

PSYCHOLOGY
BEHIND

EMPLOYEE
ENGAGEMENT

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OVERVIEW

With a reported 33% satisfaction¹ level among the 125 million person² workforce in the United States, American businesses need new methods and tools to connect with, motivate, and inspire their workforce. This paper explores the psychology behind employee engagement and proposes methods and tools to improve employee satisfaction.



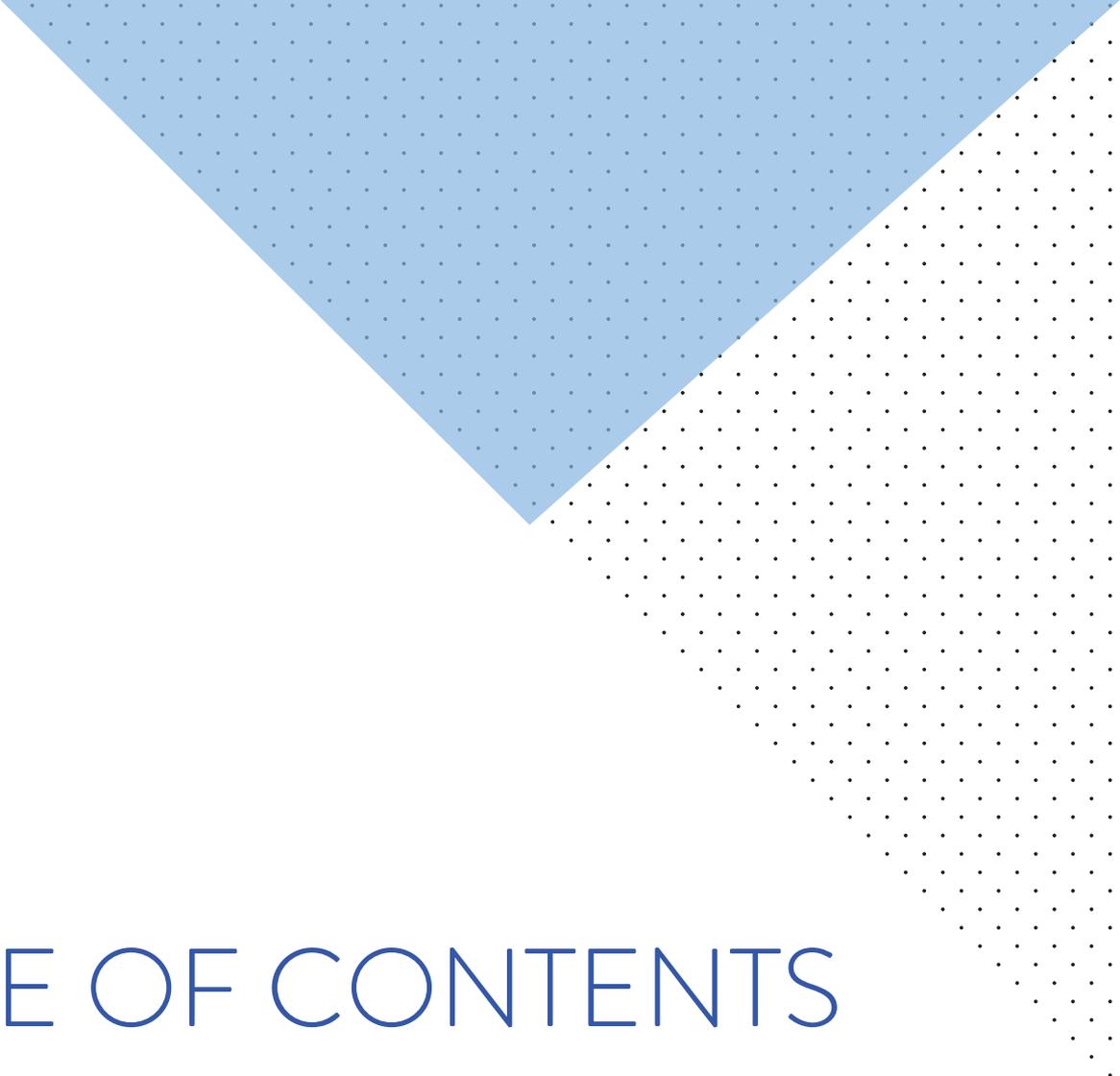


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INTRODUCTION

One-third of employees are satisfied or actively engaged with their current employer, according to a recent Gallup survey¹. This leaves two-thirds of the workforce unengaged in their current position. Out of those employees not actively engaged, 13 – 21% of them were actively disengaged¹. This data is concerning as engaged employees are more productive, profitable, and have lower rates of absenteeism³.

\$483 to \$605 billion dollars annually¹ is the cost to companies with disengaged employees partially due to employee turnover (roughly one-third an employees' annual salary⁴) and **loss in productivity** (due to absenteeism or lack of engagement). By engaging employees, companies had a **41% reduction in absenteeism, 17% increase in productivity, and 24% lower turnover rate¹**.

In order to understand why employees are not engaged we need to first identify the root of the problem. In this case, we believe the problem is in the way we define employee engagement. Employee engagement is how involved an employee is with their job responsibilities and how committed they are to their organization. Employee engagement can often be mistaken for employee satisfaction when in fact these two terms are not synonymous. Employees can be satisfied with their job and their working environment but not mentally stimulated or engaged enough to be productive and profitable. People who are not engaged regardless of how satisfied they are will ultimately result in a profit loss for their company.

ENGAGEMENT DATA

Companies conduct surveys to establish information about the engagement of their employees and may also benchmark against peer companies or the market in general. While this survey can be created and used internally, there are a multitude of companies like CultureAmp, Glint, and Gallup that can be hired to evaluate workplace culture and employee engagement.

