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Employee engagement and enablement critical

As companies face mass employee exodus in 2010

PHILADELPHIA, PA, June 15, 2010 — Following two bleak years for the job market which saw employees grateful to avoid redundancies and many employers putting a freeze on recruitment, recent research from Hay Group, the global management consulting firm, reveals that the tide has turned with 59 percent of employees in the United Kingdom starting the year with a firm resolution to look for a new job.

Loss of talent delivers a hefty blow to a business's bottom line, and Hay Group studies estimate the cost of replacing employees to be between 50 percent and 150 percent of salary. With businesses potentially facing a significant 'brain drain' in 2010, the pressure is on to find effective ways and means of preventing mass exodus of talent as market conditions improve.

The two 'E's to success

Many top-performing businesses across Europe and the United States are already deploying effective employee engagement and enablement programs as a business priority, to mitigate against staff turnover and drive performance and revenue as the global business community continues on its path to recovery. In fact employee engagement and retaining talent were cited as the first and second most important issues respectively by CEOs and HRDs going into 2010.

Hay Group defines an enabling work environment as one which empowers employees to 'go the extra mile' and provides the tools and processes to actively deal with employee frustrations. Companies effectively combining employee engagement and enablement report significantly improved revenue growth, staff retention and employee performance. The top organizations on both engagement and enablement achieve revenue growth 4.5 times greater than their industry peers who ranked lowest in the study.

Similarly companies with high levels of engagement show turnover rates at 40 percent lower than companies with low levels of engagement. However, companies that both engage and enable employees demonstrate a total reduction in voluntary turnover of 54 percent. Hay Group's research also reveals that engaged employees are 10 percent more likely to exceed performance expectations. Employees who are both highly engaged and enabled, however, are 50 percent more likely to outperform expectations. Past studies have shown that the difference in productivity between superior and typical performers is 35 percent on average, depending on job complexity.

What the impact of engaged and enabled employees on revenue, turnover and performance looks like in \$\$\$

Revenue:

A typical company with \$5 billion in revenues in an industry with average revenue growth of eight percent would see revenues increase by \$400 million. A company with top quartile levels of employee engagement could expect an increase of \$1 billion. And a company in the top quartile on both engagement and enablement could anticipate an increase of a full \$1.8 billion.

Turnover:

For an organization with 20,000 employees and an annual voluntary turnover rate of eight percent, the cost of turnover is approximately \$56 million (assuming an average salary of \$35,000). Reducing the voluntary turnover rate by 40 percent would yield annual savings of \$22.4 million. But reductions in turnover through high levels of engagement and enablement would yield savings of over \$30 million annually, a difference of more than \$7.5 million.

Employee performance:

For an organization producing \$10 billion of product with 20 percent of employees exceeding performance expectations, increasing the percentage of high performers by 1.5 times (by transforming average performers into superior performers) would increase output by \$350 million (ie, if 10 percent of population improves performance by 35 percent, overall performance improvement across entire population is 3.5 percent).

William Werhane, managing director from Hay Group Insight commented: "The workplace landscape has changed; workers who, last year, were grateful to hold on to employment are sticking their heads above the parapet and gauging what the recovery means for their career prospects. This could spell particularly bad news for those companies who have failed to take necessary steps to implement effective enablement and engagement programs during the tough times. Looking back to the last downturn in 2001/02 Hay Group studies then saw that companies that kept a focus on employee engagement came out of the recession with better levels of motivation and loyalty, and a greater ability to attract and retain top talent, and this recession is no different. Highly engaged and enabled workers undoubtedly create dramatically better business outputs, more loyal customers, and better financial performance during good times and bad. An enabling workplace can also actively deal with employee concerns rather than allowing them to continue unnoticed, which could subsequently result in demotivated and frustrated staff who may start to feel the grass is greener elsewhere."

Werhane concludes: "Our Insight surveys are proving a vital tool in helping executives to listen to the voice of their people, providing intelligence to inform how businesses can best engage and enable their staff. The results identify the most pressing business and human capital issues which can then be actioned swiftly, allowing companies to be in a stronger position to take advantage of the upturn."

About Hay Group Insight:

For over 35 years Hay Group Insight — the survey research division of Hay Group — has partnered with the world's largest and most complex organizations to create value through the strategic use of employee survey research. Our mission is to help senior leaders identify the barriers to individual and organizational effectiveness, and remove them to improve the performance of people, teams and entire organizations.

By providing employee feedback and supporting strategy, our surveys help organizations achieve high levels of performance and lasting change.

For more information on Hay Group Insight, please [click here](#)

About Hay Group

Hay Group is a global consulting firm that works with leaders to turn strategies into reality. We develop talent, organize people to be more effective, and motivate them to perform at their best. With 86 offices in 48 countries, we work with over 7,000 clients across the world. Our clients are from the public and private sector, across every major industry, and represent diverse business challenges. Our focus is on making change happen and helping organizations realize their potential.

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