

# Power up YOUR EMPLOYEES and BRAND



with

# Engagement

Engaged employees are the single-most important factor which separates successful companies and ones that never reach their potential. Best-in-class companies that make concerted efforts to drive employee

engagement can expect to deliver consistently higher financial results and outperform their competitors. Having the right people, in the right place, with the right attitude, at the right time can equate to success or failure.

Organizations with high levels of employee engagement significantly outperform those without it, and conversely, high levels of disengagement can adversely impact operating income, revenue and shareholder value. Actively engaged employees outperform disengaged employees by more than 20% in profitability and productivity and by about 10% on customer ratings<sup>1</sup>.

**A**ctively engaged employees experience significantly less turnover, absenteeism, safety incidents, quality defects, and are consistently more productive, profitable, safer, healthier, and 87% less likely to leave their employer<sup>2</sup> leading to:

- Cost Savings
- Revenue Growth
- Improved Employee Productivity
- Increased Customer Satisfaction and Loyalty

From recruiting to onboarding, motivating, and developing team members, the effectiveness of employee management has a direct impact on business results and competitiveness. Organizations that prioritize high employee engagement will also be able to mitigate business risks incurred by an unsatisfied and disengaged workforce. Disengaged employees are estimated to cost the U.S. economy as much as \$350 billion per year in lost productivity, accidents, theft, and turnover.<sup>3</sup>

## What is Employee Engagement?

Employee engagement is a blend of job satisfaction, organizational commitment, job involvement, and a feeling of empowerment. An engaged employee is aware of business context, works with colleagues to improve performance for the benefit of the organization, and has a positive attitude. Engaged employees



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identify with and are committed to the goals and values of their organizations.

## Are your employees engaged in their work?

According to a 2012 national poll, only 30% of employees are actively engaged at work.<sup>4</sup> That means 70% of employees are either not engaged or are disengaged and pose a significant risk to the business. Gallup's database shows that in world-class organizations the ratio of engaged to disengaged employees is 9.57-to-1, compared to average organizations, where the employee ratio drops to 1.83-to-1.

Successful organizations must work to develop and nurture engagement. This strategy requires a two-way relationship between employer and employee. When trust between the workforce, management, and coworkers is established, the result is an engaged workforce and the benefits that go along with it.

## Why Engagement?

70% of engaged employees have a good understanding of their customers' needs, resulting in higher customer satisfaction, while only 17% of disengaged employees could say the same.<sup>5</sup>

However, many C-level executives and managers view improving employee engagement as a "feel good" concept and don't grasp what a vital role it plays in driving business success. Executive commitment to engagement efforts is critical for the development of sustainable programs of ongoing measurement and analysis. Support of the programs to ensure appropriate actions can be taken when and where improvements are needed. Skilled workers only become top performers when their goals are aligned with business objectives and their energy is directed at the right targets.







## Risk of Disengagement

A Towers Watson study of 50 companies over a one-year period shows that organizations with high employee engagement had a 19% increase in operating income and nearly 28% growth in Earnings Per Share (EPS). Conversely, companies with low levels of engagement saw operating income drop more than 32% and EPS decline 9.4%.<sup>6</sup> Disengaged employees are not just unhappy at work. They are actively displaying their unhappiness and undermining what their coworkers and company can accomplish. They are also more likely to steal from their companies, negatively influence their coworkers, miss workdays, and drive customers away.<sup>3</sup>

A similar study by Hay Group also finds that organizations in the top quartile in engagement

generate revenue growth that is 2.5 times higher than those companies in the bottom quartile.

## Global Trends

Leading organizations are adopting technologies and processes to measure and improve employee engagement to reap the financial benefits and reduce business risk.

Although more companies are starting to measure employee engagement levels using tools like annual employee surveys, many of them don't act on these survey results afterward, or when they do, it is by launching disconnected initiatives that may lift engagement level for a short period of time but don't address the long-term needs of the employee. Employee engagement goes beyond simply conducting

employee surveys – it needs to be part of the company culture and a key business strategy.

To contend in the global workforce environment, an effective employee recognition program is needed. Employee recognition can also be one of the most cost efficient methods for increasing participation and organizational commitment.<sup>7</sup>

The commitments of executive leadership and management are essential to foster success. Employee engagement supports organizational strategies, builds employee commitment, and increases job performance.