Beneficial information about a company's culture can be learned from engagement surveys conducted internally, however, the results can be misinterpreted or lack transparency as employees struggle to trust anonymity and be honest. Surveys conducted by third party companies (like the ones listed above) are beneficial in that these companies excel in asking the right questions while protecting employee information. Results may vary slightly with surveys conducted by the third-party companies yet the majority of the American workforce will agree on a few factors, like the ones below, that can help make their workplace more inspiring. Employees want opportunities for **advancement and professional development**, a sense of **purpose** within their company, better work/life balance, and more flex time to name a few.

COMPANY SIZE

An interesting assessment of the data collected is that employee engagement diminishes as company size increases. Companies with more than 1,000 employees tended to be less engaged than those with less than 1,000 employees. **The most engaged employees belong to companies with less than 250 employees.** These smaller companies usually are not competitive in terms of benefits like 401(k), insurance, and vacation, however, they are able to compensate with open door policies, relaxed work environments, and more support from executives³.

In smaller companies, employees are not confined to departmental silos and information is able to flow freely between people and departments. This helps employees build strong bonds amongst each other and with executives, which in turn encourages the employees to be enthusiastic about their work and company.

When companies expand and are more dispersed they tend to lose the human to human bond and eventually departmental silos are created. These silos limit the transfer of knowledge and frustrate employees who are now treated as objects rather than people.

When employees are encouraged to **collaborate**, they **work** on a task **64%**⁵ longer than their peers, have **higher engagement** levels, and a **higher success** rate. The impact of collaborating kept the employee engaged in the following weeks⁵.

IDENTIFYING THE PROBLEM

The information about engagement and culture provided by survey companies like Gallup, Culture Amp, and Glint are valuable because they help employers understand their shortcomings. Like doctors, these companies excel in identifying the symptoms, diagnosing the problem, and discussing solutions on how to heal the company. While the doctor (engagement companies) will do periodic check-ups to see how the implementation is coming it is ultimately up to the patient (company) to implement the solutions and follow through in order to raise their engagement score.

