

The business case for employee engagement

There was a time when the dominant view of business leaders was that people who are paid to do a job should just do it, whether they are engaged or not. While a few companies seem to maintain this mentality, it's not only out of touch from a human perspective, it's also hard to rationalise from a business perspective.

By [Andrew Solomon](#), issued by [Achievement Awards Group](#) 10 Nov 2025



One of the most compelling recent studies on employee engagement from Gallup¹ found that, compared companies with the most *unengaged* staff, those with highly engaged people:

- Are 14% more productive,
- Have 41% fewer quality defects,
- Have 43% less staff turnover,
- Experience 81% less absenteeism,
- Enjoy 10% more customer advocacy, and
- Are 23% more profitable.

Despite these compelling numbers, many businesses still resist investing formally in employee engagement. Some believe 'we can do it ourselves' and while that's true to a degree, most organisations are not specialists in employee engagement. There are often many competing forces at work that impede or oppose internally driven engagement initiatives - from cultural inertia, to competing business priorities that are more urgent (but that never really go away, they only change form), to financial resistance.

Financial resistance, while unsurprising and understandable, is not objectively defensible. The fear from business leaders or shareholders is often that an engagement program will come straight off the bottom line. To the contrary, employee engagement, done well, always adds to the bottom line. It's not a nice-to-have - it's an investment. And like any investment, it should show a return.

Consider the following business case study to get an idea of what kind of return companies can reasonably and realistically expect on their investment:

Number of employees:	1,000
Average annual salary:	R325,000
Annual salary cost	R325,000,000
Annual revenue	R900,000,000
Program investment @ 1% salary cost	R3,250,000

Program returns	
From	To
10%	8% — R1,500,000
2.5%	2.0% — R1,625,000
(n/a)	UP 2% — R6,500,000
1.0%	0.75% — R2,250,000
65%	66% — R9,000,000
Total return	R20,875,000
Indicative ROI	5.4X

(We assumed an investment of 1% of the annual salary cost - a reasonable but conservative amount. 2% would be expected to yield even greater returns, and, at the upper end, an investment of 3% is not far-fetched).

The returns

- **Lower staff turnover:** Assume that staff turnover reduces from 10% to 8% - a 20% reduction in staff turnover. This is conservative in the context of the Gallup study, which cites 43% less turnover in highly engaged companies compared with the least engaged companies. Calculating the annual costs of replacing staff (including recruiters' commissions, training and onboarding) and reducing that cost by 20%, equates to R1.5m back on the bottom line.
- **Lower staff absenteeism:** We assumed a reduction from 2.5% to 2% - a 20% reduction, and also conservative compared with Gallup's finding of 81% less absenteeism in highly engaged companies compared to unengaged ones. Even a seemingly small decrease in absenteeism has a substantial financial benefit of R1.625 million. Together, the reductions in turnover and absenteeism alone almost pay for the entire program.
- **Higher productivity:** Gallup found that companies with more engaged employees are 14% more productive. Even with a very modest 2% increase, this business makes more than R6 million in productivity gains.
- **Quality defects:** Gallup mentions 41% fewer defects in companies with more engaged employees.

We have conservatively assumed a 25% reduction (from 1% to 0.75%) – an improvement worth more than R2 million.

- **Customer retention:** A one percentage point increase in customer retention is worth R9m.
- **Bottom line:** A R3.25m investment in employee engagement returns more than R20m to the bottom line.

Bigger company, bigger investment

The second case study based on a company of 20,000 employees, and an investment of 2% of annual salary cost, delivers a return of almost half a billion rand.

Number of employees:	20,000	
Average annual salary:	R240,000	
Annual salary cost	R4,800,000,000	
Annual revenue	R16,800,000,000	
Program investment @ 2% salary cost	R96,000,000	
Program returns		
From	To	
10%	7.5% —	R28,000,000
5%	4% —	R48,000,000
(n/a)	UP 2% —	R96,000,000
1.0%	0.75% —	R42,000,000
65%	67% —	R336,000,000
Total return	R550,000,000	
Indicative ROI	4.7X	

When tiny numbers translate to giant numbers

In both case studies, seemingly insignificant improvements equate to massive returns. Consider absenteeism. If the average employee takes five non-leave days off work, and you can reduce that by a single day per employee, you get 1,000 more work-days (in the first business case). From a productivity perspective, if all 1,000 employees are 2% more productive, that equates to more than 3,000 hours per month across the company.

The biggest return in both business case examples comes from improved customer retention. The link from employee engagement to customer retention is implicit - more engaged employees will produce better quality work, goods or services (with fewer defects), and provide better customer service. The business can even – with improved profitability – be able to lower its prices. So improved customer loyalty is not such a

leap, and it ultimately could be more than one or two percentage points.

Technology: the big boon for small enterprises

Admittedly, the business cases above apply to large companies, which may more readily be able to afford the costs of having a bespoke engagement program researched, designed and managed. But what about smaller businesses?

A few years ago, the costs of such a program might have been prohibitive for smaller enterprises. But as in so many other spheres, technology has made things more affordable and accessible. An employee recognition and reward platform like bountiXP can help improve employee engagement significantly, with quick implementation and without the same scale of set-up.

While a fully customised program is always first prize, it's not feasible for smaller businesses. But that does not mean they should be left behind or enjoy the benefits of a more engaged team. In fact, for smaller businesses, employee engagement is existential.

For larger companies, the tech platform becomes the heartbeat of a bespoke engagement program, making recognition more accessible and regular throughout the organisation. It also provides valuable data with valuable insights: imagine knowing who your most engaged employees are, for example, or who is thinking of leaving. There are numerous ways that technology improves the results and returns of a full-scale engagement program, especially compared with what might have been expected a decade ago.

Employee engagement is existential to business success

If you believe that work should be more human-centred, you won't need much motivation to improve employee engagement. Employees certainly want it, younger-generation employees expect it, and will be more likely to stick around and do better work if you nurture it.

But sometimes it's not about having the will; rather, it may be a question of having the means: can we afford to do this?

When you look at the numbers, perhaps the more pertinent question becomes: how can we afford *not* to?

ABOUT THE AUTHOR

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