

20 Studies Reveal: The True Importance of Employee Engagement to Company Profitability

In 2012, "the most high tech rover NASA has ever designed [by then]... landed on Mars," reported the [Associated Press](#). When that happened, employees couldn't stop hugging and high fiving each other.

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And sure, you might say, it's easy to feel happy at work when you just contributed to making history on Mars. We just work at an office.

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<https://www.youtube.com/watch?v=9Na0qnYO81E>

Or in the food industry.

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<https://www.youtube.com/watch?v=hDZUj2pZ7zk>

So it's easy to look at studies, like the one by the Engagement Institute, which found that "a third of employees aren't engaged on the job," according to [HR Dive](#), and think there's not a lot we can do.

Even when the same study shows "that disengaged employees cost companies between \$450 and \$550 billion a year," according to HR Dive.

It's totally understandable.

But the good news is there's a lot we can do strengthen "the mental and emotional connection employees feel toward the work they do, their teams, and their organization," as [Quantum Workplace](#) defines employee engagement.

We'll give you a full guide on that another day ([Want us to ping you when it's published? \[link to sign up to newsletter?\]](#)), but for now, let's break down the importance of employee engagement to [creating a more profitable organization](#), and give you a business case for action taking you can share with the c-suite.

The Importance of Employee Engagement to Profitable Organizations

You'll often hear organizational experts talk about the importance of [employee engagement](#) because study after study has found direct links between that and company profitability. Here are some of the key ones.

Let's Start with the Bottom Line. Need to Drive Quantifiable Results?

A 2015 Yale study says you need to take care of your team.

It "revealed that more engaged salespeople do drive more sales" [and] "are more likely to successfully upsell... and leave their customers more satisfied," reports [Yale](#).

Similarly, [Gallup's 2020 study](#) found that engaged employees drive 18% more sales. That's a decades' long study with data from over 100,000 teams.

Of course, the importance of employee engagement to your bottom line goes beyond the sales department. If your manufacturing or customer service employees aren't engaged, for example, you'll get less products produced on deadline, manufacturing errors and customer churn, to name a few.

So let's take a deeper dive.

Your Brain is 31% More Productive When You Do This

"An extensive study into happiness and productivity has found that workers are 13% more productive when happy," reports [Oxford University](#). Another study found

"approximately 12% greater productivity" in happy employees, reports the [University of Warwick](#).

Here's why:

In a [TED talk](#) that starts with the story of how he pushed his five year old sister off the top bunk bed when he was seven – and convinced her she's a flying unicorn, so she won't tell their parents – Shawn Achor says positivity helps our brains work better.

Achor, the CEO of [GoodThink](#), worked with companies and schools across 45 countries in the three years following the 2009 economic downturn. He found "that most companies and schools follow a formula for success... 'If I work harder, I'll be more successful. And if I'm more successful, then I'll be happier...' The problem is, it's scientifically broken," he says in the TED talk.

"Our brains work in the opposite order. If you can raise somebody's level of positivity in the present, then their brain experiences what we now call a happiness advantage... Your intelligence rises, your creativity rises, your energy levels rise... every single business outcome improves. Your brain in positive is 31% more productive than your brain in negative, neutral or stressed," he says.

You can watch Achor's full talk here:

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<https://www.youtube.com/watch?v=fLJsdqxnZb0>

Better yet: Once that happiness advantage is linked to your company culture, employees are much likelier to go the extra mile.

High Engagement Correlates with Personal Investment in Business Success, and Then There's No Stopping Your Employees

"Going the extra mile... is one of the key behaviors demonstrated by 'engaged' employees," explains employee experience consultancy ETS on [Personnel Today](#).

As [Business Australia](#) explains it, "highly engaged employees have more investment in the success of the business and have a high level of commitment and loyalty. They are great collaborators and are prepared to go the extra mile."

Moreover, it explained, they "have the ability to elevate the performance of other employees."

When your team gets used to experiencing success, it'll get easier to open the door to more creativity and innovation.