Disengaged employees do not stay at their companies for long. Figure 1 below states the top reasons why employees leave their companies -- notice that compensation is only a small piece of the pie. At MentorCloud, we have had a number of companies reach out to us after getting results from their employee engagement survey asking for help on implementing changes to boost employee engagement. From our experience (similar to the figure above), the employers seek out solutions to help employees develop professionally, see their contributions as part of the greater picture, and help them collaborate and effectively engage with colleagues. We have been successful in implementing a platform that encourages employees to communicate with each other across departments and hierarchies.

In order to be more competitive in the market and ensure their customers success, survey specialists could partner or collaborate with employee engagement professionals to fill in the implementation gap.

Without additional help, often times companies miss the mark when trying to engage their employees. To solve the entire problem companies fixate on updating their benefits package rather than career development, relationship with management, or company culture. This is the easiest and most superficial method to increase engagement. When new benefits are first implemented, employees are typically very excited and experience an increase in happiness and a boost in engagement. Over time, once the employee has had a chance to get accustomed to the perk, happiness levels will usually settle close to where the employee was before the perk was implemented. This occurrence is known as hedonic adaptation.

HEDONIC ADAPTATION

The concept of hedonic adaptation (or the hedonic treadmill) helps us understand why the above perks (also known as hygiene factors) may not necessarily be motivating or engaging to an employee long-term, although it is a fantastic short-term solution. When people experience a positive event, like receiving a raise in salary, their happiness will increase for a period of time in tandem with that raise.

