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Making the Case for Employee Engagement: A Hard Numbers Approach

March 11, 2014

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Are your employees engaged or are they transactional? Do you believe that employee engagement has a substantial impact on your bottom line? If so, what are you doing to increase employee engagement?

In a 2008 study, over 90 percent of senior management perceived employee engagement to be important to their businesses' success, yet only 25 percent of the companies surveyed had implemented any sort of employee engagement plan or strategy.

A comprehensive Gallup survey of American workers over 2010-2012 revealed that only 30 percent of the U.S. workforce feels engaged.

If employee engagement is as important as survey respondents say it is, why isn't there more constructive action within organizations to promote and support it? Several challenges exist. In this post, we address a critical one: making the basic business case for employee engagement: *How do you convince the CEO, COO, or other C-level executives to devote time, money, and energy to something sometimes considered unquantifiable and often labeled "soft"*?

Answer: *Make the connection to hard economic returns*. Take your cue from an ROI Institute study, in which 92 out of 96 Fortune 500 CEOs stated unequivocally that they want to hear the *business impact* of learning-and-development programs. Here's some ammunition for you:

- In a Watson Wyatt study of approximately 12,000 U.S. workers, analysts found that a significant improvement (one standard deviation) in employee engagement correlates with a 1.9 percent increase in revenue per employee. That percentage may seem small until you scale your workforce and do the math.

- A Kenexa Research Institute study showed that organizations with highly engaged employees achieved twice the annual net income of organizations whose employees lagged behind on engagement. It also showed that organizations with highly engaged employees achieved seven times greater shareholder return.
- After polling employees across 10 regional offices of a professional services firm, the Hay Group found that business units with engaged employees were 43 percent more productive than their less-engaged counterparts.
- According to one study, 89 percent of surveyed managers said that most employees leave for better pay elsewhere. Yet a Saratoga Institute analysis of 19,700 exit interviews and employee surveys revealed that voluntary turnovers were motivated by non-financial factors in 88 percent of cases. Based on their 2014 Employee Engagement Survey, the Corporate Leadership Council concluded that employees who feel “strongly committed” to their companies are 87 percent less likely to leave. This is significant, given that the cost to replace a departed employee is widely estimated at one-half to five times the departed employee’s annual salary.
- In a study of 192 organizations across 49 industries, Gallup found that companies in the top quartile for employee engagement have far fewer safety incidents than companies in the bottom quartile. This, too, is significant, given that workplace injuries cost employers $60 billion annually in lost productivity.
- Finally, Gallup reported that “active disengagement”—the bottom 20 percent of employees created by “managers from hell”—costs the U.S. economy an estimated $450 billion to $550 billion annually.

In a subsequent post, we’ll discuss how to focus on the “hard” side of employee engagement programs: KPIs (Key Performance Indicators), business metrics, and evaluation methods.

In the meantime, start warming up your C-level executives to the notion that caring about the “bottom line” means caring about employee engagement—and doing something about it.

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