

Journal of Applied Human Capital Management

'Organisation performance through a human capital lens'

www.ISHCM.com



**INTERNATIONAL SCHOOL
OF
HUMAN CAPITAL MANAGEMENT**

Volume 2 Number 1 2008

Features



THOUGHT LEADERSHIP

- 15 Strategic Human Capital Management: Closing the hole in the HR Ozone layer
- 21 The Enterprise-wide Application of Human Capital Management Intelligence (HCMi)
- 33 Managing the Talent Equation: The seven fundamentals of Talent Management
- 45 Employee Engagement: 'Factors' of successful implementation
- 55 Effective Organisational Leadership: A case of adopting Evidence-Based Management
- 61 On the Folly of Rewarding A, Not Penalising for B and Getting C
- 67 Organisation Engagement: Evaluating your Human Capital Management signature [Reprint]

Smart. Smarter. Smartest...

I



PEOPLE SCIENCE®

Organisation Intelligence
to
improve organisation performance

- Human Capital Management evaluation
- Employee Engagement
- Workforce Productivity & Performance
- Predictive analytics
- HC Forensics & risk
- Data/evidence collation
- HR Function ROI analysis
- Organisation measurement
- Management Education
- Strategy

SOLUTIONS

Inourced and Outsourced I-solutions
Call the I-services team on +44 207 887 6108

Thought
leadership



Employee Engagement: Factors of successful implementation

By Nicholas J Higgins

DrHCMi MSc Fin (LBS) MBA (OBS) MCMi

Dean, International School of Human Capital Management, London & CEO, VaLUENTiS

Employee Engagement has now become mainstream in the language of management. Many organisations have looked at varying initiatives in improving the engagement of their workforce.

However, this appetite for action hasn't necessarily led to enhanced practice. In fact there are many pitfalls which can do more harm than good. Organisations need to understand that engaging employees is a constant demand of management's focus and time if there is any material advantage to be gained longer-term.

This article presents ten key ways in which leading organisations are approaching employee engagement and differentiating themselves from the rest.

Just imagine...

Just imagine if organisations garnered lots of information from their customers regarding their products and services, produced lots of nice looking bar charts which provided limited insight, ticked a few boxes, instigated the odd action and then went back to everyday matters which were heavily influenced by the same said products/services. What would you think? Job done or dereliction of duty?

Most readers would probably agree that a number of opportunities would be missed and in some cases serious concern as to the organisation's intent.

But this kind of event happens more often than you think. But it's not with customers this occurs, but with employees. For a number of years, organisations have been conducting employee opinion surveys, some choosing to conduct in-house, others choosing to outsource and some a mix and for a number, not at all. Many employee surveys have been conducted on a haphazard basis often only when some internal 'crisis' has occurred. Over the past decade a growing number of organisations have embedded the process of annual surveys with a proportion of these being supported with more frequent 'pulse' samples (on a quarterly basis for example).

However, more sophistication in the process has not necessarily been duplicated at the output end (bar a few notable exceptions). Management is still too often presented with a series of bar charts on single line item questions. Some do utilise the existence of a benchmark group and on occasion even trend analysis.

Unfortunately with this approach organisations are only able to glean that they are 'plus one on question 7', 'minus two on question 12', 'stayed the same on questions 14 through 19 over last year' with regard to the benchmark group etc. Some organisations have even gone to reporting these externally showing how their response is 'plus or minus X against the benchmark group' or 'are represented in the 70th percentile'. Unfortunately, an increasing number of HR practitioners/managers are asking 'So what?', or even 'Who cares?'. Of course they're right.

Even where specific management action is determined and these are particularly prevalent with those organisations undergoing a one-off type change scenario, there appears to be limited science in determining just what are the dynamics going on and exactly what form of integrated intervention should take place. Suddenly, employee surveys have hit a wall.

