ENTERPRISE ENGAGEMENT ALLIANCE

An EEA White Paper

ROE: Return on Engagement

By Allan Schweyer

In today's economic environment, employers are struggling to find every advantage possible to thrive, grow, or simply to stay in business. For most U.S.-based organizations, payroll represents the largest expense. Advantages therefore, come first and foremost through better talent management.

Talent management describes a wide range of activities, not all of them positive. Most employers have already frozen or restrained hiring, and many have downsized their workforces. While both are at times necessary, it is our contention that the largest opportunity for corporate performance improvement lies in engaging the workforce to drive better customer engagement, better revenue and higher profits. Employers who can improve employee engagement during the downturn will reap immediate and long-term benefits.

Research has clearly and consistently proved the direct link between employee engagement, customer satisfaction and revenue growth.

SUCCESS OR FAILURE

The cost of employee disengagement is profound. In the aggregate, employee disengagement is estimated to cost the U.S. economy as much as $350 billion per year in lost productivity, accidents, theft and turnover. For organizations, the difference between an engaged and disengaged workforce can ultimately mean success or failure.

Most leaders and organizations know the difference between a fully engaged worker and one who is marginally engaged or disengaged. The former brim with enthusiasm, they contribute ideas, are optimistic about the company and its future, are seldom absent from work, typically stay with the company longer and are among the organization's most valuable ambassadors.

Disengaged workers, on the other hand, are often absent (even when they're at work). They are disconnected and often pessimistic about change and new ideas. They have high rates of absenteeism and tend to negatively influence those around them, including potential customers and new hires.

The most important difference between engaged and disengaged workers is productivity. Engaged

The Enterprise Engagement Alliance (EEA) is a coalition of companies and associations dedicated to the idea that engagement is an enterprise-wide endeavor that "begins with people and ends with profitability." The EEA's primary mission is to research and promote the importance of engaging people in business, including customers, employees, channel partners and managers. The organization's first research project, "The Economics of Engagement" was released in June 2009 and is available at: www.incentivecentral.org/pdf/Final_Economics_of_Engagement.pdf.
Contact info@enterpriseengagement.org for more information.

www.enterpriseengagement.org

and disengaged workers of equal skills, knowledge and abilities do not contribute equally. Engaged workers are significantly more productive.

According to a 2008 study by Gallup, about 54% of employees in the United States are not fully engaged, and 17% are actively disengaged. Only 29% are engaged. In December 2008, Towers Perrin's *Global Workforce Study* of almost 100,000 employees in 20 countries found that only 22% of the U.S. workforce is engaged, 66% not engaged and 11% disengaged.

Over the years, highly credible research based on millions of employees and hundreds of organizations has demonstrated the direct link between employee engagement, customer engagement, revenues and profit. Gallup, a leader in engagement research says the following:

"Research has shown that engaged employees are more productive employees. The research also proves that engaged employees are more profitable, more customer-focused, safer and more likely to withstand temptations to leave. Many have long suspected the connection between an employee's level of engagement and the level and quality of his or her performance. Our research has laid the matter to rest."

SOLID CULTURE AND VALUES

So why don't more organizations do something about employee engagement – particularly now, when every dollar counts?

Employee engagement is driven by the fundamentals in organizations. For it to be high and stay high, an organization needs a solid culture and value system that supports the ingredients necessary for engagement. Senior leaders have to drive the process, "walk the halls" to demonstrate their commitment to employee engagement. Managers must be selected and developed with employee (and customer) engagement in mind, and they must be held accountable through a total rewards and performance management strategy that aligns their desired behaviors, goals and outcomes with those of the organization. Employees must also be made partners in the effort.

In most organizations, both the challenges of engagement and the remedies to improve it are daunting. But the payoff is enormous, and beyond the bottom line, it is arguable that in the near future – post-recession, beyond the baby-boomer retirements and after the number of companies investing in engagement reaches a tipping point – an engaged workforce will be a matter of survival. After all, who would continue to drag themselves into work every day for a paycheck when they can have the paycheck and be highly engaged in their work at the same time?

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Source: This article is excerpted from a research report published by the Enterprise Engagement Alliance entitled *The Economics of Engagement*. The paper is available at www.enterpriseengagement.org.

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