



The Modern Employee Experience: Increasing the Returns on Employee Experience Investments

Overview

Employee experience is more important than ever, but current efforts are falling short on improving employees' overall satisfaction with their experience at work. HR leaders are investing heavily in employee experience improvements to increase employees' satisfaction and create a modern experience. Unfortunately, this investment-focused approach is unsustainable because of challenges with scalability, escalating expectations and increasing costs.

For HR leaders to maximize their employee experience investments, they should not only invest in the experience but also shape how employees feel about the experience. Each year, HR leaders who use this kind of shaping approach will have 32% more fully satisfied employees at a 32% lower cost relative to those using an investment-focused approach.[1]

Key Findings

- Despite the global attention on and importance of employee experience, only 13% of employees indicate they are currently fully satisfied with their experience.[2]
- To create an experience that fully satisfies employees' expectations, organizations are making significant investments in many aspects of the experience (e.g., onboarding updates, workplace redesign). On average, organizations spend \$2,420 on employee experience costs per year per employee.[1]
- While these investments can improve employees' satisfaction with their experience — in just two years — organizations using this investment-focused approach will

need to spend 82% more to achieve the same level of improvement they achieve today.[1]

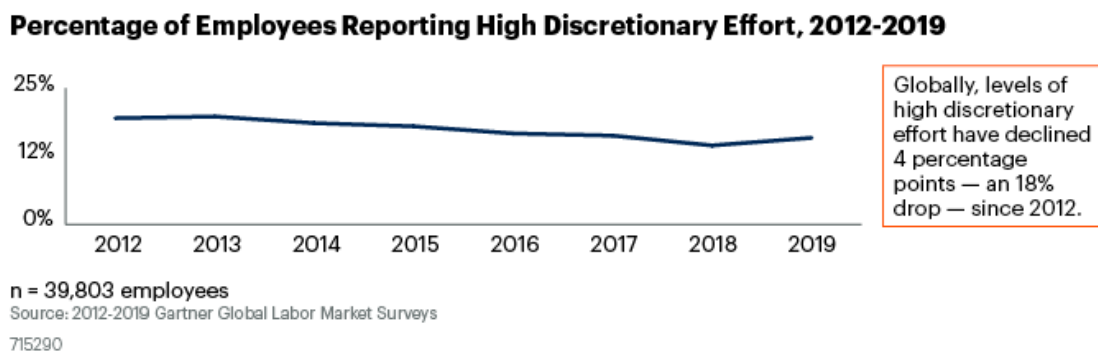
- Organizations that shape how employees feel about their experience — an approach that focuses on improving and influencing employees’ perceptions of their experience — will improve employees’ experience satisfaction by 32% more and spend 32% less a year relative to organizations using an investment-focused approach.[1]

Introduction

Managing talent today presents fundamentally different challenges for organizations than in the past and affects HR leaders’ relationships with employees.

- **Employees aren’t contributing the same level of discretionary effort.** Employee discretionary effort has steadily declined since 2012 (see Figure 1).[3]
- **Employees have higher expectations for their workforce.** Fifty-six percent of employees expect their quality of work to align with their consumer expectations. [4]
- **Employees are more vocal about workplace dissatisfaction.** Forty-five percent of employees are more likely to share negative experiences that happened at work with the public than they were three years ago.[5]

Figure 1: Percentage of Employees Reporting High Discretionary Effort, 2012-2019



Defining Employee Experience

Many organizations are turning to employee experience as an important way to address these talent pressures. As a result, most HR and general business publications feature regular headlines and a myriad of advice on employee experience and new vendors have emerged to help HR leaders improve the employee experience at their

organizations. Improving the employee experience requires HR leaders to clearly understand what it is and how it connects to other talent priorities.

Gartner defines employee experience as: how employees internalize and interpret the interactions they have with and within their organization and the contexts that influence those interactions.

Employee experience also connects with and influences other talent priorities HR leaders already invest in at their organizations:

- **Culture influences the experience.** Culture is the set of behavioral norms and unwritten rules that shape how individuals get work done within their experience.
- **The EVP reflects the intended experience.** The employment value proposition (EVP) is the set of attributes the labor market and employees perceive as the value they will gain from their experience.
- **Engagement is an outcome of the experience.** Engagement includes employees' level of discretionary effort and intent to stay with their organizations given their experience.

