Why Business Success Depends – More Than Ever – on Employee Engagement Success

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Employee engagement is one of the most monitored human capital metrics today – and for good reason. Research consistently demonstrates powerful links between high levels of employee engagement and the ability of employers to optimize business performance. The underlying theory is surprisingly simple. Engaged employees work smarter and more efficiently, giving an organization an advantage over its competitors.

While different employers define engagement in different ways, it is a robust multi-dimensional measure that taps employees’ emotional connectedness to their organization. The standard definition describes engagement as a pronounced state of enthusiasm characterized by effort, pride and passion that fosters a mutually committed relationship between employees and their employers, resulting in the enduring pursuit of organizational and personal goals. Defining engagement for the organization is the first step in developing a way to measure it and predicting its effect on business results.

How drivers of engagement evolve
The key drivers of employee engagement change with economic conditions, generational shifts in the workforce, and events within an organization. And the most powerful drivers of employee engagement may change over time.

One employee database that spans multiple industries, geographies and employee types, and has been used to continuously track and monitor the opinions of the labor force since 1974, has produced a variety of research studies on employee engagement.1 A 2005 study, for instance, showed that engagement was most influenced by teamwork and respect within a workgroup, the ability to learn and grow, and employees’ belief that their supervisor was fair and transparent. In 2010, during the economic recession with widespread job loss and elevated unemployment, the drivers of engagement shifted to senior leaders’ stewardship, the survivability and competitiveness of their organization, and job security. In 2015, these drivers reflected a hybrid of 2005 and 2010, including teamwork, career growth, and employees’ relationship with their supervisor. However, the most powerful drivers of employee engagement continued to be senior leadership performance and a relevant and strong organization.

The connection between culture and engagement
So what do the best organizations look like culturally? Nearly all that are recognized as best in class have higher levels of employee engagement and strong business performance. Employers that win accolades for treatment of employees and business excellence, such as the annual Fortune 100 Best Companies to Work For list, share some common attributes. They exhibit heightened interconnectedness between leaders and employees – a tight-knit “community” working toward a common vision. Employees and leaders share the same attitudes in the highest performing organizations. Compare this to low-performing organizations where significantly different views between leaders and employees are often observed – with leaders’ views being more favorable.

The ROI of building engagement
Research demonstrates the power of building and sustaining a highly engaged workforce. A recent study drawn from data on multiple hospitals explored the impact of employee engagement on the experiences of inpatients.2 The results showed that for every unit increase in employee engagement, the proportion of patients rating the facility as the “best hospital possible” increased by 15%. Similarly, the proportion of patients who would definitely recommend the
hospital’s services to others increased by 11%. Here, a more engaged workforce delivered higher customer satisfaction – a meaningful metric for any organization.

A 2010 study concluded that engagement was linked to turnover and replacement costs. For each unit increase in employee engagement, the level of voluntary turnover decreased by nearly two-thirds. And for every 1,000 employees who shifted from low to high engagement, over $3.13 million in savings was achieved. Two more meaningful results stemmed from improved employee engagement – a higher employee retention rate and lower costs associated with hiring replacement talent.

Clearly, improving employee engagement can have a significant effect on an organization’s bottom line. Employers interested in improving engagement should consider these key insights:

• First, it’s important to recognize that as engagement goes, so goes the business.

• Second, an organization’s key drivers of engagement change over time. Focusing on improving the same issues year after year may promote a focus on the wrong issues.

• Third, trying to optimize employee engagement but working on the wrong things puts business performance at risk.

• Finally, once an organization’s engagement score and drivers are identified, an action plan must be implemented and followed by leaders at all levels to improve the drivers.

Simply stated, employers must measure the factors that drive engagement on a regular basis to identify shifts, and then implement action plans to adjust. When this happens, the factors that drive engagement improve, elevating engagement levels and triggering better organizational outcomes. In short, these employers become high-performing, destination workplaces for employees.