Change the way the world works

The Cost of Disengagement to Financial Services and Banking Industries

Growth is back. Don't let employee disengagement limit yours.

Engaged employees are a company's greatest competitive advantage. The Forum for People Performance and Management notes, "Because of its uniqueness among service enterprises, the banking industry, in order to compete and attract and retain clients, requires a very high and flexible level of client service from front-line tellers and other client support staff. Therefore, managers in the banking industry need to find innovative ways to motivate, recognize, and reward employees who demonstrate high levels of client service."[1]

Disengagement costs the U.S. economy nearly $550 billion per year in lost productivity. In the finance and banking industries, 17.2 percent of employees plan to quit their jobs—soon.[2] And with a 73 percent increase in available jobs since July 2009,[3] employees have plenty of options. Leaders in the financial services and banking industries need to reconsider the way they think about employee engagement. It's time to create a strong recognition strategy.

Inside The Cost of Disengagement to Financial Services and Banking Industries:

- Learn why competing in today's finance and banking environment is more difficult than ever and what you can do about it.
- Understand the costs of employee disengagement in the financial services and banking industries and how it impacts business productivity, retention, absenteeism, client satisfaction, and ultimately, profitability.
- Discover actionable best practices, learn to abandon old-school engagement strategies, and triumph over disengagement.

Five ways disengagement threatens finance and banking businesses and what you can do.

DISENGAGED EMPLOYEES CREATE POOR CLIENT EXPERIENCES.

The financial services and banking landscape has changed. Clients are guided by social and peer reviews, and they're increasingly partial to businesses that not only uphold ethical standards, but deliver exceptional client service. By the time clients bring their business to you, they already know everything there is to know about your business, from your products to your company culture—and their expectations are high.

Client switching is becoming a worldwide trend. In 2013, switching due to poor client service soared to 66 percent—a 4 percent increase from 2012. For banks, 20 percent of business lost to competitors was due to poor service—higher than both internet service (18 percent) and wireless providers (17 percent).[4] By providing inadequate service, businesses are leaving millions on the table—or in their competitors' pockets.

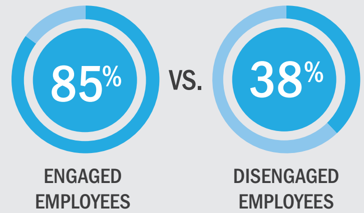
When it comes to retaining clients, their experiences are just as important as your products and services. Eighty-nine percent of clients will do business with a competitor following a poor client service experience and 86 percent are willing to pay for better service.[5] Whether it's before, during, or post-business interaction, clients need to know that their representatives are engaged and empowered to ensure their needs are met.

Ultimately it's your employees who create the experience for your clients—good or bad—and influence their emotional connection with your company. Engaged employees who are accountable for and invested in their client relationships create happier clients who are more likely to spend more, come again, and refer their networks to your business.

Empower your employees to create positive client experiences:

- Define your clients' needs and align your employees' daily habits to be in sync with their expectations. Help employees understand how client interactions impact the bottom line.
- Recognize your employees for achievements in the moment. Did someone provide excellent service to create a happy client? Recognize them in the moment to reinforce the behaviors that your organization values.

EMPLOYEE ENGAGEMENT DRIVES POSITIVE CLIENT EXPERIENCES



Research tells us that 85 percent of engaged employees display more caring attitudes toward clients, versus only 38 percent of disengaged employees.

Disengaged employees make 100 times more errors than their engaged colleagues.

$84 BILLION
Total annual costs related to absenteeism

The total cost of absenteeism can be as much as 36% of payroll

DISENGAGED EMPLOYEES ARE NOT PRODUCTIVE.

Disengaged employees make 100 times more errors than their engaged colleagues.[6] In the finance and banking industries, a single error can be costly, and may drive a client to a competitor. Leaders should look to curb mistakes by reinforcing exceptional performance with in-the-moment recognition.

Harvard Business Review indicates that finding the purpose and meaning in work is important: “When people take ownership of the work, they are more committed to it, more intrinsically motivated, more engaged—and that makes for better performance on all dimensions.”[7] But statistically speaking, only 37 percent of employees have a clear understanding of what their organization is trying to achieve and why—a critical piece of the employee engagement puzzle.[8]

Help employees understand their contribution to your business by setting clear goals, communicating expectations, and aligning them with your company’s values and objectives.

DISENGAGED EMPLOYEES CALL IN “SICK.”

Disengaged employees aren’t motivated to go to work. In fact, they’re actively avoiding going to work—and they call in “sick.” And while your disengaged employees are missing in action, the employees that did show up—your engaged employees—are forced to pick up the slack causing your entire company—and your clients, to suffer.

Total costs related to absenteeism amount to $84 billion annually.[9] A decrease of only 10 percent in employee absence could produce a one to two percent savings in payroll costs.[10] And that’s not all: “presenteeism” (lost productivity while at work) hovers at 7.6 days per year among highly engaged staff, versus 14.1 days for disengaged employees.[11] When it comes to staying ahead of the competition, you can’t afford the cost of presenteeism.

The best defense against absenteeism and presenteeism is a culture where employees want to come to work because they’re highly engaged. Empower your employees to be successful by creating an environment that meets their intrinsic and extrinsic needs.

Here's the cost breakdown: let's say your company has 1,500 employees and you experience an average 20% turnover. If your average base salary per employee is $50,000, you can expect to lose at least $3 million per year in turnover costs.

