

Wellable

Changing Times Puts Company Culture And Employee Engagement Front And Center



INTRODUCTION

A 2015 Deloitte survey ([Global Human Capital Trends 2015](#)) of more than 3,300 human resource leaders in 106 countries found that “culture and engagement” was viewed as the most important challenge facing companies. This response edged out the perennial top concern of developing leadership. The reason “culture and engagement” ranked first is because employee recruitment and retention is becoming an increasing challenge for employers. This is due to two primary reasons: (i) an expanding economy and job market and (ii) a vastly changed benefit structure and the advent of the consumer internet (we call this “changing times”). With experts estimating that it can cost twice as much as an employee’s salary to recruit, hire, and train a new worker, the financial impact of these challenges are very real.

The expanding economy has created larger budgets and greater need to recruit and retain top talent. According to a [survey](#) from Spherion of human resource managers, far fewer employers were concerned about employee costs this year than last. The survey also showed that 33% of employers chose turnover and retention as the top concern.

The impact of the upbeat economy is exacerbated by changing benefit structures and new technologies. Benefit structures are very different from what they used to be when employees tended to stay with one employer for their entire career. Additionally, the new technologies have lowered the friction caused by changing jobs as well as provided tools for employees that increase transparency and make it easier to determine their own personal best place to work.

The goal of this document is to talk about these changes and how they are making culture and engagement the primary tools to create friendly, fun, and desirable workplaces that aid in recruiting, retention, and productivity. As you will discover, employers who do not proactively address the changing landscape of their human capital management will be left behind (in economic booms and busts).



“Organizations are recognizing the need to focus on culture and dramatically improve employee engagement as they face a looming crisis in engagement and retention.”

– Deloitte Global Human Capital Trends 2015 Report

EMPLOYEE-SPONSORED RETIREMENT PLANS LOOK VERY DIFFERENT

Retirement benefits look very different today compared with 20 years ago. Specifically, traditional pensions have been largely replaced by portable 401(k) plans that can move with an employee from company to company. An unintended consequence of this benefit switch is an increase in employee turnover.

Defined benefits offer employees a strong incentive to stay around and be loyal to their employers by deferring compensation into the future and thus offering strong economic incentives to stay with their current careers. These economic incentives typically increase with the amount of years spent with the employer, lowering the likelihood of turnover with more tenure with a company. Most people can personally see the impact of these plans by taking a look at how many baby boomers they know that have been at their job for 20, 30, or 40 years.

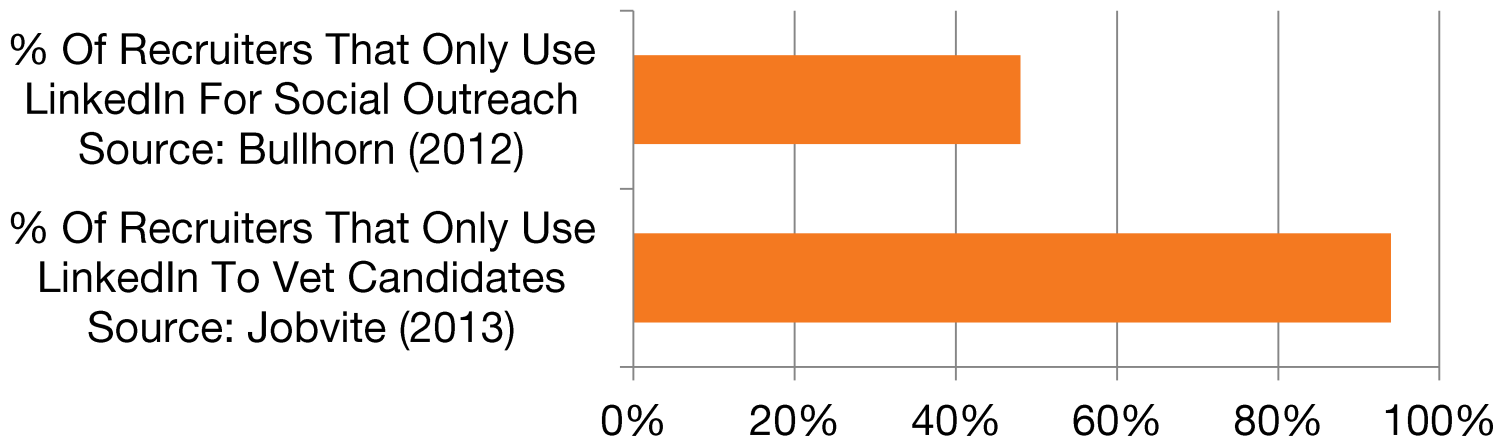
With 401(k) plans, employees have less of a financial incentive to remain with their current employer because their retirement accounts are portable and can move with them to the next employer. Instead of having loyal lifers as employees, companies now have workers that will leave as soon as they get the skills they wanted to grow or as soon as they get bored. Employees no longer have an incentive to stay!

