

The transformational business impact of employee engagement



In summary

Employee engagement is crucial in helping businesses boost customer satisfaction, productivity and, consequently, their bottom line, which is why it should be ignored at leaders' peril.

Here, we explore the complex concept of engagement and explain why it is essential that every business in pursuit of profitable growth needs to understand fully the fundamental drivers that help engage staff and motivate them to perform at their best.

These drivers vary between generations, with Millennials highly valuing the opportunity to learn, grow and develop through work, so attention needs to be paid to these differences, as well as to ensuring that this work is fun.

Employee engagement is a concept that describes the extent to which employees are emotionally invested in their work and willing to go the extra mile to get the job done.

No single definition

There is no single definition of employee engagement, but an engaged employee is generally happy in their work, emotionally attached to their employer, believes in the values of their business in which they are employed, and most importantly, is more productive than their unengaged peers.

Employee engagement is key to the success of Lloyds Banking Group's telephone banking business, as **Martin Dodd**, *Managing Director* explains: "Employee engagement is everything to my business. I have 8,000 people based in 15 sites up and down the country [and] we are open 24 hours a day, seven days a week, so actually the difference in my business is my people."

Matthew Dearden, *President, Europe, at Clear Channel*, agrees: "The magic bullet that makes the difference is the quality and engagement of the people who are driving the business."

As authors Andrew J. Oswald, Eugenio Proto and Daniel Sgroi explain in their report, *Happiness and Productivity*, (February 2014), four experiments they conducted each produced evidence consistent with

the idea that happier workers are intrinsically more productive.

Consequently, an engaged employee is expected to remain with their employer for longer than unengaged peers.

Gallup's Business Journal entitled *Retaining employees: how much does money matter?*, (January 2016), found that 54% of disengaged employees would consider leaving their employer for a pay rise worth 20% or less.

Businesses can generate substantial cost savings by retaining staff.

Organisations that invested in integrated talent management suites reported a 270% greater ROI, compared to those investing in stand-alone performance management, learning management, or recruiting systems. This is because these suites provide a more wholistic view of performance and impact of performance.

Source: Moving Mountains, Erik Berggren and Keith Messick, SuccessFactors Research Whitepaper, (2009)

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Greater customer satisfaction

Engaged employees are also more likely to deliver higher levels of customer satisfaction.

As **Joanne Thompson**, *Chief Executive Officer at Penrillian*, says: “An engaged workforce does have a link to satisfied customers, because you get somebody that is an evangelist for your company turning up to meet with customers or delivering something to customers.”

Paul McNamara, *Group Chief Executive at IFG Group*, agrees: “Employee engagement is a huge part of our business success, principally because the service that we give to our clients is massively driven by the extent to which our clients are served by

our employees and, therefore, the extent to which they are motivated, engaged [and] curious about the needs of our clients.

In a financial services environment, it makes all of the difference between a customer being satisfied or dissatisfied with our service.”

Jonathan Cowan, *Vice President at Sage Europe*, agrees: “An engaged employee will go the extra mile. They will do the thing that they otherwise wouldn’t have. So they will spend the extra 20 minutes with the customer understanding the problem; they will spend the extra 10 minutes asking the question that they might otherwise not have; they will get under the skin of something; they will understand the true insight behind the customer’s

problem or what problems need to be solved, and then they will take it back into the business and they will make a difference.”

As Doug Conant, *Former CEO and President of Campbell Soup Company*, said “To win in the marketplace you must first win in the workplace”. Employee satisfaction is linked to customer satisfaction, which is linked to organisational performance. Everything comes back to how you treat the employee. Do they get recognised for their contributions?

Case study: Empowered colleagues save lives

Barclays drives workplace innovation by empowering its colleagues to contribute to the business in a wide variety of ways.

A recent cardiopulmonary resuscitation (CPR) training day is a case in point.

The death of an employee who could have been saved by the use of CPR motivated his colleagues to organise a CPR training day for the business in his memory.

They aimed to train 10,000 colleagues in CPR over a 10-day period, but actually managed to get 12,000 colleagues from across the country through the training sessions by the end of the period.