1,500 employees x *20% turnover* x *$50,000 average base salary*

$3 million
loss per year in turnover costs

When employees leave they take their knowledge, skills, and experience with them.

DISENGAGED EMPLOYEES WILL LEAVE YOUR COMPANY.

After financial considerations, the number one reason employees quit is lack of recognition—65 percent of employees don't feel recognized at work.[12] When employees leave, their skills, clients, and most importantly, institutional knowledge and experience, leave with them.

Turnover in the banking and finance industries is costly. Companies with high turnover rates suffer costs on average of 20 percent of salary, including expenses related to severance, recruitment, and onboarding—not to mention increased overtime and decreased morale for the remaining employees.[13]

Disengaged employees aren't motivated to drive results for your business—and they're looking to leave your company. A recent study of 150 banking employees revealed that about one-third of those surveyed were "fully engaged." At the same time, the "disengaged" and the "partially disengaged" groups totalled 65 percent of the workforce.[14]

As the economy continues to bounce back, employees have more choice than ever. Employers that value recognition and engagement will tempt employees to consider other opportunities. The banking and finance industries already have one of the highest turnover rates at 17.2 percent.[15] To stay competitive and attract and retain top talent, employers can't afford to ignore the power of recognition.

Engaged employees are 87 percent less likely to leave their organizations than disengaged employees.[16] If you're not already measuring your employees' engagement, it's time to start. Find out where you stand before attempting to address the problem. Once you have a benchmark, create a plan and become more agile. Don't wait for the end of the year to measure engagement—do it every day. Listen to employees and respond to their feedback quickly.

So what's your next move? Change the way you drive engagement in your workforce. Provide career development and coaching. And of course, recognize the achievements and behaviors that lead to positive action and exemplary results.

DOWNLOAD ▶ Discover the secret weapon to creating engaged employees with our e-book for managers.

DISENGAGED EMPLOYEES NEGATIVELY IMPACT PROFITABILITY.

Businesses with low engagement scores tend to have an operating income that's 33 percent lower than companies with high engagement. Additionally, companies with a highly engaged workforce experience a 19 percent growth in operating income over a 12-month period.[17]

For the banking and finance industries, the implications are profound. In companies where 60 to 70 percent of employees were engaged, the average total shareholder's return (TSR) is 24.2 percent. In companies with only 49 to 60 percent of engaged employees, TSR fell to 9.1 percent, and companies with engagement below 25 percent suffered negative TSR.[18] That's bad news for financial services and banking companies, which are among the industries with the lowest engagement scores.

Don't roll the dice when it comes to your workforce. There is a better way. Engage, align, and recognize your employees so they're inspired to achieve greater success. Turn the page to find out how to change the way your business works.

Companies with low engagement scores have an operating income that's 33 percent lower than companies with high engagement.

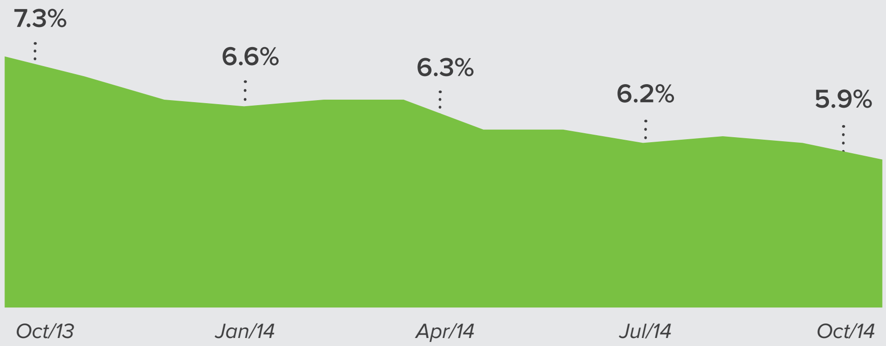
Triumph over disengagement

Disengagement is an ugly word. Whether it's a new concept or you've witnessed it firsthand, there's no doubt disengagement takes a toll on your business.

Top talent is in high demand and in short supply. This year will mark the lowest unemployment rate since 2008, making recruitment and retention of top talent a priority. According to a 2013 employment benchmarking survey, finding, retaining, and developing quality talent has become the world's number one business challenge.[19]

UNITED STATES UNEMPLOYMENT RATE

Percentage of the Labor Force



Source: www.tradingeconomics.com | U.S. Bureau of Labor Statistics

In the banking and finance industries especially, it's imperative to improve employee engagement, align employees to your company's objectives and values, and create an in-the-moment environment of recognition when employees create great client experiences.

It's a new marketplace. Focusing on employee retention and engagement should be a top priority and old-school engagement strategies need to be retired if you want to succeed.

The five all-important rules to remember about disengagement:

01 **Disengaged employees create poor client experiences.**
The banking and financial services industries have one of the highest client-switching rates, even above internet service providers.

02 **Disengaged employees are not productive.**
Disengaged employees make 100 times more errors than their engaged colleagues.

03 **Disengaged employees call in "sick."**
A decrease of only 10 percent in employee absence could produce a one to two percent savings in payroll costs.

04 **Disengaged employees will leave your company.**
Finance and banking has the highest turnover rate at 17.2 percent.

05 **Disengaged employees negatively impact profitability.**
Companies with low engagement scores have an operating income that's 33 percent lower than companies with high engagement.

Engage your employees, align them to your company's objectives and values, and recognize their achievements in the moment. Overcome costly disengagement, retain your talent, and drive business success.

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