TOP REASONS EMPLOYEES LEAVE

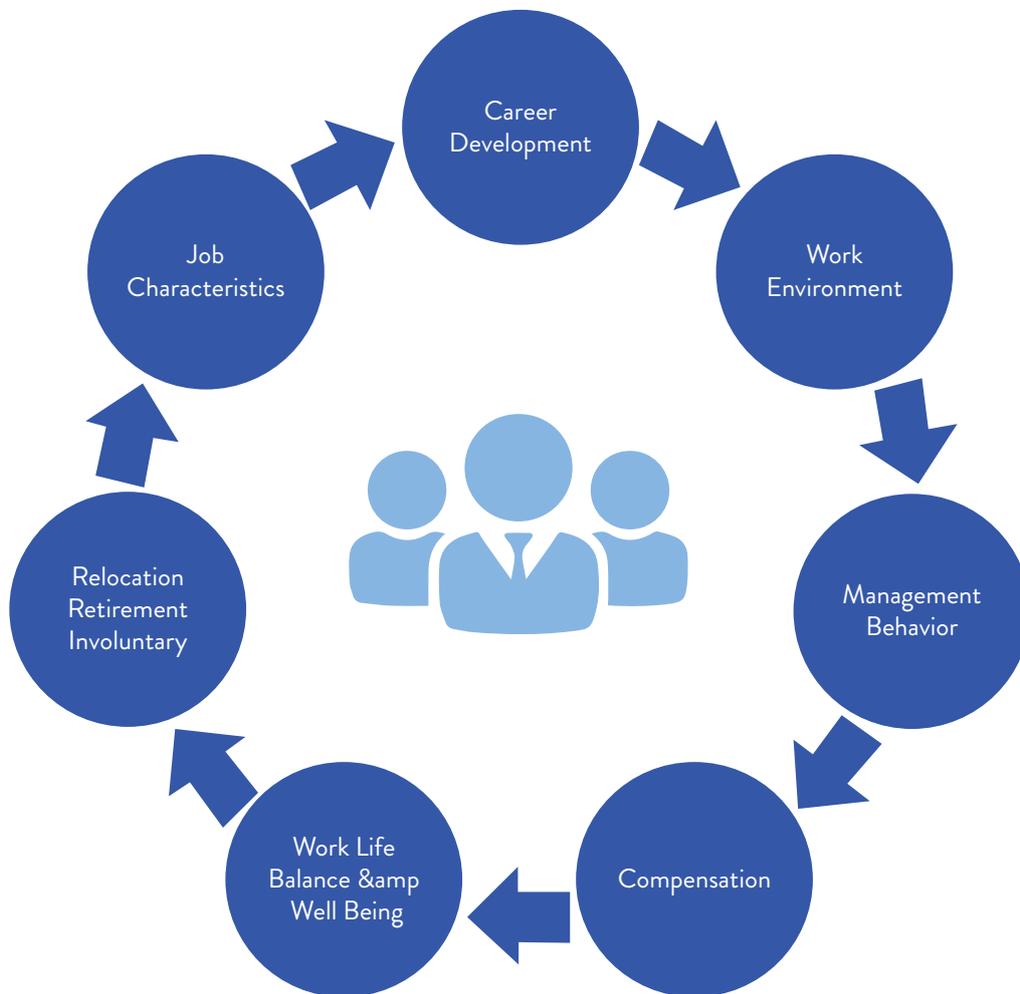


Figure 1. According to the Work Institute there are 65 common reasons why employees leave their job. 98.5% of these 65 common reasons can be grouped into the above categories⁵.

Employers bank on this happiness for employee retention and engagement. Eventually, as expectations and wants increase, excitement will decrease and the person is back to their baseline level of happiness. This baseline level of happiness is where the majority of people sit regardless of what hygiene factors we provide. Sometimes people won't fall back to their old "baseline" but instead to a newer slightly elevated baseline that matches their current status of living. Over time the employee will not remain as excited or as engaged as they were when the positive event, like the raise, just occurred.

If human nature keeps people at roughly the same level of happiness, what is the incentive to provide perks to momentarily boost happiness? Psychologist Frederick Herzberg theorized there were two factors that contributed to employee job satisfaction, hygiene factors and motivational factors⁹. Under this dual-factor theory (also known as motivation-hygiene) Herzberg speculated that the hygiene factors, if present, do not motivate an employee however, if they are absent, motivation may be negatively impacted. Whereas, **motivational factors will not lower motivation but they can dramatically increase it.**

HYGIENE FACTORS

For a number of years companies have been focused on the hygiene factors, like the ones shown in the timeline below. By looking at expectations over the decades you can see how hedonic adaptation of the hygiene factors play out. The perks that were cutting edge in the 90s are expected today. Now most employees would not accept a job without perks like 401(k), health insurance, paid time off, etc. The presence of these perks will not motivate an employee as they are now expected. However, if those perks are not offered employees will not be engaged or stay with a company for any significant period of time.

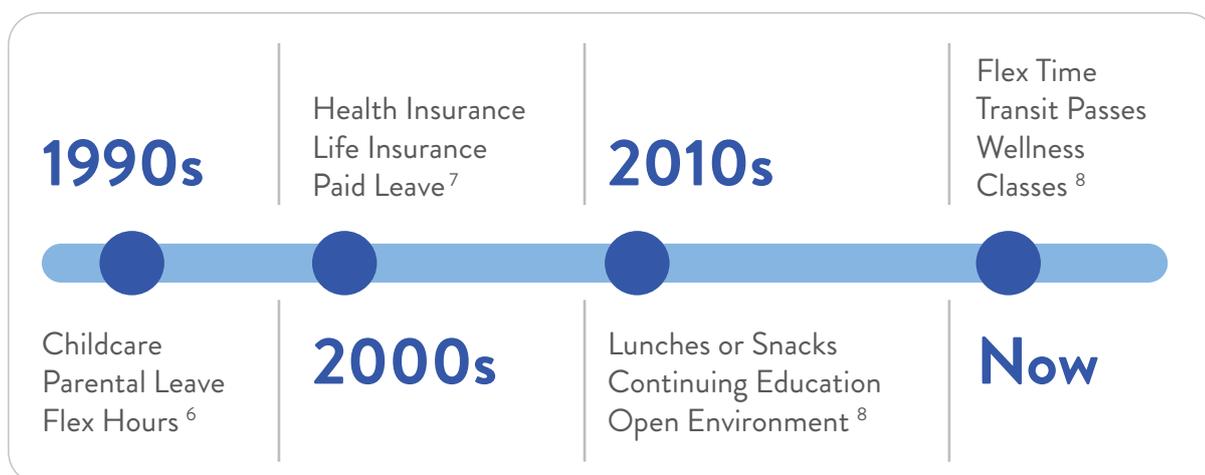


Figure 2. A timeline of how employee benefits have evolved since 1990.

