

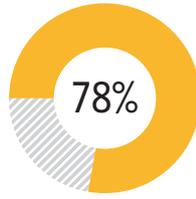


THE \$687B QUESTION

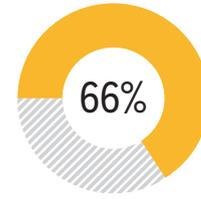
IS EMPLOYEE ENGAGEMENT THE DRIVER
FOR BUSINESS SUCCESS?



Potential opportunity cost of time spent by U.S. employees each year on unnecessary administrative tasks.



Respondents who say that employees need to feel more engaged in the business.



Respondents who cite employee absence as a core disruption to the business that has impacted their own work.

“Engaged employees go above and beyond what they need to do because they’re passionate about the company and they want it to do well.”

HR Manager, Retail

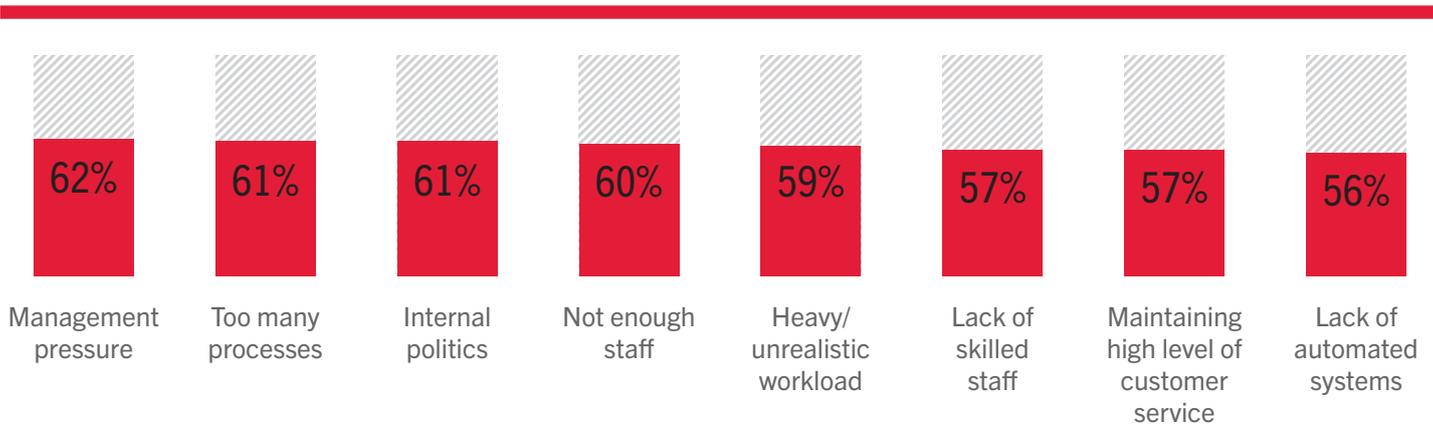
THE REAL IMPACT OF EMPLOYEE ENGAGEMENT

\$687B a year is a startling number, but that’s how much U.S. organizations surveyed say U.S. employees are wasting every year on unnecessary administration that are not directly related to their employees’ core job roles. It equates to \$4,554 a year, per employee, per organization — and the bigger the organization, the bigger the problem. What can we do about this issue and what effect is it having on employee engagement and the health of U.S. organizations?

It’s clear that a small thing, such as a single hour wasted, can make a huge overall difference when multiplied across hundreds or thousands of employees. At the same time, the research shows that the average day is also becoming increasingly complicated, with a large proportion of time being spent managing that complexity. We also find that technology — often touted as the cure — is having an impact, but not always a positive one. We believe that the solution to these problems lies at the grass roots of employee and manager communication and engagement.

This report ‘The \$687B Question’ comes at an important junction: one where workforce demographics, working patterns, and employee expectations are changing; where people are often cited as an organization’s most valuable asset and its biggest cost; and where constant flux poses significant challenges for keeping people engaged, motivated, and productive on the job. Treating people as an asset rather than a commodity is essential for true workforce engagement, but it’s also a critical factor in attracting and retaining the best talent in a fiercely competitive job market, an uncertain business climate, and an environment where new workforce entrants are changing the rules of the game.

