of resentment. These employees believe they are carrying more of the workload or producing better outcomes than their team members and should be paid more as a result.

The more disconnected employees feel, the greater their readiness to job hop. While 37% of engaged employees are looking for jobs or watching for opportunities, higher numbers of not-engaged and actively disengaged employees are doing the same (56% and 73%, respectively). Actively disengaged employees are almost twice as likely as engaged employees to seek new jobs.

Workers want to feel connected to their job, manager and company. If those ties are not there, they have all the more incentive to quit, leaving their organization to start the costly recruitment, hiring and onboarding dance all over again.

HIGHER ENGAGEMENT IMPROVES ECONOMIC HEALTH

Some leaders and managers believe the ultimate goal of employee engagement is higher levels of worker happiness and satisfaction. Happier workers certainly benefit an organization, but the real goal of employee engagement is improved business outcomes. Engaged employees contribute to the economic health of their company and the nation in ways that other employees do not.

Employees who are engaged are more likely to stay with their organization, reducing overall turnover and the costs associated with it. They feel a stronger bond to their organization's mission and purpose, making them more effective brand ambassadors. They build stronger relationships with customers, helping their company increase sales and profitability.

Employees who are actively disengaged have the opposite effect on their organization's prosperity and growth. They are more likely to steal from their company, negatively influence their coworkers, miss workdays and drive customers away. Gallup estimates that actively disengaged employees cost the U.S. $483 billion to $605 billion each year in lost productivity.

The U.S. job market has gained ground over the last few years, but it still has areas for improvement. Similarly, the economy has picked up some momentum, but progress has been slow. Gallup has tracked consumer spending for nine years, and although there have been upturns, current spending has not hit 2008 levels. On average, consumers were spending $96 a day in 2008, compared with a $90-per-day average for the first three quarters of 2016.

It bears repeating that only 33% of U.S. workers are engaged. Raising that number creates a stronger workforce that, in turn, creates stronger companies — companies that can expand, hire more workers and increase wages. And as people make more money, they tend to spend more, helping to advance the economy.

Improving engagement has to start with organizations closely examining how they attract, retain and engage employees — because the job market has become and will continue to be less about employees competing for roles and more about organizations competing for employees. Employees will continue to be aware of their options and search for new opportunities. Leaders have to create cultures that reflect the wants and needs of the modern workforce, regardless of job type or industry. They must give employees a reason to choose them, stay with them and perform at their best.

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02

Do Employees Want What Your Workplace Is Selling?

60% of employees say the ability to do what they do best in a role is "very important" to them.

ORGANIZATIONS INVEST SIGNIFICANT TIME AND money into building a competitive customer brand. They conduct in-depth research on shoppers and competitors, hire agencies to help them create advertising campaigns, and run analytics continually to determine the performance of their brand. Companies will spend more than $77 billion on digital ads alone in 2017, according to eMarketer.

The high effort and expense that organizations put into their brand make sense. A strong customer-facing brand tells the world what a company stands for and what sets it apart from its competitors. It draws people in and keeps them coming back. When customers love a particular brand, they will go out of their way to purchase products and services from it. They become that brand's most loyal supporters and passionate brand ambassadors. They believe the brand always delivers what it promises.

By all accounts, organizations should want their employer brand, their reputation as an employer, to be as formidable as their customer-facing brand — the same logic applies to both. A strong employer brand attracts and retains workers and turns them into advocates for the company. It differentiates their organization from the next.

Unfortunately, leaders often overlook their employer brand (including their employee value proposition) or devote few resources to developing and growing it. This strategy is not sustainable. Organizations do not need to invest equal amounts of money into their internal and external brands; many, however, do need to give the former much more attention. As the job market gains ground, employees have more options and are poised to take advantage of them. Gallup has found that more than half of employees (51%) say they are actively looking for a different job or watching for opportunities. Organizations that ignore the need for employer branding could miss their chance to keep talented staff onboard and therefore reduce turnover and maintain productivity.

Organizations also must convince prospective employees to choose *them* — and they have to do so in an era of heightened competition and constant connectedness. With a wealth of information at their fingertips and the ability to see how former and current employees rate their organization, wannabe job-hoppers have a newfound ability to compare and contrast companies. Candidates can "shop around" for the roles and organizations that best meet their needs. They get to browse before they buy. In other words, employees have become consumers of the workplace.

Organizations have to figure out if employees actually want what they are selling. They need a prospective employee "sales" strategy in the same way they have a customer sales strategy. The framework for each is nearly identical. To attract candidates, organizations need to understand what workers want and how to consistently fulfill those expectations in a way that is not only authentic to the employee experience, but is also unique, separating their brand from the pack. An effective employee sales strategy helps organizations find the best candidates — people who are a good match for the culture, can successfully meet the demands of the job and are more likely to excel in the organization.

EMPLOYEES LOOK FOR FIT TO ROLE, CULTURE AND LIFE

What do workers value most in a role and organization? The answer to this question can help organizations develop more effective attraction and recruitment strategies, and it can give them greater insight into why some of their own employees may be leaving. More than one in three employees (35%) have changed jobs within the last three years, and 91% of employees left their company to do so.

35%

of employees have changed jobs within the last three years.

GALLUP ASKED EMPLOYEES TO INDICATE HOW IMPORTANT CERTAIN ATTRIBUTES ARE WHEN CONSIDERING WHETHER TO TAKE A JOB WITH A DIFFERENT ORGANIZATION. WE FOUND THAT EMPLOYEES PLACE THE GREATEST IMPORTANCE ON A ROLE AND ORGANIZATION THAT OFFER THEM:

1. the ability to do what they do best
2. greater work-life balance and better personal well-being
3. greater stability and job security
4. a significant increase in income
5. the opportunity to work for a company with a great brand or reputation

Ability to Do What They Do Best

Sixty percent of employees say the ability to do what they do best in a role is "very important" to them. Male and female employees and employees of all generations place the greatest importance on this aspect of a job.

Employees do their best in roles that enable them to integrate their talent (the natural capacity for excellence), skills (what they can do) and knowledge (what they know). Essentially, "do what I do best" comes down to matching the right person with the right role and the right culture. When employees are a mismatch for their role and organization, they often struggle to succeed or become bored and restless. Their days — even their careers — can feel wasted, along with their sense of purpose. Workers want roles and employers that allow them to make the most of their strengths.

In their attraction, recruitment and hiring strategies, organizations must make it clear to potential employees that they value individual strengths and that they hire and develop people based on what they do well. Then, in their human capital and performance management strategies, they need to consider how they are delivering on this individualized value proposition to retain current employees. Organizations have to develop a systematic approach to identifying the right fit and assimilating new hires onto teams where their strengths can be optimized. While a daunting task, it must

53% of employees say a role that allows them to have greater work-life balance and better personal well-being is "very important" to them.

be addressed, or top talent will never reach their potential at the current organization before leaving for the next opportunity.

Greater Work-Life Balance and Better Personal Well-Being

People are focused on their lives, not only their jobs. They do not want to compromise one at the expense of the other. As such, 53% of employees say a role that allows them to have greater work-life balance and better personal well-being is "very important" to them. Female employees are more likely than male employees to assign high importance to this job attribute, while millennials and Gen Xers are each more likely than baby boomers to do the same.

Work-life balance has various meanings that often include tactical and philosophical components for employees. Increasingly, people want to be able to adjust their hours and schedules as needed and work remotely when they can without compromising work quality or productivity. A Gallup study on benefits and perks finds that 51% of employees say they would switch to a job that allows them flextime, and 37% would switch to a job that allows them to work off-site at least part of the time.

That is why it's critical for employees to know how an organization "walks the talk" on greater work-life balance and well-being. Organizations should highlight what they offer to help employees better balance work and life and improve their well-being, but they also need to make this discussion about culture. Flextime and similar perks are attractive, but they are beneficial only when employees truly feel empowered to use them.

Greater Stability and Job Security

Slightly more than half of employees (51%) rate greater stability and job security as "very important" in a new role. This number is consistent among male and female employees, as well as millennials and Gen Xers. However, less than half of baby boomers say this aspect of a job is "very important" to them.

Candidates want to work for companies that provide solid footing and are poised for growth. The more stable they view an organization, the more likely they may be to see a future with it. To demonstrate stability in their brand, organizations can share their history of steady growth or their vision for future growth. They can also give specific examples of how they have survived tough economic times. What is most important is that candidates come away with a sense of why a company exists, what its reputation is and how it is positioned to capture more customers. Any company can say it has been around for "x" number of years, but employees need to hear a story that resonates with them — one that is unique, genuine and compelling.

Current employees also need to believe in the future of the organization and be able to see themselves participating in it. Leaders and managers are critical in creating this vision. Leaders have a duty to show employees where the organization is headed and inspire them to see a better tomorrow, especially when economic conditions change. Managers, with their employees, must create career and development paths that link to a successful future. When managers empower employees to do what they do best and see the value they bring to their organization, employees develop a deeper sense of job security.

Significant Increase in Income

Roughly four in 10 employees (41%) say a significant increase in income is "very important" to them when considering a new job. Specifically, more male employees than female employees say this factor is "very important," and more millennials and Gen Xers rate this aspect as "very important" in a job search when comparing each generational group with baby boomers.

41%

of employees say a significant increase in income is "very important" to them when considering a new job.

Income matters to people, and organizations cannot overlook its importance. Organizations should highlight compensation for candidates and ensure they have real conversations about pay structure and potential during interviews. However, they must also recognize that a viable attraction and recruitment strategy needs to encompass more than a “competitive compensation package.” Talk about pay, but bring more than pay to the table. People make decisions based on both reason and emotion, but they are more likely to be led by emotion. Therefore, organizations should clearly present how candidates can contribute to a role and organization.

Because significant increases in income are typically associated with promotions, organizations need to find ways to create levels of expertise in existing individual contributor roles. Not all employees have the talent or qualifications to be a manager or leader, but they should be rewarded for continuing to improve in their role. This strategy supports employee specializations and reduces the pressure to promote tenured but unqualified employees into management or leadership roles. As much as possible, compensation should be individualized to each employee. People want to be paid and incentivized based on their situation and contributions.

The Opportunity to Work for a Company With a Great Brand and Reputation

While the brand or reputation of a company is not the most important consideration for job seekers, more than one-third (36%) say it is “very important” when evaluating a potential job. A company’s brand carries the most weight with baby boomers and female employees.

A company’s brand or reputation can perhaps be tied to the strength of its identity. When a company is seen as trustworthy or reliable, it stands to reason that the company has developed a loyal customer base. However, brand and reputation also reflect a sense of pride. Employees want to feel good about their organization and what it offers the world. They want to be able to say, “I like what this company stands for.” If employees do not believe in their company or do not believe the company can successfully uphold its brand or reputation, they are likely to look for a different job. Equally, if a candidate has a choice between two jobs and considers everything else to be equal — fit to role, greater work-life balance and stability, and increased income — brand and reputation can be the tiebreaker.

Organizations should play up their brand and reputation beyond a few paragraphs on their "about us" webpage. They need to demonstrate online through easily accessible stories and robust content how they honor these elements. Organizations can share media coverage, customer and employee testimonials, and information about awards they have received. They also can showcase on their website, social media channels and intranet their community involvement. Candidates and employees should have a clear idea of what an organization stands for and how its brand and reputation connect to an authentic employee experience.

Demographic Differences

Employees are largely aligned in terms of what they want most in a new job, making it easier for organizations to market themselves to a modern, demographically diverse workforce. However, Gallup has uncovered a few variations in how different groups of people feel about specific aspects of their job. For example, female employees are significantly more likely than male employees (60% vs. 48%, respectively) to say it is "very important" to them that their job allows greater work-life balance and better personal well-being.

Certainly, men share more responsibility for the home and family than they did just a few decades ago, but women still represent the primary caregivers in many households and often face extra pressure to "balance" their personal and professional lives. As organizations try to diversify their workforces and bring more women into a variety of roles, they cannot overlook the importance of work-life balance and personal well-being for this group of employees.

Among the various generations in the workplace, employees diverge greatly on the importance of one particular topic: having a job that accelerates professional or career development. Millennials are more likely than both Gen Xers and baby boomers to say a job that accelerates their professional or career development is “very important” to them (45% of millennials vs. 31% of Gen Xers and 18% of baby boomers). As the youngest generation in the workplace, millennials are more invested in development than are employees who are perhaps closer to retirement or who may have already obtained their career goals. Organizations should ensure that their attraction and retention strategies highlight and deliver on learning opportunities, career pathing and performance management standards.

Millennials are more likely than both Gen Xers and baby boomers to say a job that accelerates their professional or career development is “very important” to them.

45%	31%	18%
millennials	Gen Xers	baby boomers

EMPLOYEES VALUE AUTHENTICITY, UNIQUENESS

Employees approach the job market with a clearly defined list of wants and needs. Through attraction and recruitment strategies, organizations have to show employees how they can satisfy that list. It isn’t enough to populate their employment ads or webpages with keywords related to work-life balance and bonus opportunities. An employer brand must be rooted in authenticity. Attraction and recruitment processes become confusing for candidates when organizations don’t seem to know who they are and what they offer — or worse, when they deliberately mislead candidates through false advertising.

Every organization needs to define its identity and effectively communicate that identity through its employee value proposition (EVP). An EVP answers the question, “What do I get for working here?” It encompasses the benefits and rewards that employees receive from their organization, and it reflects and describes the company’s culture. An EVP should be in harmony with an organization’s values and serve as a true representation of its day-to-day practices.

THREE STEPS TO CRAFTING AN EVP

1. Clarify your organization’s identity.
2. Study your best employees.
3. Create compelling messaging.

When an EVP lacks authenticity and clarity, an organization has difficulty attracting the *right* type of candidate. Gallup research reveals what job seekers want most out of a new role, but organizations should also study their best employees to understand what brought these people to the company and what keeps them there. These data enable organizations to define their EVP and messaging more effectively and to focus on quality candidates who are a good match for their culture.

EVPs commonly throw organizations for a loop. Many leaders most naturally approach creating an EVP by relying on the tactical aspects of their business to demonstrate their identity. Too often, EVPs are vague and generic, offering no compelling content that separates an organization from its competitors. The best EVPs, however, tap into the emotional and behavioral elements of work. These elements can be difficult to verbalize, but they matter when striving to create personal connections with potential and existing employees. Again, it helps to think of an employer brand as a customer-facing brand. When customers talk about brands they love, they rarely talk about the features and benefits of a product or service — they talk about the way the brand makes them feel.

EVPs are not meant to cast a wide net. They are meant to attract people who are aligned with the company's culture and would thrive in it. A well-researched and well-crafted EVP will speak directly to candidates who are the right fit while filtering out those who are a mismatch.

BRAND AMBASSADORS ARE THE MOST EFFECTIVE RECRUITERS

An organization's EVP represents its employee experience, while its employer brand represents the public's perception of that experience. The employer brand is what gets discussed online and between two friends at a coffee shop.

Organizations cannot fully control what is being said about their employer brand, but they can take part in the conversation. It is important, though, for organizations to understand how they *are* perceived versus how they *want* to be perceived, and to create and act on a communication plan to address gaps.

Formally and informally, organizations can take steps to promote their EVP and employer brand. For example, they can ask current employees to contribute testimonials and stories and then share those narratives through their website, social media channels and other recruiting materials. However, word-of-mouth marketing tends to be as strong as — if not more persuasive than — strategic marketing messaging. Organizations need to invest in their recruiting materials, but to really energize their employer brand, they must inspire workers to become brand ambassadors.

Organizations cannot fully control what is being said about their employer brand, but they can take part in the conversation.

Brand ambassadors are discussed often in the context of consumer brands but are discussed less so in employer brands. Ambassadors are the people who — unprompted — speak out on an organization's behalf and encourage those they know (and don't know) to apply for positions. Brand ambassadors are allies and advocates whose zeal for their organization is sincere, not forced, and therefore is more likely to inspire potential candidates.

The employment experience is becoming increasingly individualized. As such, the need for brand ambassadors is greater than ever. Thanks to the web and social media, people can share opinions and feedback about their past or current employers through multiple outlets and often without any filter. And as consumers of the workplace, employees are "shopping" those channels. Gallup has found that when looking for opportunities, job seekers still turn to family and friends, as well as a company's current employees. But as the chart on the next page shows, they are also quite dependent on online resources — many of which include comment, feedback and discussion platforms.

Brand ambassadors are allies and advocates whose zeal for their organization is sincere, not forced, and therefore is more likely to inspire potential candidates.

Company websites are the most popular job hunting resource. Job seekers' preference for this channel underscores an obvious need for companies to make their online job opportunities easy to find, user-friendly and visually appealing. Their websites should also include compelling content related to what the organization offers employees and what differentiates it from the competition. The "careers" webpage sometimes feels like an afterthought in an organization's web or recruitment strategy. Yet, there is real opportunity in creating an online presence that helps candidates truly understand what an employer offers and what makes it unique or exceptional.

EMPLOYEES TURN TO PEOPLE THEY KNOW — AND DON'T KNOW — IN JOB SEARCHES

Please indicate the extent to which you use or have used the following resources to learn about job opportunities.

	SOMETIMES, OFTEN OR ALWAYS USE %
Websites of the organizations you have interest in	77
Referrals from current employees of an organization	71
Suggestions from family members or friends	68
Online job sites (e.g., Monster, CareerBuilder)	58
Publications or online sources in your professional field	57
General web search (e.g., using Google, Bing, Yahoo)	55
Professional network site (e.g., LinkedIn)	47
Professional or alumni organization	41
News media (e.g., ads in newspapers or magazines, TV or radio ads, news reports)	39

BUILD A COMPELLING BRAND PROMISE AND STAY TRUE TO IT

The formula for turning employees into brand ambassadors seems simple: Create a compelling brand promise and consistently deliver on that promise. But following through on this formula can be quite challenging. Organizations have to give employees messages they can connect to and establish a foundation of trust. They cannot "sell" their millennial employees on development yet deny them learning opportunities. They cannot tout greater work-life balance to parents but reprimand them for leaving early to attend a child's soccer game.

Broken promises can breed discontent. When consumers believe they have been lied to or treated unfairly, they take their business elsewhere and become quite vocal about their bad experience. The same line of thinking applies to employees. When employees don't have the experience they were promised, they will likely make their unhappiness known — in obvious and not-so-obvious ways. They may start looking for new job opportunities, or they may become actively disengaged employees, meaning they develop such a distaste for their organization that they take deliberate steps to undermine its progress.

12%

of employees strongly agree their organization does a great job of onboarding new employees.

The seeds of animosity or advocacy are sown from an individual's very first interaction with a company. The attraction, recruitment, hiring and onboarding stages — along with daily experiences that continue after onboarding — each affect how a candidate or employee feels about an organization and its promises. Unfortunately, Gallup data reveal that companies are faltering even in the earliest stages of the employee experience. For example, only 12% of employees strongly agree their organization does a great job of onboarding new employees.

Organizations may believe that the onboarding process represents just one small piece of an employee's journey and therefore isn't a significant influencer of employees' perceptions of their organization. However, in working with companies to help them turn customers into brand ambassadors, Gallup has repeatedly found that each and every interaction affects the strength of the customer relationship. Likewise, employees make judgments and form opinions about their organization every single day — from the first day. Initial impressions matter.

Organizations must also remember that workers view the employer-employee relationship through a different lens than they once did. Employees are less inclined to stay with a job simply because it provides them with a paycheck. They signed up for a certain experience, and if they do not get that experience, they are more than willing to look elsewhere. Employees are consumers of the workplace. They are drawn to brands they can connect with. And they stick with — even advocate for — brands that honor their promises.

Employees make judgments and form opinions about their organization every single day — from the first day.

03

The Real Truth About Benefits and Perks

51% of employees say they would change jobs for one that offers them flexible work time.

FREE LUNCHES, ON-SITE GYMS, TUITION REIMBURSEMENT, health screenings — the list of benefits and perks that some organizations now offer their employees is impressive. Not long ago, the basic employee benefits package included just health insurance, a retirement plan and some vacation time.

In many of today's workplaces, leaders view certain amenities as morale boosters or embrace them as part of a "work hard, play hard" culture. Others believe that the more benefits and perks they offer, the more likely they are to compete for star employees and retain their existing talent. And some leaders believe that benefits and perks do even more than attract or retain employees. These leaders see them as a way to improve business performance. They also believe that when employees have access to on-site cafeterias, child care centers, gyms and concierge services, they become more productive because they don't have to leave the office to grab lunch or spend time driving to the gym or dropping off children at a daycare across town.

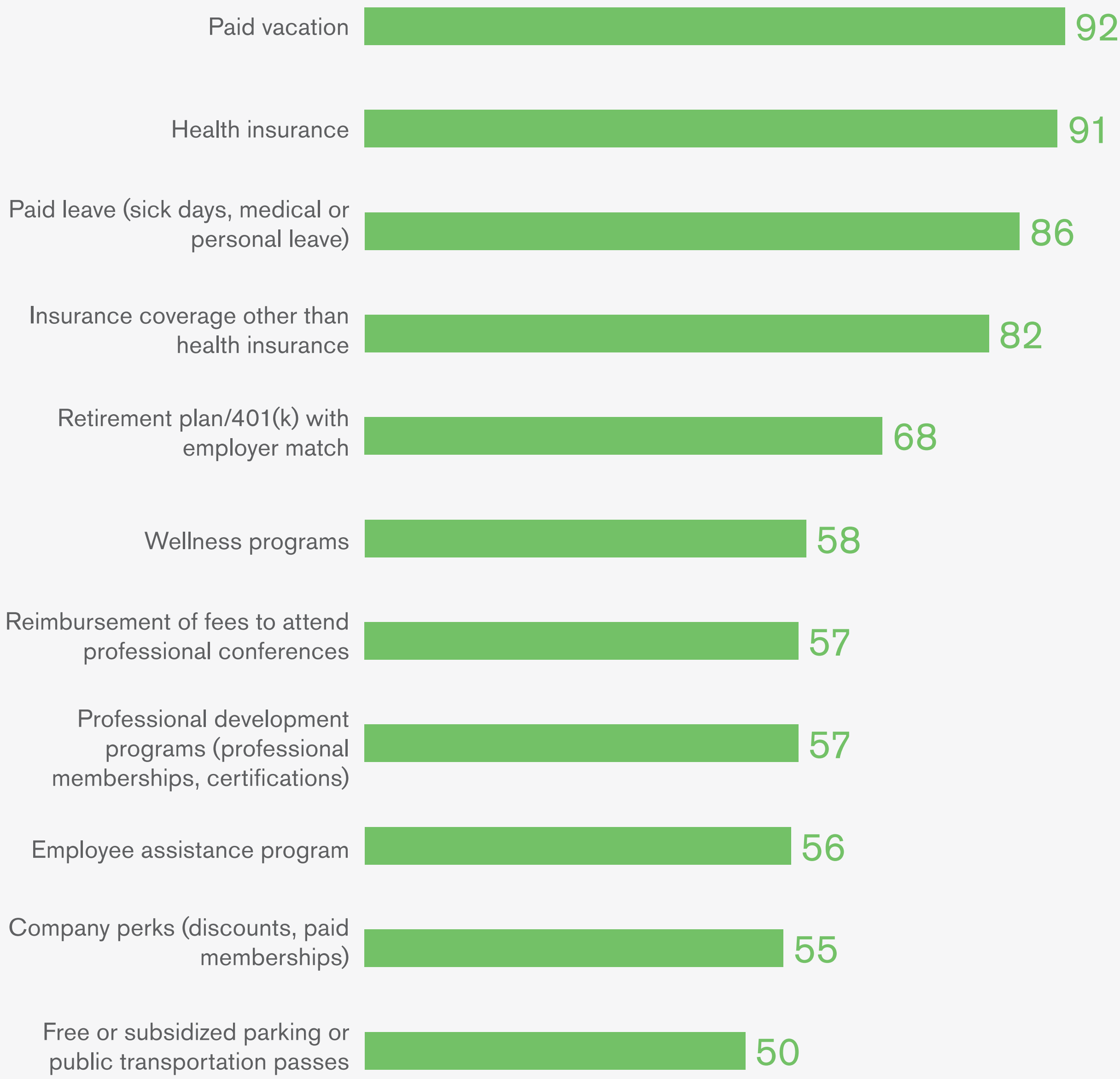
Whatever their motivation, leaders often want to know which benefits and perks matter most to employees. They have a long list to pick from but can't financially or logistically implement them all. Do they have to offer a smorgasbord of options, or are there certain benefits and perks that outweigh others for attracting and retaining employees, as well as improving their overall engagement, well-being and productivity?

