



**It's all about  
engagement.**



## What is enterprise engagement?

Enterprise engagement is an integrated, multi-channel approach to building a workplace culture that promotes the development of an employee's emotional commitment to the organization and its goals.

### **Why enterprise engagement is so important for companies today**

When designed and executed correctly, it has been shown that an enterprise engagement strategy can deliver increased profitability, higher stock prices and higher customer satisfaction and loyalty to corporations. This can be particularly important for a company whose success is dependent on loyal, satisfied customers.

While our focus is on helping companies build a culture of employee recognition, it is important to note that engagement plays out in a larger playing field, including customers and the wider community. A culture of recognition drives employee engagement. This engagement is manifested by lower levels of regretted turnover, higher Glassdoor, higher Net Promoter Scores, and employee survey scores and ultimately more positive interactions between your employees and customers. It is important to note, not all recognition involves monetary-based awards. This is one reason that engagement program design is such a vital part of the integrated approach.

#### **Highlights of an effective enterprise engagement strategy:**

- A corporate-wide initiative that encompasses all incentive and recognition activities
- Alignment between brand and corporate culture
- Participation of executive leadership in defining and promoting engagement
- A focus on performance and achievement of business goals
- An approach that features Program Design based on current research
- Removing silos to facilitate a People Analytics program with data from multiple sources
- Channeling increased employee motivation to produce true "brand ambassadors"
- Establishing best practices and continuous process improvement

## Employee engagement strategies are becoming the norm for larger corporations

There is compelling data that well-executed programs increase profitability and stock price. Gallup's research also shows that companies with engaged workforces have higher earnings per share (EPS) and seem to have recovered from the recession at a faster rate. In a recent study, Gallup examined 49 publicly traded companies\* and found that organizations with a critical mass of engaged employees outperformed their competition, compared with those that did not maximize their employees' potential. Organizations with an average of 9.3 engaged employees for every actively disengaged employee in 2010–2011 experienced 147% higher EPS compared with their competition in 2011–2012. In contrast, those with an average of 2.6 engaged employees for every actively disengaged employee experienced 2% lower EPS compared with their competition during that same period.

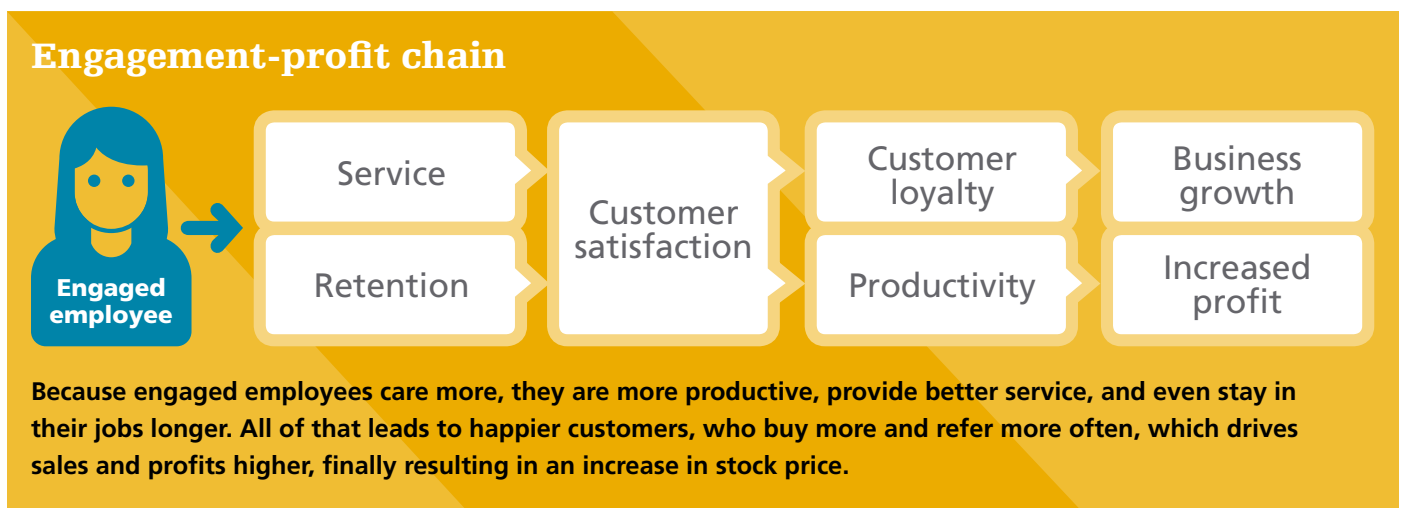
Many of the largest corporations are not only implementing employee engagement strategies, it is increasingly common to see new job titles and departments solely devoted to enterprise engagement. The role of qualified suppliers is more important than ever in this rapidly evolving endeavor. Although many organizations focus on internally developed and managed recognition programs, true advances in engagement require more than static software designed only to incentivize employees, and can be the catalyst that drives the company to becoming a 22nd century organization.

## Global engagement and recognition programs

### Driving employee engagement and organizational ROI

Designing an effective enterprise engagement strategy that delivers measurable ROI begins with understanding what behaviors and performance will drive the financial goals and objectives of the organization. Once these are determined, you must identify the metrics by which behaviors and performance can be measured and build them into your engagement program design.

As employees become more and more engaged, their discretionary effort results in the **engagement-profit chain**.



\*With EPS data available from 2008–2012 and Q12 data available from 2010 and 2011 in its database.

## Understanding the changing face of today's workforce

Effective design also requires that you understand the changes taking place in your workforce, and how it is affecting your human capital strategy.