The main difficulties faced on a daily basis/biggest challenges



To better understand the challenges, opportunities, and costs of workforce engagement — or the lack thereof — in U.S. organizations, we conducted interviews with the people who really matter: the HR professionals, the Operations/Line of Business managers, and the employees themselves who work at midsize to large U.S. organizations (with more than 600 employees).

The research shows that, day-to-day, employees and managers face several challenges and pressures that combine to make their work unnecessarily complex and unproductive. In addition to putting organizations at risk of losing money and missing growth opportunities, this complexity prevents employees from delivering the value they desperately want to bring to their working day. Reassuringly, managers recognize that there is significant work to be done, with only five percent of Operations/Line of Business managers rating their employers as very strong in the area of employee productivity and only four percent rating them as very strong in employee engagement. Communication can go a long way toward increasing engagement and building trust between employer and employee. And, with a high level of trust and engagement, employees are more likely to “go the extra mile,” driving even greater levels of productivity and improved results.

At the top, business leaders must strike a balance between focusing on the numbers and the people who deliver them — something that is perceived as lacking by more than half of the respondents surveyed. What’s more, with growing work complexity and expanding regulatory requirements, the HR function is being forced into a role focused on managing risk as opposed to true people development.

This all paints a picture of U.S. organizations that need to achieve a new level of employee engagement enterprisewide. It is about understanding the changing expectations of employees and the extra impact an engaged workforce can have on the bottom line. In turn, managers that bring together the right data, technology, and talent will be best positioned to lead the next generation of competitive, successful organizations in the coming years.

‘The \$687B Question’ is only the start of this important discussion. Whether you’re a business leader, manager, HR professional, or employee, we would love to hear your views.

Communication can go a long way toward increasing engagement and building trust between employer and employee, especially given that only five percent of Operations/Line of Business managers rate their employers as very strong in the area of employee productivity and only four percent rate them as very strong in employee engagement.



THE \$687B
QUESTION

WHAT IS THE \$687B QUESTION?

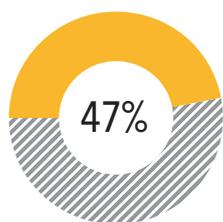
The opportunity cost of ineffective workforce engagement is immense. The question we need to answer together as leaders, managers, commentators, and employees is how do we address this critical business challenge? Is it just about technology, data, and processes, or is it about behavior, leadership, and incentives? Or, as we aim to show in this report, the solution may lie in a combination of small, incremental actions that make employees feel more involved and help leadership and HR take confident steps into a brave new world of putting employee engagement first.

In this report, we've broken down the U.S. survey findings into five sections, which explore the most important aspects of the employee engagement debate:

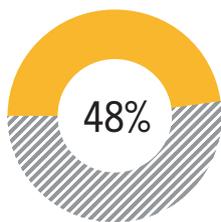
1. **Stuck in the middle:**
People are torn between meeting customer needs and manager expectations
2. **Small changes create big rewards:**
Why reducing one hour of wasted time can save billions of dollars
3. **Why your greatest asset shouldn't be a liability:**
Balancing the needs of people with the numbers
4. **Bridging the engagement gap:**
Turning technology into an engagement tool and competitive advantage
5. **Don't dash for cash:**
Use communication, collaboration, and culture to keep employees engaged

STUCK IN THE MIDDLE: PEOPLE ARE TORN BETWEEN MEETING CUSTOMER NEEDS AND MANAGER EXPECTATIONS

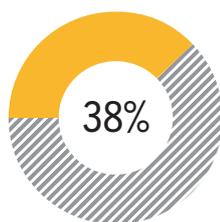
Would you say your working life is too complicated?? % = YES



HR professionals



Operations/Line of Business managers



Employees



Of respondents don't find it very easy to complete all their tasks in a typical workday.

People work to earn money, but they also want to enjoy their working day and feel like they're making a meaningful contribution to their employer. Job satisfaction, engagement, and feeling valued — whether you're an employee, a manager, or a business leader — are often what separate successful employers from unsuccessful ones. Our survey revealed clear evidence that work is becoming too complicated, making it increasingly difficult to complete essential tasks due to the amount of time spent dealing with internal and external demands and contending with unnecessary administration.