Current Employee Experience Falls Short

Despite this growing desire to understand and improve employee experience, most employees today do not feel like their experience with their organization meets their expectations.

In fact, we see only 13% of employees' expectations are fully met at work. The remaining employees report their expectations are partially or fully unmet, affecting their overall experience satisfaction with the organization.[2] While it is unrealistic to expect all employees will be fully satisfied with their work experience, organizations have a huge opportunity to more fully meet employees' experience expectations.

Benefits of an Improved Employee Experience

When organizations improve the employee experience from an “average” employee rating to one rated as “fully satisfactory,” talent and business outcomes improve significantly.

In fact, as it relates to talent outcomes, employees who are largely satisfied with their experience are 60% more likely to report high intent to stay at their current organization, 52% more likely to report high discretionary effort and 69% more likely to be a high performer.[2]

Our analysis also shows when organizations have a high level of employee experience satisfaction overall, they're also more likely to realize better business outcomes. Organizations whose employees are largely satisfied with their experience are 48% more likely to meet organizational customer satisfaction goals, 89% more likely to meet organizational innovation goals and 56% more likely to meet organizational reputation goals (see Figure 2).[1]

Figure 2: Positive Outcomes of Employees' Satisfaction With Their Employee Experience



n = 2,848 employees; 143 HR leaders

Source: 2019 Modern Employee Experience Workforce Survey; 2019 Modern Employee Experience HR Leader Survey

Note: Reported talent outcomes compare the maximum difference in outcomes of employees with average and high levels of employee experience satisfaction. Reported business outcomes compare the maximum difference in outcomes for organizations with average and high levels of employee experience satisfaction.

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An Investment-Focused Approach to Improve the Employee Experience

Given how important and expansive employee experience is, organizations are devoting significant time and financial investment to it.

Many organizations take an investment-focused approach to improving the employee experience through the expansion of available programs and the improvement of them to a consumer-grade standard. A consumer-grade standard means improving the quality of an employee's experience at work to align with the experience employees have as a consumer; this is often described as making the experience easy, personalized, seamless, consistent and empowering.

Sixty-nine percent of organizations have made moderate to very large changes to their HR initiatives as a part of their employee experience strategy.[1] Conservative estimates of annual HR employee experience costs per employee show organizations spend an average of \$2,420 per employee per year on employee experience (see Table 1). These costs include discrete improvement projects as well as HR-related experience responsibilities and time spent by employees, managers and leaders on employee experience. However, this estimate doesn't include direct costs associated with employee experience initiatives led by other functions, such as real estate, IT, communications and others, making it truly a conservative estimate.

Table 1: Conservative Estimate of Annual Employee Experience Costs per Employee

Types of Cost	USD Cost Estimate per Employee
Discrete Experience Improvement Projects	\$353
HR Activities Associated With Employee Experience[a]	\$189
Time Spent by Frontline Employees on Employee Experience	\$901
Time Spent by Leaders and Managers on Employee Experience[b]	\$977
Estimated Annual Employee Experience Spend per Employee	\$2,420

[a] HR activities associated with employee experience include HR functional spend spanning engagement surveys, diversity and inclusion, recruiting, learning and development and rewards.

[b] Estimates were calculated using our 2019 Employee Experience Survey and other proprietary benchmarking data as well as the U.S. Bureau of Labor Statistics data on employment costs.

Source: Gartner (2019)

When asked what types of investments they were making in the employee experience, HR leaders commonly shared they were improving the employee experience through:

- Onboarding updates
- Flexible work introduction (i.e., remote work policies)
- Parental leave expansion
- L&D program expansion
- Workplace redesign
- Employee-facing technology upgrades
- Performance management updates

Organizations using an investment-focused approach do see modest improvements to employees' satisfaction with their experience over time. On average, organizations using an investment-focused approach will have largely satisfied about 6% more of their workforce over a two-year period than organizations that do not use this approach.[2]

