

The Cost of Disengagement to Your Company

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

Engaged employees are a company's greatest competitive advantage. Retaining top talent may require you to reconsider the way you think about employee engagement today. Frankly, in today's business environment, your company isn't your employees' only option.

Disengagement costs the US economy almost \$550 billion per year in lost productivity.¹ Today, one third of employees want to quit their jobs.² Of course, this doesn't present a problem for the employee, since the number of available jobs has increased by 73 percent, from 2.2 million to 3.8 million, since July 2009.³

Inside The Cost of Disengagement to Your Company:

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

Five Ways Disengagement Threatens Your Business And What You Can Do About It.



DISENGAGED EMPLOYEES FIRE CUSTOMERS.

Today, customers do business with companies based on the level of service they receive. They need to know that the customer representative is empowered to help with any problems that arise during the purchase, or post-purchase. It is your employees who ultimately create the delightful—or not so delightful—experience for your customer, influencing your customers' emotional connection with your company.

Disengaged employees rarely *own* the customer problem. Sixty-eight percent of customers will not return because of poor service.⁷ At the opposite end of the spectrum, Northwestern University conducted a study in the hotel sector that revealed when employees do satisfy customers they are likely to spend 22 percent *more* during their hotel visit.⁸

So what to do next? Empower your employees to create more repeatable customer interactions.

- Align your employees' daily habits to be in sync with your customers' needs. Help your employees understand how customer interactions impact your bottom line.
- Recognize your employees for achievements in the moment. Did someone create a happy customer? Recognize them immediately and reinforce the behavior that made the difference.
- Provide the opportunity for customers to recognize your employees too and make sure that employees receive that feedback immediately.



DISENGAGED EMPLOYEES ARE NOT PRODUCTIVE.

Disengaged employees make 100 times more errors than their engaged colleagues.⁹ That's 100 times more energy, time and money wasted because of errors tied to disengagement. Avoid these errors by reinforcing exceptional work with in-the-moment recognition. Recognizing positive behavior will ensure that such behavior is consistently repeated.

HAVE YOU MEASURED YOUR NET PROMOTER SCORE (NPS) LATELY?

16%

Percentage of customers who will recommend your company for average service⁵

84%

Percentage of customers who will be happy to recommend you for great service⁶

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

\$84 billion

Total annual costs related to absenteeism¹¹



The total cost of absenteeism can be as much as 36% of payroll¹²

A decrease of only 10 percent in employee absence could produce a one to two percent savings in payroll costs.

Only 37 percent of employees have a clear understanding of what their organization is trying to achieve and why.¹⁰ Help your employees by setting clear goals, communicating expectations, and aligning them to core values and business objectives. Employees inherently want to be successful. If you can help them see an entire picture of success, you'll see a direct impact on improved engagement.



DISENGAGED EMPLOYEES CALL IN “SICK.”

Disengaged employees look for an escape route from the place they hate most—their workplace. Even worse, your engaged employees (the ones showing up to work and putting in extra discretionary effort) have to pick up the slack, negatively impacting their own performance. When employees call in sick, the organization suffers from a loss of productivity and increased health and insurance costs. Total costs related to absenteeism amount to \$84 billion annually.¹¹

According to Mercer, the total cost of absenteeism can be as much as 36 percent of payroll when combined with the cost of absence-related health care coverage.¹²

A decrease of only 10 percent in employee absence could produce a one to two percent savings in payroll costs.¹³

It's not easy to tackle the absenteeism problem, but you can create a culture where your employees want to come to work because they are highly engaged. Empower your employees to be successful by creating a meaningful work environment that makes them smile. Include your workforce in the front-end of planning and align them with business objectives. This will give your employees a greater perspective of corporate goals and inspire a purpose-driven workplace.

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



DISENGAGED EMPLOYEES WILL LEAVE YOUR COMPANY.

The number one reason employees quit is lack of recognition: 65 percent of employees do not feel recognized at work.¹⁴ When employees leave they take with them the knowledge, skills and experience that contributed to your success.

You should expect to pay at least one fifth of an employee's salary to replace that employee.¹⁵ This cost includes the following:

- Separation costs (exit interviews, severance pay, and higher unemployment taxes)
- Increased overtime and other costs incurred when existing employees pick up the slack to cover a former employee's duties
- Replacement costs associated with recruitment such as advertising, search and agency fees, applicant screening, interviewing, applicant travel, etc.
- On-boarding costs such as orientation, classroom training, certifications, etc.

Here's the cost breakdown: let's say your organization has 1,500 employees and you experience 10 percent turnover. If your average base salary per employee is \$50,000, you can expect to lose at least \$1.5 million per year in turnover costs.



1,500 employees

x



10% turnover

x



\$50,000 average
base salary



\$1.5 million

loss per year in turnover costs

Engaged employees are 87 percent less likely to leave their organizations than disengaged employees.¹⁶ Do you measure employee engagement? If not, now is the 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 annually to measure engagement. Measure on a continuous basis. Listen to employees and respond to them quickly.

