

# The Experience Dividend

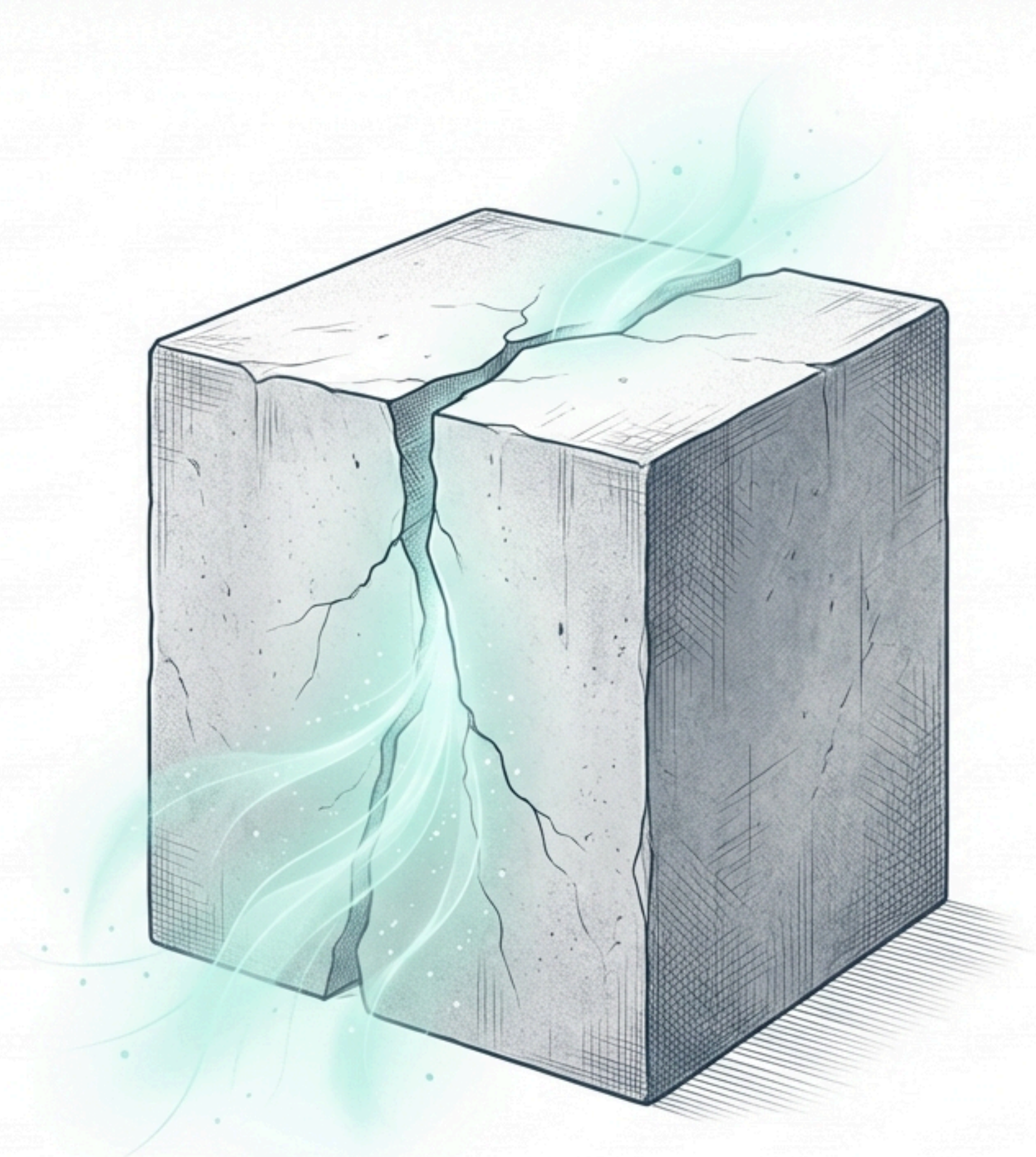
Moving Beyond Sentiment: Quantifying the Financial Impact of Human-Centric Systems.