Bridge the Creativity and Innovation Gap that's Been Dominant for Years

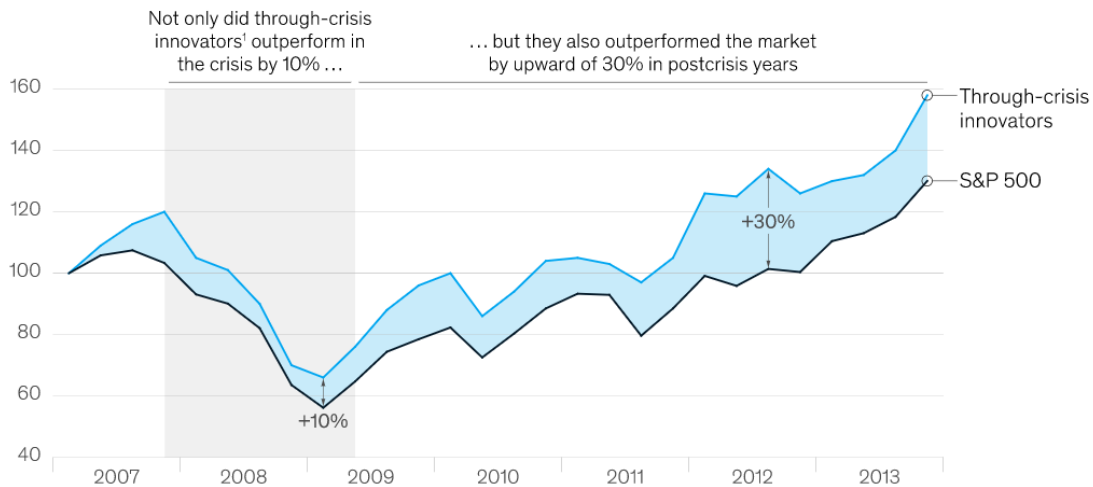
There's a big gap between senior management's desire for creativity and innovation, and what really happens workplaces.

In 2010, around the previous economic downturn, [IBM](#) surveyed more than 1,500 CEOs from 33 industries across 60 countries. Its conclusion: "Chief executives believe that... successfully navigating an increasing[ly] complex world will require creativity."

As [McKinsey](#) explained in 2020, "history suggests that companies that invest in innovation through crisis outperform peers during the recovery." However, over 70% of McKinsey's 2020 survey participants feel unprepared "to address the changes they see coming" due to COVID-19.

History suggests that companies that invest in innovation through a crisis outperform peers during the recovery.

Normalized market capitalization, index (Q1 2007 = 100)



¹Identified as companies on the *Fast Company* World's 50 Most Innovative Companies list for ≥ 2 years through a crisis, normalized to 2007.

McKinsey
& Company

Source: [McKinsey & Company](#)

On the other end of the equation are the employees.

54% of them feel "uneasy about making decisions with an uncertain outcome," according to [Deloitte](#), who surveyed 4,500 Americans. A study by Google, CEB and Motista found similar results: 48% of B2B employees "say they have wanted to buy a new solution, but haven't spoken up for fear of risks," reports [Upland Software](#).

Creativity and innovation require taking risks, running tests and being invested enough in the company's mission to be willing to fail. They also require having no bad consequences for failing, because many of us can't create "the next best thing" in the first try.

Reduce Workplace Accidents, Quality Defects and Thefts

Creativity and innovation keep your organization future-proof. But so do avoiding safety incidents and product defects.

The decades' long Gallup study mentioned above found that the most engaged companies experience 64% less safety accidents, 41% less quality defects, and 28% less theft.

When you combine that with better employee health, you create a foundation that enables employees to bring their full selves to the workplace.

Happy Employees are Healthier Employees

The social situation and stress levels at your organization can impact employees' physical and mental health, which can impact absenteeism, fear of sharing new ideas, and whether employees give you their all or just do their best to survive with minimum viable work.

Make Absenteeism an Almost Non-Issue

The more employees experience physical and mental health issues, the more absenteeism grows. Less people are left behind to do more work, new tasks get piled upon the to-do list, and frustration increases.

Therefore, it's not surprising that "the Centers for Disease Control and Prevention (CDC) report that productivity losses linked to absenteeism cost employers \$22.8 billion annually in the United States, or \$1,685 per employee," revealed the [CDC Foundation](#).

But we can do something about it.

