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## **ARTICLE** **ORGANIZATIONAL CULTURE**

Why the Millions We  
Spend on Employee  
Engagement Buy Us  
So Little

*by Jacob Morgan*

ORGANIZATIONAL CULTURE

# Why the Millions We Spend on Employee Engagement Buy Us So Little

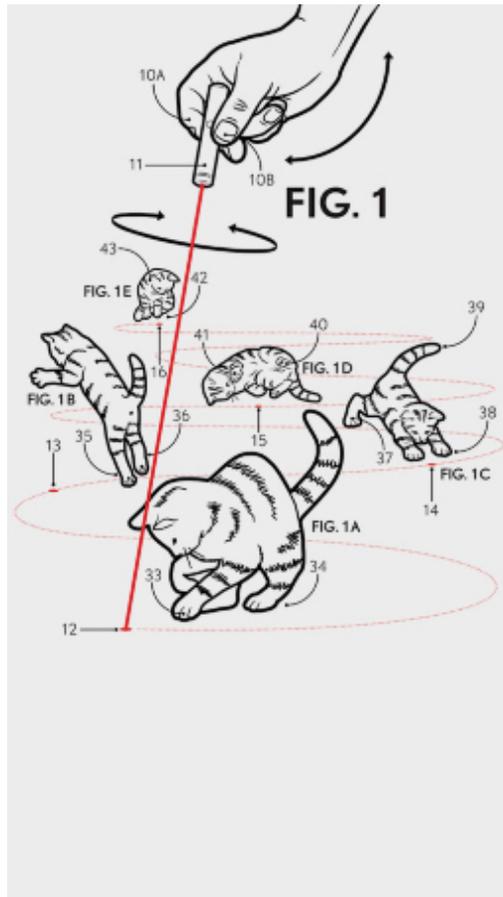
by Jacob Morgan

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Organizations are [spending hundreds of millions of dollars](#) on employee engagement programs, yet their scores on engagement surveys [remain abysmally low](#). How is that possible? Because most initiatives amount to an adrenaline shot. A perk is introduced to boost scores, but over time the effect wears off and scores go back down. Another perk is introduced, and scores go back up — and then they fall again. The more this cycle repeats itself, the more it feels like manipulation. People begin to recognize the short-term fixes for what they are.

When organizations make real gains, it's because they're thinking longer-term. They're going beyond what engagement scores are telling them to do in the moment and redesigning employee *experience*, creating a place where people want, not just need, to work each day. But what does that mean, and what does it look like?

To understand this, I interviewed 150 psychologists, economists, and business leaders around the world. The executives included heads of HR, innovation, IT, and diversity, and they represented a range of industries and sectors (tech, manufacturing, retail, professional services, education, startups, and others). Based on those conversations, I identified three environments that matter most to employees: cultural, technological, physical. Next, I worked with Serge P. da Motta Veiga of American University and Steven King of Emergent Research to develop survey questions to determine how organizations are faring in each area. Support for the research was provided by Cisco and Lever.



After analyzing more than 250 diverse organizations, drawing on the Fortune 100 and various “best workplaces” lists, I found that over half the companies were rated poorly by their employees in at least one of the three areas, and 20% got very low scores across the board. Although 23% were making strides in all three areas, just 6% were investing heavily in all three – and those “experiential organizations” (Adobe, Accenture, Facebook, Microsoft, and others) saw performance gains.

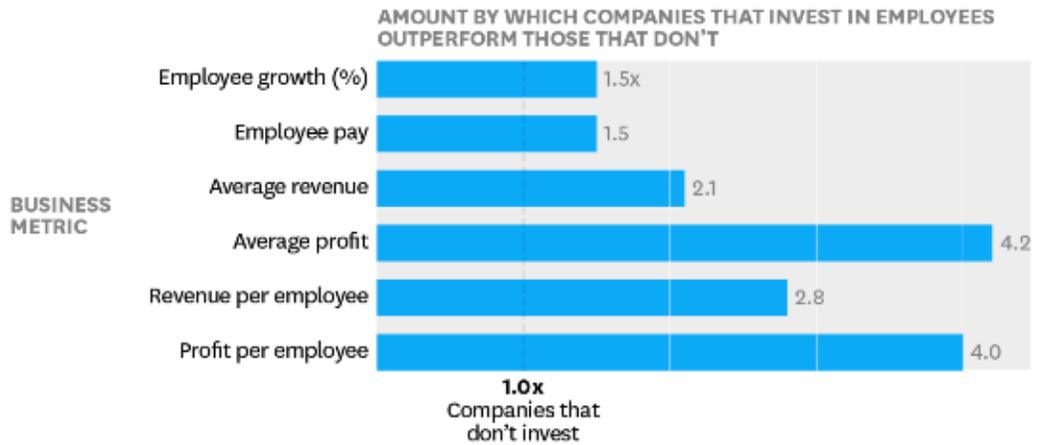
When I interviewed business leaders at the top-scoring organizations, they told me their investments in the three employee experience environments had led not only to happier employees but also to larger talent pipelines and greater profitability and productivity. But that was just anecdotal evidence. So I looked at appearances in “best of” lists. For instance, compared with the other companies I studied, those that invested most heavily in employee experience were included 28 times as often among Fast Company’s Most Innovative Companies,

11.5 times as often in Glassdoor’s Best Places to Work, 2.1 times as often in Forbes’s list of the World’s Most Innovative Companies, 4.4 times as often in LinkedIn’s list of North America’s Most In-Demand Employers, and twice as often in the American Customer Satisfaction Index.