Employees don't expect to be offered every benefit and perk out there, but a handful of programs or amenities are important to them. In some cases, these are attractive enough to make employees consider a job switch. But the most meaningful ones aren't rock climbing walls and unlimited beverages. The benefits and perks that employees truly care about are those that offer them greater flexibility, autonomy and the ability to lead a better life.

The benefits and perks that employees truly care about are those that offer them greater flexibility, autonomy and the ability to lead a better life.

COMMON BENEFITS AND PERKS THAT COMPANIES OFFER

% employees say company offers



Organizations are dipping from multiple types of buckets for their benefits and perks, ranging from retirement plans to wellness programs to employee discounts. Overall, they are putting much of their focus on helping employees manage their well-being, reduce expenses, plan for their financial future, and expand their learning and development opportunities.

Employees of large companies (at least 1,000 employees) are more likely than employees of small companies (25 or fewer employees) to say their workplace provides a specific benefit or perk. For example, 75% of employees in companies with 1,000-4,999 workers say they can participate in a 401(k) program with an employer match. That percentage drops to 40% for employees in companies with less than 25 workers. The differences between large and small companies are notable for most of the categories that Gallup tracked, including health insurance, wellness programs, paid maternity leave, employee assistance programs, tuition reimbursement, and financial planning or coaching.

75%

of employees in companies with 1,000-4,999 workers

vs.

40%

of employees in companies with less than 25 workers

say they can participate in a 401(k) program with an employer match

Small companies do differentiate themselves in positive ways on a few points. Employees of these companies are more likely to receive free beverages and meals, the option to bring their pets to work and paid time to work independently on a project of their choosing. Small companies also keep pace with large companies on monetary bonuses, paid vacation, flextime, reimbursement of fees to attend professional conferences, work-from-home opportunities, and fun activities such as dodgeball or shuffleboard.

Small companies often have less to work with in terms of budgets and human resources staff. Because of this, they have to find ways to compete that make sense for them financially and logistically. Many small companies are focusing on benefits and perks that are a bit more manageable financially but also represent their culture and accommodate their employees' lifestyles. They are offering employees the flexibility, autonomy and development they want and establishing work environments that feel less like traditional, inflexible corporate cultures.

WHAT EMPLOYEES WANT

Many organizations see benefits and perks as an important component of their attraction, retention and performance strategies. And with all the attention given to the "cool" and extensive amenities that technology companies and startups offer, leaders need to know exactly what matters to workers when making their employment decisions so they can make informed decisions about how to best compete for top talent. At least one-third of workers say they would leave their job for specific benefits and perks.

Although most employees say they have access to health insurance, 61% still say they would change jobs for this benefit. This percentage could include those who currently do not have health insurance through their employer, but it could also include those who have this benefit but are unhappy with some aspect of their employer's plan. They may believe the plan is not comprehensive enough or has costly premiums. Likewise, the majority of employees say their organization provides paid vacation, paid leave and 401(k) plans, but 53%, 48% and 50%, respectively, would switch jobs for these benefits. These workers may not feel that their company's existing policies and plans are meeting their needs.

EMPLOYEES WOULD CHANGE JOBS FOR BENEFITS AND PERKS CLOSELY RELATED TO THEIR QUALITY OF LIFE

	EMPLOYEES WHO WOULD CHANGE JOBS TO HAVE %	EMPLOYEES WHO SAY THEIR COMPANY OFFERS %	DIFFERENCE (PERCENTAGE POINTS)
ORGANIZATIONS FALLING SHORT			
Flexible working location where you can choose to work off-site full time	35	12	-23
Profit sharing	40	20	-20
Flexible working location where you can choose to work off-site part time	37	24	-13
Retirement plan with a defined benefit (pension)	51	43	-8
Monetary bonuses	54	47	-7
Flextime	51	44	-7
ORGANIZATIONS MEETING NEEDS			
Retirement plan/401(k) with employer match	50	68	+18
Health insurance	61	91	+30
Insurance coverage other than health insurance (dental, vision, life)	48	82	+34
Paid leave (sick days, medical or personal leave)	48	86	+38
Paid vacation	53	92	+39

If leaders want to compete for a modern workforce, they should consider weaving some element of flexibility into their culture.

In general, employees are most likely to say they would change jobs for benefits and perks closely related to their quality of life. They are quite interested in jobs that offer them a way to balance work and home better, gain a deeper sense of autonomy and secure their financial future.

Many organizations offer the benefits and perks that employees consider most important, but they still have areas of opportunity. Flexibility, for example, is a sought-after benefit for many employees who want more control over when and where they work. But flexible schedules and work-from-home options aren't realistic for all roles. These programs often are easier to implement in office environments than in manufacturing or retail environments. However, if leaders want to compete for a modern workforce, they should consider weaving some element of flexibility into their culture, such as allowing employees to leave for medical appointments without drawing from vacation time. Organizations that do offer flexibility must ensure they highlight this benefit as part of their attraction and retention strategies.

A few of the most common benefits and perks organizations offer are not on the previous list. These include wellness programs, reimbursement of fees to attend professional conferences, professional development programs, employee assistance programs, free or subsidized parking, and company perks such as discounts and paid memberships. Between 20% and 29% of employees say they would change jobs for these items. They may not rank as highly as retirement plans or flexible scheduling, but a portion of employees still see their value, and companies do not need to discard these programs or resources.

HOW MILLENNIALS DIFFER

Among various generations in the workplace, Gallup has discovered a few notable differences regarding why employees would and would not leave their job. In all cases, millennials are more likely than Gen Xers and baby boomers to say they would change jobs for a particular benefit or perk. The differences are most evident for items related to children, development, education and flexibility.

MILLENNIALS WANT BENEFITS AND PERKS THAT SUPPORT FAMILIES, DEVELOPMENT AND FLEXIBILITY

% employees who would change jobs for benefit or perk

	GEN XERS AND BABY BOOMERS	MILLENNIALS	DIFFERENCE (PERCENTAGE POINTS)
Paid maternity leave	17	44	+27
Student loan reimbursement	19	45	+26
Paid paternity leave	15	37	+22
Child care reimbursement	8	30	+22
Tuition reimbursement	24	45	+21
Paid time to work independently on a project of your choosing	24	42	+18
Flexible working location where you can choose to work off-site part time	33	50	+17
Insurance coverage other than health insurance	43	60	+17
Flextime	47	63	+16
Flexible working location where you can choose to work off-site full time	31	47	+16
Paid vacation	49	64	+15
Professional development programs	27	41	+14

Millennials want benefits and perks that directly impact their lives and the lives of their family members, and they show a greater willingness to switch jobs to secure these elements. In many aspects, the mentality of this generation makes sense. Millennials are more likely than older generations to be planning families and to have young children at home. Therefore, child care costs and maternity and paternity leave are more pressing issues for this group.

Millennials are also the newest college graduates in the workforce, and they are the generation most interested in development opportunities. Many continue their education beyond earning a bachelor's degree. As they pursue additional higher education, they likely appreciate tuition reimbursement programs, and it is understandable that they may want to pursue independent project work, join professional organizations and attend conferences.

All employees benefit from having flexibility regarding their work, but millennials desire this even more than other generations do. Previous Gallup research on millennials reveals that this generation cares deeply about its ability to integrate work and life, and to have a *life* — not just a *job*. This need could again be related to having young children at home or in school. Millennials also may be more likely to expect flexible scheduling and work-from-home arrangements from their employers since technological advances have made working at different times and from different locations practical for many companies. Millennials perhaps view these workplaces as more modern and in tune with their lifestyle and priorities.

A GAP BETWEEN OFFERINGS AND PERCEPTIONS

Employees may not have a completely accurate picture of the benefits and perks offered by their organization. In 2016, the Society for Human Resource Management (SHRM) conducted a survey of human resources professionals to learn more about the types of benefits companies offer to their employees. The results show that certain benefits are offered more widely than employees perceive them to be. We have noted a few of those contrasts on the next page.

68% of employees vs. 74% of human resources professionals

say their company provides a 401(k) retirement plan with employer match

56% of employees vs. 77% of human resources professionals

say their company has an employee assistance plan

44% of employees vs. 54% of human resources professionals

say their company offers flextime

Source: Human resources data from the Society for Human Resource Management

Perhaps the cause of this disconnect is a lack of effective communication. Employees may not be completely aware of the benefits and perks that are available to them. As an initial step, organizations should examine their communication strategies and tactics. They should make information about benefits and perks easy to find and easy to understand. As much as possible, they have to learn what employees really care about and tailor messaging to them. In the onboarding phase, for example, human resources staff can ask new employees to complete a survey to determine which benefits and perks are most important to them and communicate with targeted messaging to those groups of employees throughout the year. As human resources staff gain comprehensive knowledge about the most popular desires of their employees, they can communicate more frequently about those items — ideally to a targeted audience — rather than deliver a canned, generic presentation about all benefits once a year to all employees.

When human resources or internal communication teams communicate too often or too generically about benefits, it is easy for employees to disregard the messages completely, as they think they already know what the message says and how it pertains to them. If the organization provides too many details in a communication about many benefits and perks, employees can feel overwhelmed and stop reading soon after beginning.

Companies should communicate throughout the year about various benefits and provide a mix of communication tactics to pique the interest of employees in various ways. For example, an organization could hold lunch and learns several times a year to promote the top benefits that are of high importance to their employees. These in-person, group events can supplement a strategic schedule of written communications that each have one key message and drive employees to additional details if they want to explore further. Employees retain the most information if the benefit applies to their situation, so it is key that human resources and communication staff help employees easily differentiate from one communication to the next if the addressed benefit applies to them.

FOCUS ON EMPLOYEE NEEDS

Employees aren't demanding a long list of benefits and perks from their employers. The ones they want are understandable — insurance, retirement plans, flexibility. They want to be able to take care of their families and themselves while preparing for the future.

When defining their benefits and perks strategy, leaders can get lost in the possibilities. They may believe they need to expand their offerings to keep up with their competitors. But employees have a defined set of needs and wishes. Leaders don't have to keep throwing darts at the board until one sticks. As they rethink their workplace, they can get further by adapting or staying true to the benefits and perks that are more meaningful or practical for employees, as well as those that reflect their overall culture. There's nothing wrong with offering game rooms, concierge services or free gym memberships. Employees likely wouldn't turn them down, but they aren't asking for them either.

To help leaders identify how well their benefits and perks stand up against those that employees expect or want to receive from their employer, Gallup has identified categories that reflect how important the benefits and perks previously described are to employees in general. The four categories include:

- **basics:** benefits and perks that most organizations offer and most employees say they would change jobs to get
- **important to some:** benefits and perks that fewer organizations offer and a segment of employees say they would change jobs to get
- **differentiating:** benefits and perks that a segment of organizations offer, most employees say they would change jobs to get, and correlate most highly with employee engagement and well-being
- **added value:** benefits and perks that some organizations offer and that correlate with employee engagement and well-being, but that employees are less likely to say they would change jobs to get

Basics

The basics are the must-have items that many employees would change jobs to obtain. They are also among the more common benefits and perks organizations offer. They do not set organizations apart but are essential in attracting and retaining employees. Benefits and perks in this category include:

- retirement plans with an employer match
- health insurance
- paid leave
- paid vacation
- insurance coverage other than health insurance

Important to Some

These items are important to some employees: Between 29% and 54% show a willingness to change jobs to get them. Fewer organizations offer these benefits and perks, and not all can realistically implement them. Benefits and perks in this category include:

- profit-sharing
- flexible work location
- paid time to work independently on a project of the employee's choosing
- monetary bonuses

Differentiating

The sole benefit or perk in this category is flextime, which allows employees to have some choice in the time of day they work. Fifty-one percent of employees say they would change jobs for this benefit, while 44% say their company offers it.

51%

of employees say they would change jobs for flextime.

vs.

44%

of employees say their company offers flextime.

Employees whose organization allows them to change their hours and schedules as needed have higher levels of engagement and well-being than other employees. They may be more likely to strongly agree that a manager who lets them set their own schedule cares about them as a person. They may leave work at 4 p.m. instead of 5 p.m. most days so they can get in a workout or volunteer, giving an added boost to their physical and community well-being.

Added Value

Certain benefits and perks fall outside the prior categories but still show correlations to higher levels of engagement and well-being. However, they are less of a differentiator than flextime because fewer employees say they would change jobs for them. These benefits and perks include:

- reimbursement of fees to attend professional conferences
- sponsorship of local organizations or events that are important to the employee
- flextime during regular office hours to volunteer
- hardware or software reimbursement
- financial planning or coaching
- professional development programs

While these items are not strong drivers of attraction, they can improve employees' connection to their work and workplace, as well as their holistic well-being. For example, employees who go to professional conferences may be more likely to strongly agree that they have opportunities to learn and grow or that someone encourages their development. And those who receive reimbursement for hardware or software purchases or who meet with a financial planner can potentially improve their financial well-being.

CONSIDER ATTRACTION STRATEGIES, RETENTION AND ENGAGEMENT

Once organizations identify which benefits best reflect their culture and appeal most to potential candidates, they should communicate about those benefits as part of their attraction strategy. They should highlight the benefits and perks that serve as differentiators to the types of employees they are trying to recruit. They can create messages that highlight flexibility, financial stability, family-friendly policies, and other benefits and perks that are most likely to draw applicable candidates. Of course, organizations shouldn't base an entire attraction strategy on benefits and perks. Candidates also need to understand the facets of a potential role and company, including how they will be managed and what opportunities they will have for development.

Once employees are on board, their decision to stay or exit an organization also often involves multiple factors. A specific benefit like flexibility that is lacking at their current company may be enough to push them to leave, but other dynamics — including their level of engagement — also influence their decision.

61% of actively disengaged employees vs. 44% of engaged employees

would change jobs for a retirement plan with an employer match

50% of actively disengaged employees vs. 28% of engaged employees

would change jobs to be able to work off-site on a full-time basis

50% of actively disengaged employees vs. 30% of engaged employees

would change jobs for profit-sharing

Engagement is a critical part of the benefits and perks discussion. That is, if employees don't have great managers, if they don't know what's expected of them or if they are not in roles that match their talents, then the longest possible list of perks is not going to be a cure-all. Employees who are already on the fence in terms of engagement may actually regard pingpong tables and free meals as an empty gesture — a Band-Aid fix for a much bigger problem.

When employees are engaged, they are not as likely as their less-engaged peers to say they will leave for any benefit or perk. Conversely, when employees are actively disengaged, they are more likely to job hop.

Like the importance of money, the importance of benefits and perks magnifies when employees are disengaged with their work. Benefits and perks matter on their own but have a greater influence on employment choices when workers lack connections to their role, team, manager and organization. The best retention strategies are those that take into account *every* aspect of what matters most to employees.

If employees don't have great managers, if they don't know what's expected of them or if they are not in roles that match their talents, then the longest possible list of perks is not going to be a cure-all.

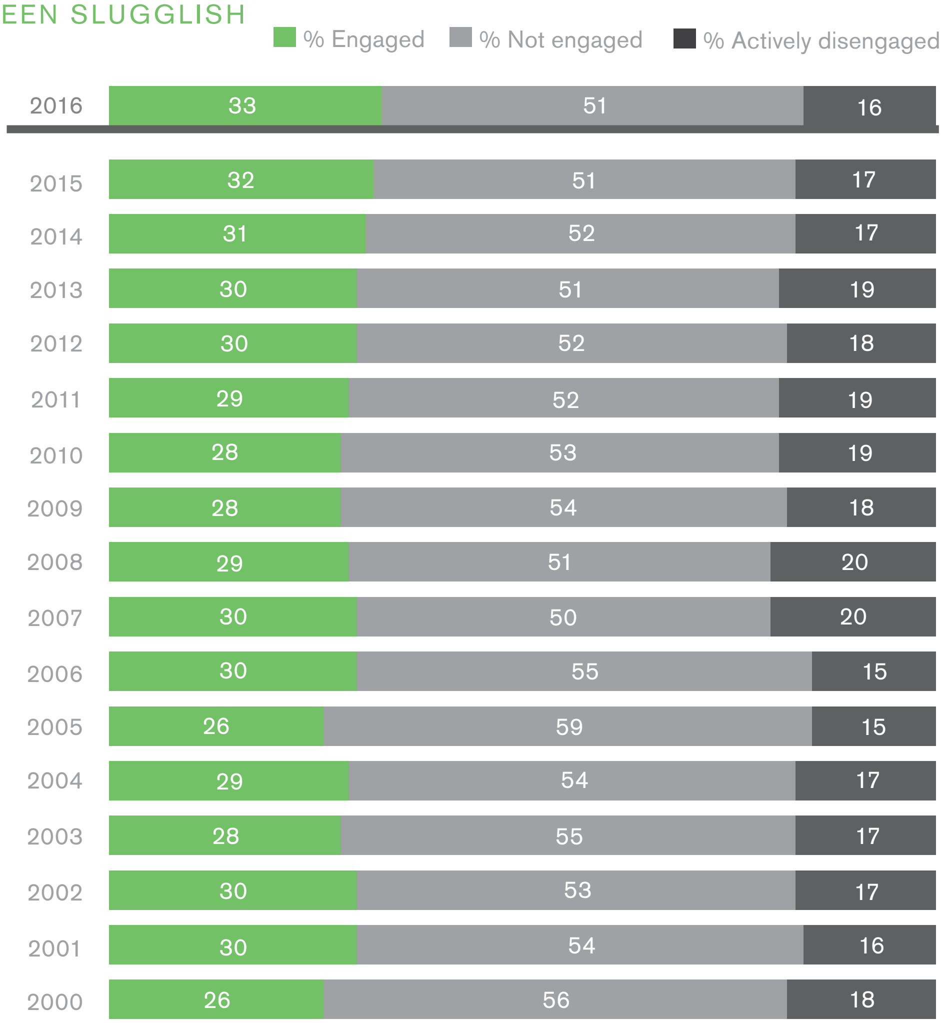
04

The Competitive Advantage of Engaging Employees

One-third of U.S. employees are engaged.

IN 2016, 33% OF U.S. EMPLOYEES were engaged — involved in, enthusiastic about and committed to their work and workplace. The latest number is the highest in Gallup's 15-plus years of tracking employee engagement. But it's not quite cause for celebration. The majority of employees (51%) are not engaged and haven't been for quite some time. Employee engagement has barely budged over the past decade and a half. At times, the metric has stagnated, and at other times, it has even retreated. From 2012 to 2016, employee engagement increased by just three percentage points. The U.S. — and the world at large — is in the midst of an employee engagement crisis.

IMPROVEMENTS IN EMPLOYEE ENGAGEMENT HAVE BEEN SLUGGLISH



Note: 2016 data are for U.S. employees through September 2016.

EMPLOYEE ENGAGEMENT: A PRIMER

Gallup measures employee engagement using a 12-element survey (Gallup's Q[12]) rooted in employees' performance development needs. When those needs are met, employees become emotionally and psychologically attached to their work and workplace. As a result, their individual performance soars, and they propel their team and organization to improved crucial outcomes such as higher levels of productivity, safety and quality.

THE Q[12] IS BASED ON FOUR TYPES — OR LEVELS — OF EMPLOYEES' PERFORMANCE DEVELOPMENT NEEDS:

1. basic needs
2. individual needs
3. teamwork needs
4. personal growth needs

Employees need to be equipped to perform and then positioned for individual and team success. The first, second and third levels create an environment of trust and support that enables managers and employees to get the most out of the fourth level.

These levels provide a roadmap for managers to motivate and develop their team members and improve the team members' performance, with each level building on the previous.

For example, employees may feel connected to their team members, but if, among other challenges, they don't know what's expected of them (a basic need), don't have the appropriate materials and equipment (a basic need), or are not able to do what they do best (an individual need), their affiliation with their team members is unlikely to have a positive impact on their performance. Instead, time spent with their peers may more closely resemble a gripe session than productive teamwork.

GALLUP'S Q[12]

BASIC NEEDS | INDIVIDUAL NEEDS | TEAMWORK NEEDS | GROWTH NEEDS

Q01: I know what is expected of me at work.

Q02: I have the materials and equipment I need to do my work right.

Q03: At work, I have the opportunity to do what I do best every day.

Q04: In the last seven days, I have received recognition or praise for doing good work.

Q05: My supervisor, or someone at work, seems to care about me as a person.

Q06: There is someone at work who encourages my development.

Q07: At work, my opinions seem to count.

Q08: The mission or purpose of my company makes me feel my job is important.

Q09: My associates or fellow employees are committed to doing quality work.

Q10: I have a best friend at work.

Q11: In the last six months, someone at work has talked to me about my progress.

Q12: This last year, I have had opportunities at work to learn and grow.

Engaged: Employees are highly involved in and enthusiastic about their work and workplace. They are psychological "owners," drive performance and innovation, and move the organization forward.

Not engaged: Employees are psychologically unattached to their work and company. Because their engagement needs are not being fully met, they're putting time — but not energy or passion — into their work.

Actively disengaged: Employees aren't just unhappy at work — they are resentful that their needs aren't being met and are acting out their unhappiness. Every day, these workers potentially undermine what their engaged coworkers accomplish.

The levels do not represent phases. Managers do not "finish" the first level and then move on to the second level. They must ensure that employees know what is expected of them and have the right materials and equipment to do their work while meeting needs on the second, third or fourth levels. The best way to sustain progress is to keep doing more of what works and using this hierarchy as a framework for understanding how to best support employees, determine barriers to success and adjust accordingly. Managers should, with their team members, identify needs and obstacles on an ongoing basis and ideally take action before challenges inhibit employees' performance.

ORGANIZATIONS INVESTING IN RECOGNITION, FEEDBACK AND LEARNING

From 2012 to 2016, Gallup tracked movement in the individual 12 elements and found notable improvements in three elements.

ELEMENT		GAIN SINCE 2012 (PERCENTAGE POINTS)
Q04:	In the last seven days, I have received recognition or praise for doing good work.	+5
Q07:	At work, my opinions seem to count.	+4
Q12:	This last year, I have had opportunities at work to learn and grow.	+4

The gains in these elements are not enough to drastically raise the overall engagement of U.S. employees, but they do represent areas of success for organizations. The uptick in the three elements may be the result of companies putting more emphasis on development and frequent interactions with employees to optimize their performance. Recurring one-on-one time between managers and team members gives employees an opportunity to be recognized and heard, and to share what they need to develop in their role.

Organizations also are investing increasingly in programs and technology that support the three elements. A survey by the Incentive Federation found that 72% of U.S. businesses provided noncash rewards (e.g., trips, gift cards, merchandise) to employees in 2015, spending a total of $22.9 billion. From 2013 to 2015, spending on noncash rewards increased by 27%. Similarly, an industry report from *Training* magazine revealed that U.S. businesses spent $70.6 billion on training expenditures in 2015, a 14.2% increase from the previous year. And as organizations seek ways to encourage and gather employee feedback, more are implementing internal social media, innovation and crowdsourcing platforms.

The changing nature of work may account for the improvements in the items as well. Gallup's study of cross-functional teams reveals that 84% of employees are "matrixed" to some degree, meaning they may work on multiple teams, reporting to the same or different managers than those whom they work with. A matrixed structure can expose employees to new people and new areas of business within their organization, providing them with expanded learning opportunities. Matrixed teams also may encourage greater collaboration and communication among employees and help foster environments where people feel encouraged to speak up and contribute in a variety of ways.

REAL GROWTH REQUIRES MORE THAN A SURVEY

Organizations are approaching their employee engagement strategies with greater intention and earnestness. They are moving in the right direction and realizing important gains in some elements. Yet, overall employee engagement in the U.S. remains low. For many leaders and managers, creating a culture of engagement is a steadfast goal but one that remains elusive. Gallup has repeatedly found that one of the greatest barriers to engaging employees is a misguided notion of what employee engagement actually is and what it is meant to do.

