



The Disengagement Crisis

The following is taken from current research that highlights the chronic condition of workplace engagement, or should we say, disengagement.

1. The Disengagement Gap – *Management Issues, 2007*

"It's impossible to overstate the importance of an engaged workforce on a company's bottom line," said Julie Gebauer, managing director and leader of Towers Perrin's Workforce Effectiveness consulting practice. "The Global Workforce Study establishes a definitive link between levels of engagement and financial performance and, for the first time, begins to quantify that link.

"At a time when companies are looking for every source of competitive advantage, the workforce itself represents the largest reservoir of untapped potential," she added. The most striking data about the linkage between employee engagement and financial performance come from a study of 40 global companies that involved a regression analysis of company financial results against engagement data. It found that firms with the highest percentage of engaged employees collectively increased operating income by 19 per cent and earnings per share by 28 per cent year-to-year.

2. Understanding the True Cost of Disengagement – *Hewitt Quarterly, 2009*

All organizations recognise that employees are a business cost – materials, equipment, depreciation of plant and salaries appear as an item on financial statements. Beyond these tangible costs, there is another seemingly indirect cost that few organizations measure - the impact that underperforming employees have on the business. This trend can be reversed, and profitability improved, by focusing on changing employee behaviour. To help organizations understand the impact employee behaviour has on businesses, Hewitt recently considered the issue of disengagement as part of the **Best Employer in Asia 2007** study's ongoing research.

The analysis found that organizations with high engagement are 78 percent more productive and 40 percent more profitable than those organizations with low levels of engagement. Those with disengaged employees had an average profit loss of \$8,000 to \$10,000 profit each year for each disengaged employee. Treating employees well may seem like common sense, but our research shows just what impact low engagement can have. Put those costs per disengaged employee into your financial analysis and you can assess the impact it has on your organization. The good news is that if the engagement issue is addressed properly, employees once again rightly become an investment, rather than a non-refundable expense.

3. Work Force Analysis - a Business Reality Check – Profiles International, 2008

What is an Engaged Employee?

- Our studies found that when employees are "**engaged**", they are excited and enthusiastic about the work they do and they are focused on accomplishing the task at hand.
- They are not easily distracted and will work extra hours if that's what it takes to complete a project.
- They eagerly volunteer for difficult assignments, routinely producing significantly more than the job requires.
- They also encourage co-workers to achieve higher levels of performance and seek ways to help them accomplish projects and tasks.
- **Engaged** employees are proud to be members of their organizations. They are advocates of their company's products and services and they are very likely to stay with their company.

Competitive Advantage - a business with a highly **engaged** workforce has many advantages over its competitors:

- On average, they rate 86% higher with their customers
- They have 70% more success in lowering employee turnover
- They are 70% more likely to have higher productivity
- They enjoy higher profitability, have better safety records and deliver greater earnings per share to their stockholders

The Cost of Disengaged Employees - conversely, companies that lack a workforce that is highly **engaged** suffer with a multitude of problems that never go away. Too often they surrender to their condition and accept it as the normal way to do business:

- They tolerate excessive employee turnover, average job performance, and situations that cause conflict and stress.
- It is estimated that employee dissatisfaction and disengagement cost American businesses between \$254 billion and \$363 billion every year.

4. Workers as Disengaged as ever – Australian Financial Review, February 2009.

Fiona Smith reports that modern Australian management still fails to motivate workers, and it's both infectious and costly. Here are some of her statements:

- Surely it can't be that hard to make sure your people are happy in their job and motivated. Yet, despite the commonsense nature of the requirements of an engaged workforce, business leaders still can't get it right. Not even nearly right.
- The most recent Gallup poll of 1000 workers showed 79% as not engaged, or actively disengaged. This poll is taken every two years. Previous year's results were 2006, 82% disengaged and 2004, 80%, stifling productivity with a \$33.5 billion cost to business!
- As the recent interviews were done last September – while people still believed recession would be avoided and before many of the retrenchments and cutbacks – these results are not likely to improve in a hurry.
- It is this depressing reading that leads Gallup to conclude that Australian managers are not an inspiring bunch ... it is really scary stuff!
- Gallup consultant Dan Olson says it takes five fully engaged workers to cancel out the impact of one actively disengaged colleague.
- Another alarming revelation showed that the most experienced employees, those most likely to be used for mentorship, have the lowest engagement.
- A reason put forward for poor engagement was that managers were unable to give their attention to making sure the environment was right for their people. They are so busy doing other things that they do not have time to talk to their people let alone mentor or develop them.

So who is responsible for such depressing reports?

In a word - **leadership**. Everything begins and ends with the person at the top. In their outstanding paper *The State of Employment Engagement, 2008*, BlessingWhite make the following recommendations:

- **Maximise managers** – they need to know what engagement looks like and be able to model it themselves
- **Build a strong foundation** – managers need to get to know their people, align personal and organizational goals, provide coaching, recognition and feedback and match mission-critical projects with employee skill sets and aspirations
- **Ensure managers are engaged** – If they are not inspired themselves, how can they inspire others?
- **Hold managers accountable for results *and* development**
- **Weed out bad managers** – Remove managers who are not willing to learn to carry out the above
- **Align, Align, Align** – ensure daily priorities fit with company objectives, mission and vision
- **Communicate** – employees need to know the “big picture” – and how their tasks fit in the greater scheme of things.
- **Start at the top** – Senior managers need to be crystal clear – and in complete agreement – about the organization’s priorities
- **Keep talking** – Strategy translation requires two-way dialogue. Employees need to know what this means to them and how they can make a difference.

What can be done?

Carnegie Management Group can assist you in developing the competencies to address the above by working with you to assist maximize the performance of your people. As mentioned earlier, at a time when companies are looking for every source of competitive advantage, the workforce itself represents the largest reservoir of untapped potential.

OUR LOCATIONS AND CONTACT DETAILS

Carnegie Management Group
“Executive Mentors, Transition Managers & Facilitators”

Melbourne

Sydney

Adelaide

Telephone: 1300 334 307

Visit: www.carnegiemg.com.au

www.executivementor.info

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