Steve Cooper, *Chief Executive Officer of Personal Banking at Barclays*, says: “The interesting thing is, within a month or two of the training eight of them had saved the life of someone out and about. Just think about the power of that.

“Those stories have gone around the organisation. First of all, you’ve got a team who’ve lost a colleague feeling really good about [saving lives], the poor colleague’s wife came in and saw what had happened in her

husband’s memory and she feels good about that and I’ve got 12,000 colleagues who’ve got a new skill and feel good about that and have actually put it into practice.

“That’s just wonderful, and for a business leader, you’ve got to feel good about that kind of environment.”

“If you don’t have empowered colleagues or colleagues who think they have a role or an opportunity to either put their paw print on the business or come up with ideas to make it better, you’re not going to progress as a business,” Steve adds.

Engaged staff can boost productivity

The impact of engagement can be found in the bottom line. An engaged workforce will help to boost an organisation's productivity levels and, therefore, its financial performance.

The Gallup business journal entitled *Only 35% of US managers are engaged in their jobs* (April 2015), describes the difference in impact on performance between engaged and actively disengaged employees. Businesses with the highest level of engaged employees nearly doubled their odds of success compared with those in the bottom half.

Barclays share this view, **Steve Cooper**, Chief Executive Officer of Personal Banking, explains: "I think colleague engagement strategies have a big impact on productivity levels. Let's just take the business I lead, which is a retail bank.

My turnover is up, my revenue is up, my profitability has doubled over the past couple of years [and] the number of people I have in the business has gone down by 30%. Interestingly, at the same time, colleague engagement has gone up."

"Undoubtedly, if you have happy colleagues you will get a better financial performance," he adds. This link was highlighted by several of our business leaders.

Jane Griffiths, Company Group Chairman at Pharmaceutical Company, Janssen EMEA, agrees: "Intuitively, I believe engagement is linked to financial performance." So, too, does **Paul Budge**, Managing Director at Bunzl. "If we've got great employee engagement, the numbers tend to look after themselves," he says.

"Without a doubt, where we have got businesses with great employee engagement, everything becomes a lot more straightforward. The confidence of the business rises, the quality of what it delivers rises and often the results come through as well," he adds.

“ Undoubtedly, if you have happy colleagues you will get a better financial performance ”

Steve Cooper

Chief Executive Officer of Personal Banking at Barclays



Employees who feel a sense of control over their job were



57%

more likely to be engaged



53%



more likely to be productive

Understanding engagement drivers is key

Business leaders need to understand the key drivers of employee engagement to make a sustained impact on productivity.

A study by Mars Drinks entitled *The Power of Choice at Work*, (2016), strived to uncover what gives employees a sense of wellbeing at work and found that a sense of purpose was ranked first by Millennials (employees reaching adulthood around 2000). This generation highly values the opportunity to learn, grow and develop through work, according to the study.

A sense of ownership of their role was important to employees of all ages, with those who felt a sense of control 57% more likely to be engaged and 53% more likely to be productive.

Work must be enjoyable

But **Jane** believes that one of the most important drivers of employee engagement is enjoyable work. She explains: "We're working long hours, [so] you need to get on with your colleagues and you need to enjoy what you are doing."

"If you get up early to come to the office to do something and get it done quickly so that other people can get on with their work, you have got to be motivated. You get extra productivity out of people who are engaged and enjoying what they do."

So, business leaders who offer their workforce a sense of fun, purpose, ownership and the ability to learn, grow and develop through their work, are more likely to optimise employee performance. With this comes increased staff retention and customer satisfaction rates and, consequently, higher productivity and profitability.

This helps explain why employee engagement is so important and should be ignored at leaders' peril.