Since the engagement industry began in the late 1990s, it has taken on a life of its own. Engagement products have become increasingly commoditized and transactional in nature. They help organizations gather information but cannot provide the necessary insights and advice on how to apply data to improve performance. These products provide no basis for helping leaders and managers understand how to create cultures that embrace and foster engagement.

Employee engagement is not the same as engaging employees. Employee engagement is the *outcome* of actively engaging employees through a strategy that drives improved performance — achieving engagement is simply not as easy as putting together a survey to measure employees' level of engagement. Organizations miss the mark on engaging employees when they emphasize moving the overall engagement number but overlook the tactical elements that lead to improved business outcomes.

COMMONLY, ORGANIZATIONS PUT TOO MUCH EMPHASIS ON **MEASURING ENGAGEMENT**, RATHER THAN ON **IMPROVING ENGAGEMENT**. THEY FALL INTO THE "SURVEY TRAP." THIS TRAP INCLUDES:

- viewing engagement as "just" a survey or program
- focusing more heavily on survey data or reports than development
- defining engagement as a percentage of employees who are not dissatisfied or are merely content with their employer
- relying on measures that tell leaders and managers what they want to hear
- measuring workers' satisfaction or happiness levels and catering to their wants

Make no mistake about it: Measurement does matter. But companies that base their engagement strategy on a survey or metrics-only solution can get caught up in a "rinse and repeat" pattern that does nothing to improve their business. They focus on engagement periodically — usually around survey time. As a result, these organizations make false promises to employees, pledging change through intensive communication campaigns but providing little actual follow-through.

GREATER PERFORMANCE IS THE END GOAL

Organizations falter in creating a culture of engagement when they solely approach engagement as an exercise in making their employees feel happy. It is true that engaged employees, which Gallup often describes as enthusiastic, energetic and positive, feel better about their work and workplace. However, engagement is not determined by an abstract feeling. Happiness is a great starting point, but just measuring workers' satisfaction or happiness levels and catering to their wants often fail to achieve the underlying goal of employee engagement: improved business outcomes. Organizations have more success with engagement and improve business performance when they treat employees as stakeholders of their future and the company's future. They put the focus on concrete performance management activities, such as clarifying work expectations, getting people what they need to do their work, providing development and promoting positive coworker relationships.

The majority of the U.S. workforce (51%) is not engaged. These employees are indifferent and neither like nor dislike their job. They represent a risk, and that risk can tilt either way — good or bad. Many employees who are not engaged *want* a reason to be inspired. They are the "show me" group that needs an extra push to perform at their best. But when engagement becomes an afterthought or gets confused with happiness, employees remain unfulfilled, pushing them in the wrong direction.

Approaching engagement as a business strategy yields clear and better results. In 2016, Gallup conducted the ninth version of our meta-analysis (study of studies) to determine the relationship of engagement — as measured by the Q^{12} — to business/work unit profitability, productivity, employee retention and customer perception. Despite massive changes in the economy and technology, the results of the most recent meta-analysis are consistent with the results of each previous version. Simply put, engaged employees produce better business outcomes than other employees — across industry, company size and nationality, and in good economic times and bad.

Business or work units that score in the top quartile of their organization in employee engagement have nearly double the odds of success (based on a composite of financial, customer, retention, safety, quality, shrinkage and absenteeism metrics) when compared with those in the bottom quartile. Those at the 99th percentile have four times the success rate of those at the first percentile.

WHEN COMPARED WITH BUSINESS UNITS IN THE BOTTOM QUARTILE OF ENGAGEMENT, THOSE IN THE TOP QUARTILE REALIZE **IMPROVEMENTS** IN THE FOLLOWING AREAS:

41%
LOWER
Absenteeism

24%
LOWER
Turnover
(High-Turnover Organizations)

59%
LOWER
Turnover
(Low-Turnover Organizations)

28%
LESS
Shrinkage

70%
FEWER
Employee Safety Incidents

58%
FEWER
Patient Safety Incidents

40%
FEWER
Quality Incidents (Defects)

10%
HIGHER
Customer Metrics

17%
HIGHER
Productivity

20%
HIGHER
Sales

21%
HIGHER
Profitability

Showing up and staying. Engaged employees make it a point to show up to work and do more work — highly engaged business units realize a 41% reduction in absenteeism and a 17% increase in productivity. Engaged workers also are more likely to stay with their employers. In high-turnover organizations, highly engaged business units achieve 24% lower turnover. In low-turnover organizations, the gains are even more dramatic: Highly engaged business units achieve 59% lower turnover. High-turnover organizations are those with more than 40% annualized turnover, and low-turnover organizations are those with 40% or lower annualized turnover.

Shrinkage and quality. Engaged workers care more about the products and services they deliver to customers and the overall performance of their organization. Highly engaged business units experience a 28% reduction in shrinkage (the dollar amount of unaccounted-for lost merchandise) and a 40% reduction in quality defects.

Safety. Engaged workers are more mindful of their surroundings. They are aware of safety procedures and diligent about keeping their coworkers and customers protected. Highly engaged business units realize a 70% decrease in employee safety incidents and a 58% decrease in patient safety incidents.

Customer outcomes. Employees who are engaged consistently show up to work and have a greater commitment to quality and safety. Understandably, these employees also help their organizations improve customer relationships and obtain impressive *organic* growth. Highly engaged business units achieve a 10% increase in customer metrics and a 20% increase in sales.

Profit. The previous outcomes collide to bring organizations increased profitability. Engaged employees are more present and productive; they are more attuned to the needs of customers; and they are more observant of processes, standards and systems. When taken together, the behaviors of highly engaged business units result in 21% greater profitability.

Gallup's research also shows that companies with engaged workforces have higher earnings per share (EPS). In a recent study, we examined publicly traded companies with EPS data available from 2011-2015 and found that organizations that follow employee engagement best practices — the winners of the Gallup Great Workplace Award — outperformed their competitors over recent years. This finding is consistent with previous analyses of the relationship between engagement and EPS.

The Gallup Great Workplace Award honors a select group of organizations that create an engaged workplace culture by investing time and resources to enhance the workplace experiences of their leaders, managers and front-line employees.

SPECIFICALLY, WHEN COMPARING EARNINGS PER SHARE FROM 2011-2013 AND 2014-2015:

- Publicly traded organizations that received the Gallup Great Workplace Award experienced 115% growth in EPS, while their competitors experienced 27% growth over the same time period.
- The actual EPS of the best-practice organizations grew at a rate that was 4.3 times greater than that of their competitors.
- The best-practice organizations in the study had 11 engaged employees for every one actively disengaged employee. At the start of their engagement journey, these organizations had an average of two engaged employees for every one actively disengaged employee.

CREATING A CULTURE OF ENGAGEMENT IS POSSIBLE

Employee engagement has long been an issue in the U.S. workforce, but perhaps now more than ever, it represents a vital component of employee attraction and retention. The modern workforce considers an engaging work environment to be a fundamental expectation, a baseline requirement. Many employees refuse to settle for an organization that does not strategically prioritize engagement. For leaders, this means a culture of engagement is no longer an option — it is an urgent need.

Creating a culture of engagement requires more than completing an annual employee survey and then leaving managers on their own, hoping they will learn something from the survey results that will change the way they manage. It requires an organization to take a close look at how critical engagement elements align with its performance development and human capital strategies.

Engaging employees takes work and commitment, but it is not impossible. One-third of U.S. employees are engaged. And many organizations come to Gallup with even lower percentages of engaged employees — the engagement level among first-year organizations we have worked with is 30%. But as they shift their approach, these organizations begin to realize improvements in performance. The engagement level among recent Gallup clients is 44%, and it is even higher among organizations with the highest levels of engagement, the winners of the 2016 Gallup Great Workplace Award. In these organizations, an average of 70% of employees are engaged and boast 14 engaged employees for every one actively disengaged employee — a ratio that is seven times the national average.

Highly engaged organizations share common philosophies and practices. For example, they know that engagement starts at the top. Their leaders are aligned in prioritizing engagement as a competitive, strategic point of differentiation. They communicate openly and consistently. They place the utmost importance on using the right metrics and hiring and developing great managers.

Highly engaged organizations also hold their managers accountable — not just for their team's measured engagement level, but also for how it relates to their team's overall performance. They ensure that managers are engaging employees from the minute they show up on their first day. These organizations have well-defined and comprehensive development programs for leaders and managers, and they focus on the development of individuals and teams. Employee engagement is a fundamental consideration in their people strategy, not an annual "check the box" activity.

Winners of the 2016 Gallup Great Workplace Award boast 14 engaged employees for every one actively disengaged employee.

05

A Shift in Managing Performance

21% of employees strongly agree that their performance is managed in a way that motivates them to do outstanding work.

THE MAJORITY OF U.S. EMPLOYEES show up at their job every day without the guidance, incentives and support needed to perform at their best. Only 33% of employees are engaged, a mere 21% strongly agrees that their performance is managed in a way that motivates them to do outstanding work, and just 18% strongly agrees that employees who perform better grow faster at their organization. These are troubling and alarming discoveries. Organizations have poured significant amounts of time and money into their performance management systems — investments that now appear to be misaligned with the way work needs to be managed.

Of all the topics keeping leaders up at night, performance management may be one of the most pressing. Employees who are indifferent about what they do and why they do it create an all-but-impossible environment for companies to achieve organic growth.

Many leaders are addressing the performance management issue head-on. Accenture, General Electric, Adobe, Microsoft, Netflix and Cargill have all made headlines by deciding to restructure their performance management systems and, in many cases, do away with a long-held and often-scorned facet of performance management: the annual review. The consensus seems to be that annual reviews — as they have traditionally been practiced — are not worth the time and expense.

One of the greatest shortcomings of traditional performance management systems is a lack of ongoing feedback and coaching. In many organizations, managers view annual reviews as the "official opportunity" to discuss employees' performance. And in some cases, they use annual reviews as not only the official opportunity, but also as the *only* opportunity to discuss performance, and once they complete it, they treat it like any other item on their to-do list — something they can simply check off and ignore until the next time it is required. Unfortunately, this approach to performance management is better described as an infrequent, task-based activity rather than one that provides support and value to employees.

Organizations are realizing that more frequent, ongoing conversations may be the missing link in performance management, but there is a huge caveat: Managers have to understand *how* to have effective performance conversations with employees. Unfortunately, Gallup research suggests that many managers struggle in this area. Our findings indicate that employees largely do not believe that current performance discussions provide clarity or feel meaningful. They do not believe they have a voice in the conversation or a legitimate shot at meeting their goals.

Before leaders position ongoing conversations as the next cornerstone of their performance management strategy, they must recognize and remedy what's currently broken in manager-employee communication. Without managers receiving guidance on how to communicate effectively, ongoing performance conversations have the potential to create cultures of micromanagement, further discouraging and frustrating employees.

FAULTY EXPECTATIONS, FEEDBACK AND METRICS DEMOTIVATE EMPLOYEES

MANY EMPLOYEES ARE NOT MOTIVATED TO PERFORM TO THEIR FULL POTENTIAL. ACCORDING TO GALLUP RESEARCH, THERE ARE THREE MAJOR REASONS FOR THIS APATHY. EMPLOYEES' LACK OF MOTIVATION STEMS FROM:

- unclear and misaligned expectations
- ineffective and infrequent feedback
- unfair evaluation practices and misplaced accountability

Unclear and Misaligned Expectations

Employees need well-defined expectations and goals to perform with excellence. Clarity about their job role and specific duties provides them with direction and areas of focus for their day-to-day work. Unfortunately, only six in 10 employees know what is expected of them at work.

Clear expectations often start with a job description, but that description must reflect the employee's actual work. Just 41% of employees strongly agree that their job description aligns well with the work they are asked to do. Those who strongly agree with this statement are **2.5 times** more likely than other employees to be engaged. Employees greatly benefit from having a distinct path to follow, and without one, they can feel aimless.

30%

of employees strongly agree that their manager involves them in setting their goals at work.

In addition to needing an applicable job description, employees benefit from having goals that both the manager and employee agree on. Performance management conversations have a history of being one-sided and one-dimensional. Too often, managers set the same expectations for all employees, forcing people into the same model or peer-to-peer comparison group.

Collaborative goal setting ensures that employees have a voice in setting performance expectations that are fair, relevant and challenging. The process creates buy-in and helps employees define success in their roles. Accomplishing goals created with a manager feels all the more gratifying to employees because they are "our goals," not just "my goals" or "your goals," and this shows in their engagement. While a mere 30% of employees strongly agree that their manager involves them in setting their goals at work, those who do strongly agree with this statement are **3.6 times** more likely than other employees to be engaged.

Employees also feel frustrated when managers fail to help them connect their role to the bigger picture. The modern workforce wants a job that feels meaningful. They need to be able to see clearly how their role contributes to the success of their team and organization. When employees have this sense of purpose, their engagement soars. Employees who strongly agree they can link their goals to the organization's goals are **3.5 times** more likely to be engaged. Unfortunately, only 44% of employees strongly agree that they can see this connection.

Ineffective and Infrequent Feedback

Much of the criticism aimed at performance management focuses on the annual review — and for good reason. While these more formal conversations can be worthwhile, managers can rely too much on them for providing employee feedback. Gallup finds that only 20% of employees strongly agree they have had a conversation with their manager in the last six months about the steps they can take to reach their goals, and just 19% strongly agree they have reviewed their greatest successes with their manager in the same time span.

The relationship between manager and employee represents a vital link in performance management. Employees need to talk with their managers about their progress more than once or twice a year to effectively move the needle on performance. As is often the case, communication is crucial for that relationship to succeed. Employees who strongly agree they have had conversations with their manager in the last six months about their goals and successes are **2.8 times** more likely than other employees to be engaged.

23%

of employees strongly agree their manager provides meaningful feedback to them.

While the frequency of these conversations must increase, the content of these ongoing conversations also needs to feel purposeful. Currently, most managers are not providing the type of feedback necessary to drive better performance. Only 23% of employees strongly agree their manager provides meaningful feedback to them, and 26% of employees strongly agree the feedback they receive helps them do better work. Those who strongly agree with these feedback elements are more likely to be engaged than other employees (**3.5 times** and **2.9 times**, respectively), demonstrating the need for managers to learn how to coach their employees more effectively.

Simply replacing or supplementing reviews with more frequent conversations won't be enough to motivate employees. These discussions need to have substance and purpose — without leaving the employee feeling micromanaged. Although this is a difficult balance to master, none of this means that managers should stop talking to employees until they understand the ins and outs of performance conversations. Managers can be confident that employees do want to interact with them and talk to them about work *and* life. Gallup research has found that employees are more likely to be engaged when they strongly agree they can approach their managers with any type of question and talk with them about non-work-related issues. Employees want to make connections, so managers should generally keep the lines of communication open and ensure their performance-related conversations inspire employees and help them do their best work.

Unfair Evaluation Practices and Misplaced Accountability

In many organizations, employees undergo an annual review for the sole purpose of helping managers make pay and promotion decisions. Managers rank or rate employees and then compare team members as a way to determine who gets more money or the next advancement opportunity. With this focus during the annual review, employees' attention is on their pay and their manager's ability to adequately rank or rate them rather than on understanding what they did well, which areas have opportunities for improvement, or how they can develop in their role or with the company. Employees often leave these discussions feeling judged instead of supported and energized about their professional future.

Managers commonly focus on progress toward metrics during the review, which becomes complicated when discussing metrics that may not adequately reflect employee work effort and achievements. Only 21% of employees strongly agree they have performance metrics that are within their control, which makes sense considering that few employees say their manager involves them in setting their work goals. Employees want to be fairly measured and evaluated and have a say in their future. When they have this buy-in, they are twice as likely as other employees to be engaged. The majority of workers likely sense an unfairness or injustice in how their performance is managed and evaluated. They are held accountable for work that they have never had the tools or support to accomplish successfully, and often, they are not even invited to the conversation.

21%

of employees strongly agree they have performance metrics that are within their control.

None of this means that annual reviews should be tossed out. In spite of the bad reputation annual reviews are receiving, they are still quite common and can provide value to employees. Currently, 67% of employees say they have had a performance review within the last 12 months, and those who have are more likely to be engaged than employees who have not. Still, the formal annual review and evaluation process can and should be better for employees. Annual reviews need to be repositioned as part of a more robust performance management approach and redesigned to focus on the elements that improve performance, such as development.

67% of employees say they have had a performance review within the last 12 months.

MANAGERS MUST BECOME COACHES

Ineffective performance management systems won't be fixed tomorrow. In many organizations, it will take time for leaders and human resources staff to determine more successful systems for driving higher performance and evaluating, rating and rewarding employees. But organizations and leaders don't have to wait to start making a positive difference for their employees. Managers carry the utmost responsibility for channeling and inspiring employee performance, and organizations and leaders have an immediate opportunity to enhance managers' ability to fulfill these roles well. Starting now, they can begin to shift from performance management to performance *development*.

Moving from performance management to performance development requires managers to think of themselves in a new way: as a coach, not a boss. Leaders can develop their managers as coaches by teaching them to:

1. establish expectations
2. continually coach
3. create accountability

With these focuses, manager-employee interactions and discussions feel encouraging, purposeful and rewarding in ways that annual reviews do not.

Establish Expectations

To be an effective coach, most managers need to adjust the content of their conversations, as well as their approach to employee communication. Gone are the days in which most managers tell employees what to do and how to do it without much of a response. Instead, great managers rely on two-way conversations and collaboration to set expectations and goals.

A collaborative approach to goal setting gives managers greater insight into how to leverage an employee's strengths to help them reach their goals. Conversely, it provides managers with a deeper understanding of which goals may be more difficult for that person to achieve. Armed with this knowledge, managers can proactively identify solutions to help the employee overcome obstacles. For example, they may discuss problem-solving strategies or connect the employee with a partner or mentor.

Clear expectations and collaborative goal setting are especially critical for new employees, but all employees — regardless of tenure — need their manager to check in with them consistently and reconfirm and clarify priorities and expectations. Managers cannot wait until an annual review to have these conversations — they need to occur often.

A collaborative approach to goal setting gives managers greater insight into how to leverage an employee's strengths to help them reach their goals.

TIPS FOR MANAGERS

When establishing expectations, managers should ensure they are:

- **Clear.** Determine and agree on an employee's job duties, and then define what success looks like and how it is measured. Determine how to prioritize work by clarifying which assignments or duties are urgent and which can wait — taking into consideration the priorities of other team members. Expectations aren't clear until they are prioritized.
- **Collaborative.** Both employees and managers should be held accountable for ensuring employees are focusing on the right activities and goals. Employees should have a voice in setting performance goals that are fair, relevant and challenging. Jointly determining and prioritizing expectations forces a greater shared understanding of workflow while strengthening both the employee-manager relationship and motivation.
- **Aligned.** Create goals with employees that are in step with the goals of their team and organization. Talk with employees about the organization's strategy and values to ensure they can see how their performance affects and contributes to the company's performance. Also make sure employees' goals and expectations align with what others in the organization are expecting of them.

Continually Coach

Coaching is about maximizing performance through people — it is not micromanagement. Managers who fill the role of coach understand their team members and continually talk with their employees about their role and progress. They know how to talk to employees, how often to communicate and how to motivate performance. These managers understand that different scenarios call for different types of coaching conversations. At one point, they may have an opportunity to provide in-the-moment feedback; at another, they may be able to help the employees plan for success; and at yet another, the situation may call for a personal development conversation.

Managers should not assume that employees always know how to accomplish their goals. Even if a manager and employee initially set goals together, circumstances and priorities still change. Employees desire feedback that helps them succeed in their role and progress in their career, so managers need to have ongoing conversations with employees to ensure their goals are still appropriate, priorities are clear and progress is occurring. They should also ensure that — whether in times of stability or times of change — employees are working through barriers and have the guidance and real-time development opportunities they need to succeed. Employees are more likely to learn and grow when they receive immediate feedback that is specific, targeted at their development and able to be put into practice right away.

Employees have their own preference for the type, frequency and duration of coaching conversations that feel most comfortable and effective, and managers should pay close attention to these communication preferences. The purpose of continual coaching is to create more natural relationships with employees that are aimed at developing the employee and driving performance.

Employees are more likely to learn and grow when they receive immediate feedback that is specific, targeted at their development and able to be put into practice right away.

TIPS FOR MANAGERS

To help guide coaching behaviors, managers should ensure their ongoing performance conversations are:

- **Frequent.** Know each employee's preferences regarding communication and coaching. Do not look over their shoulders or constantly ask for progress reports. Instead, touch base with them at least weekly — whether via email, phone, instant messaging, hallway conversations or video conferences — to provide some form of coaching. When employees have opportunities for improvement, address them immediately so they can apply lessons learned to their current work.
- **Focused.** Keep coaching conversations focused by knowing the purpose and expectations of each conversation at the outset. To prevent discussions from becoming transactional in nature — which often makes them feel disingenuous or unnecessary — managers should concentrate on topics that are relevant to the needs of the employees, addressing progress, successes and barriers to current work.
- **Future-oriented.** The best managers don't primarily give reactive feedback on past performance; rather, they proactively provide advice and strategies for achieving outstanding performance in the future. Traditional approaches to feedback tend to overly focus on evaluation and criticism of what employees did wrong — which feels judgmental and punitive. When performance corrections are needed, managers need to coach forward by focusing on what can be done differently in the future rather than focusing on the mistakes of the past.

Create Accountability

Formal performance reviews can be beneficial for employees. When done well, they can help employees understand — and have a say in — the goals and metrics that their manager uses to assess their performance. This kind of personal ownership in one's goals and performance measurements creates accountability that feels accurate and is, therefore, motivating to employees. However, much of the criticism about today's typical performance review is warranted. Many are executed as an annual event that is unsupported by ongoing, collaborative performance-related conversations in between. Formal performance reviews should be a more positive, performance-improving experience for employees. Employees should look forward to celebrating their achievements and talking about how they can make their job better. They shouldn't fear the conversation.

That's why annual performance reviews must evolve to become *progress* reviews. When paired with effective coaching, the content of a progress review is not a surprise because related dialogue has already occurred. Instead of making employees feel discouraged by providing unexpected performance feedback, a progress review serves as a motivating snapshot of where employees are in their journey toward performance excellence.

When done well, progress reviews should feel like a fresh start for employees because they create opportunities for managers and employees together to prioritize tasks, change goals if needed, and ensure workers have what they need to be engaged in their work and improve their performance through development.

While the appropriate frequency of formal progress reviews for a role or organization varies, Gallup recommends that managers conduct two or more per year. This timetable ensures that managers and employees are discussing the employee's recent performance and that any course correction is in place before problems become unmanageable.

Gallup recommends that managers conduct two or more progress reviews per year.

TIPS FOR MANAGERS

Beyond occurring twice or more per year, progress reviews are most successful when they are:

- **Achievement-oriented.** Start and end reviews by recognizing employees for their accomplishments and acknowledging what they do best. Set an encouraging tone for the review and continually bring it back to the employee's strengths. Do not ignore or gloss over areas that need additional coaching or improvement, but keep the discussion centered on accomplishments and future opportunities.
- **Fair and accurate.** Ensure metrics reflect the employee's true contributions to their role and the organization. Personalize expectations and outcomes by creating individualized goals that take into account the employee's unique expertise, experiences, aspirations and developmental needs. During progress reviews, focus on the most important outcomes of an employee's role.
- **Developmental.** Both managers and employees should leave the discussion with a clear understanding of the employee's opportunities to learn and grow. Development is not one-size-fits-all. Collaborate with employees to determine in which areas they want professional growth and explore how they can experience the right opportunities to meet their needs, such as attending a professional conference, connecting with a mentor, taking on new assignments or undergoing training to learn a new skill. Then create a plan for experiencing those opportunities and establish a path for reaching their overall development goals.

EFFECTIVE COACHING IS STRENGTHS-BASED, ENGAGEMENT-FOCUSED AND PERFORMANCE-ORIENTED

Although Gallup is challenging managers to talk more with their employees, we caution them not to rush into haphazard discussions or they could lose their focus on performance development quickly and revert to old, negative performance management habits.