This structural change in retirement benefits had an unintended consequence, and in response to growing employee turnover, employers are trying to create other mechanisms that increase the “cost” of turning over. A primary weapon to combat employee flight is a strong culture and high employee engagement. The definitions of both of these terms varies across organizations, but one thing remains consistent – they are seen as top challenges for all companies.

24/7/365 ADVERTISING OF PROFESSIONAL SKILLS

The consumer internet has redefined almost everything it has touched, and this is no different in job hunting and hiring. Technology applications have made it easy for other employers to poach your employees. Most notably, LinkedIn perpetually advertises an employee's skills and experiences to the world. This is exacerbated by the large group of head hunters and corporate recruiters that pay for premium accounts so that they can actively hunt for new talent. Other emerging companies, such as Anthology (f.k.a., Poachable), are focusing on helping employees market their skills to hiring employers.

Prior to LinkedIn, Anthology, and others, there was significantly more friction and challenges associated with employees finding the right opportunities for their skill set. "The world's largest professional network" has forever changed the way organizations connect with talent, giving them unprecedented access to both active and passive candidates (your employees don't even need to be looking for a job to be found!). Now, a recruiter can find a potential candidate online and sell them on why the opportunity would be great for their careers.



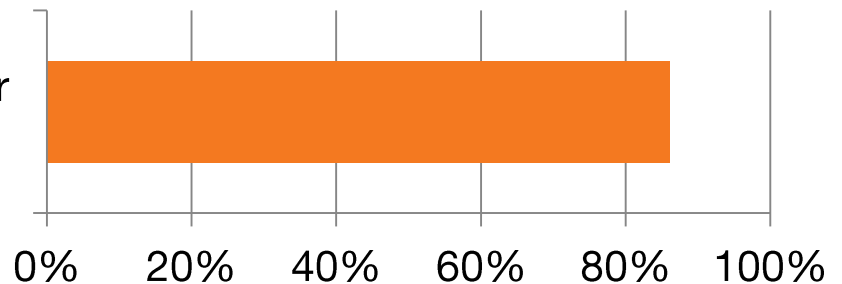
With the best talent constantly being offered the next big thing and nothing holding them back from moving (like a pension), companies must make their work environment so desirable that the thought of leaving seems ridiculous.

EMPLOYER TRANSPARENCY WHETHER YOU LIKE IT OR NOT

LinkedIn and other sites passively and actively market the skills of employees to the entire world. However, these technologies do not empower employees to determine if the grass is truly greener at another company. Historically, not knowing if they can move to a better company for a better career has created risk and friction that has kept employees from moving. This is no longer the case.

Glassdoor, LifeGuides, and other sites provide transparency on what it is truly like to work at a company so employees can find the job that they truly love. With Glassdoor, employees can find anonymous and candid reviews from current and former employees of a company about what it is like to work there, whether or not they would recommend a friend to join the company, if they approve of the CEO, and more. In a post-Glassdoor world, the question of if the grass is greener elsewhere is no longer a mystery.

% Of Glassdoor Users That Are
Actively Looking For Other Jobs Or
Open To A Better Opportunity
Source: Glassdoor



With more than 8 million reviews of 400,000 companies, Glassdoor is a force to be reckoned with. This is forcing employers to focus on culture and a constructive work environment so that they can maintain good reviews and a positive image to prospective clients. Companies with weak cultures, low employee engagement, and poor work environments will find it increasingly more difficult to attract talent. Employer are now forced to sell themselves to candidates early in the search process, and the ones that do the best job at this tend to have strong cultures and engaged employees.

EMPLOYEES KNOW THAT SKILLS ARE MORE IMPORTANT THAN EVER IN THE NEW ECONOMY

All employees, especially millennials, recognize that globalization and the velocity of change is making the world a very competitive place. As such, employees want to constantly develop skills so they will never be left behind. Highly productive companies have also shown that employees will work hard when companies get serious about investing in skills development. Young talent wants the opportunity to learn from someone with expertise; they want that on-the-ground experience to happen today, not tomorrow—and certainly not in five years.

Employers are responding through better on-the-job opportunities, tuition reimbursement, and utilizing teaching programs like General Assembly. Personal and professional development has become part of the cultures of the best companies, and you can believe this is being conveyed through sites like Glassdoor.



A recent survey indicates that 40% of employees who receive poor job training leave their positions within the first year. They cite the lack of skills training and development as the principal reason for moving on.