“ You get extra productivity out of people who are engaged and enjoying what they do ”

Jane Griffiths

Company Group Chairman at Pharmaceutical Company, Janssen EMEA

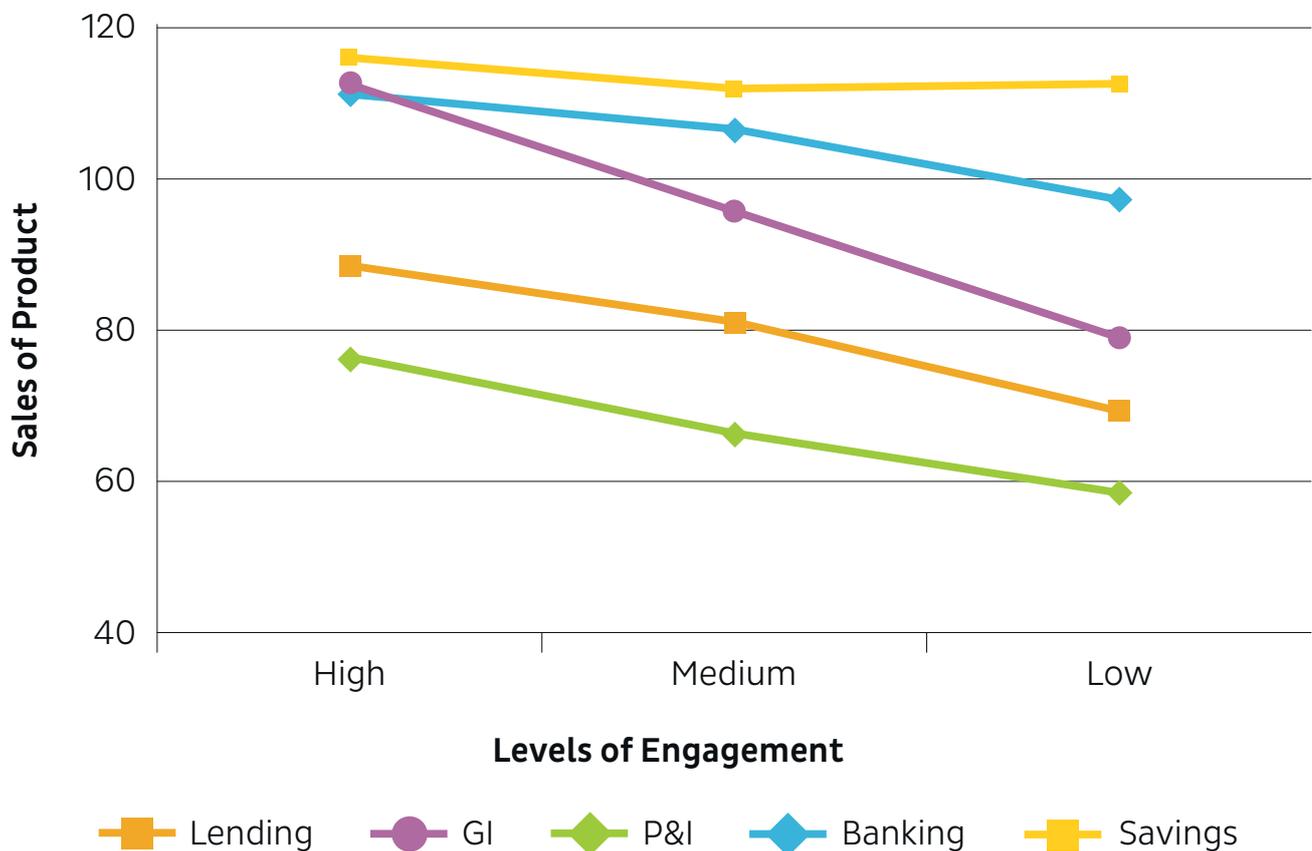
Employee engagement and financial performance

Showcased in the 2009 report, *Engaging for success*, building society Nationwide demonstrated the correlation between employee engagement levels and retail sales across a number of product lines (Lending, General Insurance, Protection and Investments, Banking, and Savings - see chart below). Areas with high engagement scored 14

percentage points higher on sales of banking products than those with low engagement scores, and were 34 percentage points higher on sales of general insurance.

If employee engagement is not part of an organisation's strategy, then they will be competitively disadvantaged. Employee engagement is becoming

crucial in helping businesses boost customer satisfaction, productivity and profitability levels. With the changing employment landscape, rise of the gig economy and increase in multi-generational workforces, an unengaged workforce can undo an organisation from the inside.



Source: *Engaging for success: enhancing performance through employee engagement*, David MacLeod and Nita Clarke, (2009).