GALLUP'S APPROACH TO PERFORMANCE DEVELOPMENT REQUIRES MANAGERS TO MASTER THREE KEY CHARACTERISTICS OF EFFECTIVE COACHING:

- strengths-based
- engagement-focused
- performance-oriented

Great coaches authentically connect with their team members through effective people skills and an individualized understanding of each employee. Managers can only truly coach employees to be their best when they appreciate how people naturally think and behave. They use that information to identify and match employees with assignments and projects that energize them and to understand what their team members need to be engaged. They create effective teams and partnerships between employees and ensure employees have what they need to be successful in their roles. Therefore, beyond making their coaching conversations frequent, focused and future-oriented, managers must base coaching conversations on a foundation of employees' strengths and engagement needs and how those translate to strong performance. In this way, performance management is about helping employees do what they do best and fortifying connections to their role, team, manager and organization in order to produce specific results.

> Managers must base coaching conversations on a foundation of employee's strengths and engagement needs and how those translate to strong performance.

By frequently focusing on the three key characteristics of coaching, managers create opportunities to commend their employees' successes

— big and small — and address employee performance needs. Managers have to ensure they are using time with employees to recognize good work or acknowledge the value that the person brings to the organization and determine what they need to meet their goals. Managers should start by highlighting achievements. If they focus the majority of their check-ins on areas that need improvement, employees may avoid conversations with their manager as their discussions start to feel like a never-ending stream of criticism. When people feel like their manager truly appreciates their contributions and potential, constructive feedback becomes exponentially more powerful because it feels more like "honing and polishing" than rebuilding.

RE-ENGINEERING PERFORMANCE MANAGEMENT STRATEGY

Traditional performance management systems are indeed ineffective in many organizations. They are plagued by inaccurate metrics, infrequent performance reviews and ineffective feedback, leaving most employees underutilized and unmotivated. Leaders are scrambling to solve the problem, but before they run away from their current systems, leaders should determine what they are running toward.

REQUIREMENTS OF LEADERS FOR A SHIFT IN STRATEGY

- teach and expect managers to be coaches
- understand their current performance management process
- align their performance management strategy with employee and customer strategies

Most organizations don't need to throw out their entire performance management approach — they just need to shift their strategy. They can start by teaching their managers to become coaches. Performance management is meant to inspire and improve performance — and it can start to do that when managers have the tools, guidance and support to move beyond task management and approach performance in a way that reflects the need for development in an evolving workforce.

Additional action must also be taken. With only 18% of employees strongly agreeing that employees who perform better grow faster at their organization, the majority of employees do not believe the quality of their work has any bearing on how they are measured, developed or promoted. Leaders must tackle this pervasive attitude of despair and mistrust by understanding their current performance management process with the goal of creating a transparent and equitable system that can identify, acknowledge and reward top performance. This understanding can help leaders reassess how they measure and incentivize performance to create improved business outcomes and how they can align their performance management strategy with other organizational strategies, including those they have in place to attract employees and customers.

18%

of employees strongly agree that employees who perform better grow faster at their organizations.

The workforce is changing, and with it are the expectations regarding performance management. Employees want a say in how their role and performance are managed. Leaders and managers should honor this desire and empower employees to become part of the performance development process.

Employees want their manager to talk with them more, but the content of these ongoing conversations also needs to feel purposeful.

06

A Closer Look at the 12 Elements of Engagement

4 in 10 U.S. employees strongly agree that when they are at work, they have the opportunity to do what they do best every day.

SOMETIMES PEOPLE ASK WHY THE 12 questions that make up Gallup's employee engagement survey haven't been modified or updated over the years. The workplace has changed, so why not the questions? We agree — the workplace has changed. The workplace is being reshaped and redefined by the modern workforce and an evolving mindset that prioritizes life before job, coach before boss, strengths before weaknesses, development before satisfaction and ongoing conversations before annual reviews. Add to that all of the technologies that enable — or impede — productivity, collaboration and interaction, and it becomes clear that the nature of the workplace is shifting.

Yet, underneath these changes are basic workplace needs — human needs. Over the course of nearly 20 years, Gallup has continually reviewed the 12 engagement elements and repeatedly found that for employees to be highly productive, they require clear role expectations, the ability to do what they do best, communication about their organization's mission and purpose, and learning and development opportunities, among others.

When employees' needs are met, they don't just become "happier" — they become better performers. The end goal of any employee engagement strategy should be improved performance, not inspiring a certain feeling in employees or hitting a specific number in a survey. For organizations, the 12 elements are proven performance management practices that can boost the outcomes of individuals, teams and the entire organization. And they haven't changed because they continue to improve individual, team and organizational performance.

When employees' needs are met, they don't just become "happier" — they become better performers.

For organizations, the 12 elements are proven performance management practices that can boost the outcomes of individuals, teams and the entire organization.

Organizations tend to get wrapped up in trying to move their overall engagement number and overlook the importance of the 12 elements. Engagement can only really be improved when leaders and managers focus on these elements and approach them in ways that create stronger agreement with the elements.

In the forthcoming sections, Gallup has included an in-depth overview of the elements, grouped by the four levels of employees' performance development needs.

For each engagement element, we've highlighted the most current U.S. data and the results from an analysis demonstrating how organizations can benefit from an increased focus on the element. We also have provided a brief description of the element's meaning and recommendations based on our clients' best practices.

Q01: I know what is expected of me at work.

Q02: I have the materials and equipment I need to do my work right.

Q03: At work, I have the opportunity to do what I do best every day.

Q04: In the last seven days, I have received recognition or praise for doing good work.

Q05: My supervisor, or someone at work, seems to care about me as a person.

Q06: There is someone at work who encourages my development.

Q07: At work, my opinions seem to count.

Q08: The mission or purpose of my company makes me feel my job is important.

Q09: My associates or fellow employees are committed to doing quality work.

Q10: I have a best friend at work.

Q11: In the last six months, someone at work has talked to me about my progress.

Q12: This last year, I have had opportunities at work to learn and grow.

BASIC NEEDS: WHAT DO I GET?

Q01. I know what is expected of me at work.

Six in 10 U.S. employees strongly agree with the first engagement element. By moving that ratio to eight in 10 employees, organizations could realize a 14% reduction in turnover, a 20% reduction in safety incidents and a 7% increase in productivity.

6 in 10

U.S. employees strongly agree that they know what is expected of them at work.

Clear expectations are the most basic and fundamental employee need.

Employees who strongly agree that their job description aligns with the work they are asked to do are 2.5 times more likely than other employees to be engaged. But the greatest pitfall of the first element is that managers assume the simplicity of the statement means they have a simple solution when their employees disagree with this element: "If people don't know what's expected, I'll just tell them."

Employees who strongly agree that their job description aligns with the work they are asked to do are 2.5 times more likely than other employees to be engaged.

Helping employees grasp what is expected of them is about much more than telling them what to do. They need to understand the fundamentals of their work, which include, but are not limited to, their job description. Unfortunately, less than half of employees (43%) strongly agree they have a clear job description, and even fewer (41%) strongly agree that their job description aligns with the work they are asked to do.

Employees become even more dissatisfied with this element of engagement when leaders fail to articulate a clear strategy for managers and employees to build expectations around. In many cases, employees are being held accountable for work that may or may not align with the work they are being evaluated on.

WHAT THE BEST DO

To optimize performance, organizations and managers must get this element right. The most effective managers:

- define and discuss both the explicit and implicit expectations for the employee's role and the team
- paint a picture of outstanding performance
- help employees understand how their work aligns with the work of their team members, business area and organization
- partner with their employees to set expectations
- frequently provide formal and informal feedback to help employees reach their goals

As priorities, roles and circumstances change, great managers continually assess and fine-tune expectations.

BASIC NEEDS: WHAT DO I GET?

Q02. I have the materials and equipment I need to do my work right.

Three in 10 U.S. employees strongly agree with the second engagement element. By moving that ratio to six in 10 employees, organizations could realize an 11% increase in profitability, a 32% reduction in safety incidents and a 27% improvement in quality.

3 in 10

U.S. employees strongly agree they have the materials and equipment they need to do their work right.

Of the 12 elements, a person having the materials and equipment to do their work well is the strongest indicator of job stress. Despite the functional nature of a question about “materials and equipment,” this engagement element measures both physical resource needs and potential barriers that exist between the employer and employee. Employees get frustrated with their manager or organization if they face goals and expectations that seem impossible to achieve. But like expectations, materials and equipment is not a checklist of tools parsed out to employees. Instead, it includes both tangible and intangible necessities for job performance. In today’s workforce, information and empowerment are often as necessary to a job as technology and office supplies.

Of the 12 elements, a person having the materials and equipment to do their work well is the strongest indicator of job stress.

WHAT THE BEST DO

Behind the connection between equipment and stress lies an encouraging fact: People want to do their jobs well. They want to be productive. The secret to improving in this element lies in the involvement, judgment and actions of managers. The most effective managers don't assume. Instead, they:

- ask for and listen to their employees' needs
- advocate for those needs when organizational funds are required
- communicate transparently about what can and cannot be provided

Successful managers are also resourceful. The best managers find ways to use their team's ingenuity and talents when employee requests cannot be fully funded. From carving out time to learn from free educational sources to asking the best performers to create job guides to share with others, the best managers work with their employees and leaders in creative ways to find solutions for meeting equipment and material needs.

INDIVIDUAL NEEDS: WHAT DO I GIVE?

Q03. At work, I have the opportunity to do what I do best every day.

Four in 10 U.S. employees strongly agree with the third engagement element. By moving that ratio to eight in 10 employees, organizations could realize an 8% increase in customer engagement scores, a 14% increase in profitability and a 46% reduction in safety incidents.

4 in 10

U.S. employees strongly agree that when they are at work, they have the opportunity to do what they do best every day.

One of the most powerful strategies a manager and organization can implement is providing employees with opportunities to apply the best of their natural selves — their talents — as well as their skills and knowledge. The third element of engagement is the most important factor to employees when considering whether to take a job with a different organization, and it is one of the main reasons they choose to leave a job. When organizations and managers focus on giving people an opportunity to do what they do best, they can better attract, engage and retain employees. Unfortunately, organizations can put too little emphasis on any individual's abilities or accomplishments for fear others will feel hurt or left out. But meaningful differences present opportunities not only to advance business interests but also to improve the careers and lives of employees.

One of the most powerful strategies a manager and organization can implement is providing employees with opportunities to apply the best of their natural selves — their talents — as well as their skills and knowledge.

WHAT THE BEST DO

Matching the right person with the right job is a complicated responsibility. Successful managers start by understanding what a job requires and getting to know their employees as individuals. With that foundation in place, they more effectively can:

- build a performance development environment where there is ongoing dialogue, awareness and recognition of strengths
- talk to each employee about the unique value they provide to their team and organization
- make regular adjustments to align work, when possible, with team members' strengths

Successful managers understand that, realistically, employees will have tasks and responsibilities that don't quite fall into the "do what I do best" category, but they ensure the person's overall role and career opportunities make the most of their talents and strengths. Ultimately, the best managers know in which areas their employees excel and position them in the organization so they are individually engaged while providing value to the organization.

INDIVIDUAL NEEDS: WHAT DO I GIVE?

Q04. In the last seven days, I have received recognition or praise for doing good work.

Three in 10 U.S. employees strongly agree with the fourth engagement element. By moving that ratio to six in 10 employees, organizations could realize a 24% improvement in quality, a 27% reduction in absenteeism and a 10% reduction in shrinkage.

3 in 10

U.S. employees strongly agree that in the last seven days they have received recognition or praise for doing good work.

Top performers are hard to find, and once an organization has hired them, managers need to ensure that employees feel valued for their work and contributions, or they could be at risk of losing these talented team members. Employees who do not feel adequately recognized are twice as likely as those who do feel adequately recognized to say they'll quit in the next year. And given the low number of employees who strongly agree with this element, it may be one of the greatest missed opportunities for leaders and managers to improve engagement and performance. Workplace recognition motivates employees, gives them a sense of accomplishment and makes them feel appreciated for their work. The act of recognition also sends messages to other employees about what success looks like. In this way, recognition is both a tool for personal reward and an opportunity to reinforce the desired behavior to other employees.

Employees who do not feel adequately recognized are twice as likely as those who do feel adequately recognized to say they'll quit in the next year.

WHAT THE BEST DO

The challenge of the fourth element lies in the specificity and immediacy of providing recognition. Many organizations are trying to increase recognition by implementing technology-based tools for immediate and peer-based feedback. While these tools help to promote a recognition-rich environment, organizations need to be cautious not to rely on them too heavily. Technology is not a substitute for face-to-face recognition. And although technology-based peer feedback is worthwhile, a Gallup study reveals that employees consider other types of acknowledgment, including an award and private recognition from a boss, peer or customer, to be more memorable.

Managers can follow general guidelines for providing recognition and praise, but great managers realize that the best recognition is highly individualized. These managers:

- learn how employees like to be recognized
- praise people for doing good work and achieving their goals while emphasizing why the recognized act was important
- along with leaders, promote a recognition-rich environment with praise coming from multiple sources at multiple times

According to the same Gallup study previously cited, employees report that the most meaningful recognition comes from their manager, followed by recognition from a leader or CEO, their manager's manager, customers and peers.

INDIVIDUAL NEEDS: WHAT DO I GIVE?

Q05. My supervisor, or someone at work, seems to care about me as a person.

Four in 10 U.S. employees strongly agree with the fifth engagement element. By moving that ratio to eight in 10 employees, organizations could realize an 8% improvement in engaged customers, a 32% reduction in safety incidents and a 41% reduction in absenteeism.

4 in 10

U.S. employees strongly agree that their supervisor, or someone at work, seems to care about them as a person.

Employees need to know that they are more than a number. They need to know that someone is concerned about them as people first and as employees second. The fifth element of engagement may seem like a "soft" aspect of management, but there are key payoffs when employees feel cared for in a work environment. They are more likely to experiment with new ideas, share information, and support coworkers personally and professionally. They are prepared to give their manager and organization the benefit of the doubt, and they feel more equipped to strike a balance between their work and personal lives. In turn, they are more likely to be advocates for their employer.

Employees need to know that someone is concerned about them as people first and as employees second.

WHAT THE BEST DO

When managers and teams receive their engagement results, few choose to take defined action on this engagement element. The reluctance is not surprising — a person cannot manufacture "caring about" someone else. But organizations, managers and teams can and should focus on this employee need. The best managers do so by:

- investing in employees through awareness, time and intention
- getting to know the individual, acknowledging their achievements, holding performance conversations, conducting formal reviews and, above all, showing respect for the employee as an individual
- creating opportunities for development and career growth while fostering an environment for team collaboration and cohesion

By doing these things, managers make their employees feel genuinely valued and respected.

INDIVIDUAL NEEDS: WHAT DO I GIVE?

Q06. There is someone at work who encourages my development.

Three in 10 U.S. employees strongly agree with the sixth engagement element. By moving that ratio to six in 10 employees, organizations could realize a 6% improvement in engaged customers, an 11% improvement in profitability and a 28% reduction in absenteeism.

3 in 10

U.S. employees strongly agree that there is someone at work who encourages their development.

Gallup data show that a lack of development and career growth is the No. 1 reason employees leave a job. Development is part of a typically unwritten set of expectations that workers anticipate will be fulfilled. However, personal and professional development does not occur in a vacuum; it takes thoughtful effort and attention by both managers and employees over time. Employees need help navigating their career, whether that is through coaching, exposure and visibility, or challenging work assignments.

One common misunderstanding about this element of engagement is that "development" means "promotion." Effective development may, in fact, lead to a promotion, but it doesn't have to. More accurately, development is a process of understanding each person's unique talents (naturally recurring patterns of thoughts, feelings or behaviors that can be productively applied) and finding roles, positions and projects that allow them to combine their talents and abilities with experiences to build strengths (the ability to consistently provide near-perfect performance in a specific activity).

Employees need help navigating their career, whether that is through coaching, exposure and visibility, or challenging work assignments.

WHAT THE BEST DO

Development is rooted in a strong manager-employee relationship. Interactions between employees and managers should include:

- defining goals, demonstrating improved performance and assessing progress toward achieving goals
- collaborating to discuss the employee's professional growth and development more than once a year
- having ongoing conversations
- creating opportunities to learn, grow, acquire new skills, try different ways of doing work and take on exciting challenges

Successful managers never look at development as a finished product. Instead, they coach their employees by identifying wins and misses, motivating employees to go beyond what they "think they can do," connecting employees to potential mentors and holding them accountable for their performance.

TEAMWORK NEEDS: DO I BELONG HERE?

Q07. At work, my opinions seem to count.

Three in 10 U.S. employees strongly agree with the seventh engagement element. By moving that ratio to six in 10 employees, organizations could realize a 27% reduction in turnover, a 40% reduction in safety incidents and a 12% increase in productivity.

3 in 10

U.S. employees strongly agree that at work, their opinions seem to count.

The days of managers and leaders having to "know it all" are quickly vanishing as organizations face unprecedented change, competition and stagnant organic growth. Leaders can't survive on their own, nor do they have all the answers. Asking for and considering individuals' input leads to more informed decision-making and better results.

This element of engagement is powerful and measures employees' sense of value and inclusion. Employees who believe they are heard feel appreciated for their insights and have opportunities to make significant contributions to their work environment. Employees are on the front lines of their organization. When leaders and managers are discussing or implementing changes, employees want to know that their input is being considered and encouraged and that they can voice their opinion without fear of retaliation.

Leaders can't survive on their own, nor do they have all the answers. Asking for and considering individuals' input leads to more informed decision-making and better results.

WHAT THE BEST DO

The most successful leaders and managers frequently and sincerely harness the knowledge assets of their employees to push through change, solve problems and innovate for growth. They listen to what is happening on the front line and ask for input along the way. The ways in which a manager listens to and processes an employee's thoughts and ideas can shape whether the employee feels valued for their contributions. That's why great managers:

- promote open, creative dialogue
- encourage new ideas that can positively influence business results
- provide open and honest feedback on opinions and ideas, advocating for good ones and addressing unfeasible ones
- create feedback loops so employees feel involved in decision-making processes

It is essential to this element that managers proactively ensure employees understand how a situation resolves after they offer an opinion or suggestion, as well as why a recommendation may not be possible to implement.

TEAMWORK NEEDS: DO I BELONG HERE?

Q08. The mission or purpose of my company makes me feel my job is important.

Four in 10 U.S. employees strongly agree with the eighth engagement element. By moving that ratio to eight in 10 employees, organizations could realize a 41% reduction in absenteeism, a 50% drop in patient safety incidents and a 33% improvement in quality.

4 in 10

U.S. employees strongly agree that the mission or purpose of their company makes them feel their job is important.

The absence of many elements — job clarity, the proper equipment and resources, a match with one's talents, consistent feedback — become real obstacles to actual productivity. It's easy to see why they are required to get the job done. The same cannot be said for the eighth element: It is a strictly emotional need, and a higher-level one at that, as if employees cannot energize themselves to do all they could do without knowing how their job helps to fulfill a higher purpose. The data say that is just what happens. If a job were just a job, it would not matter where someone worked. But in a uniquely human twist, employees want meaning in their vocation. In fact, for millennials, it is among the strongest drivers of retention.

For reasons that transcend the physical needs fulfilled by earning a living, employees want to believe in what their employer does. They like the feeling of belonging to a community, whether that community is their company, sports team or church. Unfortunately, many leaders and managers tend to think that putting the company mission on a wall is enough to inspire employees to feel a connection. But it's not.

Employees cannot energize themselves to do all they could do without knowing how their job helps to fulfill a higher purpose.

WHAT THE BEST DO

More than with any other element, the importance of mission and purpose cannot solely be owned by the manager, as employees have personal experiences and values that often fuel their connection to a specific mission or purpose. But managers do play a large role in driving the success of this element. The best managers:

- bring the big picture to life for employees by cultivating a feeling of purpose
- clarify and promote the organization's mission to team members
- help employees discover how their role and daily tasks contribute to the realization of the organization's mission
- create opportunities for employees to share stories and mission moments

Leaders also play an important part in ensuring the organization's mission and purpose are clearly stated and aligned with the employee experience. Employees know when a mission is purely talk, so it is critical that they are able to experience it in the culture and deliver on it when meeting customer needs.

TEAMWORK NEEDS: DO I BELONG HERE?

Q09. My associates or fellow employees are committed to doing quality work.

Three in 10 U.S. employees strongly agree with the ninth engagement element. By moving that ratio to six in 10 employees, organizations could realize a 29% reduction in turnover and absenteeism, an 11% improvement in profit and a 6% increase in engaged customers.

3 in 10

U.S. employees strongly agree that their associates or fellow employees are committed to doing quality work.

Trusting that one's coworkers share a commitment to quality is vital to excellent team performance and critical to current work environments as work is becoming more interconnected, interdependent and project-based. The worst performer on the team sets the team's standards.

Employees need to be in an environment where there are mutual trust and respect for one another's efforts and results. This starts with a deep awareness of work standards and team expectations. By a six-to-one margin, people are more upset with a colleague who has the ability but does not try than a colleague who tries hard but does not have much ability. Highly productive employees see a vast difference between being assigned to a team and identifying with that team. Employees want to know that everyone on their team is pitching in to get the job done.

Employees need to be in an environment where there are mutual trust and respect for one another's efforts and results.

WHAT THE BEST DO

Employees can become resentful when they have a coworker who is not contributing or being held accountable for subpar performance. Great managers do not sit idly by and let a team erode. Instead, they:

- establish performance and accountability standards and ensure that all team members are held responsible for them
- foster an environment that consistently produces high-quality work by outlining quality standards for each task or function
- confirm that new team members know the importance of quality, recognizing employees who do high-quality work and having each team member share their expectations for quality work during team meetings

People managers have an additional duty when working in cross-functional team environments. Though they may not have the authority to coach employees who don't report to them, they have a duty to discuss expectations with project leaders, seek feedback on their employees' experiences with other departments and work across functional lines to establish expected levels of quality. Cross-functional alignment is critical to applying quality standards in matrixed structures.

TEAMWORK NEEDS: DO I BELONG HERE?

Q10. I have a best friend at work.

Two in 10 U.S. employees strongly agree with the 10th engagement element. By moving that ratio to six in 10 employees, organizations could realize 36% fewer safety incidents, 7% more engaged customers and 12% higher profit.

2 in 10

U.S. employees strongly agree that they have a best friend at work.

The 10th element of engagement is the most controversial of the 12 elements. More than any other element, "I have a best friend at work" tends to generate questions and skepticism. But one stubborn fact about this element of engagement cannot be denied: It predicts performance. Early research on employee engagement and the elements revealed a unique social pattern among employees in top-performing teams. When employees possess a deep sense of affiliation with their team members, they are driven to take positive actions that benefit the business — actions they may not otherwise even consider.

The 12 elements are not isolated; they work together to create the employee's work experience. The best friend question sometimes gets a bad rap, but it consistently shows a strong relationship to improvements in customer engagement, profit, employee safety incidents and patient safety incidents. Beyond any talk of business outcomes or scientific validity, though, is a very simple premise: To ignore friendships is to ignore human nature. Yet, many organizations continue to abide by policies that dissuade or flat out discourage people from socializing or becoming friends.

When employees possess a deep sense of affiliation with their team members, they are driven to take positive actions that benefit the business — actions they may not otherwise even consider.

WHAT THE BEST DO

The best employers recognize that people want to build meaningful friendships and that company loyalty is built on such relationships. But friendships at work do need to be put in the proper context. Managers should not attempt to manufacture friendships; rather, they should create situations where people can naturally get to know one another. Great managers:

- look for opportunities to get their team members together for events
- encourage people to share stories about themselves
- plan time to socialize when it will not disrupt customers or work

For most teams and organizations, the best friend element should not be the top priority. In fact, if employees don't have basic and individual needs met (such as clarity of expectations, an opportunity to do what they do best, a manager who cares about them and opportunities to develop), then friendships can encourage gripe sessions.

On the other hand, if basic needs are met, friendships can take on a very powerful dynamic in which casual, friendly conversations turn into innovative discussions about how the team or organization can thrive. When basic needs are met, teams that strongly agree with the best friend element produce lower turnover rates than do other teams.

GROWTH NEEDS: HOW CAN I GROW?

Q11. In the last six months, someone at work has talked to me about my progress.

Three in 10 U.S. employees strongly agree with the 11th engagement element. By moving that ratio to six in 10 employees, organizations could realize 34% fewer safety incidents, 26% less absenteeism and 11% higher profit.

