

## Are Disengaged Employees Hurting Your Customer Bottom Line?

## The Cost of Employee Disengagement

Every year, companies lose over \$350 Billion due to employee disengagement: lost productivity, increased absenteeism and damaged customer satisfaction. But how to address the problem has always been unclear.

### Quantifying the Employee/ Customer Linkage



Verde's engagement research quickly zeroes in on the most significant opportunities to improve employee engagement and the customer experience. And it tells you what to do to improve employee performance, customer loyalty... and profit.

We're The Verde Group, specialists in measuring, analyzing and addressing employee disengagement and customer dissatisfaction. Our clients are market leaders in industries as diverse as financial services, telecommunications, aerospace, healthcare, retail, automotive and manufacturing. And in alliance with The Conference Board, we have developed *Engagement@Risk (E@R)*: a completely new approach to understanding and improving employee engagement.

Verde's *E@R* process breaks through the limitations of traditional employee research to deliver actionable guidance on how to improve employee engagement and organizational performance. It clearly explains how employee attitudes and behaviors impact customer satisfaction, loyalty and profitability. With *E@R* research, a company will understand:

- How engaged employees really are
- Which *specific* employee experiences are degrading engagement, lowering productivity and work quality, and raising employment costs
- How the state of employee engagement is affecting the customer experience – creating problems, lowering satisfaction and harming loyalty
- The true cost of employee disengagement in terms of lost output, lost sales and damaged brand reputation
- The specific employee problems to address for maximum ROI in the shortest period of time

# The Limitations of Traditional Engagement Research

## A company is only as good as its people.

Today's major corporations make the management of employee engagement central to their human capital strategies. They invest millions of dollars annually to learn what binds their workers to the company, using any number of traditional "engagement survey" methodologies.

Unfortunately, these research methods have not delivered practical and useful answers. Why?

## Why Employee Engagement Matters



Respondents: Management, VPs, and C-Level  
Source: ASTD/i4cp Learning and Engagement Study, 2009

## Ambiguous Results.

The best known employee engagement research methodologies each takes a very different approach to measuring employee engagement, and each delivers wildly different results. Employee engagement scores can vary by 150% solely due to the research method used. Verde's methodology is specifically calibrated to address this variation and deliver a more accurate read on the health of the employee base.

## Emphasis on "Engagement" vs. "Disengagement."

Traditional employee engagement research typically ignores the drivers of employee disengagement: those aspects of employment that degrade enthusiasm, morale and company commitment. In doing so, they omit important data crucial to making sustainable improvements in employee performance. Verde places disengagement at the center of its analysis.

## Lagging Indicators and Non-Projectable Data.

When companies do attempt to understand disengagement drivers, they generally do so using exit interviews. But these carry significant limitations. As a one-on-one research methodology, they don't yield projectable insights applicable to the full employee base. They produce lagging indicators of engagement. And they do not help identify remaining employees at risk of disengagement.

Verde research creates leading indicators on employee engagement that establish clear mandates for strategic initiatives.

## No Linkage Between Employee Engagement and Customer Loyalty.

Employees exist to serve customers. But traditional engagement studies don't define and prioritize the linkages between employee engagement and customer satisfaction, loyalty and profitability.

Without these links, companies are flying blind. They can't know which employee engagement issues are most damaging to the business, and can't concentrate their resources where they'll have the biggest return. *E@R* explicitly links employee engagement and customer profitability, providing clients with a ROI prioritized list of the employee problems that represent the greatest financial upside when addressed.



# The Next Generation of Employee Engagement Measurement

Verde has based Engagement@Risk on breakthrough research in employee engagement from The Conference Board, the pre-eminent thought leader in management excellence and market prominence.

## Measuring Employee Engagement



In response to executive frustration with the limitations of traditional employee engagement tools, in 2008 The Conference Board undertook a landmark global study to address the imprecision and ambiguity of existing approaches. Lining up concepts from all major consulting approaches and testing them side-by-side in companies across 11 different countries, researchers created a single, clear process to measure employee engagement.

Improvements resulting from the Conference Board research include:

### An Actionable Definition of What Drives Employee Engagement.

Conference Board analysts found that existing research approaches provided little insight into which actions organizations should take to create meaningful improvements in engagement. To address this weakness, they identified five critical "driver groups" that statistically explain employee engagement:

- **Organizational Health.** Organizational-level drivers dealing with culture and policies
- **Managerial Excellence.** Components of the employee experience influenced by direct supervisor
- **Job Design.** Focus on the nature of the employee's job
- **Workplace Readiness.** Employee's confidence that he has been set up to succeed
- **Extrinsic Rewards.** Individual's sense that he is being provided for in terms of financial security

### A Reliable Way To Measure Employee Engagement.

Recognizing that existing methods for evaluating employee engagement were too broad, too divergent and too inconclusive to merit use on a worldwide scale, The Conference Board set out to establish a practical way for companies to measure engagement. They found **eight key questions** related to both the organization and overall job performance that reliably measure employee engagement.

