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Why Employee Engagement Matters

The May/June 2011 edition of the *SRA Update* explored non-monetary factors that motivate employees in their career decisions. These factors may also play an important role in combating another problem facing many organizations worldwide – disengaged employees. Beyond increased turnover, apathetic and disengaged employees create a host of other issues for companies, like decreased productivity and employee morale.

Widespread Global Issue

In a recently published survey, Mercer LLC found that 32% of employees in the United States are seriously considering leaving their company and another 21% would not commit to staying or leaving. Therefore, over half of the employees in the United States are not committed to their current employer. This phenomenon is not unique to the US. *The Employee Engagement Report 2011* published by BlessingWhite, Inc. found that only 31% of employees worldwide are engaged and only 61% of employees worldwide plan to remain with their current organization for the next twelve months. According to the BlessingWhite report, India had the highest percentage of engaged employees (37%) and China the least (17%) with North America and Europe in the middle (33% and 30% respectively). These findings make it clear that many organizations around the world are faced with the challenge of motivating and inspiring the majority of their workforces.

The Grass is Always Greener . . .

Obviously, career opportunities presented by other employers will be attractive to disengaged employees. In an April 2011 publication entitled *Talent Edge 2020: Building the recovery together*, Deloitte reported that 65% of employees were either actively or passively looking to leave their current employer. Organizations with low levels of employee engagement are likely to experience higher rates of turnover. There have been numerous studies detailing the costs of employee turnover. If a company chooses to

replace a former employee, it will incur additional expenses in recruiting, training, and potentially, compensating the replacement. In addition, a search can take months, which means the company will experience a loss in productivity unless remaining employees are able to effectively fill the void left by their former colleague.

Longer Term Implications

While lack of commitment to one's current employer is a problem across all generations, younger employees are less likely to be engaged. In particular, "Generation X" (ages 32 – 47) employees express the most frustration with their current positions. The aforementioned Deloitte survey reported that only 28% of Generation X employees plan to stay with their current employers. Many employees in Generation X hold managerial and executive level positions. Companies have invested in these employees, and in many cases, Generation X employees figure prominently in corporate succession plans. Losing these employees and finding suitable replacements can have long term ramifications for a company.

Increased Importance of Productivity

The typical definition of employee engagement includes the level of commitment exhibited by an employee and the contributions the employee is willing to make. A good number of companies have chosen not to replace many of the employees laid-off during the recession. These companies must rely more heavily on the remaining employees which makes employee productivity critical to their success.

If, as recent studies suggest, only a small percentage of all employees are actually engaged, companies with "lean" workforces may experience more pronounced productivity problems. Oftentimes, employees searching for new opportunities will use more vacation and personal time, and even when physically present, they may have mentally "checked out." In

addition, employees who are just “going through the motions” are probably not very productive either. Instead of seeking solutions or improvements for the company or striving to exceed expectations, these employees are content to put forth the bare minimum effort necessary to keep their jobs. Lack of effort does not normally translate into growth for a company. In particular, leadership at a company in a client or customer service industry with unenthusiastic employees will likely see a negative impact on the bottom line.

A Disruptive Force

“Actively disengaged employees” not only do not care about their jobs but are openly hostile or negative regarding the organization or its management. In addition to their own lack of productivity, the activities of actively disengaged employees can adversely affect overall employee morale leading to more apathy and disengagement. Even worse, actively disengaged employees may also sully a company’s reputation. These employees tend to convey their negative viewpoints to anyone who will listen, inside or outside of the office. Social media sites, blogs, and other “Web 2.0” platforms provide even larger forums which can create real problems for an organization, not only in recruiting and retention efforts, but also with customers and clients. In many cases, decision makers at a company may find that the benefits from terminating an actively disengaged employee outweigh the costs incurred in recruiting and training a replacement. However, a large number of actively disengaged employees or a high frequency of employees reaching that point are symptoms of a much larger systemic problem.

Why So Much Frustration and Apathy

Many of the recent surveys on employee engagement also examined the reasons behind the high levels of employee dissatisfaction. Although results differed by region, gender, generation, and other factors, there were common themes. Not surprisingly, several of the organizational shortcomings noted are consistently identified by employees as important motivating factors in their career decisions. Lack of career advancement opportunities, distrust of managers or executives, lack of communication from company leadership, lack of a clearly defined plan or direction, and lack of recognition or appreciation are all reasons cited for decreased employee engagement.

Tangible Results

Employee engagement seems like a “warm and fuzzy” concept, and leaders focused on bottom line results may hesitate to give it much consideration. However, taking steps to improve employee engagement can have positive tangible results – from decreased turnover and the costs associated with that to increased productivity and ultimately, improved performance. *The Employee Engagement Report 2011* from BlessingWhite cited several studies from other research and consulting organizations which found a positive correlation between employee engagement and financial performance. The most recent findings of Gallup, Inc. show that organizations with the highest levels of employee engagement worldwide enjoyed earnings per share 3.9 times greater than those organizations with lower employee engagement in the same industry. (See: www.gallup.com/consulting/52/Employee-Engagement.aspx)

Recruiting Future Engaged Employees

In recruiting, it is vitally important to find a candidate to fill an open position, who not only has the requisite skills and experience, but who also will be a great fit at the company and become an engaged and productive employee. When conducting a search assignment, a Sanford Rose Associates® executive search consultant probes deeper to find a candidate who is a great match for the position and the company by using our proprietary Dimensional Search® process to match (1) the client’s expectations for the position with those of the candidate, (2) the technical requirements for the position with the candidate’s education and background, (3) the candidate’s experience and personality with the company’s culture, (4) the chemistry between the hiring manager and the candidate, and (5) the candidate’s experience and prior results with the client’s expectations for the major, measurable initiatives of the position. Engaged employees can make a real difference in the success of a company, and for more than 50 years, Sanford Rose Associates® has been committed to “Finding People Who Make A Difference®” for its clients.

—Rick Carter

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