3 in 10

U.S. employees strongly agree that in the last six months, someone at work has talked to them about their progress.

For all the complexity of performance appraisals — the balanced scorecards, 360-degree feedback, self-evaluations and forced grading practices — the statement that shows the best connection between perceptions of evaluations and actual employee performance is remarkably simple: "In the last six months, someone at work has talked to me about my progress." The statement does not specify that the discussion has to be an official review. What is most important to employees is that they understand how they are doing, their manager's perception of their work quality and where their work may be leading their career path.

What is most important to employees is that they understand how they are doing, their manager's perception of their work quality and where their work may be leading their career path.

Formal evaluations can be valuable, and managers have many reasons to use them. But success with the 11th element of engagement comes down to what happens between performance reviews. When a manager regularly checks in with their employees to review progress, team members are more likely to believe they get paid fairly, more likely to stay with the company, less likely to have accidents and more than twice as likely to recommend the company to others as a great place to work.

WHAT THE BEST DO

The best managers know that for employees to grow in their jobs, they must first know where they stand. They help employees know where they are in their professional journey and create collaborative goals toward professional growth. Feedback is essential to an employee's engagement and performance. The most effective managers:

- modify their feedback to fit the employee's personality, circumstances and potential
- regularly check in with employees and communicate how they are performing in their roles
- clarify job expectations, develop and track performance metrics, learn about employees' goals, and find creative ways to help employees reach their goals

It is important that managers strive to communicate often and honestly while intentionally making an effort to avoid micromanaging. Employees thrive when they have opportunities to work autonomously while receiving support from their manager.

Above all, great managers serve as coaches and motivate, guide and direct employees as they progress in their roles.

GROWTH NEEDS: HOW CAN I GROW?

Q12. This last year, I have had opportunities at work to learn and grow.

Four in 10 U.S. employees strongly agree with the 12th engagement element. By moving that ratio to eight in 10 employees, organizations could realize 44% less absenteeism, 41% fewer safety incidents and 16% higher productivity.

4 in 10

U.S. employees strongly agree that in the last year, they have had opportunities to learn and grow.

The desire to learn and grow is a natural human need and one that is required to keep employees motivated and progressing. They rarely remain enthusiastic or excited about their job when they have to do the same tasks every day without a chance to learn something new. When employees feel they are learning and growing, they work harder and more efficiently. And the best employees are never quite satisfied with their work. They always strive to find better, more productive ways to work. In this kind of work environment, innovation emerges. This is critical in a time when companies are thirsty for organic growth. When people grow, companies evolve and grow and are more likely to stay in business.

The desire to learn and grow is a natural human need and one that is required to keep employees motivated and progressing.

Mistakenly, many leaders and managers attribute this element solely to "additional" training, but growth takes many forms: finding a better way to do a job, taking on additional responsibilities, mentoring other team members or learning a new skill.

WHAT THE BEST DO

For many people, progress in a role distinguishes a career from employment that is "just a job." Great managers understand that learning and growing at work should never cease. To help employees improve and develop, successful managers:

- find ways to challenge employees in positive ways
- assess current employees' capabilities, look for ways to align those capabilities with long-term goals and aspirations, and codevelop short-term goals
- create learning opportunities at the individual level that are relevant to a larger, individual development plan and frequently check in on employees' progress, asking them what they are learning and how often they are applying it to their roles
- help employees see the value in new opportunities and encourage them to take on new responsibilities — or even new roles — that can elevate the individual's talents

Learning and growing are most effective and beneficial to employees and the organization when managers and employees work together to identify growth opportunities, establish goals that reflect those opportunities and evaluate progress toward them.

INTEGRATING THE 12 ELEMENTS INTO EVERYDAY CONVERSATIONS

When organizations effectively engage employees, they also improve the way they manage performance. Many organizations fall short of their performance goals, however, when they treat engagement as a thing to do or a survey to complete rather than a continuous way to manage and develop people.

Turning the 12 elements into cultural expectations for "how we do business" must take multiple forms in different levels of the organization. The 12 elements should align with the organization's overall strategy and leadership expectations, be part of a clear and ongoing communication strategy, reflect accountability of leaders and managers, and drive a system for development that refines strengths-based performance coaching skills and charts the course for the right managerial job demands within the organization.

Transformation can and should occur at multiple levels. At the most basic level, managers need to discuss engagement needs with their employees, and at a higher level, they must transform the way they work with their teams. Additionally, leaders have to integrate engagement into their growth strategy, and organizations must create a culture of engagement.

If organizations want to engage their employees, the best place to start is by developing managers' abilities to coach. Teaching managers to be a coach begins with helping them develop the communication, managerial and people skills needed to connect with their team, understand their needs, become an active part of their performance and individualize each team member's development.

If organizations want to engage their employees, the best place to start is by developing managers' abilities to coach.

The challenge then becomes making coaching an everyday part of a manager's routine, from anticipating how to handle different types of coaching scenarios to planning the logistics of fitting the necessary coaching conversations onto their calendar.

Gallup's overview of five types of coaching conversations that drive performance provides managers with a practical framework for how and when to execute the fundamentals of effective performance-oriented coaching conversations: establish expectations, provide continual coaching and create accountability. The framework helps managers understand the types of coaching conversations they should have and how to approach each. More specifically, it allows managers to revisit the 12 engagement elements more naturally through the five types of conversations.

With Gallup's five coaching conversations framework, managers learn the importance of spending disproportionately more time establishing expectations with their team by getting to know them, discussing why performance expectations exist and creating an open dialogue about the work they will be pursuing together. By having the right types of conversations with more frequency, managers increase their awareness of best practices and barriers to performance and become more efficient in managing their team members so they can do what they do best while achieving organizational goals.

FIVE TYPES OF COACHING CONVERSATIONS

1. **Role and relationship orientation**
   Occurs when employees join the company, when job responsibilities shift and when employees change roles

2. **Quick connects**
   Give managers an opportunity to assess quickly how an employee is doing and to identify successes and barriers

3. **Check-ins**
   More formal opportunities to seek and give feedback on goal achievement, priorities, progress on projects and employee needs

4. **Developmental coaching**
   Aims to direct and guide an employee to improved performance and individual career development

5. **Progress reviews**
   Formal reviews of progress on goals, expectations and planning for future opportunities

Teaching managers to be a coach begins with helping them develop the communication, managerial and people skills needed to connect with their team, understand their needs, become an active part of their performance and individualize each team member's development.

07

Making Sense of Matrixed Teams

84% of U.S. employees are matrixed to some extent.

THE DEFINITION OF "TEAM" USED to be fairly straightforward. Teams simply consisted of managers and their direct reports, and employees worked primarily with people on one team. Many organizations still adhere to this structure today, but others have adopted less rigid structures. In whole or in part, organizations are increasingly moving away from traditional hierarchical models and toward "matrixed" environments in which employees work across multiple teams and with team members who may report to different managers.

Gallup has found that 84% of employees are matrixed to some extent. They fall into one of three categories, which are continually referenced in this article:

	WORKFORCE %
1. **Slightly matrixed:** Employees who *sometimes* work on multiple teams with people who *may or may not report to the same manager*	49
2. **Manager-matrixed:** Employees who work on multiple teams *every day* with different people but most team members report to the *same manager*	18
3. **Highly matrixed:** Employees who work on multiple teams *every day* with different people who report to *different managers*	17

Matrixed teams are common in all types of jobs including professional, clerical, sales, and service and labor jobs, and in all types of industries including finance, education, healthcare, retail and manufacturing.

The prevalence of matrixed teams isn't surprising. Organizations have come under pressure to be more responsive to customer needs and a quickly evolving marketplace. Additionally, the decline of skilled labor jobs has given rise to more knowledge-intensive roles, requiring many of today's employees to fill project-based assignments that require greater collaboration and interaction. In response to organizational and industry needs such as these, many organizations are structuring teams that cut across functions, products, geographies and reporting structures rather than by departments, or "silos."

In theory, this matrixed environment creates greater flexibility within organizations, allowing them to react more quickly to customers' desires and improve their speed to market. It helps employees become more proficient, productive, creative and collaborative as they capitalize on others' knowledge, skills and assistance while they work. A matrixed structure makes teams feel more inclusive and democratic, creating positive morale among employees and teams. And in this environment, people spend their time interacting with and being accountable to each other, giving employees opportunities to build strong relationships with coworkers.

In reality, having a matrixed environment is a bit more hit and miss. Creating and sustaining a matrixed environment produces both wins and challenges for organizations, leaders, managers and employees. What follows are our key findings related to matrixed teams, as well as recommendations for helping organizations excel with these environments.

WORK LOOKS AND FEELS DIFFERENT FOR MATRIXED EMPLOYEES

Organizations often push matrixed structures with the goal of increasing collaboration among various departments and roles to spur better products and services. The move appears to be a step in the right direction.

Gallup has found that the more matrixed employees are, the more likely they are to strongly agree that being on different teams is beneficial for collaboration, creativity, decision-making, performance, productivity and customer relationships. Highly matrixed employees are more than twice as likely as slightly matrixed employees to strongly agree that being on different teams helps them collaborate more effectively with coworkers (34% vs. 15%, respectively) and that being on different teams helps them do their best work (23% vs. 10%, respectively).

34% vs. **15%**

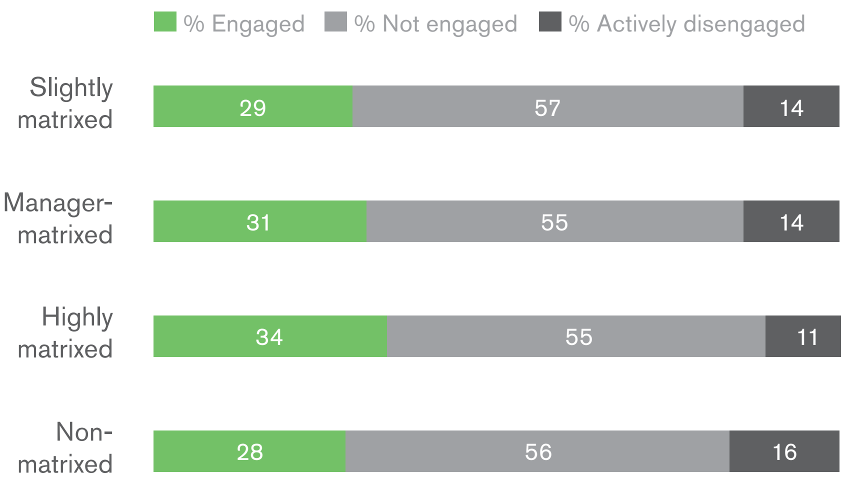
of highly matrixed employees | of slightly matrixed employees

strongly agree that being on different teams helps them collaborate more effectively with coworkers

Controlling for employment level (leader, manager, employee)

Not surprisingly, these positive work experiences result in higher levels of engagement. Highly matrixed employees experience a 22% lift in engagement over non-matrixed employees, a 16% increase over slightly matrixed employees and an 8% increase over manager-matrixed employees. While the engagement of highly matrixed workers is still not impressive at just 34%, it does suggest that more-matrixed environments can result in improvements in the employee experience.

SLIGHTLY MATRIXED AND NON-MATRIXED EMPLOYEES HAVE LOWER LEVELS OF ENGAGEMENT



Controlling for employment level (leader, manager, employee)

In general, the engagement gains for highly matrixed employees can be attributed to feeling more supported within the workplace. Compared with non-matrixed employees, they are:

- 58% more likely to strongly agree that their opinions at work count
- 40% more likely to strongly agree that their coworkers are committed to quality
- 39% more likely to strongly agree that someone at work encourages their development
- 29% more likely to strongly agree that someone at work cares about them

But there are tradeoffs for these benefits. The more matrixed that employees become, the less likely they are to say they take time to organize and prioritize their work. More-matrixed employees also say they have less time to work on their assignments: Eighty-seven percent of non-matrixed employees say they spend most of their day doing their work, compared with the steady decline to 82% of slightly matrixed employees, 74% of manager-matrixed employees and 70% of highly matrixed employees.

THE MORE MATRIXED, THE LESS TIME FOR DAILY WORK

% who spend most of day doing their work and focusing on their priorities

Controlling for employment level (leader, manager, employee)

This decrease in time to organize their workday and “do work” can be attributed to the increase in time devoted to attending meetings and responding to coworker requests, as both of these activities increase as employees become more matrixed.

HIGHLY MATRIXED EMPLOYEES DEVOTE THE GREATEST AMOUNT OF TIME TO MEETINGS AND COWORKER COMMUNICATION

% say they spend most of their day

	NON-MATRIXED	SLIGHTLY MATRIXED	MANAGER-MATRIXED	HIGHLY MATRIXED
Responding to requests from coworkers	23	31	34	45
Attending internal meetings	2	12	15	33

Controlling for employment level (leader, manager, employee)

Put simply: An eight-hour day for a highly matrixed employee does not look the same as an eight-hour day for a non-matrixed or even a slightly matrixed employee. The more projects that employees are a part of, the more people they have to collaborate with and the more time they need to prioritize and align their work. This time to connect with team members is productive in its own right, but it takes away from the time employees have to complete their work.

An eight-hour day for a highly matrixed employee does not look the same as an eight-hour day for a non-matrixed or even a slightly matrixed employee.

And in today's workplace, that's OK. In fact, it's necessary. For employees with roles and responsibilities that benefit from cross-functional collaboration, meetings and team discussions allow employees to align project expectations, discuss progress toward goals and resolve inconsistencies in the work, resulting in outcomes that provide the competitive edge that organizations are looking for.

UNCLEAR EXPECTATIONS CAN CHALLENGE MATRIXED EMPLOYEES

Being on matrixed teams presents several challenges beyond those that employees tackle to get their work done day to day. Gallup has found that one of the greatest pain points for employees is a lack of clarity. Compared with employees on traditional teams, a smaller percentage of employees in all categories of matrixed employees strongly agree that they know what is expected of them at work. Matrixed employees are also considerably less likely than non-matrixed employees to say they have a clear job description and, when they do, that their work aligns with that job description.

MATRIXED EMPLOYEES LACK CLARITY IN THEIR ROLES

% strongly agree

	NON-MATRIXED	SLIGHTLY MATRIXED	MANAGER-MATRIXED	HIGHLY MATRIXED
I have a clear job description.	48	40	38	38
My job description aligns with the work I am asked to do.	48	38	37	38

Beyond their individual expectations, employees need to trust that their coworkers know their responsibilities and that they will work to fulfill these responsibilities. Successful teamwork requires an understanding of which team members are completing which job duties. Unfortunately, many employees have little belief that their coworkers comprehend their roles and responsibilities, and they do not trust them to get work done in a timely manner. This distrust is higher among employees who work on matrixed teams.

MATRIXED EMPLOYEES LACK TRUST IN COWORKERS

% strongly agree

	NON-MATRIXED	SLIGHTLY MATRIXED	MANAGER-MATRIXED	HIGHLY MATRIXED
My team members clearly understand their roles and responsibilities at work.	38	31	35	31
I trust my coworkers to get their work done in a timely manner.	29	23	26	24

Controlling for employment level (leader, manager, employee)

Manager-matrixed and non-matrixed employees are the most likely of all employees to strongly agree with the preceding statements. Having a consistent manager likely helps employees in these groups to understand and appreciate their coworkers' roles and responsibilities.

With less than four in 10 employees believing that their team members clearly understand their roles and responsibilities at work, the data show that organizations need to emphasize clarity, communication and alignment for employees in all types of roles. But this need is especially great for matrixed employees. As team members move from team to team or project to project more frequently, they easily can lose sight of their job expectations.

As team members move from team to team or project to project more frequently, they easily can lose sight of their job expectations.

Highly matrixed employees are 14% less likely to strongly agree they know what's expected of them at work, compared with non-matrixed employees. In the absence of well-defined expectations and frequent, clear communication, multiple projects feel like a top priority, multiple team members' roles begin to conflict and progress slows, hurting productivity outcomes.

Because matrixed employees have such a wide range of job duties and engagement needs, managers must ensure they understand the employees' roles, projects and engagement needs, as well as barriers to meeting their goals.

They also should pay close attention to their performance management practices for matrixed employees. To perform well, employees need to understand where their responsibilities begin, end and intersect with those of other team members. A well-written job description can help to identify responsibilities, but managers of matrixed employees must frequently meet with these individuals to re-establish goals and priorities and to ensure that they remain realistic, attainable and fair as the employees shift from project to project or team to team. Managers may also need to adjust and assess performance outcomes differently for matrixed employees, emphasizing quality over quantity and focusing on team contributions rather than solely on individual contributions.

SLIGHTLY MATRIXED EMPLOYEES WORK IN THE MUDDLED MIDDLE

While all matrixed teams can struggle with a lack of clarity, slightly matrixed teams appear to experience the least amount of benefits from the structure. Working with different teams on a part-time basis, slightly matrixed employees work in the "muddled middle." They have one foot in and one foot out of a matrixed team environment, and that inconsistency could be causing them greater confusion in their day-to-day priorities, impeding their engagement and performance.

Slightly matrixed employees make up the largest percentage of matrixed employees and account for nearly half of the workforce. Of all matrixed employees, they are the least engaged at 29% and are only slightly more engaged than non-matrixed employees (29% vs. 28%, respectively).

29%

of slightly matrixed employees are engaged.

Compared with other matrixed employees, slightly matrixed employees rate many aspects of their engagement lower than do their peers. These employees have the lowest level of agreement that they get to do what they do best, feel as though their coworkers are committed to quality work and talked with someone in the last six months about their progress. Additionally, slightly matrixed employees are the least likely of all employees to say they know how to prioritize their responsibilities at work.

Inconsistency could be causing slightly matrixed employees greater confusion in their day-to-day priorities, impeding their engagement and performance.

Gallup ties the discontent of slightly matrixed employees to a few possible factors. Above all, they are not seeing the value of being on different teams.

They are the least likely of all matrixed employees to strongly agree that being on different teams leads to their best work, better collaboration or better service for customers. In manager-matrixed structures, employees may work on different projects, but because they report to one manager, that one manager can help employees prioritize and manage their work. Slightly matrixed employees don't benefit from the same level of consistency or clarity. And compared with highly matrixed employees, those in the slightly matrixed group aren't as likely to have the same degree of comfort or familiarity in moving from team to team or manager to manager.

A lack of performance conversations may also be hindering this group's performance. Compared with other matrixed employees, slightly matrixed employees spend less time talking with their managers about goals and priorities. And 51% of slightly matrixed employees strongly agree their manager incorporates feedback from their project leaders into their performance evaluation, leaving nearly half without formal feedback about how well they are meeting goals for the various groups that they serve at work.

PROJECT LEADERS' ROLES HAVE EXPANDED

In a matrixed environment, it's not just people managers who are responsible for setting expectations, helping employees do what they do best and creating unified teams. Project leaders are vital to helping employees understand their roles and responsibilities and prioritizing tasks. They also ensure that team members are making progress toward meeting a shared goal.

ACCORDING TO MATRIXED EMPLOYEES, THE THREE MOST IMPORTANT FACTORS IN HELPING THEM PRIORITIZE THEIR WORK ARE:

1. clear expectations from my manager
2. clear direction from project leaders
3. communication between my manager and my project leaders

Unfortunately, people managers and project leaders do not consistently deliver on these needs. As previously stated, most matrixed employees lack clear direction for the various roles they are expected to fulfill. Their uncertainty likely is heightened when project leaders and people managers fail to communicate with one another. Only 14% of matrixed employees say that their project leaders always provide feedback to their manager about their performance, and 23% of matrixed employees say that their manager always incorporates that feedback into their performance evaluation. Managers should communicate consistently with project leaders to ensure that the expectations they set for matrixed employees are applicable and that performance conversations reflect the full scope of the matrixed team member's work.

Although matrixed employees also want clear direction from their project leaders, few believe they receive it. Less than 20% of matrixed employees say that their projects are always well-managed. Project leaders need to be conscientious and detailed. They should be growth- and performance-oriented. They should bring the moving parts of a project together and see them through to completion. Great project leaders bring logic, order and a grand plan to individual and team efforts. But today's employees demand more of their project leaders: The best project leaders also have people, or "soft," skills. Gallup research shows that successful project leaders bring positivity and reliability to their teams. They intrinsically understand how to build solid relationships and show genuine care and concern for people, building rapport with each member of their team. With these added expectations, project leaders play a more critical role than ever before in engaging employees.

14%

of matrixed employees say that their project leaders always provide feedback to their manager about their performance.

Organizations should look for project leaders who have the natural talent to strategize, organize and prioritize. Project leaders must be able to establish a trusting and caring environment — matrixed employees have little trust in their team members to do their jobs, do not believe their project leaders trust them to make their own decisions and do not believe their project leaders care enough to update their people manager on their progress. The right project leader can close the gap on all of these needs.

FIVE RECOMMENDATIONS FOR MATRIXED TEAMS

Matrixed teams are about more than organizational structure — they are about a mindset, skillset and way of working. They are an evolving area of practice and discovery. While matrixed teams have been around for quite some time, they have not yet been perfected. Gallup will continue to conduct research on matrixed teams and identify pockets of excellence. Across the various types of matrixed structures, we've identified recommendations for workers at all levels to help them better thrive in these environments.

1. **Leaders: Establish a strong foundation.** Matrixed structures are intended to break down boundaries. But building a common ground among employees requires leaders to do more than eliminate structural lines. Leaders must create an infrastructure, organizational strategies, cultures and processes to support matrixed teams.

   One of the most critical elements in this infrastructure is managers who know how to drive performance effectively. Leaders must make it a priority to develop and train managers and help them understand how to assess and coach performance for matrixed employees. As employees move from project to project and team to team, managers will have to create work environments that enable employees to meet the expectations of numerous stakeholders.

2. **Managers: Help employees do what they do best.** Gallup data show that engaged employees spend 4.5 hours of their day so absorbed in their work that time passed quickly for them. Comparatively, actively disengaged employees spend 2.7 hours of their day absorbed in their work.

   Since matrixed employees have less time for their actual work, it's important that the time they do spend working feels energizing and rewarding. Therefore, managers should match employees to projects that are a good fit for their talents, skills and strengths so employees are inspired to be focused and productive during as much of the workday as possible.

   Managers must also consider *how* their employees like to work. If employees need to be online or at work outside normal business hours to connect with coworkers in different offices or time zones, managers should support employees' efforts by allowing them to structure their day and workweek in whichever ways best meet their needs. This flexibility helps employees reach their goals while avoiding burnout.

3. **Managers and project leaders: Stay connected.** Employees need to understand what is expected of them, but many lack a clear understanding of their roles and responsibilities. Matrixed employees are especially vulnerable to confusion in these areas. Role ambiguity fuels mistrust among employees and leads to wasted time and opportunities. If managers and project leaders don't increase their communication and in turn provide clear direction for those on their teams, they could find that their employees spend more time griping than collaborating.

   Managers should review role expectations with each matrixed employee. And project leaders need to be clear about who is responsible for each piece of a project. Managers and project leaders must then communicate with each other about the roles and responsibilities for the employees that both people lead.

4. **Project leaders: Make meetings meaningful.** Meetings often have a bad reputation for being a barrier to productivity. Matrixed employees spend more time in meetings than do other employees, which can lead to them falling behind on their work. However, when meetings are conducted effectively, they can be a positive outlet for employees to share opinions, collaborate and create.

   To make meetings meaningful, project leaders should ensure that meetings are productive and create consensus among team members. At the beginning, project leaders should establish expectations for the meeting. And at the end, they should make sure that everyone understands their responsibilities and next steps. When meetings aren't necessary, project leaders should eliminate them and instead use technology and collaboration forums to connect team members.

5. **Employees: Prioritize requests.** Matrixed employees devote more hours of their day to communicating with coworkers than do non-matrixed employees. The additional time spent on email, instant messaging and the phone detracts from their ability to get work done. When responding to coworkers, matrixed employees should take a triage approach, identifying and replying to the most urgent messages first. Employees will have varying ways of classifying which messages are most pressing, but the person making the request or project leaders establishing the timelines can typically help determine urgency. A triage approach doesn't mean employees ignore emails or messages that aren't as urgent. They should still acknowledge that they received the message but cannot address it right away. Then they should follow up as soon as they are able.