# The Conventional View of EX is Financially Flawed

For too long, Employee Experience (EX) has been categorized as a “soft cost”—a “nice-to-have” initiative prioritized only when surplus budget exists.

This perspective represents a significant, unmanaged financial liability.

We will demonstrate that EX is a critical component of Human Capital Asset Management, with a clear and measurable impact on profitability.



# EX is an Asset with Two Levers of Financial Return

Just as preventative maintenance on machinery extends asset life and output, EX investments extend the “useful life” (retention) and “output capacity” (productivity) of the workforce.



## **Defensive Economics**

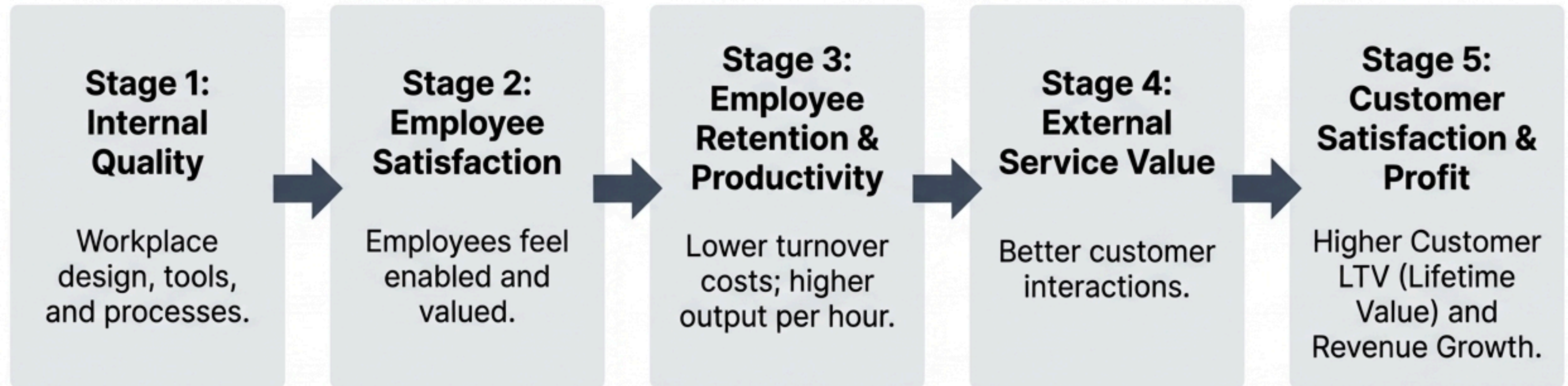
Reducing the operational burn of attrition, absenteeism, and legal risk.



## **Offensive Economics**

Increasing revenue per employee through discretionary effort and innovation velocity.

# The Service-Profit Chain: The Mechanism Linking Internal Culture to External Profit



Strategic Insight: You cannot have high Customer Experience (CX) with low Employee Experience (EX). The friction inside the organization eventually bleeds out to the customer.

# Defensive Economics Part I: The True Cost of Turnover is Routinely Underestimated

The fastest path to proving ROI is quantifying the costs *avoided* by a superior experience.

Most organizations calculate turnover cost as simply “recruitment fees.” This overlooks the most significant financial drains.



## Hard Costs

Agency fees, advertising, background checks.



## Soft Costs

Interview time (manager opportunity cost), onboarding training hours.



## The Hidden Drag

“Vacancy Tax” (lost productivity while the seat is empty) + “Ramp Time” (new hires operate at <100% capacity for 3-6 months).

# Quantifying the Financial Bleed from Attrition

The Cost of Turnover Calculator

**Total Cost = (Separation Costs + Replacement Costs + Training Costs + Lost Productivity)**

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For specialized roles, this cost often exceeds **150% to 200%** of the employee's annual salary.

# Defensive Economics Part II: The “Disengagement Drag” on Quality and Output

Beyond attrition, disengaged employees represent a persistent operational drag on the organization.

Gallup research consistently suggests disengaged employees have higher absenteeism and lower quality output.

## The Metric to Track

### Quantifying the Cost of Disengagement

Compare the error rates or defect rates of high-EX teams versus low-EX teams. The delta is your direct cost of disengagement.