Limitations of an Investment-Focused Approach

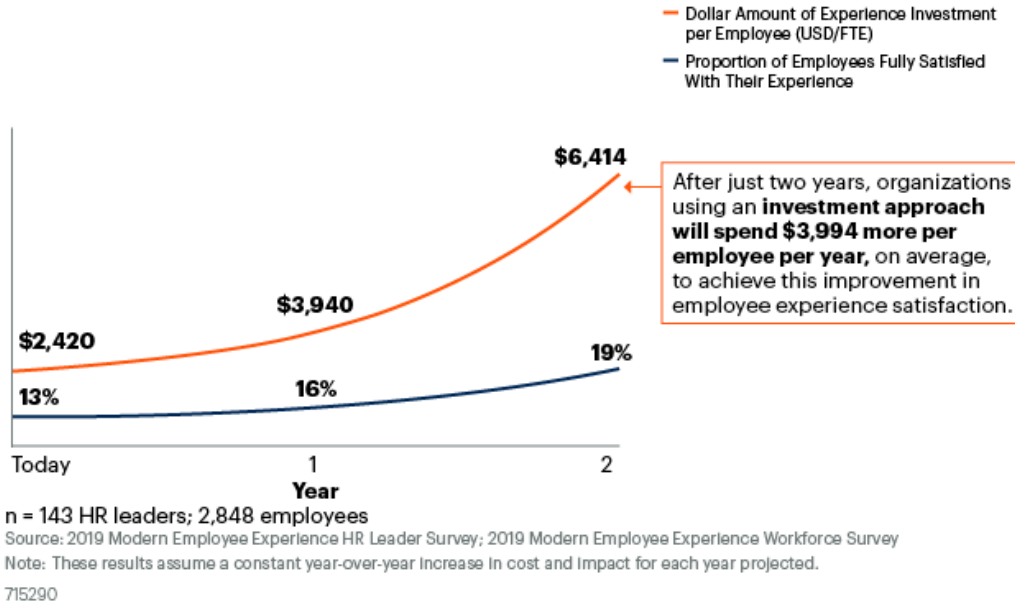
However, we see a few limitations to an investment-focused approach to improving the employee experience, which make this approach unsustainable.

Investments Come at a High Cost

Despite current improvements using an investment-focused approach, organizations must continue to increase their level of financial investment to achieve the same employee experience satisfaction over time. To see a 6% increase in the percentage of their workforce largely satisfied with their experience in two years, organizations will have to spend \$3,994 more per employee per year, on average (see Figure 3). In just two years, organizations using an investment-focused approach will need to spend 82% more to achieve the same level of improvement in employee experience satisfaction they currently achieve today.[1,2] In short, organizations must spend a lot more to get the same return over time.

Figure 3: Projecting the Cost and Impact of an Investment Approach Over Time

Projecting the Cost and Impact of an Investment Approach Over Time



Investments Are Less Scalable Over Time

As organizations continue making investments, they relatively quickly exhaust all scalable, cost-effective options. Three common stages occur during employee experience investments:

- 1. Foundational** — Typically, the first stage of investments organizations make is the most scalable. These investments aim to put basic, largely operational, building blocks in place to improve the experience, such as HRIS systems. Most organizations have already made foundational investments in the employee experience.
- 2. Enhanced** — Once HR leaders make foundational investments, the next investments are aimed at improving how employees get work done. While these do not affect all employees, they do help most.
- 3. Specialized** — Investments aimed at “delighting” certain segments of employees, often via smaller-scale perks, are the least scalable of investments made for the employee experience. These investments are relevant and valuable for some employees but not for all.