   Employees also have a duty to communicate with their manager when expectations become blurred or start competing. Employees should voice concerns about conflicts to resolve them and move forward more quickly on the most pressing needs.

Great project leaders bring logic, order and a grand plan to individual and team efforts.

08

The Changing Place and Space of Work

37% of employees say they would change jobs for one that offered them the ability to work where they want at least part of the time.

EMPLOYEES ARE CLEAR ABOUT THEIR desire to have more control over when and how they work. More than half of employees (53%) say a role that allows them to have greater work-life balance is "very important" to them when considering whether to take a new job. Similar numbers of employees (51%) say they would change jobs for one that offered them flextime, and 37% would do the same for a job that offered them the ability to work where they want at least part of the time.

The modern workforce expects autonomy, and many employers have taken note. An increasing number of companies offer work-from-home and flexible working arrangements for their employees. According to a 2016 Society for Human Resource Management (SHRM) benefits survey, 60% of companies offer their employees telecommuting opportunities — a threefold increase from 1996.

An increasing number of companies offer work-from-home and flexible working arrangements for their employees.

At the same time, many organizations are focusing on creating office environments that "feel flexible." The open office concept was first introduced in Germany in the 1950s and migrated to the U.S. in the last decade. It typically involves taking down walls, getting rid of many or all private offices, and moving employees to work predominantly in one common area. Tech companies are credited with leading the charge for open spaces, but companies in all types of industries have jumped on the trend. A survey by the International Facility Management Association found that about 70% of U.S. companies have some type of open floor plan.

With all of these dynamics contributing to employees' engagement and ability to perform, a push and pull is happening in U.S. organizations. Leaders understand that employees want flexibility and that certain jobs can be done well remotely on either a full- or part-time basis. But leaders also know that most people still work in an office — and benefit from doing so. Surrounded by their team members, employees collaborate and connect with each other and accelerate innovation, creativity and productivity in ways that working remotely sometimes cannot. With a goal to enhance performance, many leaders want to offer flexibility, opportunities to work remotely and open floor plans that meet the demands of the modern workforce.

The following sections present analytics and advice on two seemingly conflicting workplace strategies: allowing remote working and enhancing office environments.

THE TIPPING POINT OF REMOTE WORKING

Remote working is on the rise. In 2012, Gallup data showed that 39% of employees worked remotely in some capacity, meaning they spent at least some of their time working in a location different from their coworkers. In 2016, that number grew four percentage points to 43%.

43%

of employees work away from their team members at least some of the time.

But it's not just the percentage of employees working remotely that has increased. Employees who work off-site are spending more of their time doing so. In 2012, 24% of remote-working employees were spending 80% or more of their time working remotely. In 2016, 31% were doing the same. The number of employees working remotely 40% to 80% of the time has increased slightly as well, while the number of employees working remotely less than 20% of the time has decreased.

TIME EMPLOYEES SPEND WORKING REMOTELY

Of those who work remotely

	2012 %	2016 %	DIFFERENCE (PERCENTAGE POINTS)
Less than 20%	34	25	-9
20% to less than 40%	20	20	—
40% to less than 60%	12	13	+1
60% to less than 80%	10	11	+1
80% to 100%	24	31	+7

Working remotely is also increasing across most industries that Gallup has studied. The finance, insurance and real estate industries experienced the greatest surge in time spent working remotely, followed by the transportation, manufacturing or construction, and retail industries. The community and social services; science, engineering, and architecture; and education, training, and library industries are on the other end of this trend: While employees in these fields still spend time working remotely, a smaller percentage are doing so today compared with a few years ago.

With a goal to enhance performance, many leaders want to offer flexibility, opportunities to work remotely and open floor plans that meet the demands of the modern workforce.

REMOTE WORKING IS ON THE RISE ACROSS MOST INDUSTRIES

% who spend any portion of their time working remotely

	2012	2016	DIFFERENCE (PERCENTAGE POINTS)
Finance/insurance/real estate	39	47	+8
Transportation	55	61	+6
Manufacturing or construction	34	38	+4
Retail	26	30	+4
Healthcare	31	34	+3
Computer/information systems/mathematical	54	57	+3
Law or public policy	41	43	+2
Arts/design/entertainment/sports/media	48	48	—
Community/social services	44	43	-1
Science/engineering/architecture	44	41	-3
Education/training/library	38	34	-4

As employees increasingly become — or want to become — remote workers, leaders and managers may worry about the overall effect on individual, team and organizational performance. In recent years, companies including Yahoo, Best Buy and Bank of America have garnered attention for choosing to end or scale back their work-from-home programs. In each case, leaders cited the need to improve teamwork, collaboration and communication as reasons for the change.

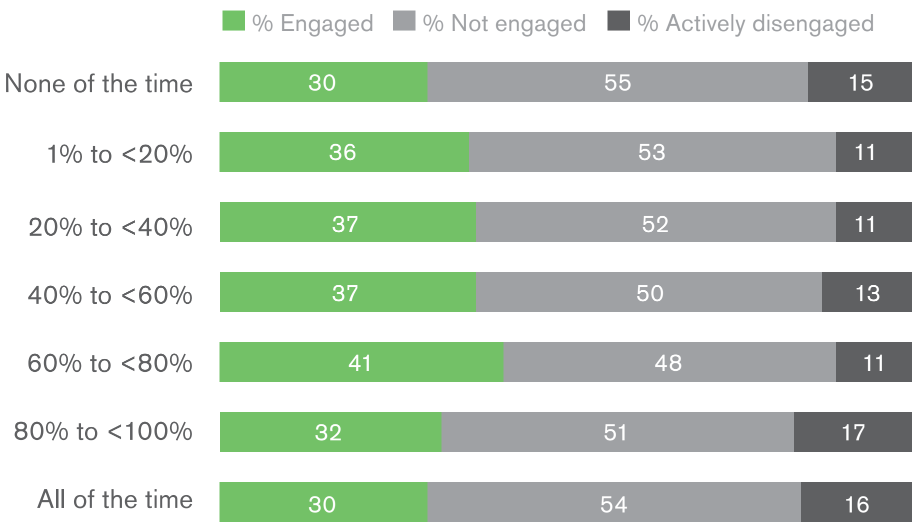
Remote working doesn't make sense for all companies or roles. Leaders need to consider the demands of the job and how time spent working remotely could positively or negatively impact an employee's ability to deliver on business outcomes and customer needs. To guide these insights, Gallup examined employees' engagement, perceptions of performance and workday experiences based on the percentage of time they spent working away from their coworkers. While Gallup found that, on the whole, working remotely can positively influence employee engagement and performance, the gains can vary by role and are most noticeable when employees still maintain some connection to their "home base."

REMOTE WORKERS ARE MORE ENGAGED — TO A POINT

Overall, Gallup discovered that engagement climbs when employees spend some time working remotely and some time working in a location with their coworkers. The optimal engagement boost occurs when employees spend 60% to 80% of their time — or three to four days in a five-day workweek — working off-site. This pattern emphasizes that remote working has the greatest returns on engagement when employees maintain some degree of balance: working remotely most of the time but still getting face time with managers and coworkers.

ENGAGEMENT HIGHEST AMONG WORKERS WHO SPEND THREE TO FOUR DAYS WORKING REMOTELY

Percentage of time spent working remotely



In 2012, our study of remote workers showed markedly different results. At that time, Gallup found that employees who worked remotely experienced higher engagement than those who never worked remotely, but only to a point. In 2012, the optimal engagement boost occurred for employees who worked remotely less than 20% of the time, but employees who spent 50% or more of their time working remotely experienced similar levels of engagement as those who never worked remotely.

Today, the story is different. All employees who spend at least some (but not all) of their time working remotely have higher engagement than those who don't ever work remotely. And the tipping point for optimal engagement has increased dramatically — from less than 20% of time to 60% to 80% of time working remotely.

All employees who spend at least some (but not all) of their time working remotely have higher engagement than those who don't ever work remotely.

When examining the most engaged group of employees who work remotely — those who work remotely 60% to 80% of the time — Gallup finds that they are the most likely of all employees to strongly agree that their engagement needs related to development and relationships are being met. In spite of the additional time away from managers and coworkers, they are the most likely of all employees to strongly agree that someone at work cares about them as a person, encourages their development and has talked to them about their progress. They are also the most likely of all employees to strongly agree that they have a best friend at work and opportunities to learn and grow.

COMPARED WITH OTHER EMPLOYEES, EMPLOYEES WHO WORK REMOTELY 60% TO 80% OF THE TIME ARE MORE LIKELY TO STRONGLY AGREE THEY MAKE MORE PROGRESS IN THEIR WORKDAY. IN THIS AREA, THEY ARE:

- 31% more likely than employees who never work remotely
- 47% more likely than employees who work remotely less than 20% of the time
- 43% more likely than employees who work remotely 20% to 40% of the time
- 31% more likely than employees who work remotely 40% to 60% of the time
- 18% more likely than employees who work remotely 80% to 100% of the time
- 4% more likely than employees who work remotely 100% of the time

These results should reassure leaders that employees who spend some time in a location different from their coworkers do not suffer losses in their engagement or their progress. In fact, the autonomy and flexibility could give rise to higher performance and greater connections between employees and their company.

Balancing time away from the office with time in the office is generally beneficial. That said, marked differences exist between workers who are remote part of the time and workers who are remote 100% of the time — and between employees with differing job functions.

Fully Remote Workers Are Focused But Miss Out on Meaningful Connections and Conversations

Over the last four years, among those who work remotely, the percentage of employees who work remotely 100% of the time has risen from 15% to 20%. This percentage will likely continue to grow as more organizations adjust their policies to attract and retain talented employees and as more employees require or demand these work structures. Managers increasingly will supervise employees with whom they seldom have face-to-face interactions.

As a group, fully remote workers — which could include work-from-home employees or those who have jobs that are mobile — have the lowest levels of engagement of all remote workers. However, their engagement is the same as employees who never work remotely — with 30% of employees engaged in both groups.

WHILE THEIR OVERALL ENGAGEMENT LEVEL IS SIMILAR TO THE LEVEL OF THOSE WHO NEVER WORK REMOTELY, FULLY REMOTE WORKERS ECLIPSE NONREMOTE WORKERS ON THREE ENGAGEMENT NEEDS. FULLY REMOTE WORKERS ARE:

- 27% more likely than nonremote employees to strongly agree they have the materials and equipment to do their work right
- 31% more likely than nonremote employees to strongly agree they have the opportunity to do what they do best every day
- 27% more likely than nonremote employees to strongly agree their opinions count at work

In fact, fully remote employees outscore all employees in the percentage who strongly agree they have the opportunity to do what they do best every day and in the percentage who strongly agree they have the materials and equipment they need to do their work right.

Of remote workers,

15% vs. 20%

worked remotely 100% of the time in 2012.

worked remotely 100% of the time in 2016.

The materials and equipment finding runs contrary to a common organizational concern that working remotely full time could increase the risk of employees not having what they need to fulfill their job responsibilities. In Gallup's experience, however, organizations that offer this option are quite disciplined in creating structured plans and processes to equip remote employees well. Our findings show that fully remote employees outscore nonremote employees on performance management elements that are more institutional in nature, such as strong agreement with having a clear job description and motivating metrics. For example, fully remote workers are 17% more likely than employees who work in the office 100% of the time to strongly agree they have a clear job description.

Fully remote employees outscore nonremote employees on performance management elements that are more institutional in nature, such as strong agreement with having a clear job description and motivating metrics.

This concentrated effort suggests that fully remote employees find it easier to understand the demands of their job and get the resources they need. Freed from the unnecessary stress and actions related to not understanding their roles or metrics, fully remote workers have more time to focus on their work and do what they do best.

What hinders the engagement of employees who work remotely all the time are two critical employee needs: relationships and development. Unlike their coworkers who balance time in and out of the office, fully remote workers do not have organic ways to interact with others, leading to lower engagement on items related to connecting with others and opportunities to discuss progress and development.

Because managers aren't as likely to interact with fully remote employees in spontaneous or organic ways, it can take longer for managers to get to know fully remote employees and understand their unique strengths and needs — factors that affect performance management.

COMPARED WITH EMPLOYEES WHO WORK REMOTELY 60% TO 80% OF THE TIME BUT SPEND SOME TIME IN THE OFFICE, FULLY REMOTE WORKERS ARE:

- 16% less likely to strongly agree their manager involves them in setting goals at work
- 28% less likely to strongly agree they continually work with their manager to clarify work priorities
- 35% less likely to strongly agree their coworkers provide them with meaningful feedback
- 29% less likely to strongly agree they have reviewed their greatest successes with their manager in the past six months
- 30% less likely to strongly agree they have talked with their manager about steps to take to reach their goals in the last six months

For fully remote employees, managers are falling down on the fundamental aspects of performance development — those that are based on the manager-employee relationship — and perhaps increasing the risk that the employee will leave for a better opportunity to progress with another company. If managers begin to grow their relationships with employees, they might find themselves with a powerful group of high performers.

Manage Fully Remote Workers With Intentionality

One of the keys to managing employees who are never physically in the office — and really, all types of remote workers — is intentionality. Managers have to become more deliberate about when and how they communicate with remote employees. They do not need to have 30-minute "check-in" conversations with these employees every day, but they should make an effort to connect with them consistently, whether through phone calls, email, instant or text messaging, or video conferencing. Ongoing communication can help establish an environment of trust and accountability while still giving remote employees a feeling of independence.

The best managers individualize their approach to ongoing communication. Some employees may want to hear from their manager every day, but others feel daily conversations are intrusive. Managers have to learn through which channels and how frequently each employee prefers to communicate.

Managers must also be deliberate about cultivating a social environment in a digital world by helping remote employees feel connected to their team and organization. If possible, they should encourage remote employees to be in the office for team and companywide meetings, events and celebrations. When it's not feasible for employees to be physically present, managers must make an effort to include them and help them get to know their coworkers.

Motivating the performance of employees they never see is a unique challenge for managers. Compared with many employees, fully remote employees have a greater understanding of their role and feel a more profound sense of ownership for their performance. They know what to do and believe their performance is measured in ways that are fair and motivating. Yet, they are not getting enough feedback or the right type of feedback to help them understand how they are performing or how to reach their goals. It's simply not easy or top of mind for managers to ask these employees how their day is going or how they are progressing on a project.

Relationships, Job Clarity Are Key for Service and Support Workers

Certain kinds of positions present unique challenges for employees who work remotely, as well as for their managers. To identify the impact of remote working on different job types, Gallup examined data for three groups of workers:

- **service and support workers**, who respond to immediate and specific needs of other individuals
- **knowledge-based workers**, who rely on their specific knowledge or educational background to complete tasks and projects, and do not primarily respond to immediate needs of others
- **managers**, who manage other managers or whose main responsibility is the output of other people

Gallup found that both managers and employees in knowledge-based roles experience higher levels of engagement when they work some or all of the time remotely, compared with those who do not work remotely. This pattern of engagement is similar to the overall remote working trend presented above. However, remote employees in service and support roles have an experience that is inconsistent with the overall trend, as seen in these two key patterns of engagement:

- **Engagement decreases for service and support workers who work remotely less than 40% of the time.** In the overall trend, engagement increases between the intervals of those who do not work remotely and those who work remotely less than 40% of the time. But for service and support workers, engagement decreases.
- **Active disengagement increases when service and support workers spend more than 40% of the time working remotely.** The percentage of actively disengaged service and support workers who work remotely more than 40% of the time is alarming at 21%. This is nearly double the percentage (12%) of actively disengaged service and support workers who work remotely less than 40% of the time. It is also notably higher than the active disengagement of any level of remote worker in the overall trend.

ACTIVE DISENGAGEMENT INCREASES FOR HEAVILY REMOTE EMPLOYEES IN SERVICE AND SUPPORT ROLES

	DO NOT WORK REMOTELY %	WORK REMOTELY LESS THAN 40% OF TIME %	WORK REMOTELY MORE THAN 40% OF TIME %
Engaged	28	22	29
Not engaged	55	66	50
Actively disengaged	17	12	21

The causes of these inconsistencies relate to two key employee needs: job clarity and relationships. Because service workers are directly responsible for ensuring that internal and external customer requests are met quickly, they rely on their coworkers, managers and leaders to provide the necessary guidance, tools and equipment for them to be able to deliver on client promises and reduce workplace stress. It is critical that they understand their job and the ways they can serve others well.

But employees need more than the basics. When employees possess a deep sense of affiliation with their team members, they are driven to take positive actions that benefit the business — actions they may not otherwise even consider. The amount of time employees spend in the office influences their connection to other people and the company, and for employees serving others, this need is magnified.

Both job clarity and relationships affect service and support workers who work remotely at various levels.

Service and support workers who work remotely less than 40% of the time. These employees are in the office often, giving them opportunities to build relationships with coworkers and connect with managers. These social interactions help to keep active disengagement low. However, perhaps because managers of this group see these employees more often, they are not as formal or clear about the employees' job responsibilities or how their goals relate to company goals, likely leaving them feeling lost or confused about how to serve others best. This confusion can prevent them from fully engaging in all aspects of their job. Hence, a lower percentage of engagement and a higher percentage of those who are not engaged.

Service and support workers who work remotely more than 40% of the time. Unlike service and support workers who spend less time working remotely, this group better understands how to do their job, a necessity for those serving others but spending more time away from the office.

COMPARED WITH SERVICE AND SUPPORT WORKERS WHO WORK REMOTELY LESS THAN 40% OF THE TIME, SERVICE AND SUPPORT WORKERS WHO WORK REMOTELY MORE THAN 40% OF THE TIME EXPERIENCE MORE JOB CLARITY. THEY ARE:

- 54% more likely to have a clear job description
- 44% more likely to have a job description that aligns with the work they are asked to do
- 28% more likely to see how their work goals connect to the organization's overall goals
- 27% more likely to know what their coworkers are expected to do

This group's job clarity contributes to its higher percentage of employees who are engaged.

But, this group has fewer social interactions with those at the home base, so relationships suffer. Compared with employees who work remotely 40% or less of the time, employees who work remotely more than 40% of the time are less likely to strongly agree that someone cares about them as a person, that someone at work encourages their development and that they have a best friend at work. The lack of close, trusting relationships with coworkers contributes to active disengagement of this group and poses potential service and flight risks for these employees.

The message is clear for managers of remote service employees: Supportive relationships with coworkers and job clarity are must-haves to improve engagement.

Preparing for Remote Working

Increasingly, employees want and expect work-from-home opportunities, and overall, their ability to do so is producing positive gains in engagement. Employees are getting more of what they want to help them perform, such as improved technological and organizational systems and processes to support and encourage remote working. These factors, among others, are contributing to remote workers' increases in engagement, and organizations have the potential to gain from the performance boosts of more engaged remote employees.

Employees want and expect work-from-home opportunities, and overall, their ability to do so is producing positive gains in engagement.

That said, organizations have to be intentional in how they support a remote workforce. Leaders need a strategy to address the logistical, engagement and performance components of this structure. Managers must understand how to measure and account for outcomes while building connections with employees when they can't see them. Remote employees need the right technology to support them, as well as clear policies and work structures. And they need to know that in today's workplace, wanting to work remotely is not typically a career-ending move. To that end, organizations and managers need to work together to create career and development paths that work for all employees.

Leaders must also pay attention to the elements that bring employees together, regardless of where they work. They cannot overlook the importance of creating a shared identity as members of the same team and a shared set of processes. Leaders need to establish a common set of values and practices and communicate those values to employees across all channels.

Employees want independence, but they don't want to feel isolated. Remote working is often criticized for the collaboration challenges it can pose. But dispersed teams can be as collaborative as teams who see each other every day — if managed and supported correctly.

OPEN OFFICES: MEETING THE DEMANDS OF TODAY'S WORKFORCE

Remote working isn't a reality for all organizations or roles, and there are still many employees who have the option to work remotely but choose not to do so on a full-time basis — if ever. The office is still alive and well, even as remote working becomes more commonplace. Gallup has found that 57% of employees report working in a similar location as their coworkers 100% of the time.

57%

of employees report working in a similar location as their coworkers 100% of the time.

On one hand, organizations are trying to figure out the best approach to helping people work independently. On the other hand, they are looking for ways to bring people together.

Enter the open office concept. From the outset, the move to create large, open spaces with communal workspaces and few (or no) private offices may appear like another strategy devised by tech companies and startups to set themselves apart. Yet, there are business and performance motivations that have helped spur adoption of the open office concept.

The Hype and the Reality

With fewer walls and an increasing number of employees who work from home, companies can put more people in a single space, possibly helping to lower real estate costs. Allowing employees to work remotely also reduces the need for managers to assign dedicated offices or workstations. When remote employees are in the office, they can take any space they want, whether that's an available desk or a seat at a long table with their colleagues.

Some companies also believe an open office layout fuels employee efficiency, partnership and communication. Workers have no barriers between them. Everyone — including leaders and managers — are accessible, promoting an environment of transparency and fairness. And employees can talk, brainstorm and connect at any time. Forget email or phone calls; they can simply talk to or tap the shoulder of a person sitting near them.

Some companies also believe an open office layout fuels employee efficiency, partnership and communication.

Most organizations recognize that innovation and ingenuity often stem from teamwork. Collaboration energizes people. By working together, employees come up with new and better ideas and discover how to streamline processes and improve output. But to create strong teams, people have to know and trust their coworkers. When those who work in the office are divided by walls, it can be more difficult to build those relationships.

But there are potential downsides to open office environments. They have been criticized for being distracting, noisy and intrusive. Some employees complain about constant interruptions and a lack of privacy and report getting less work done.

Businesses increasingly need communication, collaboration and speed. Understandably, leaders want to determine the best strategies for connecting people. Greater collaboration is a necessary and worthwhile goal for organizations, but open floor plans can run counterproductive to how employees work best. Organizations must recognize these challenges and work with employees to meet both organizational and employee needs.

Organizations Are Adopting "Hybrid" Approaches

Gallup asked office employees about their current work environments to determine which features, equipment and layouts are most common in organizations today. At least half of these employees say their office includes the following:

MOST COMMON OFFICE ENVIRONMENTS AND FEATURES

	OFFICE WORKERS WHO SAY THEY HAVE %
Personal workspaces	90
Good lighting	89
Space to connect with coworkers	78
Comfortable temperatures	76
Frequent noise while working	75
Ability to move to different areas to work	74
Desktop computers	72
Ability to see the outdoors	71
Privacy available when needed	71
A window or windows	69
Flexible work time (some choice over when you work)	52
A door that can be shut	52

While there has been a great deal of buzz about open floor plans and unassigned workspaces, most organizations provide employees with a large degree of autonomy concerning where and how they work. The vast majority of employees have a personal workspace, and more than half have a door they can shut. Even without a door, most still say they have privacy when they need it.

A large percentage of employees also report that their office has a space that helps them connect with coworkers and that they can move around to different areas to work. Organizations appear to be approaching their floor plans with a “hybrid” approach, ensuring employees have their own space and a degree of privacy while giving them the option to work where they want. With the bulk of employees working on desktop computers, however, moving around to work may present a challenge.

In terms of flexibility, 52% of office employees have some choice over the times they work. When Gallup asked all employees about flexibility as part of their benefits, 44% revealed that their organization offers them flextime. Office workers appear to have a greater degree of control over their hours than perhaps retail, manufacturing or healthcare workers.

52%

of office employees have some choice over the times they work.

When it comes to their physical environment, employees largely report they have good lighting, comfortable temperatures and an outdoor view or windows. The most apparent negative for employees is excessive sound, with three-fourths of office workers saying their office is frequently noisy.

Flexibility and Privacy Are Most Important to Office Workers

Through multiple studies, Gallup has repeatedly found that employees highly value flexibility and autonomy in a job. Not surprisingly, when we asked office workers about the features and accommodations that most heavily factor into their employment decisions, we discovered similar results.

More than half of office workers (54%) say they would leave their job for one that offers flexible work time. Roughly four in 10 would do the same for privacy or a personal workspace or office. One-third would change jobs for a door they can shut or a work environment that has a comfortable temperature. For the most part, organizations are delivering on employees' wants and needs, although flexibility remains an area of opportunity.