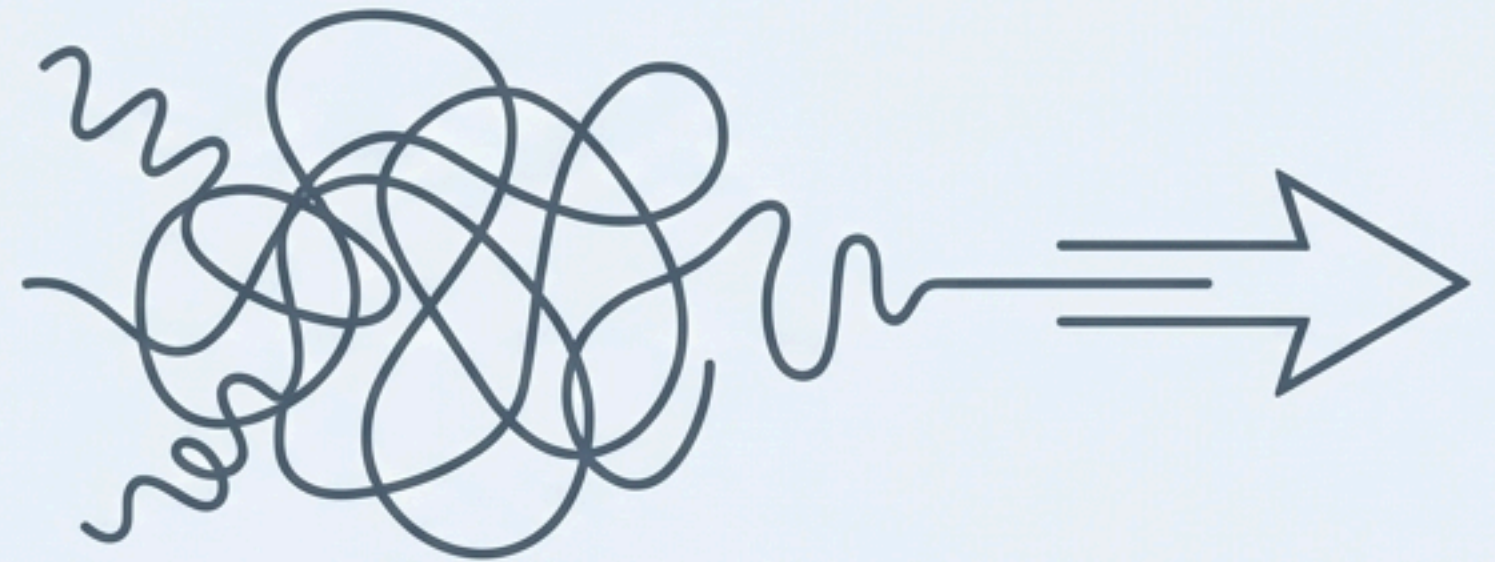
# Offensive Economics Part I: High EX Creates an “Innovation Premium”

Superior EX transforms from a cost-saver to a growth-driver by accelerating innovation. Innovation requires psychological safety. In high-fear (low EX) cultures, employees do not suggest process improvements or new ideas.

## The Business Link

### The Connection to Speed

High EX scores correlate with faster “Time-to-Market” because internal friction, such as bureaucracy and fear of failure, is removed.

