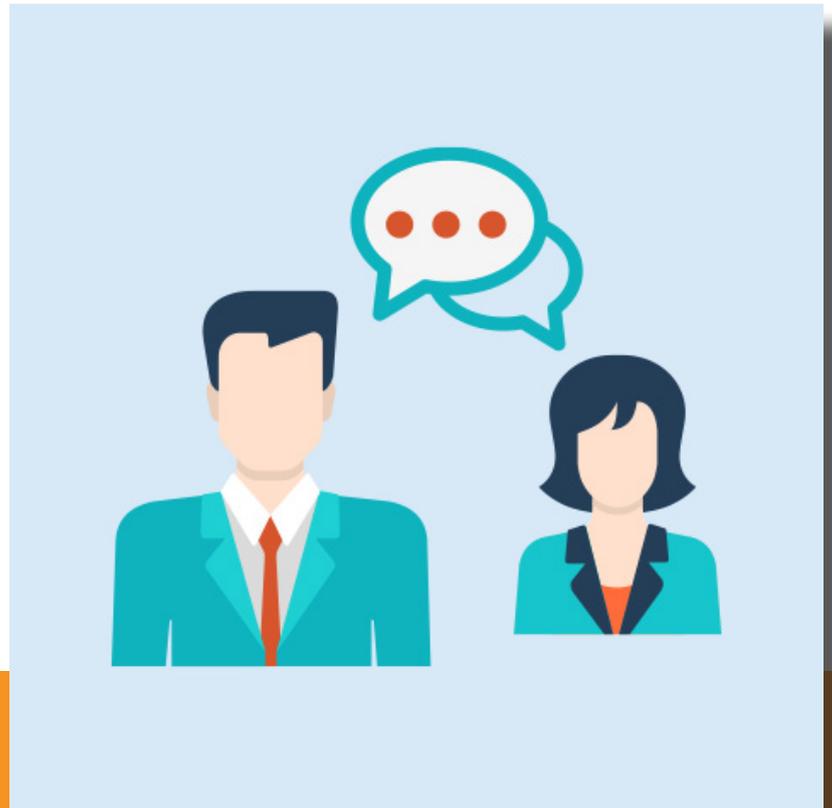


UNDERSTANDING THE HR SNAPSHOT

Employee Engagement's role in organisational performance and how it can be measured, managed and improved for a better bottom line.



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INTRODUCTION

EMPLOYEE ENGAGEMENT AND IMPROVED BUSINESS PERFORMANCE

When business owners think about improving their bottom line; cost cuts, increased prices and less marketing are typically what comes to mind.

However, if business owners looked inside their organisation and turned their attention to the employees, they are likely to find a high impact solution.

Employee engagement packs a punch; one that research indicates can lift the earnings per share of companies by up to 147%¹¹. An impact that can make your business outperform the competition by 202%¹.

So it's time you, as a business owner or manager of people, understand the importance of employee engagement and begin measuring and managing it.

HR SnapShot is an employee survey which specifically benchmarks employee engagement levels in your business. The underpinning methodology has a direct correlation to employee engagement, influencing the performance of both the employee and the business. Year on year survey results attest to this.

This paper will take you through:

- what employee engagement is,
- why it's valuable,
- how it impacts performance,
- the methods used to benchmark and analyse it, and
- the state of employee engagement in Australia and across the global workforce today.

EMPLOYEE ENGAGEMENT

UNDERSTANDING IT IN THE ORGANISATION

Employee engagement and business performance are intrinsically linked. However, it's taken decades for this connection to be well documented, analysed and measured. When it comes down to it, employee engagement has a big impact on the bottom line. Your business will benefit from knowing the level of employee engagement across your workforce.

WHAT IS EMPLOYEE ENGAGEMENT?

First recognised in the 1990s, as an element of the employer/employee relationship, employee engagement is about passion, commitment and effort.

Engaged employees are typically passionate about their work, committed to their employer and put extra effort into their jobs. They often go above and beyond by helping others, volunteering for additional work and finding ways to perform more effectively.

THE EMPLOYEE ENGAGEMENT IMPACT LOOP



Some of the world's most established entrepreneurs have proven the value of employee engagement including Richard Branson, founder of the Virgin Group of companies. He summed up its impact on an organisation by saying,

"If the person who works at your company is proud of the job they're doing, if you give them the tools to do a good job, if they're proud of the brand, if they're looked after, if they're treated well; then they're going to be smiling, they're going to be happy and therefore the customer will have a nice experience... When the customer has a nice experience, the shareholders do well. And so do I."