FLEXIBILITY IS MOST SOUGHT-AFTER OFFICE FEATURE

	OFFICE WORKERS WHO SAY THEY WOULD CHANGE JOBS TO HAVE %	OFFICE WORKERS WHO SAY THEY HAVE %
Flexible work time (choice over when you work)	54	52
Privacy when you need it	42	71
Personal workspace	41	90
Own office	38	68
Door you can shut	33	52
Comfortable temperature	33	76

Leaders may wonder if employees would actually switch jobs for privacy or to gain their own office. While many employees say they would leave a job for some features, their level of engagement strongly influences employees' responses.

ACTIVELY DISENGAGED EMPLOYEES ARE MORE LIKELY THAN ENGAGED EMPLOYEES TO SAY THEY WILL LEAVE THEIR JOB FOR ANY OFFICE FEATURE OR LAYOUT. FOR EXAMPLE:

- 64% of actively disengaged office workers, compared with 47% of engaged office workers, say they would change jobs to have flexibility
- 53% of actively disengaged office workers, compared with 29% of engaged office workers, say they would change jobs to have their own office
- 47% of actively disengaged office workers, compared with 25% of engaged office workers, say they would change jobs to have a door they can shut

As Gallup discussed in our study of benefits and perks, an employee's decision to leave their organization is often the sum of many parts. The loss of an office or privacy can be a deciding factor but is rarely the culprit of turnover. Yet, that doesn't mean office layouts have no influence on how people work and perform. Certain office features encourage higher levels of employee engagement. Employees who say they have a door they can shut are **1.3 times** more likely to be engaged than other employees. Those who say they have flexible work time or a personal workspace are **1.4 times** more likely to be engaged. Employees who have privacy when they need it are **1.7 times** more likely to be engaged.

54%

of office workers say they would leave their job for one that offers flexible work time.

WHEN WE LOOK AT THE 12 ENGAGEMENT ELEMENTS FOR EMPLOYEES WHO SAY THEY HAVE PRIVACY WHEN THEY NEED IT, WE FIND THEY ARE MORE LIKELY THAN THEIR PEERS TO STRONGLY AGREE WITH THESE ELEMENTS:

- At work, I have the opportunity to do what I do best every day.
- My supervisor, or someone at work, seems to care about me as a person.
- There is someone at work who encourages my development.
- The mission or purpose of my company makes me feel my job is important.
- My associates or fellow employees are committed to doing quality work.
- This last year, I have had opportunities at work to learn and grow.

Conversely, employees who say they would change jobs to have privacy score lower than the average employee on all engagement elements, particularly the element "At work, I have the opportunity to do what I do best every day." Lacking space to focus, work quietly if desired or have an uninterrupted conversation may detract from employees' ability to become deeply absorbed in — and fulfilled by — their role.

Other office features can also heighten engagement. Specifically, employees who say they can move around to different areas while working are **1.3 times** more likely to be engaged than other employees. And those who say they have a space that helps them connect with coworkers are **1.5 times** more likely to be engaged. People want a sense of ownership and privacy but still desire interactions with others.

Consider and Account for Human Nature

Space can be a highly personal issue. As human beings, workers have an inherent need to claim objects and areas as their own. A desk or an office communicates a sense of ownership or occupancy. Some workers are at ease sharing space, but our research shows that many workers want an individual space.

Leaders have to consider human nature in their office environments — and many appear to be doing so. Employees have their designated work areas, and many have flexibility in where they work. They can move from a desk or office to a conference room or sitting area. They can find privacy, or they can connect with coworkers. Perhaps some organizations have certain floors or departments that are more "open" than others. They may have dedicated collaborative or shared spaces, as well as assigned offices, cubicles and desks.

Gallup data show that shared or unassigned workstations are less common than more traditional office layouts. As more employees shift to become part-time or full-time remote workers, companies may be tempted to adopt the less-traditional models. Yet, employees may not be quick to embrace them. Just 6% of employees say they would switch jobs to have access to open workstations, while 41% would switch to have a personal workspace.

6%

of employees say they would switch jobs to have access to open workstations.

vs.

41%

of employees say they would switch jobs to have a personal workspace.

For some employees, however, the open office environment is already a reality or will become one in the near future. Managers in these environments must do what they can to help employees structure their days in ways that encourage productivity. Here, too, there is room for compromise. If an employee is most productive in the morning, their manager may allow them to work from home for a few hours each day before coming into the office. Or, the manager and employee could set a schedule in which the employee works remotely two or three days a week.

Leaders and managers should also keep in mind the ways that people work and work best. When designing or redesigning their office spaces, the "hot" trend may not always be a culture or performance fit. As with any business strategy, organizations should gather quantitative and qualitative data and then devise a plan. They need an understanding of what is currently impeding or enabling employee collaboration and productivity, as well as insight into which office features and spaces are and are not being used.

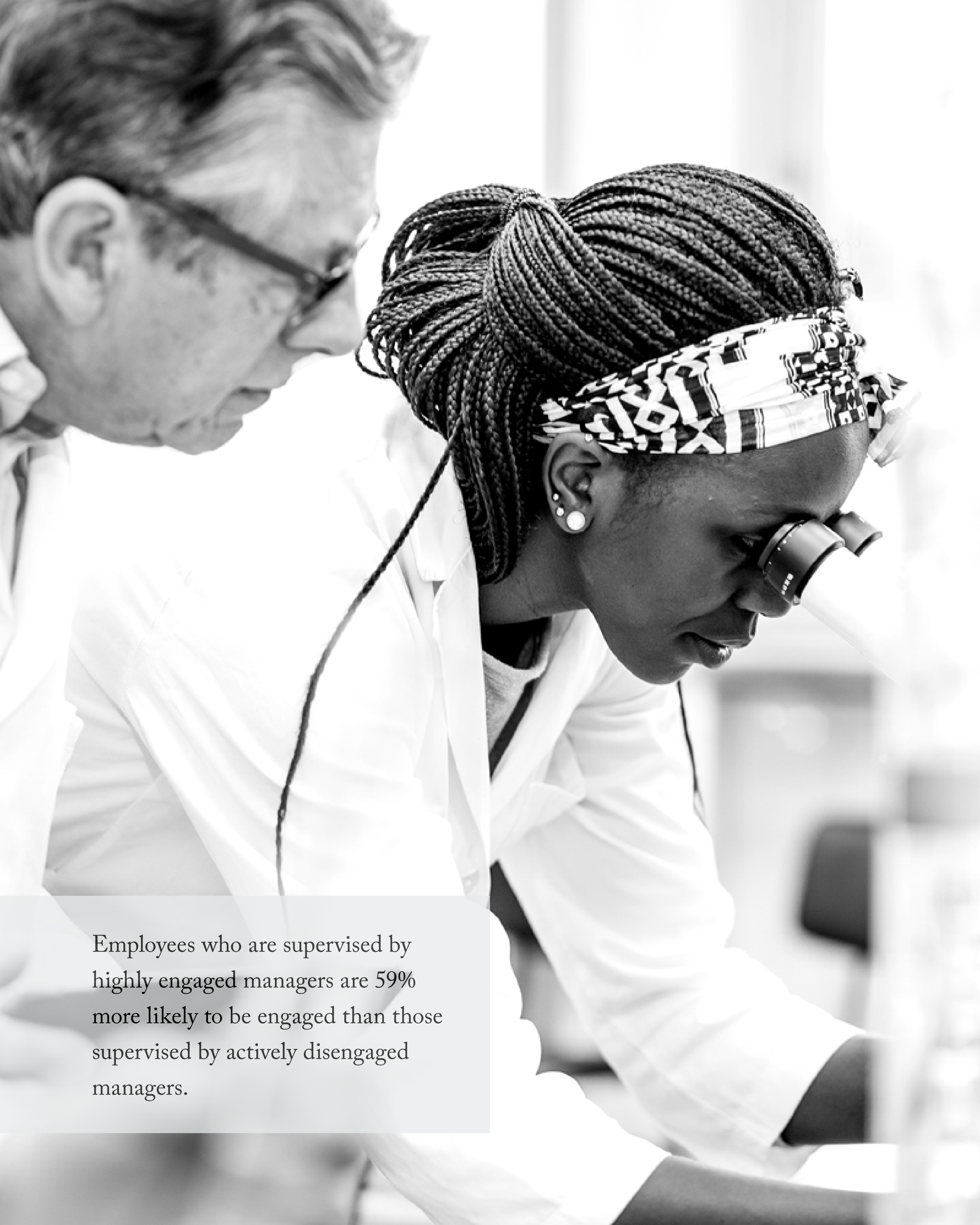
If the decision is to create or expand an open office environment, leaders should be upfront with employees about why they are doing it — is it a cost-cutting initiative, a tactical move to improve collaboration and communication, or a combination of both? Whatever the reason, organizations should prepare to hear rumblings and complaints from employees and recognize that the transition period could be rough.

Leaders and managers can help ease the transition to a new work environment by ensuring they are modeling ideal behaviors. They should promote the beneficial aspects of the office enhancements leading up to the change, demonstrate positivity in their communications and spend time in the open office environment with employees once the space is complete. Like with policies regarding flexibility or dress code, employees will never fully embrace an open office environment if leaders and managers don't support it with behaviors that reflect a positive attitude and the benefits of the approach.

If the decision is to create or expand an open office environment, leaders should be upfront with employees about why they are doing it.

09

Employee Engagement: A Snapshot



Employees who are supervised by highly engaged managers are 59% more likely to be engaged than those supervised by actively disengaged managers.

EMPLOYEE ENGAGEMENT CAN VARY SUBSTANTIALLY from organization to organization and team to team. Most of the variation in engagement can be attributed to the way performance is managed locally. But at an aggregate level, some differences in engagement can be explained by other factors, including job category, gender, age, geography, company size and education.

LEADERS AND MANAGERS SURPASS OTHER OCCUPATIONS

From 2012 to 2016, the greatest increases in engagement by job category were found in transportation, sales, and construction or mining.

EMPLOYEE ENGAGEMENT BY OCCUPATION

	ENGAGED 2016 %	CHANGE FROM 2012 (PERCENTAGE POINTS)
Managers and executives	38	+2
Professional workers	34	+3
Construction or mining workers	34	+4
Clerical or office workers	33	+3
Sales workers	33	+4
Farming, fishing or forestry workers	33	+1
Installation or repair workers	32	+3
Transportation workers	30	+5
Service workers	31	+2
Manufacturing workers	25	+1

Growth in these workers' engagement could be due to growth in their respective industries. In 2016, CareerBuilder and Economic Modeling Specialists Intl. found that some of the most in-demand jobs included sales managers, insurance sales agents, heavy and tractor-trailer truck drivers, bus and truck mechanics, and diesel engine specialists. And as the U.S. has recovered from the Great Recession and revived new construction, companies in this industry have again found themselves with a need for skilled workers. As transportation, sales, and construction and mining segments grow, they may be putting more emphasis on their hiring and retention strategies as a way to keep up with demand. The U.S. mining industry has not experienced the same boon in business, but construction workers could be helping to raise this group's overall engagement numbers.

While the engagement of managers and executives grew by just two percentage points from 2012 to 2016, employees in these jobs still have the highest overall levels of engagement by job category. Thirty-eight percent of workers in this group are engaged, a percentage largely supported by the engagement of executives. When we examine executives and front-line managers (those who only manage individual contributors) separately, we find that 45% of executives are engaged versus just 29% of managers.

When we examine executives and front-line managers (those who only manage individual contributors) separately, we find that:

45% vs. 29%

of executives are engaged. / of managers are engaged.

The lack of engagement among front-line managers could be wreaking havoc on engagement among front-line employees. Essentially, managers' engagement directly influences their employees' engagement, creating what Gallup calls the "cascade effect," and the link between the two is powerful. Employees who are supervised by highly engaged managers are 59% more likely to be engaged than those supervised by actively disengaged managers.

Professional workers and construction and mining workers have the second-highest levels of engagement by occupation. These findings are consistent with Gallup's tracking history. Professional workers tend to be on the higher end of engagement. Individuals in this category are more likely to work in roles that reflect their talents and interests, helping to increase their engagement. Construction and mining workers have traditionally also been among the more engaged workers.

Professional workers tend to be on the higher end of engagement. Individuals in this category are more likely to work in roles that reflect their talents and interests, helping to increase their engagement.

Employees in manufacturing jobs are the least engaged. Equally discouraging is the alarming number of actively disengaged employees in manufacturing roles. The manufacturing industry has as many actively disengaged workers as it does engaged workers. The traditional management mentality in this industry tends to put process ahead of people, possibly accounting for some of the engagement obstacles.

Gallup Q^{12} data reveal that about six in 10 manufacturing workers know what's expected of them. They give their highest scores to this element of engagement. However, manufacturing workers score distressingly low on other elements. Not even three in 10 of these workers strongly agree that the mission or purpose of their organization makes them feel their job is important or that their coworkers are committed to doing quality work. Barely two in 10 strongly agree that someone at work encourages their development, has recognized them for doing good work or has talked to them about their progress.

WOMEN OUTSCORE MEN

Female employees are more engaged than male employees and have been throughout Gallup's history of tracking the metric.

EMPLOYEE ENGAGEMENT BY GENDER

	ENGAGED 2016 %	CHANGE FROM 2012 (PERCENTAGE POINTS)
Female employees	36	+3
Male employees	30	+2

As Gallup shared in *Women in America*: *Work and Life Well-Lived*, female employees outscore male employees on 11 of the 12 engagement elements and outscore male employees considerably on five of those elements. Compared with male employees, female employees are:

- 10 percentage points more likely to strongly agree that they received recognition or praise for doing good work in the last seven days
- eight percentage points more likely to strongly agree that someone at work encourages their development
- six percentage points more likely to strongly agree that they have an opportunity to do what they do best every day
- six percentage points more likely to strongly agree that someone at work seems to care about them as a person
- six percentage points more likely to strongly agree that the mission or purpose of their organization makes them feel their job is important

Job choice can also explain some of the difference in engagement levels between men and women. A higher percentage of men than women say they work in manufacturing and production jobs, which are consistently linked to lower levels of engagement. On the other hand, more women than men say they work in professional jobs, which are associated with higher levels of engagement.

With one exception, women are more engaged than men in every type of job including management, professional, service and support jobs. In leadership roles, however, men are more engaged than women (50% vs. 35%).

50%	vs.	35%
of men in leadership roles are engaged.		of women in leadership roles are engaged.

While many factors could account for this difference, the gap in engagement scores among men and women leaders is particularly pronounced on these elements:

- My supervisor, or someone at work, seems to care about me as a person.
- At work, my opinions seem to count.
- In the last seven days, I have received recognition or praise for doing good work.
- I know what is expected of me at work.
- I have the materials and equipment I need to do my work right.
- There is someone at work who encourages my development.

MILLENNIALS TRAIL OTHER GENERATIONS

The generation with the lowest percentage of engaged employees in the workplace is millennials. This group also has the lowest percentage of actively disengaged employees. The opposite is true of baby boomers — this generation has the highest percentage of engaged employees, as well as the highest percentage of actively disengaged employees.

EMPLOYEE ENGAGEMENT BY GENERATION

	ENGAGED 2016 %	CHANGE FROM 2012 (PERCENTAGE POINTS)
Millennials (born 1980-2006)	31	+3
Gen Xers (born 1965-1979)	33	+3
Baby boomers (born 1946-1964)	35	+3

The gap in engagement scores among the various generations is not substantial, even when Gallup further deconstructs the data on millennials. Thirty percent of younger millennials — those born between 1990 and 1998 — are engaged, compared with 33% of older millennials — those born between 1980 and 1989. Older millennials have the same engagement level as Gen Xers.

Engagement improves with employees' age. Perhaps as millennials get older and increasingly find work that fits them, their levels of engagement follow suit and also rise. But for the time being, millennials are largely feeling indifferent about their work. Gallup's extensive research and analytics on this generation reveal that millennials are a driving force behind workplace change. They are pushing companies to see and manage their workforces differently. They may feel like they are "waiting" for their employers to catch up with them.

Millennials also highly value development in a role. In *How Millennials Want to Work and Live*, Gallup reported that 87% of this generation rate “professional or career growth and development opportunities” as important to them in a job. However, only 39% strongly agree they have learned something new in the past 30 days that they can use to do their job better. Slightly less than one in two millennials strongly agree that they have had opportunities to learn and grow within the past year. Millennials want to grow in their roles, but many aren’t getting the support to do so.

ALABAMA IS THE FRONT-RUNNER IN STATES’ ENGAGEMENT

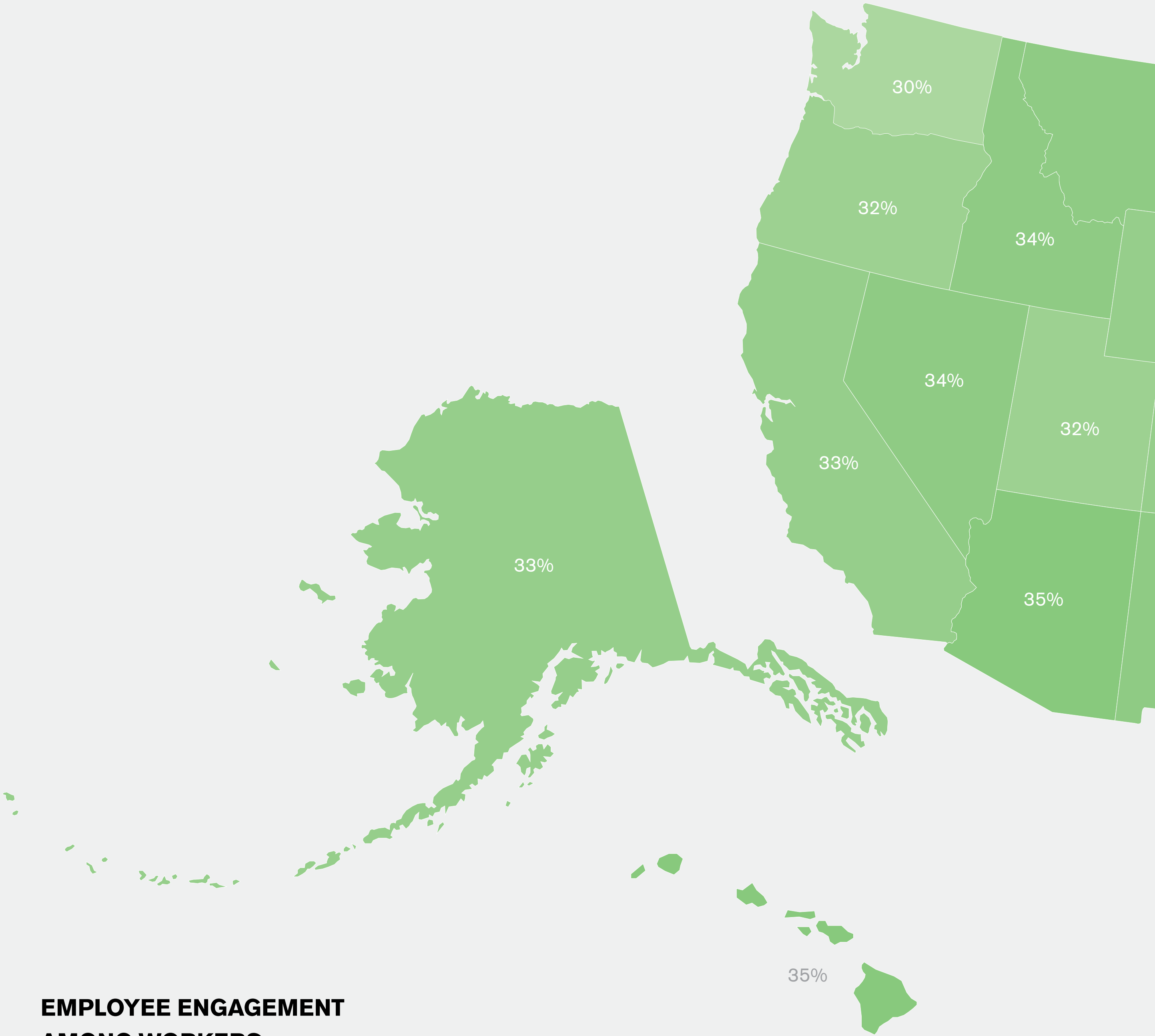
Alabama leads the country with the highest percentage of engaged workers, at 37%, followed closely by Delaware, Kentucky and Louisiana at 36%. Arkansas, Arizona, Florida, Hawaii, Maine, Mississippi, Oklahoma, Tennessee and Texas each have 35% employee engagement. At the far end of the range are Connecticut, Massachusetts, New Jersey and New York, which each have the lowest percentage of engaged workers: 29%.

At the opposite end of the engagement spectrum, more than one in five workers in West Virginia (21%) are actively disengaged, as are 19% of employees in Nevada, New Mexico, New York and Pennsylvania. Alaska and Utah have the lowest percentage of actively disengaged employees: 13%.

When Gallup examines the patterns of engagement across the 50 states, we find the more highly engaged states tend to have greater proportions of workers who are:

- self-employed on a full-time basis
- high school graduates, but not college graduates
- employed in blue collar roles in industries such as transportation, installation and repair, and farming and fishing

The cumulative data appear to connect higher levels of engagement with small businesses and autonomy.

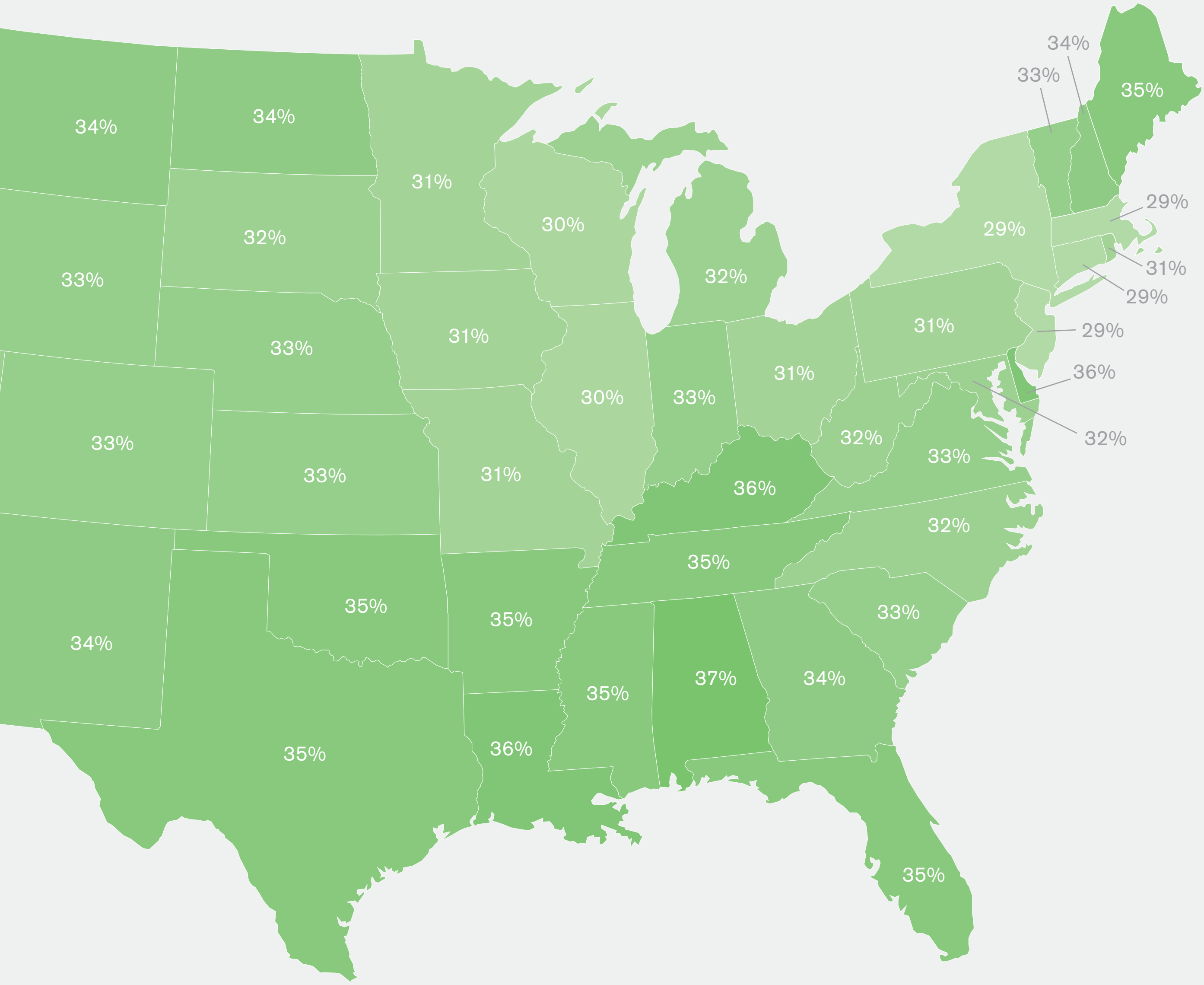


EMPLOYEE ENGAGEMENT AMONG WORKERS

by state

LOWER 28%

HIGHER 37%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States with higher percentages of actively disengaged employees have higher unemployment rates than states with lower percentages of employees who are actively disengaged. For example, the five states where at least 19% of workers are actively disengaged average 7.2% unemployment. In contrast, the five states where 13% to 14% of workers are actively disengaged average 4.6% unemployment. Employees in states with a greater incidence of active disengagement may find it more difficult to find the type of work they want. Similarly, organizations in these states are perhaps not able to increase their hiring and, as such, do not believe they have incentive to create a differentiating workplace that can compete effectively for new talent.