MOTIVATIONAL FACTORS

In order to remain competitive, companies need to promote connections between people in addition to providing a strong benefits package. The necessity of nurturing people and connections is the second part to Herzberg's Two-Factor Theory, the motivational factors. These are the factors that can **resist hedonic adaptation** and are directly **responsible for increasing motivation**. These are intrinsic factors such as **achievement, recognition, growth or advancement**. In other words, employees react to the intrinsic factors because they are able to engage in behaviors that are naturally satisfying. Since these behaviors are responsible for creating a positive internal environment they are more resilient to hedonic adaptation. These motivational factors are also relatively low cost.

ENGAGEMENT THROUGH CONVERSATION

With the knowledge at hand, companies can focus resources on engaging employees by addressing their desire for achievement, recognition, growth, and advancement. In order to be successful in this we propose that companies should talk. **Engage your people through conversation!**

Dr. Ravishankar Gundlapalli

PhD, author of **The Art of Mentoring**, states there are two types of conversations – **incidental** and **intentional**. While the incidental conversations (a quick hello at the water cooler) are important, they are not an intrinsic motivator like the intentional conversations. Intentional conversations break down barriers. These conversations are planned with discussed outcomes or goals in mind.



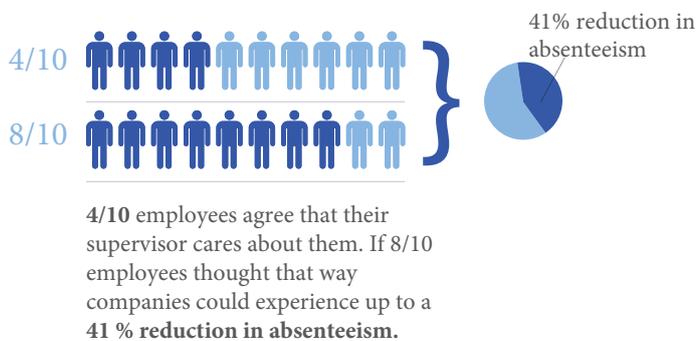
Intentional conversations are also exciting! For example, someone who is new to a company can have an intentional conversation set with upper level management to discuss any topic that both parties are comfortable with discussing. The new employee could learn about how goals and values were established within a company, discover what path that manager took to earn their current position, or even learn about an unfamiliar topic like marketing, where the employee would like to be more proficient.

The intentional conversations are intrinsic motivators, as it paves a path for employees to transcend departments, geographic locations, and hierarchies ¹⁰.

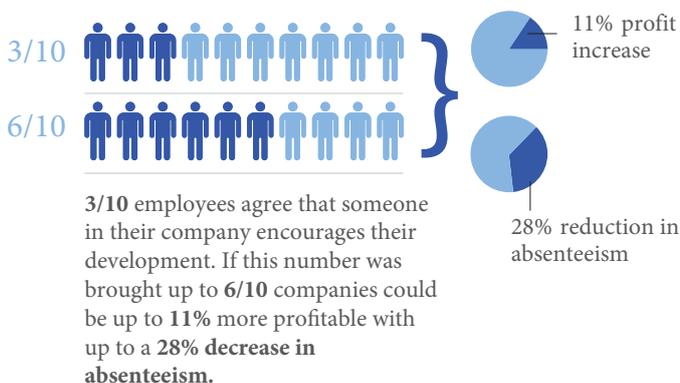
Most importantly, these intentional conversations break down departmental silos by connecting employees that would normally not meet. Through conversation employees can feel more connected to their peers and in turn their organization. Employees can form deeper relationships, develop new skills, and attain knowledge about a new domain.

