

Employee Engagement

Dollars & Sense

The Essentials

- The extent to which employees believe in what they do, feel valued for it, and are willing to spend their intellectual effort to make the organization successful.
- Engagement is a leading indicator of productivity and turnover.
- Engagement can be measured by surveys, focus groups, behavioral scales, and conversations. Turnover should be tracked by talent level, location, and role.
- Actively disengaged employees cost the organization \$3,400 for every \$10,000 in salary (Gallup, 2002).
- Kenexa (2011): Up to 10% of an organization's performance can be attributed to employee engagement.
- Deloitte estimates that every percentage point saved in annual turnover saves the firm \$400 million.

New Research On Motivation

- Dan Pink: “Drive: The Surprising Truth About What Motivates Us”
- Carrots and Sticks don’t work in the new economy. They are expensive, have short-term effectiveness, and only work for certain tasks.
- The New Human Operating System:
 - **Autonomy:** To make choices
 - **Mastery:** To do something well
 - **Purpose:** To be associated with something important

<https://www.youtube.com/watch?v=u6XAPnuFjJc>

Modified Gallup Questions

1. Importance of the job
2. Clarity of expectations
3. Opportunity for development
4. Recognition for performance
5. "Do what I do best"
6. Strong collegial relationship
7. Proper resources
8. Effective relationship with manager

The Dollars and Sense of Engagement

- Quantify the business value of increasing engagement
- Assumption 1: A person's salary is a proxy for the value returned to the organization
- Fact 1: Productivity improves as engagement increases
- This case uses a 20% variable by engagement level
- Rationale for an intervention that saved money and improved productivity

Engagement Business Case: Performance Potential

Engagement Level	Distribution	Performance delta over cost by engagement level	Impact on Organizational Performance
Level 4 Fully Engaged	12%	120%	14%
Level 3 Engaged	40%	Cost and Value are Equal	40%
Level 2 Somewhat Engaged	39%	80%	31%
Level 1 Actively Disengaged	9%	60%	6%
Current Performance Potential			91%

When the engagement levels and performance data are combined, they show that the organization is performing at 91% of capacity. The primary reason for “below capacity” is that 48% of employees are costing the organization money. If the distribution by engagement levels change, the organization’s productivity also changes.

Engagement Business Case: Costs of Poor Engagement

Engagement Level	Distribution	Impact Per Employee (combined salary \$80k)	Total Impact Based on 500 Employees
Level 4 Fully Engaged	12%	\$16,000 positive	\$960,000 positive
Level 3 Engaged	40%	Cost and Value are Equal	Cost and Value are Equal
Level 2 Somewhat Engaged	39%	\$16,000 negative	\$3,120,000 negative
Level 1 Actively Disengaged	9%	\$32,000 negative	\$1,440,000 negative
Current Impact			\$3,600,000 negative

When all this information is combined, and multiplied by the number of people in each engagement level, the organization is losing over \$3.6 million dollars in lost productivity, because of poor engagement.

Since the primary lever to increase engagement is the manager's performance (see the following Corporate Leadership Council study), these data provide the business case for a training and coaching intervention to enhance the manager's ability to improve engagement scores.

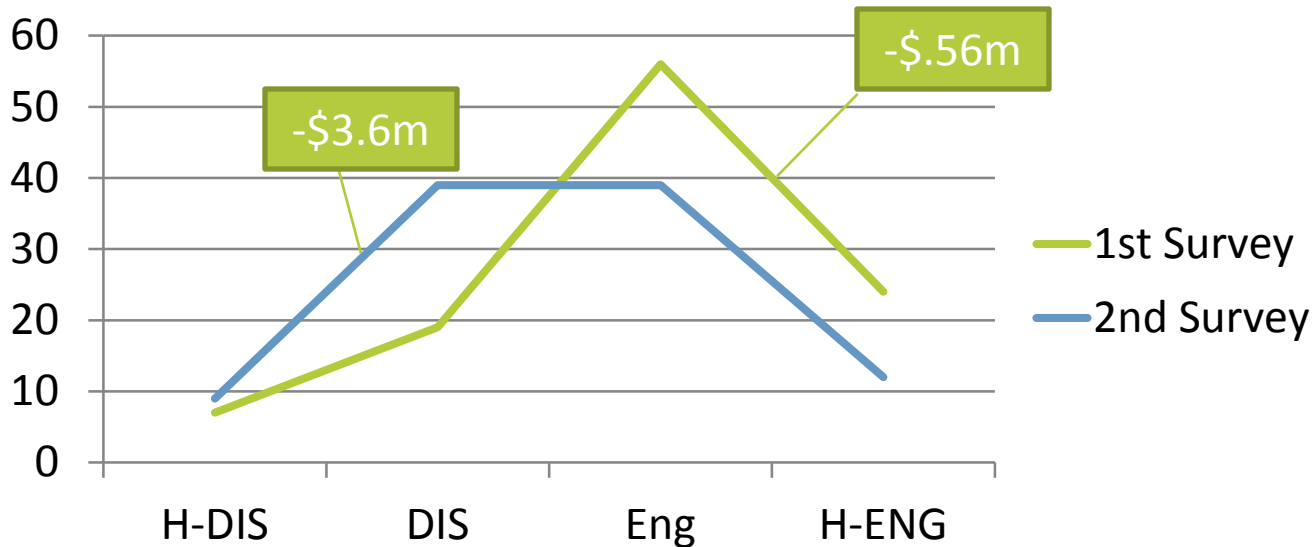
Engagement Business Case: First Year Improvements

Engagement Level	Distribution	New Distribution	Total Impact Based on 500 Employees
Level 4 Fully Engaged	12%	24%	\$1,920,000 positive
Level 3 Engaged	40%	55%	Cost and Value are Equal
Level 2 Somewhat Engaged	39%	19%	\$1,529,000 negative
Level 1 Actively Disengaged	9%	6%	\$960,000 negative
Current Impact			\$569,000 negative

Now, let's determine the impact of engagement interventions that alter the distribution among the four engagement levels. The impact of poor engagement is slightly reduced by:

- Moving about 1/3 of actively disengaged to somewhat disengaged
- Shifting about 50% of somewhat disengaged to engaged
- Moving about 30% from engaged to fully engaged

Impact of Improved Engagement



This is a graphic way to track the financial impacts of the change in results, from the first to the second survey, after the intervention was implemented.