On the positive end of the engagement continuum, states with 35% or more engaged employees have slightly higher proportions of full-time, self-employed workers, compared with states that have 30% or fewer engaged workers (9% full-time, self-employed employees vs. 7% full-time, self-employed employees, respectively). This difference in proportion likely reflects smaller organizations in the states with higher engagement.

BIG COMPANIES NEED THE MOST IMPROVEMENT

The largest companies in the U.S. have the lowest levels of engagement. Conversely, the smallest companies have the highest levels of engagement. Companies with less than 25 employees far outpace organizations of any size, besting their engagement by a difference of eight to 12 percentage points. From 2012 to 2016, the engagement of small companies grew by five percentage points, while the engagement of other companies barely budged or even diminished.

Engagement presents the greatest challenge for companies with 1,000 or more employees. According to the U.S. Census Bureau, 52% of employees work for companies with at least 1,000 employees, making the engagement of these organizations' workforces critical to economic progress.

Gallup analysis shows that the 1,000-employee mark seems to be the tipping point for declining engagement within a company. When an organization reaches this size, a smaller percentage of employees strongly agree that they have the opportunity to do what they do best every day and that their organization's mission or purpose makes them feel their job is important.

A smaller percentage of employees strongly agree that they have the materials and equipment to do their job right and that they have opportunities at work to learn and grow.

The larger an organization, the greater the chance of inconsistency and misalignment. Managers may be responsible for more employees than they can support effectively. Workers may feel like just another number with no understanding of how their role connects to the company's vision or strategies. In small companies, people are more likely to know each other and the leaders of the organization — they know how all the pieces fit together and understand the value of their role.

As organizations expand, it can also become more challenging for leaders and managers to keep true to the core of their culture. The values that support culture may scatter as the workforce grows or scatters. Employees are perhaps less likely to see leaders, managers and coworkers modeling the behaviors that reflect or reinforce the organization's foundation.

EMPLOYEE ENGAGEMENT BY COMPANY SIZE

	ENGAGED 2016 %	CHANGE FROM 2012 (PERCENTAGE POINTS)
Less than 25 employees	41	+5
25 to less than 500 employees	31	+1
500 to less than 1,000 employees	33	-2
1,000 to less than 5,000 employees	30	–
5,000 or more employees	29	+1

HIGHER EDUCATION DOESN'T ALWAYS EQUATE TO HIGHER ENGAGEMENT

Employees with a high school diploma or less represent the most engaged group of employees, followed closely by those who have completed some college and those who have a postgraduate degree or who have done postgraduate work. Among the levels of education, employees with college degrees but no postgraduate work rank last in engagement.

EMPLOYEE ENGAGEMENT BY EDUCATION LEVEL

	ENGAGED 2016 %	CHANGE FROM 2012 (PERCENTAGE POINTS)
High school or less	34	+1
Some college	33	+4
College graduate	31	+3
Postgraduate	33	+3

College graduates who have invested time and money into earning a college degree may have expectations of their managers and workplaces that often go unmet. The 2015 Gallup-Purdue Index study reveals that only half of U.S. college graduates strongly agree their undergraduate education was worth the cost. Recent graduates, those who obtained their bachelor's degree in years from 2006 through 2015, are significantly less likely to strongly agree with the same statement: Only 38% of recent alumni strongly agree their education was worth the cost.

Gallup also has discovered that 68% of college graduates say they are overqualified for their current job, meaning they have more education than is required for their role. These employees may be in a job that isn't a good fit for their skills, talents and strengths, and they may feel unfulfilled and uninspired as a result. More than half of college graduates (59%) are in clerical, office, sales and service roles, while 31% are in professional roles. Comparatively, 19% of workers who have a postgraduate degree or who have done postgraduate work are in clerical, office, sales and service roles, and 35% are in professional roles.

Employees with a high school diploma are the most likely of all employees to work in a job in construction or mining; service; manufacturing or production; transportation; and installation or repair. While these employees hold the majority of manufacturing or production jobs, their total engagement is lifted by their participation in other, more engaging industries. For example, 11% of high school graduates work in professional roles.

Employees of all education levels work in a variety of jobs — jobs that fall at any level on the engagement spectrum. A 2016 study from the Georgetown University Center on Education and the Workforce discovered that people with a college degree now outnumber people with a high school diploma. There are more college graduates in the workforce, and many are struggling to find a job that makes their degree seem worthwhile. This overall feeling of disappointment may be contributing to their lower level of engagement, compared with the engagement level of those who have other levels of education.

There are more college graduates in the workforce, and many are struggling to find a job that makes their degree seem worthwhile.

Close

THE WORKPLACE IS CHANGING AT unprecedented speed. New technologies and shifting mindsets have collided to create a modern workforce that defies convention — it doesn't fit neatly into one box or category, and it's rather hard to define. However, Gallup has discovered some concrete truths about this workforce.

Through our research, we know that employees today view work differently and expect more out of a job and company than leaders and managers traditionally have provided. Employees come into a role wanting frequent communication with their manager, development opportunities, flexibility and autonomy, coaching, and a sense of stability and security. They want to be engaged and motivated, doing work that feels meaningful and makes the most of their talents and strengths.

Employees come into a role wanting frequent communication with their manager, development opportunities, flexibility and autonomy, coaching, and a sense of stability and security.

We also know that employees are willing to leave a job that doesn't meet their needs. The traditionalists and baby boomers who stayed with their companies for 30 or 40 years no longer represent the majority of workers. Millennials now make up the largest generation in the workplace — and most aren't willing to stick out their entire career at a single company.

Leaders have the enormous task of understanding how to attract and retain a workforce that is unlike those before it. They are being bombarded with information and suggested solutions about what could constitute the best move for their organization.

As we mentioned in the opening of the report, it is critical that leaders do something to remain competitive, but this is not a call to jump on the latest trend or turn a workplace culture upside down. Gallup has worked with organizations in a wide range of industries across the world. Many organizational leaders achieve temporary growth through mergers, acquisitions and product diversification. Organic growth occurs within existing business through an engaged and high-performing workforce. Success will not come easy, but it is achievable and sustainable. To win, everybody must play their part. Organizations that empower all team members — leaders, managers and employees — to use our suggested best practices increase engagement and improve performance.

LEADERS: FOCUS ON DATA, VISION AND MANAGERS
Based on our discoveries, we recommend that leaders:

Root decisions in data and culture. When determining which levers to pull and in which order, leaders must keep their cultures in mind and honor their core identity. They can confuse their employees by trying to imitate some other culture. That said, a culture can and should evolve over time.

To recruit and retain employees and motivate them to perform well, many organizations will have to adjust or reset certain aspects of their culture. Sometimes these adjustments are necessary responses to changes in an organization's industry regulations, financial stability or market share, to name a few. Other times, organizations see opportunities to proactively position themselves more effectively compared to competitors, so they innovate, expand or enhance their brand. In any case, leaders have to ensure the changes still authentically represent the organization's identity, differentiate it from competitors, honor its history and support its goals for the future.

They also must determine the degree of change that the organization can implement without causing major disruption to the well-being of the company and its employees.

Data and alignment are key throughout processes of change. When considering and implementing shifts in an organization's culture, leaders must position themselves for success by assessing their existing culture, comparing it with their ideal culture and using their findings to develop a plan to get from point "A" to point "B."

Create and communicate a compelling vision. Few leaders are painting a picture of the future for their employees. As we also revealed in the opening of the report, the majority of employees don't believe their leaders are guiding their organizations in the right direction, and they don't feel a strong sense of hope about what's to come.

For any cultural initiative to take hold, employees have to be fully invested and on board with their leaders' vision. When Gallup supports the organizations we have worked with by helping them to evaluate their culture or identity, we often find that the four elements of clarity, consistency, alignment and commitment go a long way in improving employees' perceptions of their organization's leadership.

For any cultural initiative to take hold, employees have to be fully invested and on board with their leaders' vision.

Executives have to communicate clearly and consistently about what the organization stands for and how it will gain success in the future. Leaders also must provide meaningful experiences for employees, strategically align initiatives, and demonstrate an authentic commitment to the organization and its workforce. Most importantly, executives must model the behaviors they want to see from managers and employees.

Invest in managers' success. Like the role of leaders, the role of managers has shifted. It's no longer enough for managers to be task masters — they now have to develop their employees and motivate them to perform. But managers shouldn't be expected to navigate the changes in their role on their own. Leaders have to set them up for success. They must equip managers of all skill levels to carry out critical conversations with employees. They should provide clear expectations, training and education for managers so they are well-equipped to be coaches. Leaders have to address managers' engagement needs in the same way they expect managers to address the engagement needs of their employees.

Of course, managers also have a part to play in helping their organization adapt and excel in changing times. All individuals — leaders, managers and front-line employees — are responsible for upholding their organization's culture and raising its overall level of engagement and performance.

MANAGERS: MOVE FROM BOSS TO COACH

Managers have to pay attention to what employees need and assume the vast responsibility that lies before them. They need to create individualized development plans and have more conversations with employees. This does not mean they should be micromanagers or task managers. Instead, they should view themselves as active coaches every day.

Leading frequent, meaningful conversations is both art and science, and when done well, it motivates employees to perform at higher levels. If managers are unsure how to have these conversations or what to do to engage employees, they need to request coaching of their own. Asking for help is not a sign of incompetence — it is evidence that a manager cares.

Put simply: Management has to be done better. With all the changes bearing down on the workplace, managing a team can seem like a monumental, overwhelming and thankless responsibility. That's why managers must keep their focus on the 12 elements of an engaged workplace. If they focus on these elements for a full year, they will see improvements in the performance of their teams. Similarly, anyone who is accountable for leading or guiding employees — such as a project leader — should be using the 12 elements as a guide for their interactions with employees.

EMPLOYEES: OWN YOUR ENGAGEMENT

Managers are the driving force and carry the highest accountability for ensuring employees' needs are met, but employees are not off the hook. They must take responsibility for their individual satisfaction of the 12 elements of an engaged workplace. They have to ask for the right materials and equipment, bring learning opportunities to their managers, and spend time discovering and developing their personal strengths. They must be proactive and communicate with people managers and project managers.

Some engagement elements will be easier for employees to take ownership of than others, and some will require more out-of-the-box thinking. For example, employees often equate learning opportunities with professional conferences, but attending these events may not be logistically or financially feasible. Employees may have to seek other learning avenues and look for new and challenging projects they can initiate or become a part of. They can get involved when it makes sense and learn through the process of doing.

Employees also have to be reasonable and realistic about fulfilling their needs. Some days at work may include duties that aren't the ideal fit for what they do best. Employees may not always get the resources they ask for, and their input and opinions may not always lead to action — at least not immediately.

GALLUP: COMMITTED TO CREATING GREAT WORKPLACES

Gallup is committed to researching and analyzing employees' thoughts and behaviors through our work with organizations and our public opinion research. We will continue to learn what separates good workplaces from exceptional workplaces and share that insight with the world.

We hope this report has helped leaders better understand the modern workforce and the changes that are affecting their organizations. Most of all, we hope it has sparked leaders to start or continue to create cultures that motivate and inspire outstanding employee performance.

All individuals — leaders, managers and front-line employees — are responsible for upholding their organization's culture and raising its overall level of engagement and performance.

Appendix

METHODOLOGY NOTES AND REFERENCES

In general, the data in this report come from Gallup's Q^{12} Client Database, Gallup Panel studies or Gallup Daily tracking. Some findings come from Gallup's 2016 meta-analysis. Data used in this report were from U.S. clients only, with the exception of EPS and meta-analysis data. Please see below for details.

GALLUP'S Q^{12} CLIENT DATABASE

Gallup's historical client database contains information from clients whose employees took the Q^{12} survey between 1996 and 2015. It includes data from 31 million respondents from 3.7 million workgroups and 2,161 clients in 198 countries and 14 major industries.

Gallup updates its database annually. Findings used to conduct research and set benchmarks are based on three-year rolling periods. Gallup's 2016 Q^{12} Client Database includes data from 2013, 2014 and 2015, with data from 6.5 million respondents, 821,000 workgroups and 279 clients in 159 countries and 14 major industries.

Gallup's 2015 Q^{12} Client Database includes data from 2012, 2013 and 2014, with data from 6.7 million respondents, 864,000 workgroups and 283 clients in 162 countries and 14 major industries.

Gallup's 2014 Q^{12} Client Database includes data from 2011, 2012 and 2013, with data from 7.2 million respondents, 919,000 workgroups and 297 clients in 175 countries and 14 major industries.

THE GALLUP PANEL

Gallup launched the Gallup Panel in 2004 as a proprietary, probability-based longitudinal panel of U.S. households that are selected using random-digit-dial (RDD) and address-based sampling methods. The Gallup Panel is not an opt-in panel.

Gallup randomly selects Panel households using outbound phone interviews that cover both landline and cellphone households. Panel members agree to participate in an average of three surveys per month via phone, web or mail. There are no incentives or financial rewards for taking part in the Panel, and individuals may remain in the Panel for as long as they would like, given they continue to participate. Monthly attrition averages approximately 3%.

The Gallup Panel includes approximately 100,000 individuals. Currently, 80,000 Panel members complete surveys via the web. Gallup recruits new members on an ongoing basis to replenish demographic segments that have left the Panel.

GALLUP DAILY TRACKING

The Gallup Daily tracking survey, which began in 2008, is an unprecedented survey of 1,000 U.S. adults each day, 350 days per year. Gallup Daily tracking consists of two parallel surveys: the U.S. Daily and the Gallup-Healthways Well-Being Index. For each of the two surveys, large sample sizes — 3,500 after a week, 15,000 after a month and 175,000 after a year — allow Gallup to examine extensive demographic breaks and cross-tabulations of the daily measures.

Gallup interviews U.S. adults aged 18 and older living in all 50 states and the District of Columbia using a dual-frame design, which includes both landline and cellphone numbers. Gallup samples landline and cellphone numbers using random-digit-dial (RDD) methods. Gallup purchases samples for this study from Survey Sampling International (SSI). Gallup chooses landline respondents at random within each household based on which member has the next birthday. Each sample of national adults includes a minimum quota of 60% cellphone respondents and 40% landline respondents, with additional minimum quotas by time zone within region. Gallup conducts interviews in Spanish for respondents who are primarily Spanish-speaking.

Gallup interviews approximately 1,000 U.S. adults aged 18 and older every day. Of the 1,000 adults, Gallup interviews approximately 500 respondents through the U.S. Daily survey and approximately 500 respondents through the Gallup-Healthways Well-Being Index survey.

Gallup weights samples to correct for unequal selection probability, nonresponse and double coverage of landline and cellphone users in the two sampling frames. Gallup also weights its final samples to match the U.S. population according to gender, age, race, Hispanic ethnicity, education, region, population density and phone status (cellphone only, landline only, both and cellphone mostly). Demographic weighting targets for the U.S. are based on the most recent Current Population Survey figures for the aged 18 and older U.S. population, while weighting targets for metropolitan areas and congressional districts are based on Nielsen Claritas statistics. Phone status targets are based on the most recent National Health Interview Survey. Population density targets are based on the most recent U.S. census.

U.S. WORKERS: INCREASINGLY CONFIDENT AND READY TO LEAVE

Survey Findings

Job seeker and exit interview data and analysis come from a Gallup Panel study of 13,510 U.S. adults, aged 18 and older, conducted May-June 2015.

Gallup Consumer Spending data and analysis are based on a Gallup Daily tracking study of 138,489 U.S. adults, aged 18 and older, conducted January-September 2016.

Gallup U.S. Job Creation Index data and analysis are based on a Gallup Daily tracking study of 149,567 U.S. adults, aged 18 and older, conducted January-September 2016.

Good time to find a quality job data and analysis are based on a Gallup Daily tracking study of 9,194 U.S. adults, aged 18 and older, conducted January-September 2016.

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DO EMPLOYEES WANT WHAT YOUR WORKPLACE IS SELLING?

Survey Findings

Data and analysis come from a Gallup Panel study of 13,510 U.S. adults, aged 18 and older, conducted May-June 2015.

Secondary Source

eMarketer. (2016). Digital ad spending to surpass TV next year. Retrieved from http://www.emarketer.com/Article/Digital-Ad-Spending-Surpass-TV-Next-Year/1013671

THE REAL TRUTH ABOUT BENEFITS AND PERKS

Survey Findings

Data and analysis come from a Gallup Panel study of 7,206 U.S. adults, aged 18 and older, conducted April 2016, and a Gallup Panel study of 2,952 U.S. adults, aged 18 and older, conducted October 2016.

Previously Published Gallup Source

Fleming, J.H. (2016, February 4). Americans' big debt burden growing, not evenly distributed. Retrieved from http://www.gallup.com/businessjournal/188984/americans-big-debt-burden-growing-not-evenly-distributed.aspx

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THE COMPETITIVE ADVANTAGE OF ENGAGING EMPLOYEES

Employee Engagement Numbers

Between 2000 and 2008, Gallup conducted its employee engagement research on the U.S. working population via the Gallup Panel, with sample sizes ranging from 991 to 23,572 full- and part-time workers. From January 2009-September 2016, Gallup collected these data using Gallup Daily tracking, with sample sizes ranging from 2,182 to 151,290 full- and part-time workers.

The 2016 employee engagement number is based on a Gallup Daily tracking study of 63,249 U.S. adults, aged 18 and older, conducted January-September 2016.

Meta-Analysis

Gallup's most recent meta-analysis accumulated 339 research studies across 230 organizations in 49 industries and 73 countries. Within each study, Gallup researchers statistically calculated the business-/work-unit-level relationship between employee engagement and performance outcomes that the organizations supplied. In total, Gallup studied 82,248 business/work units that included 1,822,131 employees. Gallup examined nine outcomes: customer loyalty/engagement, profitability, productivity, turnover, employee safety incidents, shrinkage, absenteeism, patient safety incidents and quality (defects).

Individual studies often contain small sample sizes and idiosyncrasies that distort the interpretation of results. Meta-analysis is a statistical technique that is useful in combining results of studies with seemingly disparate findings, correcting for sampling, measurement error and other study artifacts to understand the true relationship with greater precision. Gallup applied Hunter-Schmidt meta-analysis methods to 339 research studies to estimate the true relationship between engagement and each performance measure and to test for generalizability. After conducting the meta-analysis, Gallup researchers conducted utility analysis to examine the practical meaning of the relationships.

Earnings Per Share

The study included 17 publicly traded organizations that won the Gallup Great Workplace Award at least once from 2012-2016 and that met the following inclusion criteria: Gallup surveyed the majority of the organization (versus partial organization or subsidiary), 2011-2015 earnings per share (EPS) data were available, Q^{12} data for a minimum of two years from 2011-2015 were available, and the organization had a high Q^{12} response rate (minimum 80%, mean 93%). Gallup compared the difference in EPS for this group to their industry equivalents (top competitors that were not Gallup clients).

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Harter, J. (2016, May 31). Moneyball for business: Employee engagement meta-analysis. Retrieved from http://www.gallup.com/businessjournal/191501/moneyball-business-employee-engagement-meta-analysis.aspx

Mann, A., & Harter, J. (2016, January 7). The worldwide employee engagement crisis. Retrieved from http://www.gallup.com/businessjournal/188033/worldwide-employee-engagement-crisis.aspx

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A SHIFT IN MANAGING PERFORMANCE

Survey Findings

Data and analysis come from a Gallup Panel study of 15,604 U.S. adults, aged 18 and older, conducted January-February 2016.

A CLOSER LOOK AT THE 12 ELEMENTS OF ENGAGEMENT

Data and analysis come from a Gallup Panel study of 10,451 U.S. adults, aged 18 and older, conducted January-February 2016.

Previously Published Gallup Sources

Mann, A., & Dvorak, N. (2016, June 28). Employee recognition: Low cost, high impact. Retrieved from http://www.gallup.com/businessjournal/193238/employee-recognition-low-cost-high-impact.aspx

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MAKING SENSE OF MATRIXED TEAMS

Survey Findings

Data and analysis come from a Gallup Panel study of 4,898 U.S. adults, aged 18 and older, conducted April 2015.

THE CHANGING PLACE AND SPACE OF WORK

Secondary Source

Society for Human Resources Management. (2016). SHRM's 2016 employee benefits – 20th anniversary edition. Retrieved from https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/2016-employee-benefits.aspx

The Tipping Point of Remote Working

Survey Findings

Data and analysis come from a Gallup Panel study of 15,604 U.S. adults, aged 18 and older, conducted January-February 2016.

Open Offices: Meeting the Demands of Today's Workforce

Survey Findings

Data and analysis come from a Gallup Panel study of 7,206 U.S. adults, aged 18 and older, conducted April 2016.

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EMPLOYEE ENGAGEMENT: A SNAPSHOT

Leaders and Managers Surpass Other Occupations

Survey Findings

Data and analysis come from a Gallup Daily tracking study of 50,531 U.S. adults, aged 18 and older, conducted January-September 2016 and a Gallup Panel study of 10,451 U.S. adults, aged 18 and older, conducted January-February 2016.

Previously Published Gallup Source

Adkins, A. (2015, April 2). Only 35% of U.S. managers are engaged in their jobs. Retrieved from http://www.gallup.com/businessjournal/182228/managers-engaged-jobs.aspx

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Women Outscore Men

Survey Findings

Data and analysis come from a Gallup Daily tracking study of 63,249 U.S. adults, aged 18 and older, conducted January-September 2016.

Previously Published Gallup Source

Gallup. (2016). Women in America: Work and life well-lived. Retrieved from http://www.gallup.com/reports/195359/women-america-work-life-lived-insights-business-leaders.aspx

Millennials Trail Other Generations

Survey Findings

Data and analysis come from a Gallup Daily tracking study of 63,249 U.S. adults, aged 18 and older, conducted January-September 2016.

Previously Published Gallup Source

Gallup. (2016). How millennials want to work and live. Retrieved from http://www.gallup.com/reports/189830/millennials-work-live.aspx

Alabama is the Front-Runner in States' Engagement

Survey Findings

Data and analysis come from a Gallup Daily tracking study of 151,462 U.S. adults, aged 18 and older, conducted January 2015-October 2016.

Big Companies Need the Most Improvement

Survey Findings

Data and analysis come from a Gallup Panel study of 10,451 U.S. adults, aged 18 and older, conducted January-February 2016.

Previously Published Gallup Source

Mann, A., & McCarville, B. (2016, January 19). Engaging employees: Big companies need the most improvement. Retrieved from http://www.gallup.com/businessjournal/188675/engaging-employees-big-companies-need-improvement.aspx

Higher Education Doesn't Always Equate to Higher Engagement

Survey Findings

Data and analysis come from a Gallup Daily tracking study of 62,461 U.S. adults, aged 18 and older, conducted January-September 2016.

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Crabtree, S., & Seymour, S. (2015, September 29). Recent grads less likely to agree college was worth cost. Retrieved from http://www.gallup.com/poll/185819/recent-grads-less-likely-agree-college-worth-cost.aspx

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