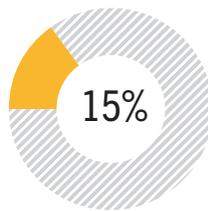
The complexity these conditions creates is enormous, and the key to simplification isn't as straightforward as identifying a single challenge or finding a single solution. Internal factors such as management demands, internal politics, unrealistic workloads, inadequate staffing, and poor technology combine with external pressure to maintain high customer service levels in today's 24/7 world, thereby complicating working life for many U.S. workers. Left unchecked and isolated, employees and managers risk being torn apart by these competing forces.

The answer to simplifying the working day, according to survey respondents, lies primarily in reducing administration and paperwork, providing the right technology to automate tasks, and improving structure and support within and among departments. If freed from unnecessary administrative tasks, survey respondents say they would have more time to think and plan, address higher priority tasks, and focus on customers. Making positive changes to minimize complexity can increase engagement and productivity at all organizational levels, which has a direct impact on the bottom line.

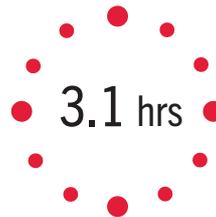
“Everyone has absorbed some responsibilities that might be considered administrative, particularly in using the systems and entering data.”

HR Manager, Services

SMALL CHANGES CREATE BIG REWARDS: WHY REDUCING ONE HOUR OF WASTED TIME SAVES BILLIONS



Of all respondents say employee productivity is very strong within their organization



Average number of hours a week respondents spend on administrative tasks unrelated to their core job role



The cost of this wasted time per year, per employee, based on average salary and 40-hour work week

“I think that people spend a lot of time on admin and I think it’s always a point of contention with people for the filing of this or the documenting of that.”

HR Manager, Manufacturing

The research shows that employee productivity, across the board, is seen as a weakness in many organizations — not least by employees themselves, who rate their productivity as strong in only 47 percent of cases. Unplanned absences, rapidly changing customer demands, technology challenges, and skill shortages all negatively impact the value that employees can bring to their job on a daily basis.

Most importantly, the productivity cost associated with unnecessary administrative and non-job-related tasks is having a direct negative financial impact on organizations. On average, respondents waste 3.4 hours a week, 3.1 hours of which are spent on pure administrative tasks. While that may seem small, it actually represents 7.8 percent of a 40-hour work week.

A CLOSER LOOK AT THE FIGURES...

\$58,390¹

Average annual salary in the U.S.

\$4,554

Opportunity cost per employee **3.1 hours** of non-job-related administrative work

151 million²

People in employment in the U.S.

Reducing admin work by **ONE HOUR** per employee per week

equates to **\$1,518** per employee a year,

saving U.S. organizations a total of **\$229 billion!**

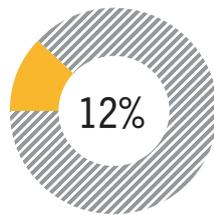
¹ U.S. Bureau of Labor Statistics, *United States Average Hourly Wages*, Trading Economics, found at <http://www.tradingeconomics.com/united-states/wages>. The average salary level used as the basis for calculations made in this research are based on U.S. Government labor statistics adjusted to reflect the specific nature of the sample in terms of size and sector plus normalization to common bases to other markets under study to allow for comparisons.

² U.S. Bureau of Labor Statistics, *United States Employed Persons*, Trading Economics, found at <http://www.tradingeconomics.com/united-states/employed-persons>.

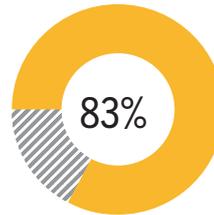
WHY YOUR GREATEST ASSET SHOULDN'T BE A LIABILITY: BALANCING THE NEEDS OF PEOPLE WITH THE NUMBERS

“When you think that your role contributes to the success of a company, I believe you’re more likely to work a little harder, and think more about the decisions that you make day to day. Engaged employees feel like they are making an impact with the company and that matters to them.”