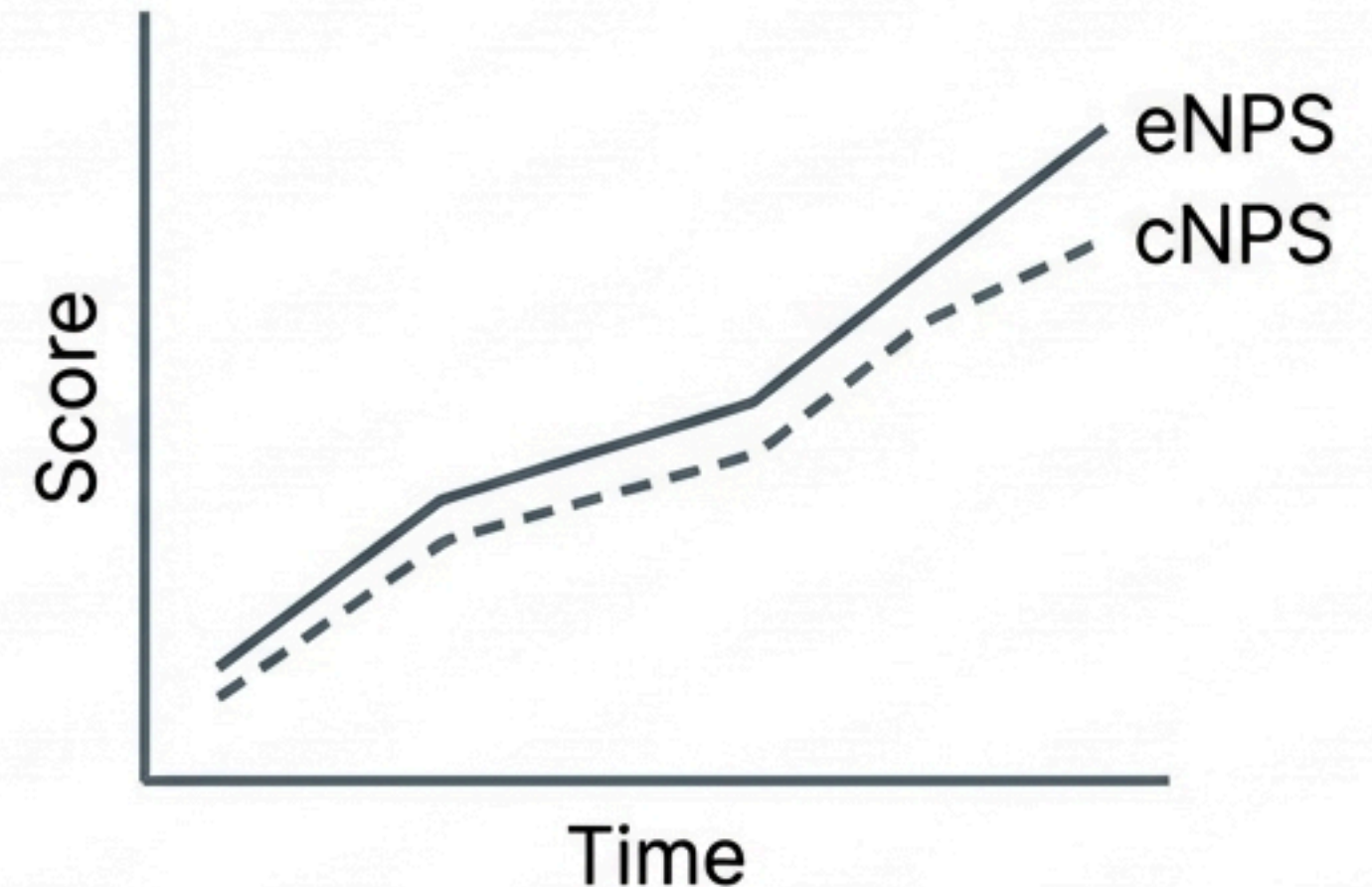


# Offensive Economics Part II: The Direct Correlation Between eNPS and cNPS

There is a strong statistical correlation between Employee Net Promoter Score (eNPS) and Customer Net Promoter Score (cNPS).

## The Logic Explained

- Employees who are treated well, treat customers well.
- They possess the “emotional bandwidth” to handle complex customer issues with empathy and creativity, leading to higher customer satisfaction and lifetime value.



# From Proof to Practice: Building a Quantifiable Business Case

The link between EX and financial performance is clear. The next step is to translate this understanding into a compelling case for investment.

