



How Business can find a silver lining in Economic Uncertainty

Our current economic climate has created an uncertain business environment that is distracting at best and often paralyzing. Companies and employees react in a similar fashion. The good news is the key to attaining the level of performance needed to grow, thrive and successfully compete in this environment may be waiting right outside the CEO or owners office door.

It's called Employee Engagement—

“the ability and willingness of individuals to exert discretionary effort —going above and beyond— to ensure the success of the organization.”

Improving the level employees are engaged in the success of a company can not only be the difference companies are seeking, it may be the single-most effective way to improve organizational and financial performance.

Consider the following Towers Perrin and Gallup research findings that detail the financial results realized by organizations with a high level of employee engagement—

Towers Perrin—

- Companies with highly engaged employees had an average 19% increase in Operating Income.
- Companies with lower engagement saw Operating Income drop by more than 32%.
- A 5 percentage point spread in Operating Margin between highly engaged companies and those with low engagement.

- A 3 percentage point spread in Net Profit Margin between companies with high versus low engagement.
- In addition to improved financial measures, improving employee engagement also has a positive impact on other performance factors that are often elusive for many organizations.

Gallup 2009—

Compared to businesses in the bottom 25% of employee engagement, Businesses with employee engagement ranking in the top quartile have:

- 12% higher customer advocacy
- 12% higher profitability
- 18% higher productivity

Compared to top 25% businesses, bottom quartile businesses experience:

- 51% more inventory shrinkage
- 32% to 51% more employee turnover
- 62% more accidents

The upside for companies—results can be attained with relatively little financial investment. Improvement in many cases involves a time commitment of senior management and a commitment to improving the skill sets and communication of the management team.

The Towers Perrin and Gallup studies make a compelling point; employee engagement is arguably the single most important



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performance improvement factor for any company. A factor that can be more readily attained in challenging times like these.

Ironically, the very situation that challenges the survival of companies can be the agent of change companies need. Economic uncertainty can be the catalyst for realizing improved engagement that can drive performance.

Now more than ever, employees are VERY interested in the success of their organization. Employees want to be assured that their company will survive our economy and they will continue to have the work they need to pay the rent.

Times of uncertainty are opportunities to galvanize individuals into cohesive teams. Individuals will rally around a cause if they understand the situation, what is expected of them, and how their contribution can have a positive impact on the health of the organization and the security of their position.

In their book *Closing the Engagement Gap*, authors Julie Gebauer and Don Lowman of Towers Perrin, underscore the difference an engaged workforce can make in tough economic times,

“Engaged employees not only help companies succeed in times of growth, but also help their company weather economic downturn. . . bringing resiliency and optimism to the workplace in tough times, shortening the period needed to turn a business around.”

The Towers Perrin 2007-2008 Global Workforce Study, titled **“Closing the Engagement Gap: a Roadmap for Driving Superior Business Performance”** revealed that four out of five workers worldwide are NOT delivering their full potential to help their organizations succeed.

The Towers Perrin study also found that—

- 20% are Engaged: they enjoy a rational, emotional and motivational connection with their organization that results in a willingness to go above and beyond (discretionary effort) to help the organization succeed.
- 41% are Enrolled: capable, care, ready to be engaged but are not inspired or motivated to provide discretionary effort
- 30% are Disenchanted: some connection could be converted to a higher level.
- 9% are Disengaged: virtually no positive connection with their organization, not performing to their capability and no intention to do so.

Imagine the performance impact of narrowing that gap by converting just 25% of the Enrolled to Engaged. What if 30% or 50% could be converted? Or 50% of the Disenchanted converted to a higher level. This level of engagement is not out of grasp. In fact it may be closer than you may realize.

While employees may be more willing to increase their involvement in the success of their organization, it is important that the company fulfill their expectations before engagement can be attained. QUANTUM WORKPLACE the nation’s leader in measuring employee engagement recently compared the 2007 – 2008 engagement survey results of 210 companies. Their analysis isolated five key areas of focus for managers that can positively impact employee engagement during economic crisis. Of these five factors, two are communication based and three are security based.



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Here is a synopsis of their findings:

1. **Setting clear, compelling direction that empowers each employee.**

In difficult times it is more important than ever for Senior Management to clearly and frequently communicate where the company is headed, why and how each person can make a contribution. To put it simply:

“Leaders need to make sure employees are in the boat, know where it is going and have an oar in the water.”

2. **Open and Honest Communications.**

During times of uncertainty employers may be hesitant to keep lines of communication open. QUANTUM advises that the exact opposite is called for. Employees need a constant stream of information, reinforced in different ways by different parties using different media. Inform and inform often.

3. **Continued Focus on Career Growth and Development.**

Job satisfaction is still an important contributor to employee engagement. QUANTUM has found that part of the concern employees have about the future in a recession is not only the status of their current job but their ability for growth in the future. Employers should make every effort to continue to invest in the development of employees in ways that are affordable.

4. **Recognizing and rewarding high performance.**

The second security related factor is the importance of the employees’ perception of fair pay and being appreciated/recognized. QUANTUM advises, “Now more than ever employers need to actively seek opportunities to reward employees who are making outstanding contributions to the success of their organization. Non-monetary recognition can go a long way to helping employees feel appreciated”.

5. **Employee benefits that demonstrate a strong commitment to employee well being.**

Basic security needs such as health care benefits, become very important to employees during times of economic insecurity.

While most companies cannot afford to maintain let alone enhance benefits, QUANTUM advises employers to regularly communicate to the benefits that are available and how to access those benefits.

Improving employee engagement starts with improving top managements open, honest, and frequent communication directly to employees. That process can be dramatically improved by starting first with a process to measure the engagement level of employees to define where opportunities can be found. It involves information, commitment, and training more than financial investment. And most importantly, economic uncertainty has made employees willing participants in your efforts to improve organizational performance.

“Most companies will survive the economic crisis. The opportunity lies with how well they will survive and how well they are positioned for growth when it is over. Improved Employee Engagement is the one performance factor that is attainable and sustainable for any organization and one that can yield significant returns across many performance factors during, and after the crisis.”



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Cost of Disengaged Employees

Overview:

- Conservative estimates indicate organizations lose one hour productive time per day for every employee that is not fully engaged.
- Calculation based on sample organization with—
- An estimated average total hourly cost (salary + benefits) of \$15/hr.
- 100 employees

Lost Hours Only | Normal environment —

100 employees @ \$15

— 20% normally eng.

80 dis-engaged 1hr./day x \$15

\$1,200/day

\$24,000/Month

\$288,000/year for every 100 employees