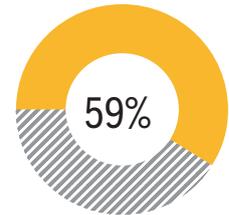
HR Manager, Manufacturing



Of all respondents surveyed rate employee engagement as very strong within their organization



Of Operations/Line of Business managers think employees need to feel more engaged at work



Of all respondents believe that the CEO is focused on the finances rather than their employees

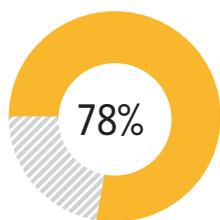
While productivity is a measure of output, engagement is a measure of valuable input — arguably much more important than number of hours worked. After all, an engaged employee is much more likely to ‘go the extra mile’ for his employer. Engagement is an essential driver of collaboration and innovation which, in turn, are critical for sustained growth and competitive success.

Given this link, you would expect engagement to be a measure of success and a core focus for leadership. However, this isn’t the case according to 59 percent of survey respondents who feel their CEO is only focused on the finances rather than on the people who deliver the work that generates those numbers. In addition, 67 percent of respondents say there is a lack of management concern “as long as the job gets done.”

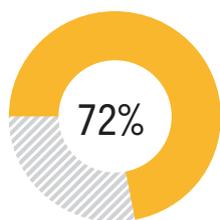
Treating employees as commodities, costs, or liabilities is in sharp contrast to the expectations of new entrants into the workforce — including Millennials and Gen Z. The on-demand, flexible, and mobile generation of new employees won’t stay in an organization long unless they feel valued, believe their voices are heard, and are empowered to make a real contribution to the organization’s success.

HR has its part to play — especially as only 31 percent of HR professionals surveyed rate their people among the top three assets of their organizations. The role of HR is crucial in building engaged, people-centric organizations, but with 71 percent of employees saying they would leave their company if they didn’t feel valued, understood, or have a clear role, U.S. organizations and their HR teams need to make a concerted effort to improve engagement and adapt to different working styles. Given that only 57 percent of respondents believe their employer is able to engage with them on a personal level and accommodate their preferred way of working, and only 53 percent feel their employer is able to motivate them by how they manage, there is clearly work to be done to build truly engaged workforces within many U.S. organizations.

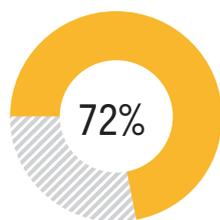
BRIDGING THE ENGAGEMENT GAP: TURNING TECHNOLOGY INTO AN ADVANTAGE



Of respondents cite loss of productivity caused by manual systems



Of Operations/Line Managers report that outdated systems/technology are the biggest workforce management challenge



Of respondents say better/more up-to-date technology would improve employee engagement

Technology is undeniably important in automating manual processes, streamlining administrative tasks, simplifying information access, and providing greater control for employees and managers. However, as the research shows, solutions that are out of date and inefficient actually create more complexity.

It's not the technology per se that's the problem, but whether it's fit for purpose. Nearly two-thirds (72 percent) of respondents want more up-to-date technology to help them feel more engaged. This is technology that reflects the needs and behaviors of the Internet generation and the rise of the flexible workforce. The onus is on business leaders to make the right technology choices — ones that actually make employees' and managers' work lives easier— in order to save time and money that can be reinvested in better systems and continuous innovation. This virtuous cycle benefits everyone, but it cannot be realized with out-of-date and inefficient systems.

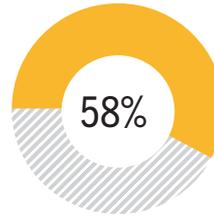
“There are certain aspects of our systems that are more of a pain than they're worth, but without them you wouldn't be able to run the business. It is part of our roadmap to see how technology could be improved to provide better functionality and cause less frustration to our people.”

HR Manager, Services

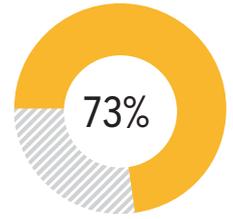
DON'T DASH FOR CASH: USE COMMUNICATION, COLLABORATION, AND CULTURE TO KEEP EMPLOYEES ENGAGED



Out of the 11 top reasons why respondents say they would leave their job, remuneration comes in 7th on the list



Of those surveyed state that rewards and incentives would increase productivity



Of respondents say that better communication with management would help them feel more engaged at work

As the economy continues to improve, it appears that money is not the primary driver for keeping employees engaged and productive on the job. In the survey, remuneration is far from the most important factor that would cause employees to leave their jobs. The results show that employees are more likely to resign due to a lack of direction and focus, not seeing their future with the company, not feeling valued and understood, or not getting along with their manager. This further emphasizes the need for substantial employee engagement at all levels of the organization. Throwing more money at unhappy and disengaged employees won't make them more productive or stop them from leaving.