Positive employee engagement contributes to an enhanced organisational reputation, improved bottom line and satisfied customers when the employee believes their employer cares about and values their efforts; by creating employment conditions that encourage employees to do what they do best every day

Engaged employees are typically willing to pitch in when work gets demanding, help co-workers who have heavy workloads and recommend the organisation as a good place to work. Their commitment helps create a positive workplace and an inclusive environment with a 'we're all in this together' outlook.

EMPLOYEE ENGAGEMENT

THE BOTTOM LINE



The impacts of employee engagement on a business are variable. However, they can all be measured financially. Productivity costs, absentee rates, impact of morale on other employees and turn over expenses all create real financial ramifications that, when combined, are expensive.

Based on conservative estimations as illustrated below, the overall estimated cost of lost productivity per disengaged employee comes to \$14,757². Consider this with the current Australian and New Zealand rate of disengaged employees which sits at a total of 86 per cent³. In an organisation employing 20 people, potential productivity accumulates to a loss of more than \$200,000 each year.

CONSERVATIVE ANNUAL ESTIMATIONS		
For an employee with an annual salary of \$40,000 and based on 48 weeks		
Estimated Cost of ONE Unhappy or Disengaged Employee		
Loss of productivity salary cost about \$44 p/week (2 hours per week) ²		2,112
10% less productive than average (output loss) ⁴		7,385
Brain drain on fellow employees (5 employees x 1-hour p/week@ \$20/hour) ⁵		4,800
Turnover - conservative 50% of salary calculated on 48 weeks ⁶		18,462
Get sick more often (based on disengaged worker average sick days of 6.19 p/year) ⁸		1,032
		\$33,791
Estimated Value of ONE Happy or Engaged Employee		
Increased productivity and efficiency - 12% more than average (output gain) ⁴		8,863
Happier co-workers (affect 5 employees) ⁵		4,800
More customer satisfaction (14% better customer service) = increased revenue growth ⁹		2,308
Absent 28.4% less than unhappy employee ⁷		294
Fewer mistakes - 26% less ¹⁰		1,846
Good quality employment brand - easier recruitment		923
		\$19,034

MEASURING EMPLOYEE ENGAGEMENT

THE GALLUP Q12 SURVEY

The Gallup Q12 Survey is one of the business world's most utilised and well-respected employee engagement benchmark tools. It has received 5.4 million responses across 620,000 work groups, 504 organisations, 16 major industries and 137 countries.

The survey asks 12 simple questions across the categories of basic needs, management support, teamwork and growth; which are each tied to performance outcomes. Scores are provided on a one to five scale; so results are quantitative and very easily demonstrate the areas of strength and weakness. These figures then correlate to one of the levels of engagement as outlined below.

ENGAGED

Where an employee works with passion and feels a profound connection to the business.

DISENGAGED

Where an employee puts in their hours and does what is required.

ACTIVELY DISENGAGED

Where an employee actively or inadvertently undermines co-workers, sabotages projects and doesn't try to meet customer needs.

Survey results provide a framework that maps the health of the organisation and fosters better management decisions; which in turn increases employee engagement, improves motivation and reduces employee turnover.

The Gallup Q12 form the basis of Akyra's HR SnapShot employee survey. Akyra conducts HR SnapShot with client employees, analyses the responses and measures those responses against global / national benchmarks. The findings are collated in a report with recommendations that will have the greatest impact.

Additional questions are included to provide insight into the employment environment and the employee perceptions of their employer. This allows Akyra to provide a more thorough context around the analysis and recommendations.

To mitigate the risk employees will not respond honestly, HR SnapShot is conducted online to preserve employee anonymity; creating a safe platform for honest communication. Research shows, where surveys have been conducted without anonymity, sourcing information is fraught with difficulties; particularly if the employer had a poor relationship with its employees; as they are significantly less likely to give honest answers.

In 2016, Gallup revealed the top scoring businesses across their participants in the Gallup Great Workplace Award Winners. The organisations that featured on this list boast a remarkable ratio of 14 engaged employees for every one actively disengaged employee¹. These businesses included China Merchants Property Development, NXP Semiconductors, Indian Hotels Company Ltd., NFU Mutual and Mashreq Bank.

THE RESULTS

THE CURRENT STATE OF EMPLOYEE ENGAGEMENT

Although it is now a well-documented human resource management practice, employee engagement is still not as well understood as it should be. The 2016 Deloitte Global Human Capital Trends report found that 18 per cent of global respondents said their companies do not formally measure employee engagement at all; and only 7 per cent of the executive respondents reported they measure engagement on a monthly or more frequent basis¹².