According to Gallup, companies that excel at employee engagement experience 81% less absenteeism. *81%*.

Let's explore why.

How Safe Psychosocial Work Environments Can Save \$1 Trillion a Year

A study led by the World Health Organization (WHO) "estimates that depression and anxiety cost the global economy US\$1 trillion each year in lost productivity," reports [WHO](#).

Now, it's important to say that you can have the best workplace culture, and still experience mental health related absenteeism. According to the [National Alliance on Mental Illness \(NAMI\)](#), "20.6% of US adults experienced mental illness in 2019 (51.5 million people). This represents 1 in 5 adults."

These, of course, are just the known numbers.

Considering that not everybody who manages mental health challenges asks for help, there's a good chance the actual numbers are higher. That means there's a good chance at least some of your workforce experiences it too.

But it's simultaneously important to check your culture to ensure management isn't adding to – or creating – the problem. Toxic, disengaging, high pressure environments can increase your company's healthcare costs by almost 50%, reports [Harvard Business Review](#) (HBR).

"The American Psychological Association estimates that more than \$500 billion is siphoned off from the U.S. economy because of workplace stress, and 550 million workdays are lost each year due to stress on the job," reports HBR.

60-80% of workplace accidents and over 80% of doctor visits "are attributed to stress... Workplace stress has been linked to health problems ranging from metabolic syndrome to cardiovascular disease and mortality," it adds.

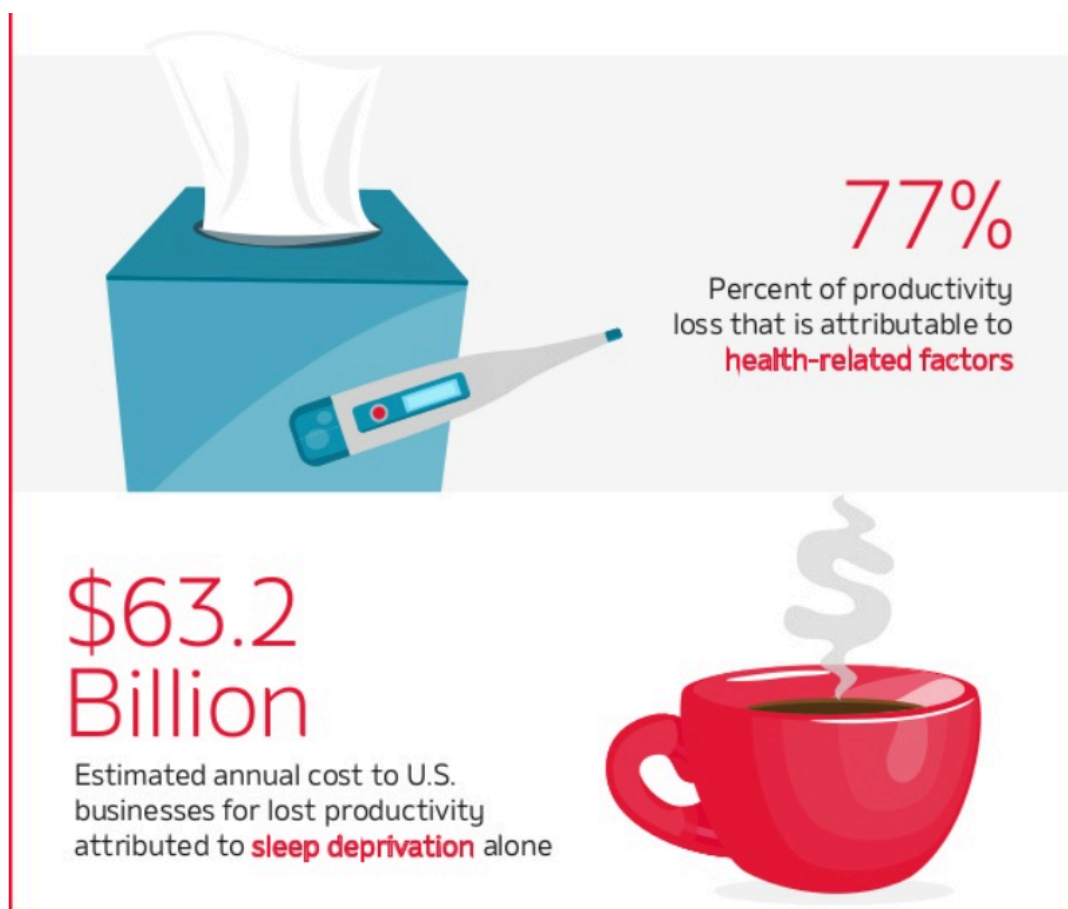
That's where the importance of employee engagement comes in. Proactively creating a safe psychosocial culture that prioritizes employee wellbeing and happiness is crucial. "Workplaces that promote mental health and support people with mental disorders are more likely to reduce absenteeism, increase productivity and benefit from associated economic gains," reports WHO.

