

Setting Targets & Incentivizing Employee Engagement

The goals for assessing employee engagement:

1. Understand how connected your employees are to the company
2. Learn which employee experiences most impact how engaged employees are
3. Identify focus areas for leaders to be able to enhance employee experiences
4. Diagnose areas to drive organizational change for creating a better workplace

Regardless of where your organization stands, movement on the drivers most impacting engagement is always possible and is “the right thing to do” for the workforce. When it comes to incentivizing engagement through targets, however, the above goals tend to get confounded for the following reasons...

Statistically speaking, you’ll rarely experience large jumps in engagement scores.

There are exceptions of course, for companies who know they have some fundamental issues or those that are prepared to make big cultural shifts/changes (e.g., companies undergoing a large acquisition). But even in those organizations, there will eventually be a leveling out of scores. In statistics, this is called regression to the mean: where a variable that is extreme on its first measurement will tend to be closer to the average on its second—and if it is extreme on its second measurement, it will tend to have been closer to the average on its first. For this reason, it’s rarely a good idea to set incentives or targets for employees based on actual engagement scores.

Teams and levels vary on what they can control/improve.

The critical drivers of engagement can vary by organizational demographics (e.g., business unit, function, region, level). Where some drivers might be within a manager’s purview, others might be specific to the environment, market, leadership team, etc. While actions might be taken on focus areas at all levels, it’s tough to hold individuals accountable for focus areas that reflect experiences beyond the employee group within their span of control.

Engagement targets stifle innovation during the ideation process.

Engagement incentives and targets can make it feel risky for managers to try new ways of acting on that very feedback provided by employees. For example, if I know I have incentive pay hanging on my engagement scores, I’m less willing to consider ‘outside the box’ thinking when it comes to trying new ways of working or my willingness to involve employees in the ideation process for identifying solutions. They make it more about one person’s individual performance (i.e., on the target) and less about working as a team to improve work experiences for everyone.

TIP: Visit our guidelines for [building an action framework to address survey feedback](#) as a way to get started in the ideation process!

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Incentives can undermine candid employee feedback.

Incentivizing engagement scores undermines the focus of collecting and using employee feedback for future-focused, positive development. Instead, it can lead to employee groups (e.g., teams, departments, locations) and managers feeling inspired or even incentivized to inflate their survey scores to present their group in the most socially desirable light (i.e., to make one's team "look good").

Perhaps more damaging, is that targets can also incentivize a group to view the feedback as a vehicle for making one's group look in need of more organizational attention and resources. In either event, engagement-based incentives do anything BUT promote candid employee feedback for the purpose of organizational, team, and individual betterment and development.

For these reasons, we recommend you focus performance/remuneration decisions on factors more directly tied to performance. Maintain the true intent of the engagement survey to be just about collecting candid employee feedback for how to improve work experiences for everyone.

Okay, you've read why setting targets for engagement surveys should be avoided...if you have to set targets, here's what you ought to keep in mind...

Employee engagement can be impacted by many varied work experiences.

In our customizable template, we include a number of potential drivers of engagement for you to assess. However, what drives engagement today or this week may not be the same driving factor tomorrow or next month. Organizations change and teams evolve, and so do the experiences of the employees within them. What you choose to focus on from feedback provided yesterday may not be the most impactful driver of engagement in 6 months.

So, while the focus from last survey might improve (example - manager feedback), another driver that hadn't surfaced prior might have dropped (example - access to learning and development opportunities), leveling out the overall engagement score despite the targeted focus area demonstrating positive movement.

Therefore, if you're going to incentivize something, incentivize the engagement driver(s).

If you are going to incentivize employee feedback, you should focus goals on the drivers themselves - the focus areas that are driving your actions. This is critical for two reasons.

First, engagement is considered a 'lag indicator' such that it is an after-the-event measurement. And while it's useful for assessing current state or progress, it's pretty useless when attempting to influence the future (e.g., I can't directly change how proud you are to work where you do - pride being an indicator of employee engagement). In contrast, all of the other work experiences we examine as potential drivers of engagement are 'lead indicators', and are predictive in nature. It is these lead indicators that are your focus areas for driving action. These are the measures that can be more fairly associated with incentives, all other factors being equal (e.g., as a leader I can change your perceptions for whether or not you understand how we make organizational decisions - and it's those perceptions that are likely to impact how proud you are to work for the company).

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Second, goals based on engagement scores themselves can confuse employees and managers on where to focus their energy and time. Organizational communications will tend to be steered around the desired goal of increasing the outcome (with targets for engagement) rather than on the critical drivers that impact how engaged employees are. For example, if targets are set on engagement rather than the driver, then the communications that go out to employees about goals are more likely to focus on that rather than on the specific actions being taken to improve employees' understanding for how decisions are made - the driver.

TIP: As with all goal setting activities, it's best to strive for difficult, but achievable goals^{1,2}.

Final Message.

It's always good practice to work towards identifying just one or two focus areas from the impactful drivers or employee engagement. Any more than a couple will make it really tough for managers and employees alike to rally around and track. In general, when picking focus areas, you'll want to consider:

- (1) The favorability ratings
- (2) The impact of the focus areas (driver) on engagement
- (3) Internal and external comparisons (benchmarks)

TIP: Read our [Focus Agent Summary](#) for guidelines on how to narrow to one or two opportunities.

If you are going to incentivize your employee feedback program, focus the incentive(s) on 1-2 drivers of engagement and communicate the goal(s) in a way that will motivate teams towards a common initiative.

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¹Locke, E.A., & Latham, G.P. (1990). A theory of goal setting and task performance. Englewood Cliffs, NJ: Prentice-Hall.

²Locke, Edwin A.; Latham, Gary P. (October 2006). "New directions in goal-setting theory". *Current Directions in Psychological Science*. 15 (5): 265–268.

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