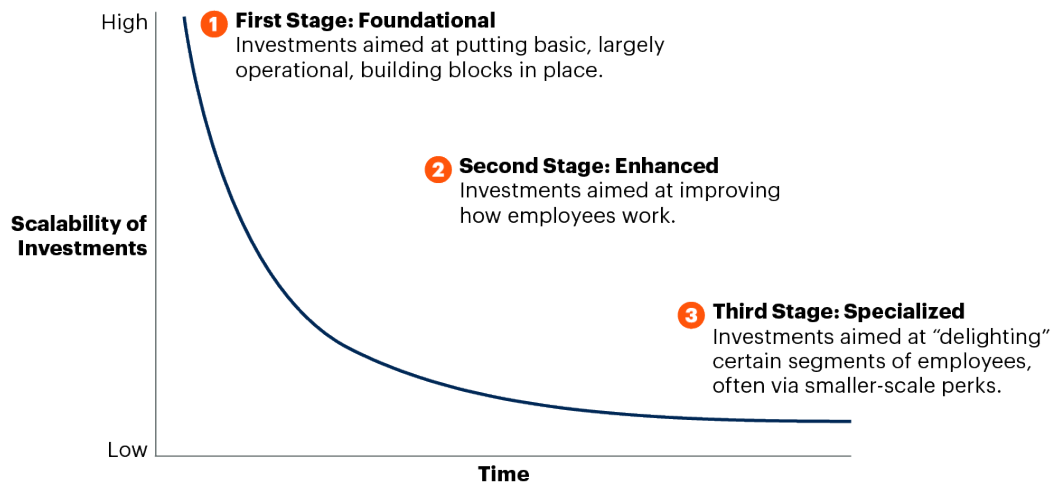
As HR’s investments become less scalable over time, HR leaders see limitations to how much impact each investment has on the employee experience (see Figure 4).

Unfortunately, most organizations are reaching the point of diminishing returns to their employee experience investments now.

Figure 4: Common Stages of Employee Experience Investments

Common Stages of Employee Experience Investments

Illustrative



Source: Gartner
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Investment Expectations Only Escalate

HR leaders also describe their investment-focused approach as trying to hit a moving target. As organizations continue making investments, they, in turn, escalate employees’ expectation levels for their experience, making it increasingly challenging to satisfy employees. Employees’ expectation levels for their experience increase in parallel with the experience investments organizations make. In fact, employees whose organizations have made significant updates to their experience support in the last year are 60% more likely to expect workplace tools and technology that mirror their personal lives or meet their consumer-grade expectations.[2] As an HR leader at a retail company explained, “Every time we ask employees what they want, they always want more.”

HR leaders need to find an approach to improving the employee experience that is less costly, more scalable and doesn’t escalate expectations over time.

A Better Approach: Shaping How the Experience Feels

Our research shows an employee's level of satisfaction with their experience is influenced not only by the investments in the experience itself but also by how HR leaders shape employees' feelings about their experiences or manage the perception of the value of available programs and support. Currently, organizations are overinvesting in an investment-focused approach and underinvesting in shaping employees' feelings or perceptions about their experience.

Shaping Defined

Shaping is an approach to improve employee experience satisfaction that focuses on influencing and improving employees' feelings about their overall experience using psychological, motivational and social principles.

Effectively shaping how employees feel about their experience requires a clear understanding of what the scope of the approach is — and isn't.

- Shaping can maximize existing experience investments with the goal of ensuring employees understand the intended value of all investments the organization has already made. It's not how to avoid making experience investments.
- Shaping can improve employees' buy-in for experience investments through greater transparency and employee involvement. It's not a way to better market or communicate experience investments.
- Shaping can sustain positive feelings over time through a broad focus on what drives long-term employee perceptions of their experience, not only boost employees' day-to-day happiness with specific parts of the experience.

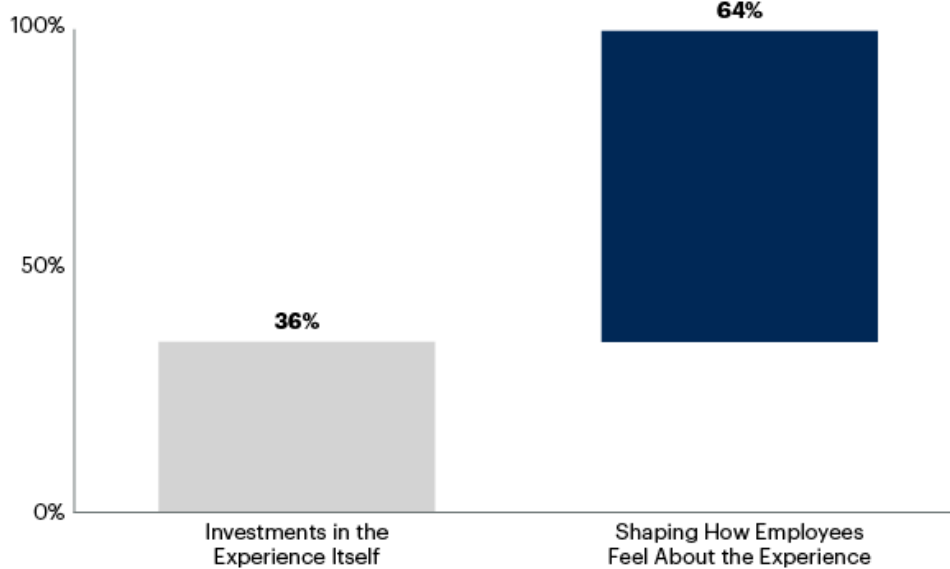
Shaping is a more comprehensive, holistic approach to understanding and managing what influences employees' perceptions of their experience over time. However, most organizations haven't yet taken the next steps to using this approach. Only 24% of organizations today are using a shaping approach to improve the employee experience.[1] HR leaders have a huge opportunity to leverage this new approach to improve employees' experience satisfaction.