But a small number of organisations spread across a range of private/public sectors have realised there's more out there (who we term 20:20 players). They are seeing that there are 'optimal plays' to be made around interpretation of the data and the subsequent interventions plans and education to execute - that there is other organisational data that can be used to magnify the organisational dynamics/impacts in force.

For example these include customer/citizen data, people management evaluation, operational analytics, people measures etc. Here's ten reasons why they see the bigger picture:

- 1 They see employee surveys as organisational feedback diagnostics more than just asking for opinions and therefore use a robust framework (normally employee engagement)
- 2 They view employee surveys as part of a wider enterprise driven focus on people management
- 3 They recognise the importance of science in diving into the data and recognising various relationships which provide greater understanding of the results which also drives more robust intervention actions
- 4 They treat employee surveys with the appropriate importance and not as tick-box exercise
- 5 They view the survey process as a 'means to an end' and not the other way around
- 6 Their emphasis is on post-survey practice/intervention not pre-survey (taken as a given)
- 7 They don't do one-off interventions but embed the practice (even those starting on a one-off plan to repeat regularly)
- 8 They don't view employee surveys as a means of benchmarking externally (but

they see the advantages of benchmarking internally)

- 9 They don't over-focus on response ratio recognising that it's just one element
- 10 They don't postpone the process just because something negative may have recently happened

The last point is far more prevalent than it should be and is akin to the 'ostrich syndrome'. Alas, the ostrich is alive in many management layers including HR.

Executives in 20/20 organisations don't also say 'it tells me what I already know' (because on reflection it is a nonsense statement) because they get it and understand what the data is there for.

Ten reasons...

For those reading this article who carry out employee surveys, cross-checking your organisations across the above list may provide you with insight as to whether you're hitting the wall or not.

1 They see employee surveys as organisational feedback diagnostics more than just asking for opinions and therefore use a robust framework (normally employee engagement)

Conducting an employee survey is not analogous with obtaining opinions from external stakeholders (customers, service users) on quality and perception. This results from the very different nature of the relationship between the organisation and its employees, versus the organisation and its stakeholders. Employees have obligations around expected behaviours and performance, just as the organisation has a reciprocal obligation relating to fair pay, fair treatment, fair opportunity and fair working conditions (amongst a wider range of factors).

Accordingly, an employee survey should not also be viewed as a one-off research exercise. Just as an annual financial audit is conducted to evaluate the financial performance and compliance of the organisation, sophisticated organisations view the annual employee survey as a means of the same ongoing evaluation. Appropriate underpinning frameworks enable the survey

to provide deep insight from an evaluative perspective, leading to the development of appropriate, performance-enhancing actions and regular monitoring just as in finance.

2 They view employee surveys as part of a wider enterprise driven focus on people management

Smart organisations see the value of linking employee survey data to other organisational intelligence whether that is other people management evaluation or other organisational data on customers or supply chain for example.

For many however the employee survey is seen in a strait-jacketed way - a disconnected process from other aspects of people management. In this scenario, where the process is a stakeholder driven event trying to fulfil too many aspirations and in many cases failing, there is increased risk of 'survey hijack' particularly in PR terms

Those organisations that excel in the use of an employee survey are those that recognise it as an 'embedded' approach to measure over time the changes and effectiveness of their people management practice, linking in with other data-gathering initiatives in people related matters. This is a 360 degree view of people intelligence not a collection of fragmented and disparate processes.

3 They recognise the importance of science in diving into the data and recognising various relationships which provide greater understanding of the results which also drives more robust intervention actions

There is a move away from treating employee surveys as a set of 'pick'n'mix' questions which are benchmarked in single line item fashion. The smart organisations recognise that there needs to be an underpinning framework which represents employee engagement or similar, where data can be analysed at sub-levels to provide more correlative and to a certain extent causative relationships that drive appropriate intervention actions.