The Importance of Employee Engagement to Saving Employees' Lives

When employees feel disengaged and unhappy at work, when they feel their voices aren't heard or their efforts don't make an impact, when colleagues are positioned against each other in ruthless competitions, it impacts them.

People in these situations are "more likely to smoke more, drink more... overeat... engage in illicit drug taking, and they're less likely to exercise," Jeffrey Pfeffer, organizational behavior professor at Stanford, told [GBH](#).

As ZeroCater reports, 77% of productivity loss... is attributable to health-related factors," according to [The Job Network](#).



Source: [ZeroCater via The Job Network](#)

Pfeffer and his colleagues found that workplace practices that don't prioritize employees' needs "account for about 120,000 excess deaths a year in the United States, which would make the workplace the fifth leading cause of death and costs about \$190 billion dollars in excess health costs a year," Pfeffer told [Slate](#).

Happy Employees Stay on the Job Longer

Keeping employees alive is definitely a high priority. Keeping them on the job, while less important, is still high on managers' lists, especially when it comes to top talent. Top talent helps you get better bottom line results, but it's hard to find, hard to retain, and really expensive to replace.

The Costs of Replacing Top Talent

"The costs of employee turnover are increasingly high – as much as 2.5 times an employee's salary depending on the role," reports [CIO.com](#).

Why?

When an employee leaves – certainly a top performer – there's a big gap left with all her unclosed deals and tasks, [writes Andria Taylor](#), previous chief talent officer at Talent Agent Group and current regional director of talent and organizational effectiveness at St. Joseph Health.

Filling that gap requires resources from many people, she explains: The remaining team needs to fill in, HR starts searching for a replacement, senior management interviews top candidates... and it can take up to a year for senior positions, she says.

According to Taylor, who breaks down costs per process stage in her article, it's easy for companies to fall behind and miss opportunities meanwhile. Then, when you find your new talent, "it could take a year for your replacement to be as skillful on the job as the person they replaced," she writes.

The Importance of Employee Engagement to Top Talent Retention

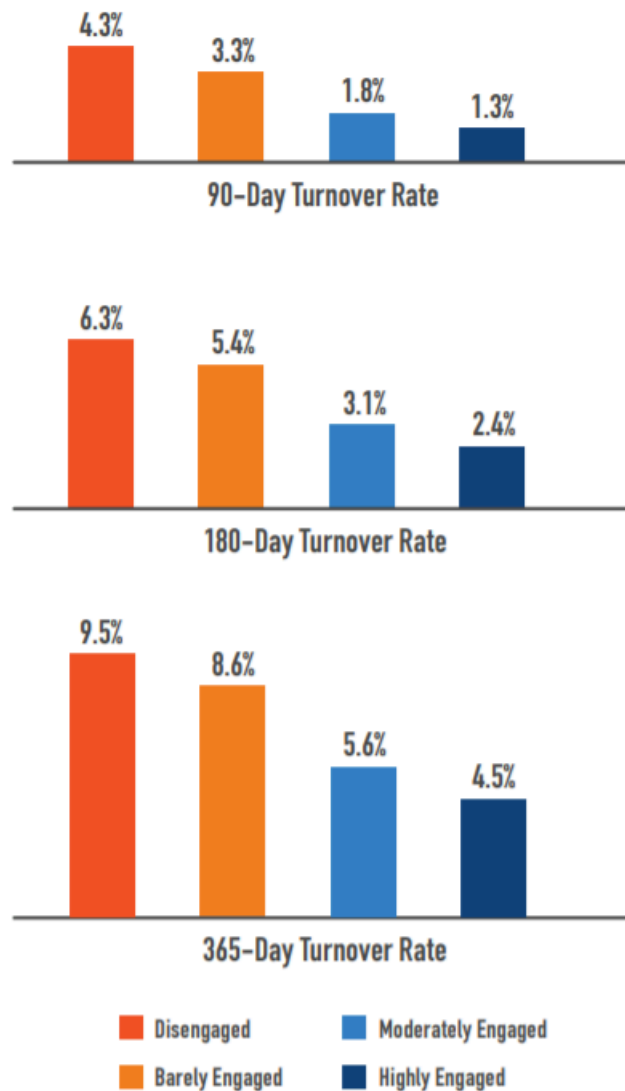
In a study of 90,000 US workers, Quantum Workplace found that top talent leaves because they're unsatisfied with their jobs, their needs aren't met, they're unhappy with their teams, and they're unsure about organizational fit, reports the company's [2020 report](#).

