



# Employee Experience Economic Impact

Prepared for Mcdermott Consulting LLC

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# Executive Summary

Congratulations for taking the first step to understand the economic impact of improving your company's employee experience. Your results, which follow, are based on the information you provided on [kazoo.hr.com](https://kazoo.hr) and detail the business impact you can reasonably expect.

If you wish to better understand specific inputs and assumptions from which the figures below were derived, please [contact one of our Employee Experience experts](#).

**\$9,976,256**

ESTIMATED 3-YEAR IMPACT

# Executive Summary

Let's take a minute to talk about this number.

At Kazoo, we've demonstrated that a great employee experience leads to high employee engagement — an undeniable producer of productivity and payback. In fact, research from Gallup shows engaging your employees drives significant financial gains. According to the research, business or work units in the top quartile of employee engagement nearly double the odds of success (based on a composite of financial, customer, retention, safety, quality, shrinkage, and absenteeism metrics) when compared with those in the bottom quartile.

We define employee engagement as the measure of an employee's discretionary investment in their job — the degree to which they are involved in, enthusiastic about, and committed to their work and workplace.

We estimate that by creating a better employee experience and increasing employee engagement, your company could realize the following incremental value over a 3 year period:

**\$33,120**

PRODUCTIVITY

**\$37,536**

CUSTOMER METRICS

**\$9,895,664**

RETENTION

**\$9,936**

ABSENTEEISM

Depending on your industry and specific situation, your company may realize additional benefits such as:

**UP TO 70%**

FEWER SAFETY  
INCIDENTS

**UP TO 40%**

FEWER DEFECTS IN  
MANUFACTURING + PRODUCTION

**UP TO 28%**

LESS SHRINKAGE  
AND LOSS

#### Sources

Gallup, "The Right Culture: Not Just About Employee Satisfaction", April 2017.  
TLNT, "The ROI of Improving Employee Engagement", May 2016



# Productivity

Engaged employees make it a point to show up to work and do more while they're there. As a result, Gallup research says that highly engaged business units may realize a 17% increase in productivity

**\$33,120**  
PRODUCTIVITY

For the purpose of this analysis, we've estimated a potential impact on productivity of 1-3% (1.5%) using revenue/employee as the measure of productivity.

Investing in your employee experience drives higher productivity through:

- ▶ Better alignment on goals and priorities
- ▶ Increased discretionary effort
- ▶ Increased collaboration among teams and functions
- ▶ Better employee performance
- ▶ More effective management
- ▶ Greater accountability

In other words, your employees show up every day with a passion, purpose, and energy to get the job done.

Additionally, employee recognition and regular feedback are critical components of improved employee productivity. Values-based recognition and feedback should always tie back to a company's core values and priorities. Employees who feel their work has purpose and meaning and are provided with ongoing feedback are able to adjust and improve, resulting in greater engagement and higher productivity.

#### Sources

Gallup, "The Right Culture: Not Just About Employee Satisfaction", April 2017.  
TLNT, "The ROI of Improving Employee Engagement", May 2016



# Customer Metrics

Research shows strong ties between employee engagement and a company's Customer Experience (CX). In a survey of over 5,000 U.S. companies, those with a CX significantly better than their competitors have employees who are 60% more engaged. The research also shows that when HR is involved substantially in CX, the organization is 50% more likely to be a CX leader.



## \$37,536

CUSTOMER METRICS

For the purpose of this analysis, we've estimated the potential to improve Customer Metrics to be 7-14%. This improvement results in a 1-3% (1.7%) increase in revenue.

The increase in revenue is based on:

▶ INCREASE IN CUSTOMER RETENTION

Companies with an NPS in the upper quartile of their industry tend to have 5-10% higher retention on an absolute basis

▶ INCREASE IN CUSTOMER EXPANSION REVENUE

Companies with higher NPS see a strong correlation to more expansion revenue, from 9-24%

▶ LONDON SCHOOL OF ECONOMICS

Research shows that an average NPS increase by 7 points correlates with a 1% growth in revenue



#### Sources

Temkin Group, "Employee Engagement Benchmark Study", 2017.  
ProfitWell, "NPS Revenue Correlation: Impact of NPS on Revenue Expansion"  
London School of Economics, "Advocacy Drives Growth"

# Customer Metrics



Investing in your employee experience drives a better CX through:

- ▶ **EMPLOYEE COMMUNICATIONS**  
Rich in safety, belonging, purpose, and positive feelings
- ▶ **ONBOARDING AND TRAINING**  
Vital emotional connections in the onboarding process and ongoing skill developments
- ▶ **PERFORMANCE AND MOTIVATION**  
Aligned goals and priorities with a focus on performance and accountability
- ▶ **AWARDS, CELEBRATIONS, INCENTIVES**  
A culture of celebration and appreciation that reinforce values and desired behaviors
- ▶ **EMPLOYEE VOICE PROGRAMS**  
A more frequent and in-depth understanding of what is working and what needs improvement
- ▶ **EFFECTIVE MANAGEMENT**  
Engaged leaders who effectively move beyond directing work to coaching and developing employees

## Sources

Temkin Group, "Employee Engagement Benchmark Study", 2017.  
ProfitWell, "NPS Revenue Correlation: Impact of NPS on Revenue Expansion"  
London School of Economics, "Advocacy Drives Growth"



# Retention



**\$9,895,664**  
RETENTION



**\$5,168,762**  
ON-BOARDING COSTS



**\$10,408**  
LOST PRODUCTIVITY  
COSTS



**\$4,716,495**  
RECRUITING COSTS

For the purpose of this analysis, we've estimated the potential to reduce employee turnover by 20-40% (31%) through a better employee experience.