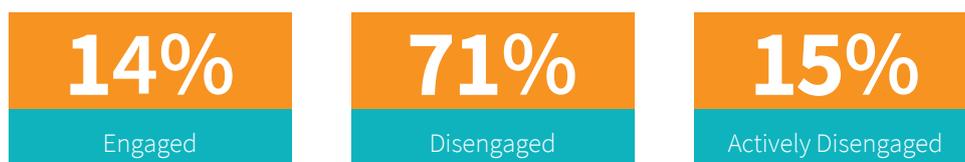
There is a growing list of drivers that contribute to employee engagement. Some of the most common include:

- employee perceptions of job importance
- feedback and conversations with superiors
- clarity of job expectations
- trust between an organisation and their employees
- career advancement
- learning and development opportunities
- two-way commitment
- two-way communication
- working relationship quality
- perceptions of the organisational values and associated behaviour

Right now, the business world is in what Gallup calls an engagement crisis. The latest results from the Gallup State of the Global Workplace report indicates 85 per cent of employees worldwide are not engaged¹. They deem a ratio of 1.5 engaged employees to 1 disengaged or actively disengaged employee as the international benchmark that will enhance business performance the most. The report states 15 per cent of employees are engaged, 67 per cent are disengaged and 18 per cent are actively disengaged; clearly demonstrating the global position currently sits well below the benchmarked 1.5:1 ratio¹.

The bad news is that Australia and New Zealand are sitting below the global average. The 2016 Gallup State of the Global Workplace Report for Australia and New Zealand showed that engaged employees decreased by 10 per cent between 2013 and 2016; the number of actively disengaged employees fell by 1 per cent and the number of disengaged employees rose by 11 per cent³.

The 2016 average engagement levels for Australian and New Zealand businesses are:



Australia and New Zealand are not improving; executives are still not recognising the positive impact employee engagement can have on their businesses.

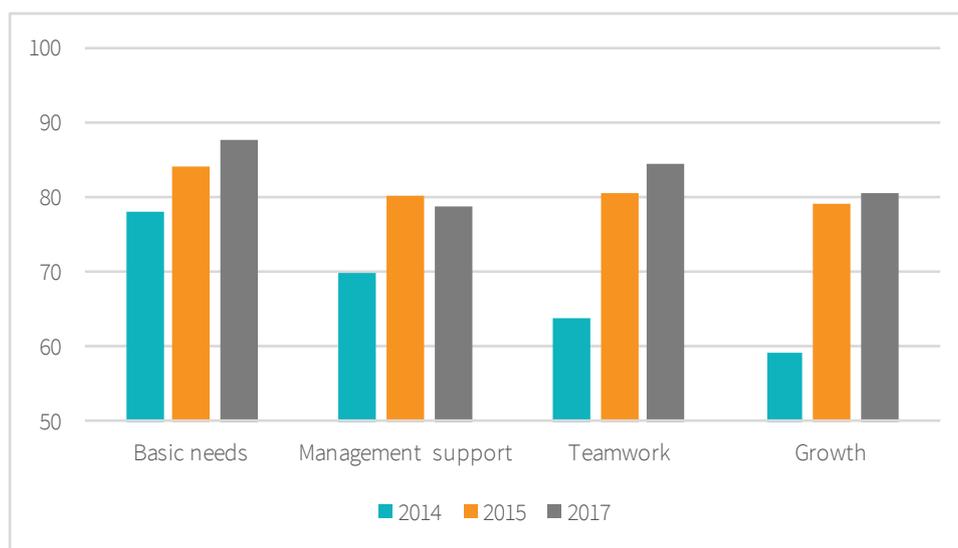
Gallup's research has identified that companies with a highly engaged workforce (a ratio of 9 engaged employees to 1 disengaged or actively disengaged employee) outperform their peers by 147% in earnings per share¹¹.

EMPLOYEE ENGAGEMENT

THE REAL RESULTS

The results of ongoing employee engagement benchmarking and implementing recommendations are supported by Akyra’s client results. The table below illustrates the improvement made with the conducting an annual HR SnapShot for one Australian-based Akyra client and implementation of the consequential recommendations. Over the three year period, the client increased their employee engagement levels by an average of 15% across the four major areas; basic needs, management support, teamwork and growth.

Interestingly, the biggest improvements were made during the first year, showing how valuable the HR SnapShot can be.



HR SnapShot allows managers to build a business with an improved bottom line. It’s an investment into the future of the company, with a direct correlation to improved performance and customer satisfaction.

So, if the businesses of tomorrow are using employee engagement as a culture metric, what can be done today to ensure your business doesn’t get left behind because of an inability to attract and then retain the right people?

If you can’t measure it, you can’t manage it; and that is where you need to start.

Contact Akyra to discuss how the HR SnapShot employee engagement tool might benefit your business and take the first step to improving your bottom line through better people management practices.

EMPLOYEE ENGAGEMENT

RESOURCES

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ABOUT

THE AUTHOR

Akyra Strategy and Development combines strategy, methodology and design thinking to deliver fully customised and flexible HR solutions to assist organisations innovate and grow.

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