Quantum Workplace also "collected turnover information from 26 companies representing more than 600,000 employees," revealing another key aspect of the importance of employee engagement, says the report.

"Disengaged employees were 3.3 times more likely to leave their company within 90 days of the survey compared with highly engaged employees. After 180 days... disengaged employees were 2.6 times more likely to leave... And a year after the survey, disengaged employees were 2.1 times more likely to leave," says the report.

"If all employees left the organization at the same rate of highly engaged employees, these companies could collectively save 6,369 employees from leaving their organizations per year, saving millions of dollars in the process," it adds.

Turnover Rates by Engagement Profile



Source: [Quantum Workplace](#)

Therefore, it's critical to prioritize employee engagement from day one, and keep going. Ensure both new and longtime employees are excited to come to work, and help you take the company to the next level.

But Wait, Shouldn't You Prioritize Customer Engagement First?

Many customer service professionals have heard about Harvard Business School and Bain & Company's 1990 study that made it crystalized the importance of customer satisfaction: "In industry after industry... increasing customer retention rates by 5% increases profits by 25% to 95%," reports [Harvard Business School](#).

A study from a few years ago by the [Temkin Group](#) reaffirms this, revealing that when customers have positive emotional experiences with your company, they're 87% likelier to purchase again and 75% likelier to recommend your company.

But who provides these positive emotional experiences?

The Importance of Employee Engagement to Customer Satisfaction

It's easy to see [the importance of employee engagement](#) in customer-facing teams. If your customer service agents work with shift managers yelling in the background to finish the call because it's increasing average handling time... your customers won't experience the most patient agents.

But considering that every department in your organization is an important piece of the puzzle, even employees who have zero contact with customers can influence your company's success.

That's what happened to organizational behavior expert [Diana Dosik](#)'s client. As she shared in her [TED talk](#), it didn't matter what management did (including provide bonuses), it couldn't get employees to increase product development speed, which led to market share loss.

Why?

Because management didn't understand these employees' experience.

What it asked employees to do was could have likely gotten them fired.

You can watch Dosik's TED talk here:

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<https://www.youtube.com/watch?v=hvcOzkK2rcg>

And we can take it a step further. If your human resource folks aren't engaged, how much will they invest in selecting the right candidates to even make it to a job interview?

How many resources will your company invest in the hiring process, which is resource expensive even in ideal situations, that it could have devoted to market research, innovation research, embedding features customers asked in the product, or training customer-facing employees on how to provide more empathetic service?

The Importance of Employee Engagement: Happiness is Contagious

According to a 2015 study, "mirror neurons" make you "experience emotions identical to ones being displayed. So when you look at a smiling face, however subtle, something in you brightens up as well," reports [New Neuro Marketing](#).

But there's a catch. According to Gretchen Rubin, author of The Happiness Project, "negative moods are more contagious than positive moods, and one crabby employee can trigger a wave of bad feelings," [she writes](#).

Hence, the importance of employee engagement. We don't want to deny or discount anyone's feelings, of course. Yet the larger the number of happy employees, the more they'll spread happiness across your team, partners and customers, creating a compound interest of benefits for your bottom line.