### A Means to Effectively Benchmark Employee Engagement.

Previous to The Conference Board research, organizations dedicated to the development of human capital and employee engagement had limited means for benchmarking their employee engagement levels against those of other companies. But now companies using *E@R* can measure their performance using the *Conference Board Norms Database*, a comprehensive repository of corporate data and best-in-class standards for employee engagement that is continuously updated with data from leading Fortune 500 companies.



# The *Engagement@Risk* Process

The Verde Group's *Revenue@Risk* process is an acknowledged best practice for quantifying the impact of customer dissatisfaction on spend, loyalty and market reputation. *E@R* completes that analysis by determining what disengages your employees and how your customer bottom line suffers from that disengagement.

In partnership with The Conference Board, Verde has developed *E@R* to measure employee engagement and then link it to customer experiences, attitudes, behaviors and financial returns. The process:

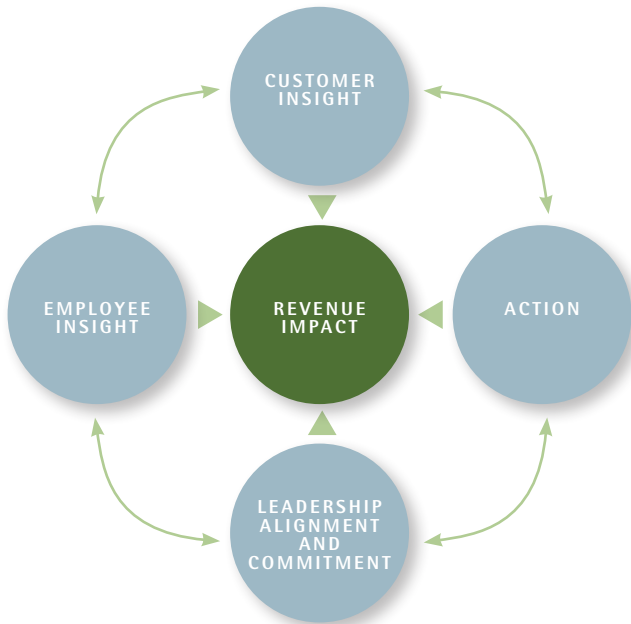
- Identifies the **employee experiences** that have the biggest impact on critical employee behaviors: organizational performance, employee engagement and retention
- Identifies drivers for both the **engaged and disengaged** employees
- Explicitly **links** employee feedback to customer feedback and financial impact
- Establishes the fact-based **platform for change** – the specific management initiatives that will result in significant improvements in human capital management, customer retention and organizational performance

*E@R* is unique in its 360° approach linking employee engagement to customer loyalty and profitability. By gathering input from all key organizational stakeholders and rigorously testing that input against voice of the customer data, the process identifies the most critical organizational and cultural issues impacting customer experiences and behaviors. Combined with Verde's six-sigma action planning process, *E@R* charts a clear path for organizations to align their human capital strategies with the demands and requirements of the marketplace.



# Outputs of an *Engagement@Risk* Study

Verde's approach to measuring employee engagement and customer loyalty emphasizes leadership alignment, strategic commitment and action.



*E@R* creates a detailed and actionable roadmap on what action an organization should take to improve employee and customer retention, loyalty and value. A typical study will provide:

## Employee Engagement & Disengagement Metrics

This analysis measures employee engagement levels throughout the organization, along with the drivers of engagement and the key issues creating disengagement. It also assesses factors critical to creating competitive advantage and identifies the most significant issues impacting organizational effectiveness.

## Customer Problem Analysis

A key differentiator of *E@R* is the incorporation of Verde's proprietary *Revenue@Risk* research as a component of the employee engagement research. This creates insight into the problems customers are experiencing with the organization to link the customer loyalty data with the employee engagement data.

## Mirror/Gap Analysis

Employees have a unique line of sight into the service and relationship attributes most important to sustaining and growing the loyalty of the customers. This analysis examines the employee view of the most serious problems customers experience and the organizational issues that impact customer loyalty and employee retention.

## Benchmarking

Using the Conference Board's Norms Database, Verde will benchmark a company's engagement results against those of the companies already assessed, including category peers and best-in-class leaders.

## Economic Impact Analysis

So that a company can take confident action secure in the knowledge that it is addressing the problem areas with the greatest upside, *E@R* quantifies both the economic impact of specific drivers of employee engagement/disengagement and the summary impact of disengagement to an organization. This analysis explains the ROI impact on organizational metrics (productivity and retention) and customer loyalty (lifetime customer value and average revenue per customer.)



Let Verde Help You Improve  
Employee Engagement and  
Your Customer Bottom Line.

If you not sure you're creating real financial and competitive advantage from your employee engagement efforts, we should talk. To find out more about how *Engagement@Risk* can help you improve the quality of your human capital and customer relationships, give us a call.

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