We provide two essential tools for leaders:



1. The ROI Scorecard: To measure and track the financial impact.



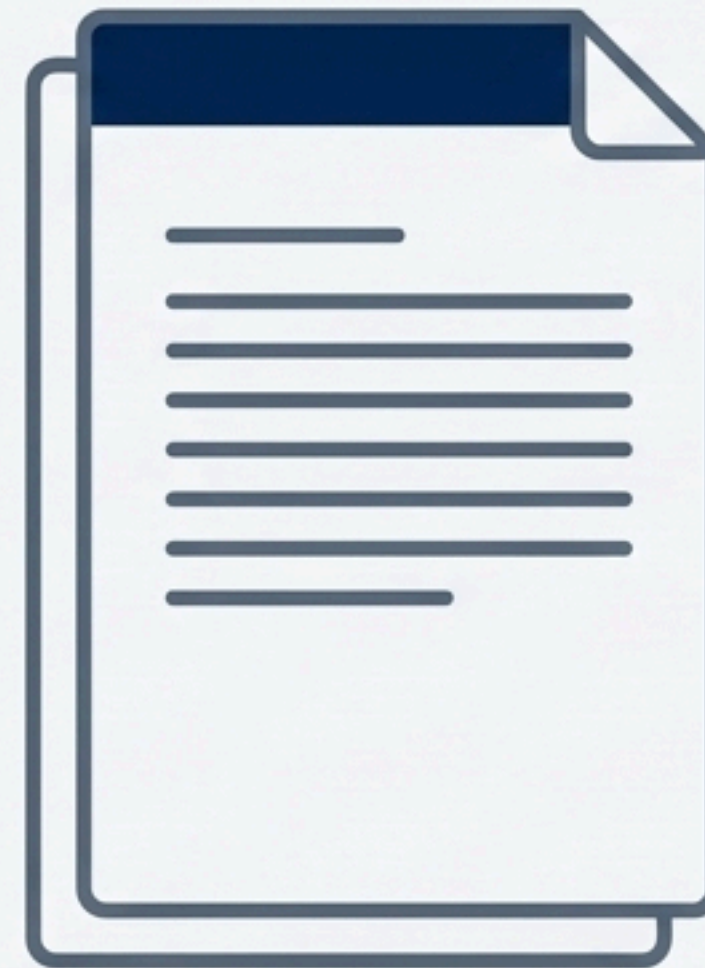
2. The Investment Memo: To pitch the case in the language of finance.

# The ROI Scorecard: Isolating the Financial Levers of EX

Business Lever	The Metric	The ROI Formula
<b>Retention</b>	Voluntary Attrition Rate	$(\text{Change in Rate} \times \text{Avg Headcount}) \times \text{Cost per Exit}$
<b>Productivity</b>	Revenue Per Employee (RPE)	$(\text{Post-EX RPE} - \text{Pre-EX RPE}) \times \text{Total Headcount}$
<b>Acquisition</b>	Cost Per Hire (CPH)	Lower agency spend due to stronger Employer Brand referrals
<b>Attendance</b>	Unplanned Absenteeism	$\text{Reduction in Days Lost} \times \text{Avg Daily Wage Impact}$

# The Pitch: Frame Your Request as an Investment Memo, Not an HR Initiative

When presenting to the CFO, avoid qualitative language like “people feel better.” Use the language of capital allocation to frame the discussion around returns.



Investment Memo

## **The Problem:**

Define the financial bleed in concrete numbers.

## **The Solution:**

Describe the specific intervention.

## **The Ask:**

State the required capital investment.

## **The Return:**

Project the financial savings, ROI, and payback period.

# An Example Investment Memo for the CFO

## The Problem:

We are currently bleeding **\$2M** annually in avoidable turnover and vacancy costs for our engineering team.

## The Solution:

An EX redesign of the onboarding and manager-enablement journey for technical roles.

## The Ask:

**\$150,000** investment in technology platforms and targeted training.

## The Return:

A conservative estimate of a 10% reduction in turnover yields **\$200k** in direct savings in Year 1. The **payback period is 9 months**.

# Your Data Readiness Checklist

Begin building your business case by ensuring you have the foundational data. Answer these questions first.

- ☒ **Baseline Metrics:** Do we know our current Cost per Hire and Total Cost of Turnover?
- ☒ **Segmentation:** Can we segment attrition data by performance rating? (Losing high performers costs more).
- ☒ **Linkage Analysis:** Have we run a regression analysis comparing our Engagement Survey results against Sales Performance data?
- ☒ **Benchmarking:** How does our Revenue Per Employee compare to industry peers?