The ability to view this whole area in a systemic way as opposed to a one track/one lever approach is extremely important. Without there is an increased risk that a single item can appear to present a particularly emotive finding, leading to

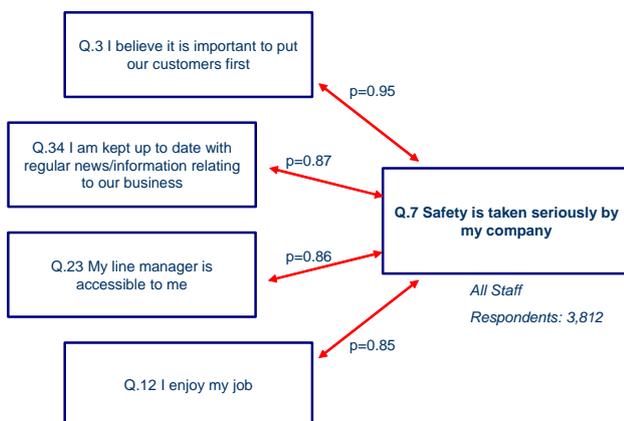
inappropriate, misguided or wasted activity.

As an example, a commonly used question-statement runs along the lines of "Morale where I work is higher now than it was 12 months ago". Unfortunately, the response to this can often tell an organisation nothing more than whether perception of morale is higher or lower than when the question was asked in the last survey.

This type of question is typically an indicator or outcome of other underlying factors – in other words, relationships in how individuals respond, with appropriate analysis, can tease out what is causing morale, safety, customer service, financial success or other outcome factors to be perceived in such a way.

The diagram below shows a typical analysis of this nature, with strong linkages identified between a positive perception of safety, and other factors tested within the survey (with a maximum p value of 1.0).

Example of 'factor linkage map'



The implications of analysis of this nature is that it moves the discussion away from 'how do we make sure that staff take safety seriously?' towards the ability to ensure that underlying factors are addressed as relevant. In this client case, this involved additional focus on communication and line manager activity in addition to enhancing messages relating to safety and its role.

The smart organisation will have many of these 'causal maps' showing inter-relationships, having the internal capability or hiring the external capability to search through this data and simplify to meaningful and integrated interventions. A key insight is the reality check of understanding the

limitations of certain actions and managing expectations accordingly – something that is far too often overlooked in the 'race to fix' in a 'fire-fighting' manner.

4 They treat employee surveys with the appropriate importance and not as a tick-box exercise

We would advocate that it is always better to conduct a survey than not, on the grounds that evidence can inform appropriate action. Unfortunately in our experience, it is still the case that surveys are commissioned purely for the reason that "it's been two years since we did the last one and we thought we should repeat it" in that 'tick-box' manner that encompasses so many other organisational activities.

In this scenario, it is likely that the following will be absent or lacking:

- Senior manager buy-in resulting in limited communication or actions
- Employee interest in participation resulting in low response rates
- A perception that the survey is 'owned' resulting in dismissal of any 'uncomfortable' findings
- A perception that action will be taken resulting in lower response rates
- A perception that the survey is being done with the interest of employees at heart, (i.e. done for PR reasons) resulting in cynicism.

As mentioned before, organisations that excel in the use of an employee survey are those that recognise it as an 'embedded' approach to measure over time the changes and effectiveness of their people management practice.

Organisations treating it as a 'tick-box' activity or as part of a PR based initiative will ultimately obtain a negative return.

5 They view the survey process as a 'means to an end' and not the other way around

The purpose of conducting a survey is to provide intelligence and inform decision-making around how and where to prioritise and develop interventions to improve current 'engagement and/or performance or to address a specific problem. Market and customer surveys are conducted for this reason.

Unfortunately, it often appears that the approach taken conducting an employee survey for many is to 'get something out and then ramp up the response rate', conclude the exercise, at the end of which all involved heave a collective sigh of relief. In other words the focus tends to be on the focus rather than ensuring the obtaining of good quality insight and then determining the most appropriate interventions based on robust analysis. The 'means' have overtaken the 'ends'.