### Today's workforce has different needs and expectations than workforces of the past

- Employees near the end of their careers tend to be more engaged than those at the beginning of their careers.
- Women have slightly higher overall engagement than men.
- A well designed program addressing the needs of a global and diverse workforce.
- Millennials are most likely of to leave their jobs in the next 12 months if the job market improves.

Gallup estimates that millennial turnover due to lack of engagement costs the US economy **\$30.5 billion a year**

### Millennials—the LEAST engaged generation at work

#### Engaged

MILLENNIALS	GEN XERS	BABY BOOMERS	TRADITIONALISTS
29%	32%	33%	45%

#### Not engaged

MILLENNIALS	GEN XERS	BABY BOOMERS	TRADITIONALISTS
55%	50%	48%	41%

#### Actively dis-engaged

MILLENNIALS	GEN XERS	BABY BOOMERS	TRADITIONALISTS
16%	18%	19%	14%

## Enterprise engagement strategy—key to business success

There are many studies and real world examples that correlate the execution of an effective enterprise engagement strategy with increased levels of sales and profits.

### Sales, profit, and total shareholder returns

In companies where 60% to 70% of employees were engaged, average total shareholder's return (TSR) stood at 24.2% in companies with only 49% to 60% of their employees engaged, TSR fell to 9.1%; companies with engagement below 25% suffered negative TSR. (Source: *Employee engagement at double-digit growth companies, Hewitt Research Brief*)

In addition, companies with highly engaged employees beat average revenue growth in their sector by 1% while companies with low engagement were behind their sector's revenue growth by an average of 2%. (Source: *Working Today: Understanding what drives employee engagement. The 2003 Towers Perrin Talent Report.*)

# Tracking long-term engagement results

## Engaged Company Stock Index

The results below reflect the stock market performance of the *Engaged Company Stock Index* from October 1, 2012 to April 30, 2017.

Good Companies <sup>1</sup>	S&P 500 Companies <sup>2</sup>
+110.5%	+81.9%
\$21,050	\$18,190

The *Engaged Company Stock Index* tracks the long-term results of companies with high levels of customer, employee, and community engagement.<sup>3</sup> Their portfolio has outperformed the S&P 500 by **28.6 percentage points** since October 1, 2012.

## Service

Saks Fifth Avenue saw a **20% improvement** in customer service in their stores with high levels of engagement.

(Source: *Getting Engaged*, Bates.)

## Quality

An unnamed Fortune 100 manufacturing company **reduced errors** from **5,658 parts** per million to **52 parts** per million.

## Retention

Highly engaged employees were **87% less likely to leave** their companies than their disengaged counterparts.

(Source: *Driving performance and retention through employee engagement*. Corporate Leadership Council.)

## Who's actively looking for a new job?

**31%** of disengaged employees      **3%** of highly engaged employees

**66%** of highly engaged employees reported that they had no plans to leave their company, while **only 3% of them were actively looking**, compared to 12% and 31%, respectively, for disengaged employees.

(Source: *Towers Perrin European Talent Survey—Reconnecting with Employees: Attracting, Retaining, and Engaging*, Towers Perrin.)

<sup>1</sup> The Good Company portfolio includes 47 companies with combined high scores as employers, sellers, and stewards of the community and environment. Tracking of the portfolio began on October 1, 2012. The composition of the portfolio is periodically updated (most recently on January 31, 2017), based on new data from the Good Company Index. (Source: <http://www.theeea.org/resources/engaged-company-stock-index>)

<sup>2</sup> Includes dividends.

<sup>3</sup> As determined by independent data sources compiled by McBassi & Company.

# Creating a culture of recognition that has a measurable impact on your workforce

In a highly competitive industry that is witnessing disruptive technology and new market players, it is important to leverage your company's most strategic asset—your employees.

The key to success is to increase employee performance and improve the customer experience. A well planned and executed enterprise engagement program raises the level of these dimensions.

## Engaged workers are the lifeblood of your organization

Companies with high levels of employee engagement improved 19.2% in operating income while companies with low levels of employee engagement declined 32.7% over the study period. (Source: *The ISR Employee Engagement Report. Towers Perrin-ISR.*) Gallup's *State of the American Workplace* report estimates that active disengagement costs the U.S. \$450 billion to \$550 billion per year.

## Engaged employees are more likely to become brand ambassadors

This is an extremely important concept, especially for B2C companies. Rather than exhorting employees to become brand ambassadors and rewarding them, imagine a system that increases motivation and performance.

*How does this happen in a seamless fashion?* Recognizing employee contributions widely and in a memorable fashion is the most effective way to motivate performance. This might include more social recognition and the inclusion of non-monetary awards, among other approaches.



## Brand + culture = engagement

When there is alignment between brand and culture, increased employee performance is a direct result. And when discussing brand and culture, it is vital to recognize that it is the actions, not the words, of the corporation that are most important. If there is a gap between company policy and execution, employee motivation suffers. It is the same for the corporate brand. Cynicism and a lack of performance is a direct result of a mismatch between the advertised corporate brand and the public's experience with the company.

A successful enterprise engagement strategy creates synergy and a virtuous cycle. Motivated employees are more passionate about the corporate brand and culture. They become brand ambassadors. This results in higher levels of customer satisfaction as well as recruitment and talent management success. Glassdoor scores improve. Regretted turnover falls. When your motivated employees leave their offices at the end of their day, they are much more likely to continue to represent your brand in the community. This is how a culture of recognition and engagement drives improved bottom line results.

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