In an insightful article on employee retention, Bersin by Deloitte outlined the factors a business should consider in calculating the "real cost" of losing an employee.

These costs include:

▶ **ON-BOARDING**

The costs associated with employee setup and orientation, including HR and management time

▶ **TRAINING**

Over two to three years, a business likely invests 10-20% of an employee's salary or more in training

▶ **LOST PRODUCTIVITY**

It may take a new employee one to two years to reach the productivity of an existing employee

▶ **CULTURAL IMPACT**

Whenever someone leaves, others take time to ask why, and may become more disengaged and lose productivity

▶ **CUSTOMER SERVICE**

New employees may take longer to complete a task and may be often less adept at solving problems

▶ **HIRING**

The costs associated with advertising, interviewing, screening, and hiring

Sources

Forbes; "New Research Unlocks the Secret of Employee Recognition"

LinkedIn, "Employee Retention Now a Big Issue: Why the Tide has Turned", 2013



# Retention

The following assumptions were made as part of this analysis:

15%

AVERAGE RATE  
of 10-20% (15%)  
for turnover

15%

AVERAGE HIRING COST  
of 10-20% (15%)  
for first year salary/wages

37

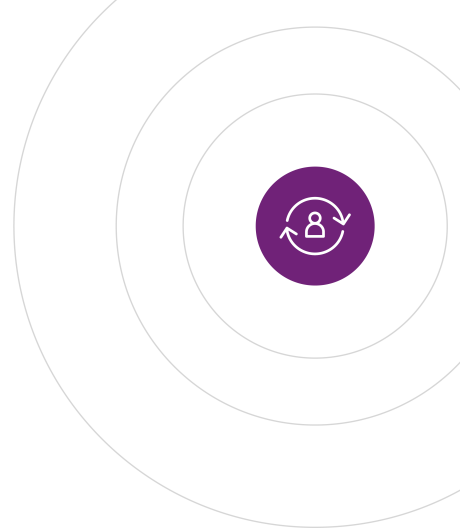
AVERAGE TIME  
of 20-75 days (37)  
to find a new employee

60

AVERAGE TIME  
of 30-90 days (60)  
to ramp a new hire

2.4

EMPLOYEE VALUE  
of 2-4 times (2.4)  
their annual salary/wages



#### Sources

Gallup, "The Right Culture: Not Just About Employee Satisfaction", April 2017.  
TLNT, "The ROI of Improving Employee Engagement", May 2016





# Absenteeism



Absenteeism is defined as a chronic pattern of an employee missing work and is a common challenge for companies with a workforce that is not highly engaged. According to the Centers for Disease Control (CDC), productivity losses linked to absenteeism cost U.S. employers \$226 billion annually or \$1,685 per employee.

**\$9,936**  
ABSENTEEISM

For the purpose of this analysis, we've assumed an average cost of absenteeism of 3-9% (6%) based on the average value each employee provides to the company. We estimated the potential to reduce absenteeism by 5-10% (7.5%) through investments in a better employee experience

The cost of absenteeism comes from both direct and indirect sources. Direct costs are related to the lost productivity of the employee not being on the job, as well as bringing in a replacement or covering the absence with overtime.

Indirect costs are incurred by the company as overall productivity declines with absences. Often other employees may have to cover their duties, and managers have to spend time dealing with the impact of the absence.

#### Sources

CDC Foundation. "Worker Illness And Injury Costs U.S. Employers 5.8 Billion Annually", 2015  
SHRM, "Total Financial Impact of Employee Absences in the U.S."



# The Employee Experience

As we explain in our Employee Experience Manifesto, the employee experience is based on four pillars. When all four are present, congratulations: Your workforce is inspired and aligned.



CONNECTION



APPRECIATION



MEANINGFUL  
IMPACT



GROWTH

With one or more pillar missing, though, your company's alignment and inspiration become imbalanced, leading to a strained employee experience. Here are the four types of employee experience we see (and work with) at Kazoo:

**THRIVING:** High inspiration and high alignment. Workforce is engaged and productive

**OFF-COURSE:** High inspiration, but low alignment. Workforce is engaged but not necessarily productive.

**BARE MINIMUM:** Low inspiration, but high alignment. Workforce is disengaged but productive.

**SURVIVING:** Low inspiration and low alignment. Workforce is disengaged and unproductive.

**Not sure which your company is?**

Find out with our [Employee Experience Assessment](#)

For the purposes of this analysis, we've estimated the potential economic impact on your company from investing in the employee experience using your current employee experience as a multiplier. These are the multipliers:

**140%**  
SURVIVING

**120%**  
BARE MINIMUM

**110%**  
OFF-COURSE

**80%**  
THRIVING

**100%**  
NOT SURE

We believe companies flourish when their employees are both aligned and inspired. This only happens when employees find meaning and growth in the work itself, and when employees feel appreciated by and connected to their colleagues and company.

To achieve this, companies need to turn outdated approaches to performance management, recognition, and engagement on their heads. They need to adopt a new way that's continuous, manager- and employee-led, and people-first.

Helping people-first  
companies create amazing  
employee experiences.

**Allianz** 

**HITACHI**  
Inspire the Next



**patagonia**

We believe this vision is not just possible —  
it's critical to the future of work. And, it's made  
possible by Kazoo.

Get a demo



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