Benefits of Shaping

Organizations that shape how employees feel about their experience see a greater impact on employees' satisfaction. In fact, when looking at what explains the variance in employee experience satisfaction levels, shaping how employees feel about their experience has a 64% relative impact on employee experience satisfaction, while investments in the experience itself only account for 36% of the relative impact (see Figure 5).[2]

Figure 5: Relative Impact of an Investment Approach and a Shaping Approach

Relative Impact of an Investment Approach and a Shaping Approach Percentage of Variance in Employee Experience Satisfaction Explained



n = 2,848 employees

Source: 2019 Modern Employee Experience Workforce Survey

Note: Reported talent outcomes compare the maximum difference in outcomes of employees whose organizations are at an average level and a high level of the shaping approach. The reported high-performance talent outcome considers an employee's effectiveness at performing day-to-day work tasks and enabling and improving the work of colleagues.

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Organizations that effectively apply this approach can also achieve up to the following impacts on employees:

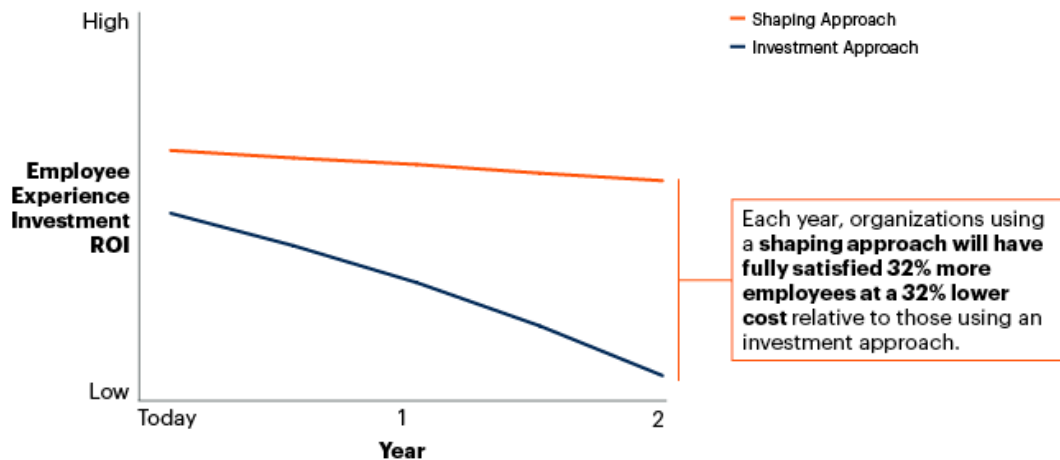
- 38% more likely to report high intent to stay
- 33% more likely to report high discretionary effort
- 44% more likely to be high performers[2]

Shaping also offers a higher ROI for organizations — higher improvement in experience satisfaction relative to the cost required to achieve it — compared to an investment-focused approach. Each year, organizations that use a shaping approach

will have largely **satisfied 32% more employees at a 32% lower cost** relative to those using an investment-focused approach, which is more sustainable over time (see Figure 6).[1, 2]

Figure 6: Comparison of the Expected Return of an Investment Approach and a Shaping Approach Over Time

Comparison of the Expected Return of an Investment Approach and a Shaping Approach Over Time



n = 143 HR leaders; 2,848 employees

Source: 2019 Modern Employee Experience HR Leader Survey; 2019 Modern Employee Experience Workforce Survey

Note: These results assume a constant year-over-year increase in cost and impact for both approaches for each year projected.

