



Why is Employee Engagement Important?

Gareth English – Head of Insight

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Why is engagement important to businesses? It's simple: to make higher profits. Businesses with more engaged employees perform better. Need convincing? Numbers please:

- Businesses with more engaged employees have 51% higher productivity ¹
- Businesses with more engaged employees have 3% higher revenue growth ²
- Businesses with more engaged employees have 4% higher profitability ¹
- Businesses with higher engagement have 9% higher shareholder returns ⁵

Have I got your interest? Good. In the rest of this article I'm going to cover what employee engagement is, the mechanism by which it influences business performance and most importantly what you can do to understand and increase employee engagement in your organisation.

So what is employee engagement?

The term employee engagement refers to the individual's involvement and satisfaction with as well as enthusiasm for work ¹. Whilst (as with any complex area) academics and practitioners may use slightly different definitions, most of them see engagement as containing a number of common elements:

- An intellectual engagement: thinking about the job
- An affective engagement: feeling passionate about the job
- A social component: looking for opportunities to discuss work with other people
- A motivational factor: investing additional effort in the role.

So basically engaged employees are more enthusiastic, more positive, think about their work more and contribute more to the organisation. You can see why achieving employee engagement is such a popular idea.

But employee engagement isn't just a theoretical notion or number. We're all experienced working with people with low levels of engagement: they tend to be distracted, or focused only upon a narrow definition of their role with no interest in helping colleagues or improving their performance. When we're their customers, the whole process is painful and at best we will continue to buy despite them, at worst we will take our business elsewhere.

On the up side many of us have been lucky enough to experience the reverse: engaged employees who loved their jobs, looked for ways to make themselves and their work more effective. As customers, it's a delight to do business with people like this as they will go out of their way to make sure that we're satisfied.

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So how does engagement influence profitability?

As the opening statistics showed, engagement is associated with a whole range of positive business outcomes, but how do more engaged employees achieve this? There are two main routes:

1. By decreasing business costs
2. By increasing revenue

1. Decreasing costs

More engaged employees are more likely to engage in 'citizenship behaviours'. This means that they are more likely to work additional unpaid hours, more likely to communicate broadly, more likely to innovate and to learn on the job. All these factors reduce the cost of delivering your services, which increases your profitability.

Engaged staff are also five times less likely to leave than disengaged colleagues². This means that if you have more highly engaged employees then you will have reduced turnover and therefore you can reduce those search and selection costs as well as the management and admin time associated with recruitment. You can of course add the cost of inducting and training new staff to these savings.

2. Increasing revenue.

Simply put, more engaged employees work in more customer-focussed ways. They believe they can do more to aid the customer and go out of their way to help them. They are more likely to engage with the client on a positive emotional level and more likely to respond well to increased responsibility. Furthermore, engaged employees are more likely to say that they care deeply about customer satisfaction, and have a strong ability to serve customers². This all serves to increase customer satisfaction, and the higher your customer satisfaction, the more likely you are to establish long-term profitable relationships with clients. Long-term relationships mean of course greater opportunities for up-selling, cross-selling, customer loyalty and customer brand promotion. As we all know these in turn increase both revenues and profits.

How to increase engagement?

OK. So you have decided that you want to take advantage of the increased business performance offered by a more engaged workforce, so how can you go about it? Well whilst it's not as simple as sending around a round of engaging emails, there are some straightforward levers that you can use to increase engagement. For example providing staff with:

- The resources and training they need to do a good job
- A vision of how their work is meaningful
- Opportunities to develop
- Authority to exercise choice or judgement in their work

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As you can imagine, much of this depends upon the line manager relationship and so ensuring that you and your managers have the requisite engagement skills will play a huge part in increasing the engagement of employees.

Therefore to maximise engagement, you should look to up-skill your managers and help them to see the impact that increasing the engagement of their staff can have on the experiences of customers and the performance of the business. According to a recent survey by the Chartered Management Institute³, 63% of managers had no formal training in management before taking on their senior roles. How many hours of people management training have you or your managers had?

What can you do today?

And a simple first action? Research⁵ has identified that employees feel much more engaged if their manager recognises and appreciates good work, regardless of the rest of the engagement climate. So this is a good starting point. Look for opportunities to show appreciation to your employees when they do a good job. You will make them feel more engaged, but remember, this is just one part of the process.

How can Lorien Connect help you?

Once you have decided that you are interested in understanding the level of engagement in your organisation, the next step is to get some direct information on how engaged employees actually feel. To enquire about how Lorien Connect can provide a staff engagement audit, contact us at Gareth.English@lorienconnect.com.

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References

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