



The Impact of Employee Engagement

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Past linkage research has examined the relationships between employee opinions and desirable business outcomes and has demonstrated that both employee and customer satisfaction, as well as employee retention and business performance, are positively linked.

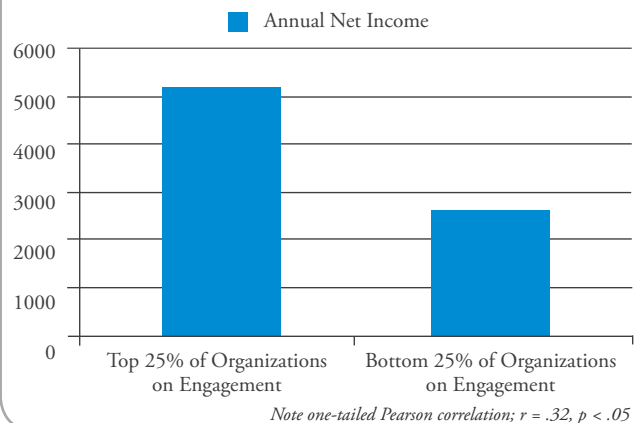
In the same manner, measures of employee engagement and business performance have been integrated showing that employee engagement and retention are positively related. Building upon this prior research, the Kenexa Research Institute conducted two studies that explore the relationship between employee engagement and important business performance metrics. These two studies are important contributions to organizational science because they expand the understanding of this construct and represent one of the first efforts to examine employee engagement across organizations, industries, organization size and geographic locations (i.e., global/multi-national organizations).

A major challenge in these studies is the lack of common customer metrics that intervene between employee engagement and financial success. As a result, these studies focus on two important and obtainable end-result financial variables: annual net income and total shareholder return (TSR).

Employee Engagement and Annual Net Income

The first study examines 64 organizations and explores the relationship between employee engagement and annual net income. After controlling for organization size, the analyses reveal that organizations with highly engaged employees achieve twice the annual net income of organizations whose employees lag behind on engagement (see Figure 1).

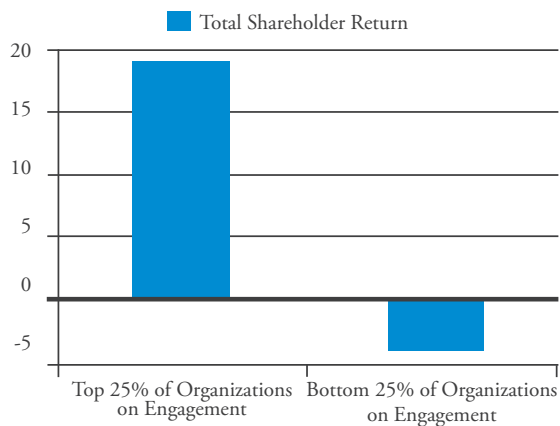
Figure 1: Annual Net Income in Millions of U.S. Dollars by Engagement



Employee Engagement and Total Shareholder Return

The second study, conducted across 39 organizations, examined the relationship between employee engagement and TSR (see Figure 2). The results indicate that organizations with highly engaged employees achieve seven times greater 5-year TSR than organizations whose employees are less engaged.

These results clearly demonstrate that there are measurable and compelling differences between those organizations that are high on employee engagement and those that lag behind. Employee engagement is a means to an end; in these studies the ends are higher annual net income and stronger TSR. Interestingly, these studies produce correlations between employee engagement and important business performance metrics that are two to three times higher than previously reported studies.

Figure 2: Total Shareholder Return by Engagement

Note one-tailed Pearson correlation; $r = .45, p < .01$

When we consider that having engaged employees influences how an organization performs, it is easy to grasp that employers who maximize employee engagement are those who improve their chances for business success. Improvements in employee engagement produce measurable improvements in business metrics. This is why the employee engagement construct is so important to business leaders today.

To create an organization that delivers sustained high levels of performance, employees must be engaged. Specifically, employees are engaged by:

- Leaders who inspire confidence in the future
- Managers who respect and recognize employees
- Exciting work they know how to do
- Organizations that demonstrate a genuine responsibility to their employees and communities

It is clear that properly-fitted leadership practices give rise to an engaged workforce—a workforce positioned to deliver the organization’s customer value proposition. Loyal customers lead to market share gains, greater profitability and long-term success. ■

About Kenexa

Kenexa provides business solutions for human resources. We help global organizations multiply business success by identifying the best individuals for every job and fostering optimal work environments for every organization. For more than 20 years, Kenexa has studied human behavior and team dynamics in the workplace, and has developed the software solutions, business processes and expert consulting that help organizations impact positive business outcomes through HR. Kenexa is the only company that offers a comprehensive suite of unified products and services that support the entire employee lifecycle from pre-hire to exit.

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