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Implications

To effectively shape how employees feel about their experience, HR leaders must understand the three core elements of shaping:

- **Shaping Expectations for the Experience** — How can we shape employees' understanding of the experience they should expect to have?
- **Shaping the Day-to-Day Experience** — How can we shape how employees feel about their experience as they're living it?
- **Shaping the Memory of the Experience** — How can we shape the way employees recall their experience over time?

Shaping Expectations for the Experience

Calibrate employees' expectations for the employee experience.

Understanding expectations through collection alone is often relative, incomplete and infeasible. In addition to listening to employees and analyzing their responses, HR leaders must calibrate employees' expectations for their experience. Doing so establishes and sustains mutual understanding and trust so HR leaders understand employees' expectations and employees understand the organizational context. To calibrate employees' expectations, HR leaders should co-create a vision for the experience with employees and align employees to that vision (see Figure 7). Learn more about shaping employees' expectations for the experience [here](#).

Figure 7: Risks of Collecting and Advantages of Calibrating Employee Expectations

Risks of Collecting and Advantages of Calibrating Employee Expectations



Source: Gartner
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Shaping the Day-to-Day Experience

Empower employees to personalize their day-to-day employee experience.

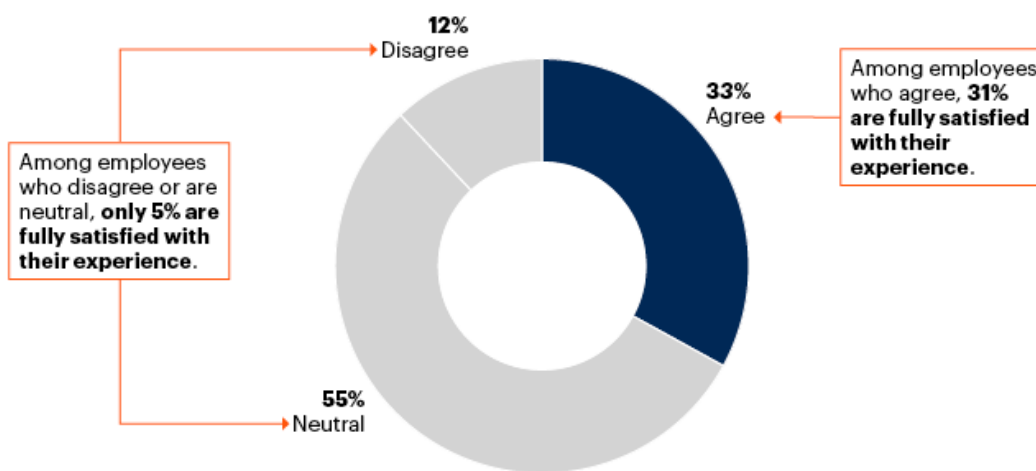
HR leaders typically lean on managers to personalize employees' day-to-day experience, but the demands that today's work environment places on managers

make this difficult to achieve. Managers have limited capacity, visibility and control of employee’s day-to-day experiences, and employees often don’t trust managers to personalize their experience.

Instead, HR leaders should empower employees to personalize their own day-to-day experience by sharing information transparently, minimizing any perceived downside to personalization, providing a constrained set of choices for employees to consider, nudging employees to the next best action and helping employees source valuable insight from their networks (see Figure 8). Learn more about shaping how employees feel about their day-to-day experience [here](#).

Figure 8: Q — “My Organization Empowers Me to Customize My Day-to-Day Experience Based on My Preferences”

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n = 2,848 employees
Source: 2019 Employee Experience Workforce Survey
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Shaping the Memory of the Experience