Some of the most compelling evidence lay in the financial data. I wasn’t able to find every single metric for every single company, but the results were still striking. Compared with other companies, the experiential organizations had more than four times the average profit and more than two times the average revenue. They were also almost 25% smaller, which suggests higher levels of productivity and innovation.

## Companies That Invest in Employee Experience Outperform Those That Don't

They're four times as profitable, according to an analysis of 250 organizations.



SOURCE THE EMPLOYEE EXPERIENCE ADVANTAGE, BY JACOB MORGAN (WILEY, 2017)

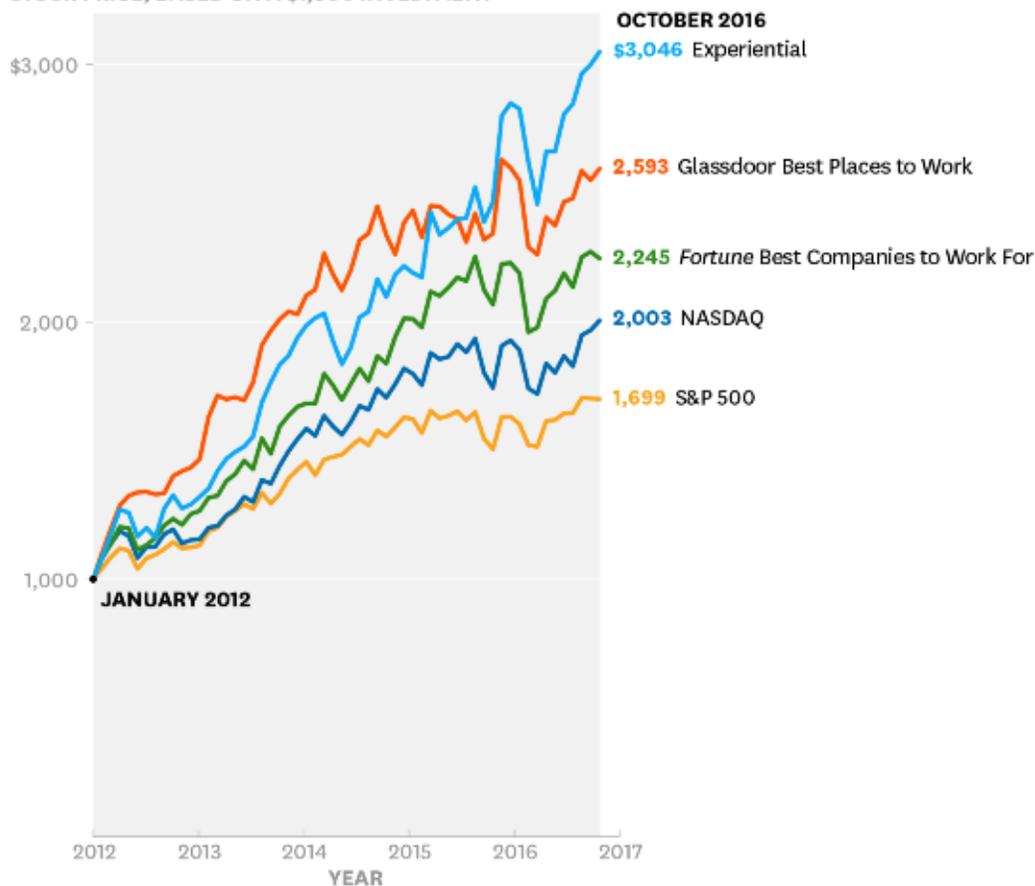
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And they outperformed the S&P 500, the NASDAQ, Fortune's 100 Best Companies to Work For, and Glassdoor's Best Places to Work, in addition to the other organizations I studied, by considerable margins.

## How Investing in Employee Experience Affects Stock Price

Numbers are higher for the 15 experiential organizations—the top 6% analyzed—that invest most heavily in employees' cultural, technological, and physical work environments.

STOCK PRICE, BASED ON A \$1,000 INVESTMENT



SOURCE THE EMPLOYEE EXPERIENCE ADVANTAGE, BY JACOB MORGAN (WILEY, 2017)

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Looking at the data, it's clear that there is a significant return to organizations that focus on employee experience over the long term, not just engagement in the here and now. Adobe, for instance, has an EVP of customer and employee experience and is making considerable investments in real-time employee feedback programs, beefing up diversity and inclusion efforts, giving employees access to consumer-grade technologies, and building workspaces according to multiple floor plans to accommodate different styles and preferences. LinkedIn and Accenture both host HR hackathons, where employees help break down and rebuild the people and HR functions to reflect the work that they really do (and need to do). Airbnb treats its physical space like software: The company is constantly experimenting with different layouts and floor plans, and employees get to volunteer to design and build their conference rooms, with a modest budget. KPMG and the San Diego Zoo do an amazing job of telling their organizational story and helping employees understand the impact their contributions have on the organization, which fosters a feeling of belonging and purpose.

Your organization might want to take a different approach altogether. The important thing is to shift your attention away from those fickle engagement numbers and focus on how people experience your organization day by day. This means moving away from putting people into outdated workplaces, and redesigning workplaces and practices around your employees.

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**Jacob Morgan** is the author of *The Employee Experience Advantage* (Wiley, 2017), *The Future of Work* (Wiley, 2014), and *The Collaborative Organization* (McGraw Hill, 2012). You can get access to his latest research and content at [TheFutureOrganization.com](http://TheFutureOrganization.com).

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