**Best practices to encourage team members to want to get better and be part of something bigger include:**

- Weighting employee engagement as heavily as profitability, customer loyalty, and other key business performance measurements that are regularly monitored and measured
- Partnering with HR to understand and

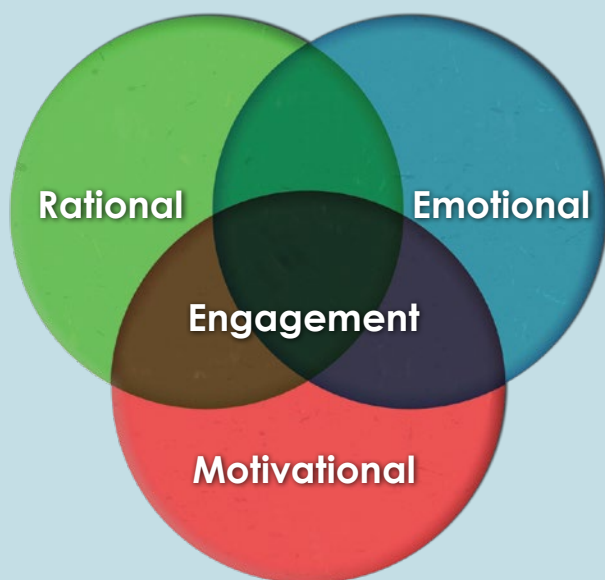
identify drivers and triggers for engagement and disengagement. Acting on the root cause of disengagement to mitigate risk.

- Measuring and communicating to C-suite and executive boards the ROI of engagement initiatives using facts and supporting evidence
- Benchmarking continuously against competitors and best-in-class organizations to identify areas for improvement

**Key questions to consider when evaluating engagement:**

1. Do we regularly measure the level of engagement and satisfaction of our employees?
2. Do we know the primary triggers for employee disengagement that can impact productivity and financial performance or increase business risk? Do we have the means to act on these insights quickly and effectively?

## What do we mean by Employee Engagement?



To be engaged employees must have:

- **Emotional attachment** to the organization, their job, and their work
- **Rational understanding** of the organization's goals, values, and how they contribute
- **Motivation and willingness** to invest discretionary effort, to perform better

3. Can we correlate the impact of employee engagement on job performance and the productivity and/or accomplishments of specific work teams?
4. How do we benchmark against our direct competitors and best-in-class companies in other industries, to identify areas of improvement?



Employers can set themselves up for continued success by focusing on the key engagement drivers that have a positive impact on the workplace and culture. This is especially valid for critical areas where engagement can have a dramatic impact on productivity, revenue, and profit growth, such as those customer-facing roles in sales, marketing and customer service.

Clear goals, providing feedback, and the opportunity for autonomy are drivers of motivation. It is clear that no manager can make informed decisions without proper information. HR or employee analytics can help management decide where to invest, identify the top performers, determine what employees require to better perform, and what they value. Analytics also provide a uniform way to supervise the effects of any measure adopted.

Engagement is more than just a performance appraisal tool or process. People are a critical asset that need to be cultivated and properly managed. Without the right employees, businesses

will not grow, become more profitable, or generate new ideas. A company's workforce is not merely a necessary expense, but also an investment in future competitiveness and profits. Much research supports the idea that keeping employees engaged and motivated, as well as retaining the best performing employees over the long term, have positive effects on corporate financial results.

There's a tremendous amount of upside to employee engagement, including higher employee productivity and greater customer satisfaction, which can lead to higher customer lifetime value. 🏆

<sup>1</sup>State of the American Workplace Report - Gallup, 2013

<sup>2</sup>Corporate Leadership Council & Fleming & Asplund, 2010

<sup>3</sup>Thomas Otter, Reaching Peak Performance Through Employee Engagement, Gartner, Inc., 2012

<sup>4</sup>State of the American Workplace Report - Gallup, 2013

<sup>5</sup>Bruce Rayton, University of Bath, School of Management, Engage for Success: The Evidence, 2012

<sup>6</sup>James Harter, Sangeeta Agrawai, Stephanie Plowman, Jim Asplund, Employee Engagement and Earnings Per Share: A Longitudinal Study, Gallup Consulting, 2010

<sup>7</sup>Aon Hewitt Consulting, 2012 Trends in Global Employee Engagement