

Employees Matter:

Maximizing Company Value
Through Workforce Engagement



EXECUTIVE SUMMARY

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Employees Matter Executive Summary

I. Introduction

Increasing numbers of businesses view their employees not as a mere cost but as invaluable contributors for business success. These firms are implementing strategies to fully engage employees at all levels. The *Employees Matter* report identifies sixteen fast growing entrepreneurial firms that employ employee ownership and engagement strategies which they perceive as directly correlated with improved business performance. Eight other notable companies with key lessons to share are included as sidebar profiles.

Ten strategies around employee engagement emerged from the profiles of these 24 companies. The *Employees Matter* report includes a detailed discussion of these strategies and the business results at these firms, as well as additional resources for entrepreneurial firms wishing to increase employee engagement.

Employees Matter is designed for entrepreneurs and investors, as well as those allied to the field such as business support organizations. Entrepreneurs will have the opportunity to learn from the fast growing private businesses profiled in the report about human resource practices that have been successful, as well as a few lessons learned and pitfalls to avoid. Investors may particularly note the seven firms profiled in the report that are venture-backed and have used employee engagement practices for increased business success.

II. Top 10 Employee Engagement Strategies

Human Resource Practices

1. **High involvement hiring** – carefully choosing employees that not only have the right skills but also are a long term fit with the company’s culture
2. **Provision of strong employee benefits** – providing comprehensive benefits and a flexible work environment
3. **Extensive training and promotion from within** – investing in employees to build their skills and enabling them to take on increased responsibility over time



Founder, President and CEO Kevin Trapani of The Redwoods Group, a North Carolina-based specialty insurance provider

Culture Formation

4. **Fostering a culture of mutual respect and trust** – consistently treating all employees with respect yields long term loyalty and may be valued over rewards
5. **Celebrating success** – engaged teams work hard and spend time celebrating together when milestones large and small are achieved
6. **Communicating the company’s core values clearly and consistently** – maintaining the company culture by ensuring the core values are frequently heard and understood by all

Broad-Based Involvement and Ownership

7. **Sharing key success metrics** – sharing the metrics that are critical to the company’s financial success broadly with employees and articulating those that employees affect daily
8. **Employee Participation** – making sure all employees have a say over how work is done and have some degree of autonomy
9. **Performance-Based Rewards and Compensation** – tying rewards such as bonuses to achieving company metrics or to increased efficiencies
10. **Sharing ownership broadly** via stock options, restricted stock, ESOPs, or co-ops

Chapter One provides more detail on these strategies and how they are employed by the companies profiled in the report.





III. Employee Engagement Results

All of the companies profiled for *Employees Matter* have low employee turnover, a significant cost savings (the total cost to replace one employee ranges from 50% to 200% of that employee's annual salary, according to the Society of Human Resources Management²). They all have very high customer satisfaction rates and strong year-to-year customer retention. And ten of them describe ways that employee engagement practices directly helped them survive and sometimes even thrive during the recession. These business results are the focus of Chapter Two.

IV. A Strategy for All Private Companies

The firms profiled for *Employees Matter* represent a range of sectors and geographies across the United States, including consumer products, manufacturing, professional services, renewable grid and infrastructure technologies, design/build services, retail, and waste remediation. This suggests that geography and sector are not barriers to engagement. But two key questions are whether engagement strategies work with employees at all skill levels, and also how to scale employee engagement practices with company growth. These themes, as well as conclusions, are the focus of Chapter Three.

V. Resources

The appendices include resources related to employee ownership and engagement and broad-based employee incentive arrangements that may be useful to companies wishing to implement these practices.



The complete *Employees Matter* report, including 24 case studies and appendices, is available at: www.sjfinstitute.org

¹ Baron, James N., and Hannan, Michael T. 2001. "The Economic Sociology of Organizational Entrepreneurship: Lessons from the Stanford Project on Emerging Companies"

² Allen, David G. 2008. "Retaining Talent: A Guide to Analyzing and Managing Employee Turnover." SHRM Foundation.