That's not to say that good people should not be incentivized for meeting or exceeding job expectations. All employees deserve to be rewarded fairly for their work. However, incentives — whether salary or softer benefits — must go hand-in-hand with an environment of listening, understanding, and supporting employees. This culture can be created through leading from the top, implementing the right technology and tools, and building an agile organization that makes fostering engagement at least as important as managing the numbers.

The way to deliver sustainable, long-term success is to free managers and employees from the isolation and pressure that currently dominate their working lives and allow them to communicate collaborate, and take control so they can deliver value and make meaningful contributions to the organization's success.

RESEARCH SUMMARY

COMPLEXITY

The typical workday is getting more complicated, failing to provide the focus, flexibility, and realistic workload that so many seek and expect their employer to provide.

OPPORTUNITY

Time wasted on non-job-related administrative tasks is creating a mind-boggling \$687B opportunity cost to U.S. organizations.

DISENGAGEMENT

There is a lack of engagement across all employees driven by complicated processes, inadequate communication, lack of focus and direction, and outdated technology.

MOTIVATION

People management remains a core concern, but even though employees are undeniably an important asset, organizations are slow in implementing systems and streamlining processes to drive greater motivation and engagement.

PERCEPTION

Many U.S. organizations are at risk of seeing employees as commodities with too little leadership focus on their well-being, engagement, and development.

TECHNOLOGY

Technology is essential, but can add complexity and even hinder productivity if it is outdated, poorly implemented, or not fit for purpose. Employees and managers alike crave better workforce management systems to help them focus on doing their core job and adding value to the company.

LEADERSHIP

Engagement happens from the top down and from the bottom up. Employees need to feel valued in order to go the extra mile and managers must actively treat people as a priority and lead by example to create a culture of communication and collaboration.

The opportunity cost of ineffective employee engagement is staggering and it's clear that small changes can make a big difference. However, we have also seen that the workforce challenges facing U.S. organizations today are numerous and interlinked. We encourage the involvement of people from organizations across the U.S. — including employees, HR professionals, and Operations leaders — and invite you to discuss the themes and findings of this report at #WorkEngaged.

With strategic deployment of technology, a clear HR strategy, an appreciation of cultural change, and direct employee engagement enterprisewide, organizations can increase their chances of meeting their challenges and responding to ongoing unpredictability in their markets. They also have a significant opportunity to build resilience into their organization from top to bottom and create a strong competitive advantage by making employee engagement a top priority. Cultural change and strategic use of technology will be central to a successful engagement strategy, but the journey needs to be embraced by every employee across the organization, with senior management leading by example and HR communicating and facilitating every step of the way.

ABOUT THIS REPORT

The Workforce Institute at Kronos commissioned Coleman Parkes Research to investigate the current level of employee engagement in a cross-section of U.S. companies and the impact engagement can have on business success.

In 2016 Coleman Parkes conducted 314 online surveys and detailed interviews with HR professionals (105), Operations/Line of Business managers (105) and employees (104) at companies with more than 600 employees in the Retail (21%), Healthcare (20%), Public Sector (20%), Manufacturing (19%), Service (16%), and Transportation and Logistics (4%) verticals. The sample sizes and eventual data set provide a snapshot of views that we believe is representative of midsize to large U.S. organizations as a whole.

WORKFORCE INSTITUTE AT KRONOS

The Workforce Institute at Kronos is a think tank that helps organizations drive performance by addressing workforce management issues that affect both hourly and salaried employees. Through education and research, the Institute empowers organizations with practical ideas for optimizing the 21st century workplace. Institute board members and key stakeholders publish articles and insights through the Workforce Institute Blog at www.workforceinstitute.org

COLEMAN PARKES RESEARCH

Coleman Parkes Research works interactively with clients to formulate proven strategies to generate market insight based on individual requirements and key hypotheses. From undertaking thought-leadership research for marketing campaigns and analyzing win-loss opportunities to testing product messages and conducting senior executive interview, our in-house team of experts ensures that all clients' research projects are designed and structured to not only gather the right data, but also to generate valuable insights that question the 'so what' and drive effective business growth.