Heidi Grant Halvorson, PhD (a psychologist who researches the science of motivation) states that variety and appreciation are the solutions to make happiness last. You, as the employer, can apply this information to help the happiness last, capitalizing on the variety and appreciation created through conversation. You already have the people power, so harness it to support intentional conversations to help employees discover the variety in the day-to-day of their jobs. Provide employees a platform to learn new skills, discuss ideas, and create new goals so they can engage and apply this information and insight to current projects and responsibilities ¹¹. By aiding in the transfer of skills between departments and hierarchies, employees can be more collaborative within the company and be more resilient to complacency.

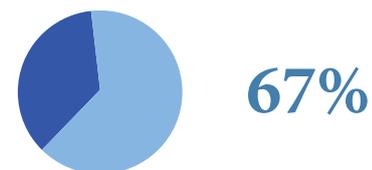
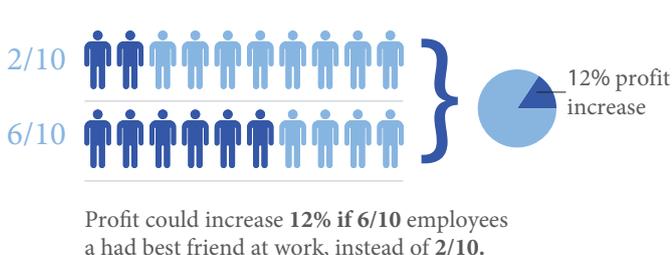
WHILE EMPLOYEES DON'T TALK, NUMBERS DO



In 2017 the United States workforce had over **125 million** full-time working employees.



Employees are **3.6x** more likely to be engaged when they set team goals with upper management.



67% of employees in the United States are unsatisfied with their employer.

Figure 3. A visual representation of engagement data from Gallup's 2017 State of the Workplace¹.

CONCLUSION

Let's face it. Companies that invest in their employees are 4x more profitable than those that don't¹². When employees are mentally stimulated they are less likely to miss work, are more productive, and are more engaged. Encouraging conversation is a low-cost solution to a high-cost problem. You have the people who have the knowledge, now you just need to harness, organize, and channel that knowledge into something more tangible for the employees and company.

We at MentorCloud know the solution to employee engagement is through Intentional Conversations. We want companies to use Intentional Conversations to empower and engage their employees resulting in making the company successful.

WE AT MENTORCLOUD BELIEVE

- In today's workplace there is a changing need for employee engagement, especially with **millennials** now comprising at least **50% of the work force**. These millennials expect more from themselves, from their employer, and from society¹⁶ and we need to channel this positive energy and use it.
 - We can engage our employees by hitting on their **intrinsic motivators** through the utilization of the right combination of **human capital and technology**.
 - By implementing the proper platform companies cannot only retain employees but attract new employees at a faster and more efficient rate, thus reducing the **\$483-\$605 billion** annual loss from disengagement.
 - By encouraging and facilitating **intentional conversations** we can break down silos, improving the flow of information, and **supporting growth and engagement among employees**.
- We can help companies increase profitability through mentoring and by encouraging intentional
- conversations. Gallup reports that companies with engaged workforces outperformed their peers by **147% in earnings per share**¹³.

We at MentorCloud have put this information in front of you so that you can help your employees achieve greatness and be empowered to drive your mission forward. Now it is up to you, the organization, to evaluate your workforce and implement the proper systems so that your employees can grow, be innovative, and remain competitive long-term.

MENTORCLOUD®

MentorCloud delivers a cloud-based, white-labeled platform shown to increase employee engagement and satisfaction by promoting intentional conversations between company-identified mentors and your workforce.

Used by companies like Airbnb, Nvidia Corporation, and Marriott International, MentorCloud enables the rapid transfer of mission-critical skills and institutional wisdom across the workforce. This raises productivity and increases employee engagement at a fraction of the cost typically spent on employee learning and development.

MentorCloud is also used by alumni groups and peer organizations like the George Washington University Law School alumni group and the 25,000-member YPO (Young Presidents' Organization) to facilitate discussion between communities of interest.

Based in the Silicon Valley, MentorCloud has been featured in Forbes, Harvard Business Review, and the Huffington Post, and is a 500 Startups portfolio company.

For more details, visit <https://www.mentorcloud.com>.

schedule demo

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