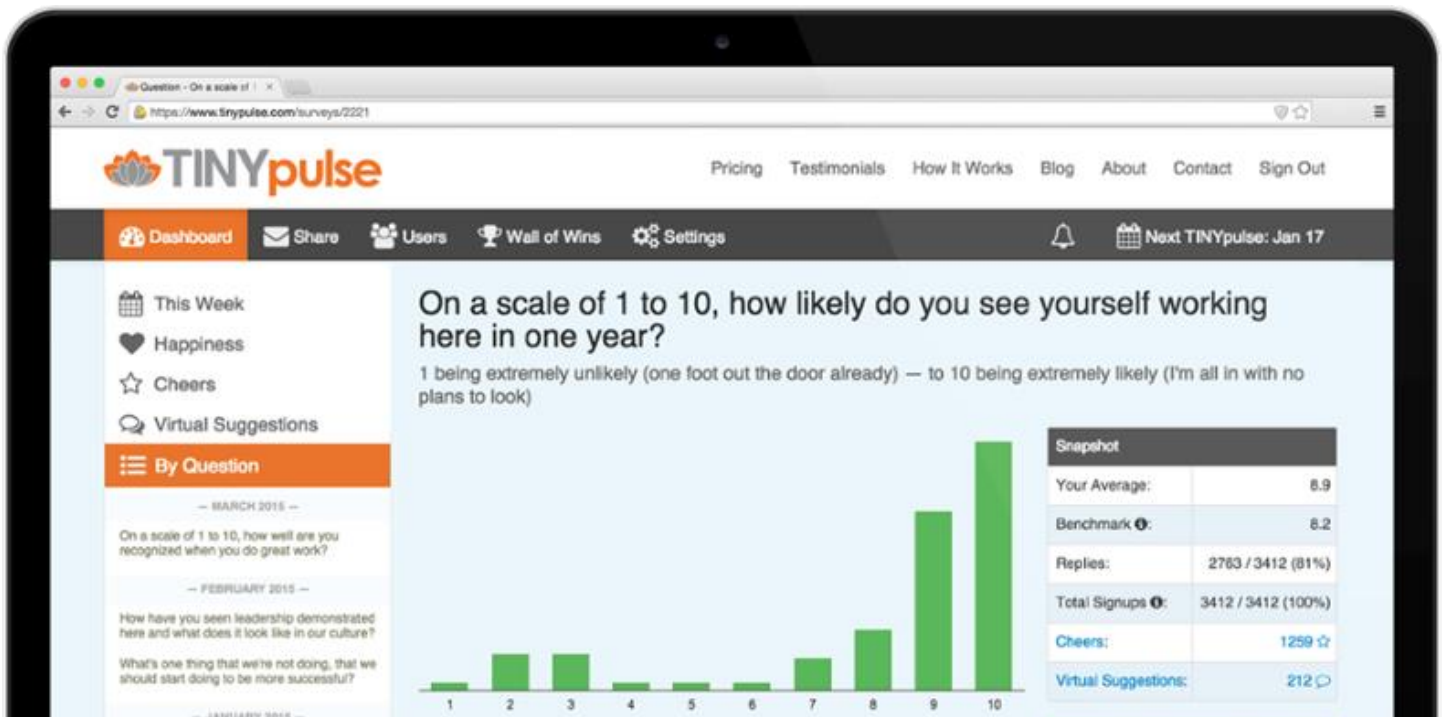
Source: go2HR

The demand for skills development is both a blessing and a curse. With more skills, employees are more marketable to other firms, which makes them a flight risk. This is one of the reasons the cost of turnover is so high; employers lose all their investment in employees when they leave. How do leading employers respond? They continue to invest in employees through skills development because that is what they want, but they also make sure they create a workplace that makes employees want to stay.

NEAR REAL-TIME FEEDBACK CYCLE CREATES EXPECTATIONS

The mobile revolution has created an expectation of real-time access and feedback. People expect readily available access to email, directions, and more. This expectation has been brought to the workforce through companies like TINYpulse and Officevibe. These organizations replace the antiquated and lengthy annual survey with regular and frequent short surveys that provide management with instant and near real-time feedback from employees.

As with skill development, real-time feedback is a double-edged sword. It's great for management to have access to the "pulse" of their organization, but employees will expect changes in response to the feedback. As one would expect, the responses will likely point to things most employees want today – skills development, satisfaction with their work, etc. The real-time feedback will inevitably reflect positive news about company culture and employee happiness or areas where their employer could do a better job in engaging the workforce. Either way, it will be an up-vote for the workplace or a call for action from the employees.



CONCLUSION

The world of recruiting, training, and retaining employees has changed dramatically over the years. Caught in the perfect storm of structural changes in benefits, technology revolutions, and expectations of employees, employers are left with only one real and viable way to stay afloat – building culture and driving employee engagement.

Unfortunately, there is no magic formula for building company culture and driving employee engagement. The reality is that every company and employee is unique, and as such, there is not a one-size-fits-all approach to solve this top challenge employers are facing.

The employers that succeed in employee retention prioritize employee needs and focus on building cultures that align well with their missions and goals. These employers also do a great job of putting together benefits and perks that help their employees in all aspects of life (professionally and personally).

One solution that may be relevant to many companies is employee wellness. Not traditional employee wellness (biometrics screenings, health risk assessments, etc.). Rather, the type of employee wellness that focuses on opportunities to strengthen relationships within the workplace while improving health. Wellness isn't the panacea for all things culture and engagement, but it is certainly a piece of the pie. Employers that will overcome the human capital management challenges of today will employ a multi-faceted approach to making their worksites enjoyable.



“Everyone still wants to love and be inspired by their job. What has changed is that people have a lower tolerance that ever if they don't feel fulfilled”
– Chason Hecht, CEO of Retensa

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