

The link between Employee Engagement and Business Outcomes

Background

When discussing Employee Engagement with managers we are often asked “Yes, but what is the link between employee engagement scores and business outcomes?”. This Whitepaper discusses these links and suggests some practical ways to build these linkages between the HR department and management teams and ways of putting these links into action.

Most Managers don't really understand Employee Engagement

In our experience, many organisations conduct Employee Engagement surveys but fail to communicate the meaning of the results to the average line manager. In particular, the relationship between other business data and Employee Engagement is not researched or compiled and in the absence of this data, managers and executives say “So ? My divisions score is lower than the other divisions. You know we have business issues to attend to. Why waste our time with employee engagement scores ?” Without data to support the Employee Engagement scores, these scores get lost in business activity focused on profit and loss statements, profit margin reviews, customer retention scores and other line management priorities.

This represents a growing problem. In Year One of conducting the Engagement Survey, the management team listens to the engagement results but without direct connection to their issues, they don't act. In Year Two, they have learned that nothing happens if Employee Engagement scores are ignored. By Year Three, very few people are listening, Engagement scores are posted and life goes on.

The Brush Off

The simple answer to this dilemma is to give the line managers exactly what they want, namely Employee Engagement data correlated with Business data which they understand and already have access to.

For example, let's assume we have conducted an Employee Engagement survey for a hotel chain.

The overall organizational Employee Engagement score is similar to last years score at, let's say, 63%. The Engagement survey however highlights several states where scores are particularly low, consistent with previous year scores. The managers of these states were provided with their scores in the previous years but have explained them away by describing various issues such as “We were an acquisition”, or “Our scores have always been lower as our demographics are different in this state. That explains the variances.”

As a consequence of these explanations, the Chief Operating Officer asks the regional managers to look into the low employee engagement scores but no real action is taken by the regional managers and the engagement scores are low again this year.

Business Data Correlation

This year, however, we have come prepared. After gathering the employee Engagement Scores, a further analysis has been conducted on each state to look at data correlations between the Engagement scores and:

- a) Average Hotel profitability in each State.
- b) Customer Satisfaction Scores in each State
- c) Employee Turnover in each State
- d) Employee Absenteeism in each State

We find there is a 90% correlation of Employee Engagement to Profitability, Customer Satisfaction, Employee Turnover and Employee Absenteeism. In other words, where Employee Engagement is low, profitability is also low, as is Customer Satisfaction, and Employee Turnover is higher as is Absenteeism.

A quick calculation demonstrates that just the higher rates of Employee Turnover are costing the hotel chain several millions of dollars each year, this is affecting Customer Satisfaction (ascertained from the customer satisfaction survey) which in turn is affecting repeat visits, and will eventually affect profitability.

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Armed with correlated Employee Engagement data, the COO then suggests “Surely this can’t be right. What’s really causing this issue and what’s the underlying problem because this is costing us a fortune?”.

A drill down in the Engagement Survey reveals that, for example, these states all have particularly low scores on Career Development. Some of the Engagement scores reveal comments like “I am not going anywhere in this organization so I am leaving” or “There is no opportunity for advancement here”.

Management Round Table

Now that the COO knows that this is a serious problem, she convenes a state manager’s conference where the Engagement scores are revealed and discussed. Several issues may immediately become apparent. For example :

- a) All states where Engagement Scores are higher have a higher retention rate for employees.
- b) The states where Engagement Scores were higher tend to operate a job rotation scheme. This gives employees the opportunity to experience other job roles and work in other parts of the hotel. Career Development scores are consistently higher in all states that operated this type of job rotation scheme.
- c) Repeat visitors to hotels were higher where employee turnover was lower. This was confirmed through customer repeat visitation reports.
- d) Operating Margins were higher in all states where Employee Engagement scores were higher. The state managers felt this was because customers negotiated less on rates where they know the employees and negotiated harder on room rates where they had no emotional attachment or

relationship with the hotel.

Every manager leaves the conference with actions. A project manager is assigned to ensure the actions get completed and the COO is updated by the project manager each month.

Clear Linkages Get Management Attention

By being able to demonstrate clear links between Employee Engagement and other Business Indicators, Employee Engagement becomes central to business management and gets treated in a similar way to Profit and Loss results.

In the absence of linkages back to other Business Indicators, Employee Engagement may get some airplay and discussion but often “falls off the radar”. The clear message is; if you want Employee Engagement to really get traction, correlate your Employee Engagement Survey data with other Business Indicators that line managers understand and hold in high regard.

Why is There no or Little Data Correlation?

Although there was always a perceived link between employee engagement and business indicators, the lack of data correlation meant that there were very few actual cases where data was correlated.

Given this situation, Employee Engagement data has typically been presented as a standalone data set for managers to draw inferences and connections to business data indicators, such as customer satisfaction scores.

With the advent of new employee Engagement survey tools that provide actual data to make comparisons (not just reports), it is possible to make comparisons on Employee Engagement relative to other factors such as Customer Satisfaction, Patient Care, Occupancy Rate and other business indicators.

Demographic Planning – before the survey

For any data correlation to be done, we would ideally require a demographic match with the other data you

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want to make a correlation with. Using the previous example, if we wanted to make comparison with customer satisfaction by state then we would need to collect employee engagement by state, rather than by hotel name for example.

Typical Data Correlation Sources

There are many different types of data correlation that are perfectly valid to make depending on the industry and the key metrics for that industry. Following are just a few different examples of business indicators to which Employee Engagement can be correlated:

- Customer Satisfaction score by State/Location
- Repeat visitor ratios relative to Employee Engagement
- Room occupancy rate by State/Chain
- Patient Satisfaction score by Hospital/ward
- Employee Turnover by State/Location
- Employee Absenteeism rate

Summary

In a line manager's world Employee Engagement can very quickly get lost amongst competing priorities. Line managers do not always have the skills or background to "connect the dots" between Employee Engagement and other Business Indicators.

In order to demonstrate clear linkages and correlations between Employee Engagement and other Business Indicators, the attention and immediate respect of line managers will result in business actions that benefit the employees, organization and Engagement Manager as an instigator of the Employee Engagement process.

Funding for Employee Engagement programs will be more readily available as CEOs and other decision makers will be able to clearly demonstrate the impact Employee Engagement is having on the business.

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