



During our first meeting of the 100-Day Journey on January 26, we looked at the levels of engaged employees and their effect on the bottom line.

We are pleased to provide you to the following "Leadership Update" that discusses the issue of payroll...is it an investment or an expense?

Our periodic "Leadership Updates" are designed to keep you informed on the topic of interest and provide insight into what successful leaders are doing to get results in their businesses through creating a culture of responsibility and trust.

Enjoy.

Laura and David Hauser

The High Cost of a Lack of Engagement

Is your company's payroll an investment or an expense? In some companies a lack of employee engagement could be wasting up to 50% of their payroll.

Since The Gallup Organization released the book *First, Break All the Rules* five years ago; the subject of employee engagement has gained the attention of many business leaders. It is well understood that increasing employee engagement is highly likely to contribute to increased productivity, staff retention and customer satisfaction... and ultimately profitability.

Yet, despite the attention this subject has received, very few organizations have been willing to make a significant investment of time or money to dramatically improve their engagement levels. Maybe if business leaders understood the true cost of a lack of engagement, they might pay a bit more attention and do something about it.

Let's look at an example.

According to recently published figures from The Gallup Organization, the American workforce consists of 29% *Engaged employees*, 55% who are *Not-Engaged* and 16% who are *Actively Disengaged*. That is a total of 71% of the workforce who are not "switched-on" when they are at work, not paying full attention, or perhaps even working against the organization.

Yes these are average numbers for America and your organisation might be better off than this, but it could also be below the American average.

So what is the cost of having 70% of employees disengaged? One way to quantify it is to think about the return an organization gets for the investment they make in payroll and benefits.

What percentage of their capabilities are the different types of employees contributing to the organisation? When we ask people that question, the best response we get for the *Not-Engaged* people is 50% and for the *Actively Disengaged* people 20%. Some people believe that the *Actively Disengaged* people in their organization are a negative factor and that they are actually taking away from the good work the Engaged employees are doing.

For the sake of this example, let's be conservative and assume that all *Not-Engaged* and *Actively Disengaged* employees are giving you 50% of what they are capable of and we'll assume that the *Engaged* employees are giving you 100%. We'll also assume an average pay and benefits per employee of \$50,000 and that you are paying all employees 100% of their pay and benefits in the expectation that they will give you 100% of what they are capable of.

Here is the bottom line:

If you are an average company in terms of employee engagement, 70% of your employees are giving you back only 50% for what they are being paid. That means that 35% of your payroll is going down the drain.

For a 100-person company, that works out to \$1,750,000. For a 1000 person company, \$17,500,000. You can do the math for your own company. And remember, we are assuming that the *Actively Disengaged* employees are giving you 50% of their capabilities and the *Engaged* employees 100%. The real figure could be substantially worse.

Increasing engagement and commitment of employees requires a significant investment of time and money. But to do nothing is far more costly. Can you afford that?

What is your organization capable of? One thing is for sure...you will never find out unless you can get the vast majority of your people fully engaged and committed to helping your organization achieve its vision.

How do you do that? By getting every person in a leadership position in your organization committed to creating a work environment where all employees can, and want to, give you their best.

For more information on how you can achieve this elusive goal, visit our web site at www.leadership-strategies.com, or give us a call.

[Visit Our Website](#)

Thank you for continued interest. Let us know how you would like to learn more about

capitalizing on your organization's investment in payroll.

Sincerely,

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