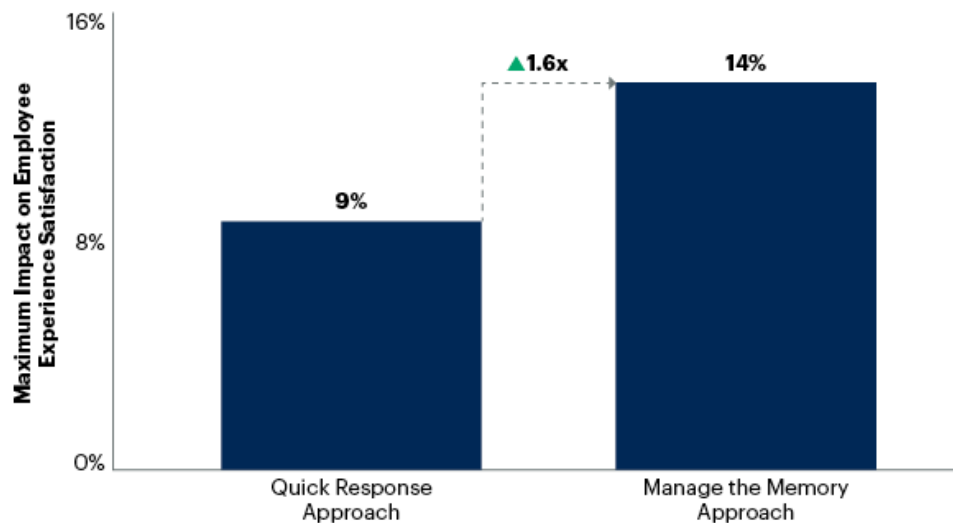
Manage the memory of the employee experience.

HR leaders have an opportunity to manage employees’ memory over time to improve their experience, rather than only focusing on quick responses. While most HR leaders believe responding quickly to employee experiences results in a better experience, research on memory shows employees develop memories over time, which requires HR leaders to focus on managing the long-term memory of the experience. By reframing negative experiences and reinforcing positive ones, HR leaders can improve

employees' positive memories of their experience over time (see Figure 9). Learn more about shaping the memory of the experience [here](#).

Figure 9: Maximum Impact on Employee Experience Satisfaction by Approach

Maximum Impact on Employee Experience Satisfaction by Approach



n = 143 HR leaders

Source: 2019 Modern Employee Experience HR Leader Survey

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Conclusion

Improving the employee experience is a key component of most organizations' HR strategy today. As HR leaders continue to invest in delivering a modern employee experience, they should ensure they are also shaping how employees feel about their experience. Shaping how employees feel about their experience — focusing on improving and influencing employees' perceptions of their experience — is more effective at improving employees' experience satisfaction and more cost-effective for organizations relative to an investment-focused approach.

To shape how employees feel about their experience, HR leaders should understand their role in the three components of shaping.

1. Rather than only collecting employees' expectations for their experience, HR leaders should also calibrate employees' expectations.
2. Rather than only using managers to personalize the employee experience, HR leaders should empower employees to personalize their own experience.

3. Rather than only responding quickly to negative employee experiences, HR leaders should manage employees' memories of their experience over time.

By maximizing the impact of the three components of shaping how employees feel about their experience, HR leaders can create a higher ROI and see more employees satisfied with their experience at a lower cost.

Recommendations

To shape how employees feel about their experience, HR leaders should:

- Calibrate employees' expectations for the employee experience by co-creating a vision for the experience with employees and aligning employees to that vision.
- Empower employees to personalize their day-to-day employee experience by sharing information with employees and helping them use that information to evaluate and improve their day-to-day experience.
- Manage the memory of the employee experience by reframing negative experiences and reinforcing positive experiences over time.

About This Research

This research is drawn from extensive qualitative interviews with more than 120 HR executives globally to understand their challenges and identify unique practices and solutions that can apply to other organizations. We also drew on quantitative survey data from nearly 150 HR executives and 3,000 employees at all levels — and in 26 countries — to identify key challenges and find solutions that lead to effective outcomes of the modern employee experience.

Recommended by the Authors

[“The Modern Employee Experience: Increasing the Returns on Employee Experience Investments”](#)

HR leaders can watch this presentation to learn about how to shape employees' feelings of their experience to increase the returns on employee experience investments.

Presentation Deck

[Download presentation slides of this material.](#)

Endnotes

[1] 2019 Gartner Modern Employee Experience HR Leader Survey

[2] 2019 Gartner Modern Employee Experience Employee Survey

[3] 2012-2019 Gartner Global Labor Market Survey

[4] 2019 Gartner Employee Experience Panel Survey

[5] 2018 Gartner Digital Experience Benchmarking Survey