HUMAN CAPITAL ANALYTICS GROUP

Employee Engagement Leads to Financial Performance

Key Finding: Improved financial performance is achieved by linking employee engagement, satisfaction, and performance at the business unit level. The results can be compared within one or more organizations.

Executive summary: The authors focused on a statistical integration of data, accumulated from the review of 7,939 business units in 36 companies, to assess the link between employee satisfaction, employee engagement, and financial performance. The employee satisfaction and engagement are measured with 12 questions (Q12) that emerged from the research.

The 12 engagement questions are related to 5 performance outcomes: *customer satisfaction-loyalty, profitability, productivity, employee turnover, and safety.* The authors statistically assessed the available data on business/work unit level. The results indicate that the higher levels of both employee satisfaction and employee engagement lead to higher performance. This means:

1. **Safety:** **Employee Engagement ↓ Safety ↓.** If employees are not engaged, they are less focused and more likely to make mistakes.
2. **Employee turnover:** **Employee Engagement ↑ Employee turnover ↓.** Engaged employees are less likely to leave their job.
3. **Customer satisfaction-loyalty:** **Employee Engagement ↑ Customer loyalty ↑.** When engaged employees are more customers focused, customers are more likely to recommend a business to others if they had a positive experience. Accordingly, engaged employees have a positive impact on an organization's reputation by being brand ambassadors.
4. **Productivity:** **Employee Engagement ↑ Productivity ↑.** Employees who are engaged in their work are more productive because they are motivated beyond personal factors. Business units in the top 25% companies assessed had on average $80,000 to $120,000 higher monthly revenues. Assuming the minimum average per month for a business unit, this difference translates into $960,000 per year, per business unit.
5. **Profitability:** **Employee Engagement ↑ Profitability ↑.** Employee engagement has a number of implications for organization´s profitability. This impact is largely indirect. Employee engagement strengths customer satisfaction-loyalty, safety, and overall profitability while reducing employee turnover**.** Thus, organizations are able to maintain a healthy bottom-line. The study shows that the top 25% companies with the highest employee engagement had up to 4% higher profitability.

What are the implications for my organization?

- Start engaging your employees because that will increase your organizations profitability and financial performance.
- Apply the Q12 tool as a methodology.

Summary of: Harter, K. J., Scmidt, L. F., & Hayes L. T. (2002): 'Business-Unit-Level Relationship Between Employee Satisfaction, Employee Engagement, and Business Outcomes: A Meta-Analysis. *Journal of Applied Psychology*, 87(2):268-279.