To recap there are six key phases to conducting a survey. They are:

- Design
- Communication
- Conduct/administration
- Analysis
- Reporting
- Actioning (often seen as unnecessary or too difficult).

The output of each of these phases is crucial. Getting anyone wrong can seriously derail the success of the particular initiative whether as part of embedded practice or not.

It is surely inconsistent that an organisation will put effort into ensuring that, say, 70% of employees participate in a survey, but then invest no time or effort into ensuring that any actions not only take place on the basis of survey findings, but are explicitly linked to these findings (providing a 'business case' for employees to participate in future surveys) and are communicated accordingly.

The feeling of being ignored is a powerful individual demotivator, yet this is effectively the signal sent by organisations that do not ensure clear and consistent follow-through. The reciprocal message, however, is that organisations that place a premium on demonstrating their willingness to consult and take action on employee feedback are more likely to maintain participation rates (and support engagement levels within their staff). As noted, the reason for conducting an employee survey should be to gather structured data that can provide evidence for instigating, reducing or changing people management approaches.

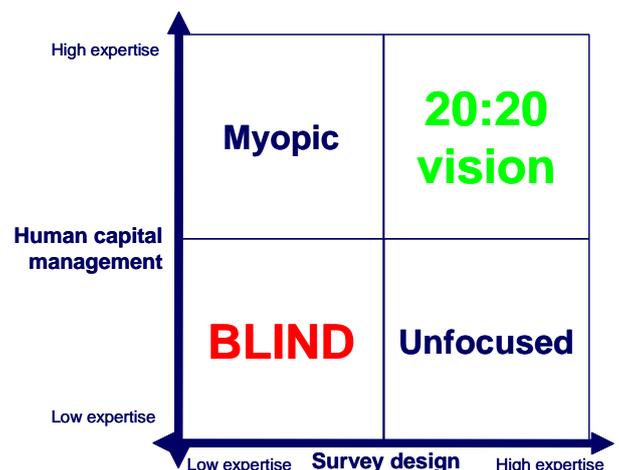
6 Their emphasis is on post-survey practice/intervention not pre-survey (taken as a given)

A survey is only as good as the data it generates. Poor question design or insufficient subject coverage leads nowhere or worse wastes resource.

In the haste to act we have found that many organisations run the risk of inadequate design and preparation. Not providing sufficient due diligence at the design stage can severely limit the reliability of the survey output. It should be noted that use of external expertise needs to be qualified particularly where 'pick'n'mix' is the order of the day.

For many organisations it is helpful to see this in the model¹ below. Organisations occupy one of the boxes below:

The Employee survey design/expertise grid



Reference:

- Blind: *The organisation lacks expertise in survey design and in human capital management expertise.*
- Myopic: *The organisation lacks expertise in survey design but possesses high human capital management expertise.*
- Unfocused: *The organisation possesses high human capital management expertise but lacks expertise in survey design.*
- 20:20 vision: *The organisation possesses expertise in survey design and in human capital management.*

¹ For more on this see 'Transforming employee surveys into workforce intelligence instruments', Journal of Applied Human Capital Management, Volume 1 Number 2 2007

