The Bottom-line Impact of People Problems in the Workplace

By, Mr Shea Heaver | Regional Director | U.S. & Canada

In a utopian workplace environment, every employee would arrive with a smile on their face, diligently work on projects about which they are passionate, interact with and assist their colleagues, have a great relationship with their boss, and when the going gets tough they would roll up their sleeves and pitch in without a second thought.

But according to Gallup, approximately 70 percent of employees are not engaged at work, meaning that (at best) they show up, do the minimum required, clock-watch and are really only there to collect a paycheck. To make matters worse, that figure includes almost 18 percent who are unhappy to be there, undermine others regularly and may even act maliciously — these are the actively disengaged.

The price of this dysfunction and disengagement in the United States is estimated to be upwards of $450 billion annually in lost productivity. Yes, that’s billions.

And while that’s a staggering number nationally, what really hits home for most organizations — especially in the boardroom — is how this disengagement impacts their bottom line. How does that number translate and become something tangible to their business?

Breaking Down the Costs

Research suggests that managers and supervisors spend between 18 and 26 percent of their time dealing with workplace issues such as conflict, relationships, grumbling, etc., while employees spend approximately 7 percent of their time doing the same.

In addition, every organization experiences turnover but it is generally higher among a disengaged workforce. Let’s ballpark turnover rate at 15 percent and estimate it costs approximately 25 percent of an employee’s salary to replace them if they leave.

If we now use 2013 average salary data from the Bureau of Labor, we can estimate that an organization of 300 (25 managers and 275 employees) may be losing approximately $2,000,000 annually to manage people problems.
Extrapolate that to a company of 1,500 employees and the annual costs creeps towards $10,000,000.

Conversely, organizations with highly engaged employees outperform their competition in terms of earnings per share by almost 150 percent. You don’t need to be Archimedes, Isaac Newton or even your old high school math teacher to realize these numbers are bad for business.

It Goes Beyond Hard Numbers

While the quantifiable costs referenced above are likely to get the attention of most executives, there are additional consequences to a dysfunctional workforce.

Stress levels are usually higher in a dysfunctional workplace, which in turn can lead to apathy, fatigue and health problems. These are key drivers of absenteeism with rates among disengaged employees estimated at 6.19 days per year, more than double that of their engaged counterparts (2.69 days per year).

We've all had a bad day at the office and know that it usually affects what happens when we leave for the day. For a disengaged employee who goes home five days a week like this, it can seriously affect their personal and family life.
Engaged employees are more tuned-in and alert to opportunities that benefit the business. If however an employee is sleepwalking their way through the day they may miss a potential sale, a chance to improve a process or the opportunity to help a colleague in need.

To compound the lesser quantity of work produced by disengaged employees, the quality of the work they actually produce is likely to be of a lower standard.

Of course, all of these factors negatively affect the balance sheet.

So What Can Be Done About It?

Let's first declare that there is no silver bullet that can suddenly transform an entire organization. And even if there was, it would never materialize via the dreaded and ritualistic Annual Employee Survey with which many organizations still toil.

A 2014 Forbes article by renowned author and HR/Training consultant Josh Bersin stated, "The days of the annual engagement survey are slowly coming to an end, to be replaced by a much more holistic, integrated, and real-time approach to measuring and driving high levels of employee commitment and passion."

Dysfunction and disengagement are driven primarily by workplace relationships and company culture. There is an old saying that "people quit their bosses, not their jobs," but I would broaden that and state it has more to do with overall environment within the group of people they work with day in and day out.

Obviously leadership has a major part to play in ensuring morale and collaboration are high throughout the team or department, but it is equally important to empower the individuals to identify areas of concern and then work collaboratively to make it better.

And rather than across-the-board-changes, the teams should work on areas of need for them. After all, you don't change every lightbulb in a house just because the one in the bathroom doesn't work.

By measuring and fixing what is important at the local level (be that conflict, motivation, feeling valued, openness, etc.) the business improves holistically. If this is systematized and seen as part of a continuous improvement program or organizational development initiative, the employees will very quickly adopt and embrace the engagement process. That is when the organization (especially those in the boardroom) will start to see a favorable impact to the bottom line.

Author : Shea Heaver
shea@mcconnonint.com

Having worked in the US, Canada, Europe, Asia and other global locations, Shea increasingly realized that individuals who feel valued while working within structured principles, lead to teams that are motivated, innovative and highly productive. Shea is Regional Director U.S. & Canada for McConnon International Ltd.

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