So what's your next move? Change the way you drive engagement in your workforce. Make it unimaginable for them to leave your company. Recognize achievements in the moment and the behaviors that lead to positive action and exemplary results.



DISENGAGED EMPLOYEES NEGATIVELY IMPACT PROFITABILITY.

It's no wonder companies with low engagement scores have operating income that's 33 percent lower than companies with high engagement.¹⁷ Additionally, companies with a highly engaged workforce experience a 19 percent growth in operating income over a 12-month period.¹⁸

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

Companies with engaged employees drive profits as much as three times faster than their competitors.¹⁹ Yet, a disengaged employee costs an organization approximately \$3,400 for every \$10,000 in annual salary.²⁰

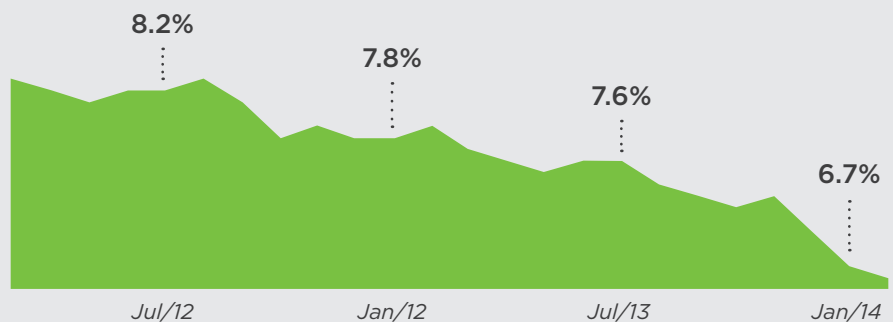
Triumph over disengagement.

Disengagement is an ugly word. You know all about it and you may have already been aware of the toll it takes on business success. It is imperative to improve employee engagement, align employees to company values and business objectives, and create an in-the-moment environment of recognition when employees are successful.

This year will mark the lowest unemployment rate since 2008, meaning that your focus must shift to making employee retention one of your highest priorities.²¹

UNITED STATES UNEMPLOYMENT RATE

Percentage of the Labor Force



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

In order to triumph over disengagement, your business must abandon old-school engagement strategies. Now is the time to adapt to your new reality as a future-focused employer.

Recruiting, retaining, and inspiring top talent has never been more essential—especially when 60 percent of new jobs will require skills held by 20 percent of the population.²²

Every employee must be engaged, must be aligned with business objectives, and must be recognized for meeting their objectives in the moment by their peers, by their managers, even by their customers.

While implementing these changes may seem daunting, this example illustrates what can happen when a global company changes the way it works:

Eli Lilly Canada

Eli Lilly is the 10th largest pharmaceutical company in the world, with over 38,000 employees in more than 125 countries. Lilly brings innovative medicine to the marketplace that helps people live longer, healthier lives. Lilly is ranked as one of the best companies to work for, and their employees have thrived in a culture that values excellence, integrity and respect for people.

In the past, Lilly Canada ranked toward the bottom when ranked against peer affiliates in employee engagement. The company's surveys showed room for improvement in engagement, alignment, and recognition between supervisors and employees. Their existing solution was not widely used by employees.

Lilly wanted something that was intuitive to use and enjoyable for their employees. After partnering with Achievers, Lilly Canada implemented an Employee Success Platform™ that recognized all employees, horizontally and vertically.

The company is now the number one affiliate worldwide when ranked against peer affiliates in employee engagement, which was a sensational improvement.



"The addition of analytics to the Achievers toolkit gives us an advantage in understanding where our employees are at and where we're seeing our return on investment."

- Karen McKay, Vice President,
Human Resources/Learning &
Development, Eli Lilly

*See more about Eli Lilly's
Employee Success Platform*

LEARN MORE

The five all-important rules to remember about disengagement:

- 01 **Disengaged employees fire customers.**
Sixty-eight percent of customers leave because of poor employee attitude.
- 02 **Disengaged employees are not productive.**
They make 100 times the number of errors as their engaged colleagues.
- 03 **Disengaged employees call in “sick.”**
The total cost of absenteeism can be as much as 36 percent of payroll when combined with the cost of absence-related health care coverage.
- 04 **Disengaged employees will leave your company.**
Sixty-five percent of employees quit because of a lack of recognition.
- 05 **Disengaged employees negatively impact profitability.**
Disengaged employees cost an organization approximately \$3,400 for every \$10,000 in annual salary.

Keep these rules top of mind when you consider the cost of disengagement to your company. You shouldn't go another day without making important changes. Engage your employees, align them to business objectives and company values, and recognize their achievements in the moment. This is the irrefutable way to overcome costly disengagement, retain your top talent, and drive business success.

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Achievers delivers the only true cloud-based Employee Success Platform™, a powerful new way for companies to engage, align, and recognize employees, enabling remarkable business success. Every day.



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RETENTION



NET PROMOTER
SCORE



MEMBER
SATISFACTION



EMPLOYEE
ADOPTION



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