	Descriptors	Issues	Survey application
<p>BLIND</p> <p>Inadequate knowledge of people management and survey design</p>	<ul style="list-style-type: none"> The organisation lacks survey design expertise and human capital management expertise Survey contains invalid question constructs that undermine insight generation Survey contains questions covering a wide range of topics (e.g. customer, safety, benefits) with no underlying framework Survey likely to be long and increase in length over time as no rationale exists to discontinue questions Inappropriate scoring mechanisms utilised Insufficient evidence to develop clear actions 	<ul style="list-style-type: none"> High risk of wasted effort and resource Difficult to draw insight and meaningful conclusions from resulting data Difficult to action findings Credibility of survey instrument and sponsoring function undermined (with potential of degraded future response rates) 	<ul style="list-style-type: none"> Compliance at best Limited application for internal evaluation (often leading to a compensating focus on external benchmark data) Likely to be run infrequently (at best annual) with degraded ability to monitor trends over time Trend analysis not necessarily meaningful as based on invalid questions ('garbage in – garbage out')
<p>MYOPIC</p> <p>Sufficient knowledge of people management but undermined by inadequate question design</p>	<ul style="list-style-type: none"> The organisation lacks survey design expertise but possesses high human capital management expertise Survey focuses on topics relevant to human capital management although likely to be a selection of 'single-item' questions lacking an underlying framework Invalid questions and/or scoring mechanisms make insight difficult Insufficient evidence to develop clear actions 	<ul style="list-style-type: none"> Moderate risk of wasted effort and resource (e.g. in analysis) Difficult to draw insight and meaningful conclusions from resulting data Individual findings potentially provide insight, but lack of framework and validity of question design will undermine findings Credibility of survey instrument and sponsoring function undermined (with potential to restrict future response rates) 	<ul style="list-style-type: none"> Some application possible but likely to be based on individual questions rather than 'index scores' 'Hit and miss': some elements of survey may generate insight from human capital management perspective but it will not be clear which these are (short-sighted conclusions) Run annually at best, although trend analysis not necessarily meaningful as based on invalid questions
<p>UN-FOCUSED</p> <p>Insufficient knowledge of people management supported by adequate question design</p>	<ul style="list-style-type: none"> The organisation possesses high levels of survey design expertise but possesses low human capital management expertise Survey focuses on wide range of topics that do not clearly relate to human capital management actions and lack underlying construct Survey likely to be long and increase in length over time as no rationale exists to discontinue questions Well-worded questions and appropriate scoring scales lead to the potential for insight generation at individual question level Lack of focus on human capital management undermines insight from workforce intelligence perspective 	<ul style="list-style-type: none"> Moderate risk of wasted effort and resource (e.g. in HR involvement in actioning) Individual findings provide insight but will mislead if used to drive HR/HCM activity Survey does not contribute to HR expertise or professionalism 	<ul style="list-style-type: none"> Insufficient focus on human capital management makes this type of survey an internal 'customer research' exercise that is not appropriate for human capital management decisions Potential application in specialist areas (e.g. safety, perception of customer experience) Should not be owned or sponsored through the HR function as will result in inappropriate actions/ unclear mandate
<p>20:20 vision</p> <p>Sufficient knowledge of people management reinforced by adequate question design and frequency of undertaking</p>	<ul style="list-style-type: none"> The organisation possesses high levels of survey design expertise and high human capital management expertise Survey contains valid question constructs that lead to appropriate insight generation Likely to utilise a robust underlying HCM framework, the survey focuses on aspects of people management that are measurable and actionable Focused survey structure and use of underlying construct maintains survey length over time, with use of 'core set' of questions plus specific questions for monitoring purposes Actions generated that inform human capital management practice, link to HR actions/ strategies and increase the standing of HR professionals from an evidence perspective 	<ul style="list-style-type: none"> Not applicable: survey design and focus on human capital management results in highly actionable outcomes with ongoing business case for organisational participation 	<ul style="list-style-type: none"> Workforce intelligence tool providing actionable insight into employee opinion relevant to engagement/ human capital management High application for trend analysis over time Targeted nature of survey (frequently with small number of core monitoring questions – e.g. 20) gives the potential to run survey twice a year or more frequently (quarterly) for ongoing trend development and analysis

7 They don't do one-off interventions but embed the practice (even those starting on a one-off plan to repeat regularly)

As has already been stated, leading organisations conduct regular surveys as 'embedded practice' over a consistent cycle². This has advantages in that it:

- Makes the survey 'business as usual' rather than an intrusive event
- Provides ongoing trend data for longitudinal analysis without excessive 'measurement gap' between cycles (which will invalidate the data given the pace of changes and employees within organisations)
- Provides the HR function with an annual measurement structure akin to the financial planning cycle
- Provides ongoing measurement of progress (mitigating the risk that actions resulting from a survey are equally seen as a 'one-off')
- Raises the profile of people management and supports line manager capability through effective measurement and evaluation.

8 They don't view employee surveys as a means of benchmarking externally (but they see the advantages of benchmarking internally)

Benchmarking with external organisations is a fraught and largely unproductive activity, yet organisations conducting employee surveys often over-focus on external benchmarking. Notwithstanding the limitations of directly comparing two organisations from the perspective of their people management approaches, values and attitudes held by their workforce, the dangers of external benchmarking can be summarised as follows:

- Breeds complacency around performance through an artificial comfort zone
- Results in defensiveness where comparison is unfavourable

- Adds no value to organisations performing well against the benchmark
- Demotivates organisations performing poorly against the benchmark.

The other issue with external benchmarking is that it is often seen as just another tick-box activity, i.e. as long as nothing 'looks like fixing' then 'we're ok'. The whole survey exercise can be derailed if this view is prevalent with the possibility that employees see senior management 'paying lip service' or 'going through the motions' and therefore counterproductive.

This is not to say that benchmarking has no value – where it can be correctly applied from an organisational performance perspective is in identifying 'hotspots' of particularly high or low perception *within* the organisation.

In these cases, given the general consistency of corporate approaches (and not overlooking the inherent competitiveness of senior managers) comparison can not only add insight, but act as a powerful spur towards action.

9 They don't over-focus on response ratio recognising that it's just one element

The fact that organisations win awards for achieving high response rates is, to say the least, unhelpful and misleading. In light of previous comments, this can send the message that the value of conducting the survey is purely from the perspective from maximising the inputs.

Excessive focus on response rate suggests that the organisation has a skewed perspective on the value of the exercise.

Response rates do have meaning, to the extent that a low response rate across the organisation or within a particular area suggests either a process failure, or limited employee interest in participation (itself a rather telling perspective on the nature of any 'engagement').

Additionally, from the perspective of actioning and the 'weight' of any resulting business case, it is certainly helpful to be able to base decisions on perspectives gathered from, say, 65% of the workforce as opposed to 34%. A further, more insidious, issue relating to a disproportionate focus on

² For further insight see 'The Enterprise-wide Application of Human Capital Management Intelligence HCMi', Journal of Applied Human Capital Management, Volume 2 Number 1 2008

response rates is the potential for 'gaming' or unwanted management behaviours which come close to coercing employees to participate.

The risk here is that inappropriate encouragement to complete a survey taints or adversely influences the respondent, leading to questions relating to the representative nature of responses obtained in such conditions.

There are a number of cases where staff are rewarded for completing surveys which begs serious questions around the ethics and comparability of response rate as well as the operating culture to which this relates.

10 They don't postpone the process just because something negative may have recently happened

An organisation that is serious about high-quality people management practice, evidence-based management and uses the employee survey as a scheduled measurement instrument is unlikely to be 'afraid' of receiving some negative or difficult messages just through timing.

Whilst organisations that are not yet at this point - in relation to their employee surveys, may be tempted to influence findings through 'gaming' the timing of a survey, it is difficult to envisage the same organisations putting back the timing of an annual audit because of poor sales figures or budgetary control. This naturally raises questions relating to the actual commitment such an organisation would have towards effective people management - i.e. is it really PR we're after or receiving a 'warm feeling'?

Delay in the timing of a survey, particularly when this has been announced or trailed in advance, will instantly signal to the organisation that a 'whitewash' is in progress.

Indeed, conducting a survey after or during a negative event can, with appropriate positioning, not only reinforce the organisation's commitment to communicating with employees, but provide an additional feedback mechanism for affected employees that would not otherwise have been possible.

Summary

The conducting of employee surveys is possibly one of the strongest management activities organisations can undertake. Smart organisations know it. The subsequent analysis and information gleaned, potentially linking with other available data is a pretty compelling proposition for organisations to enhance overall employee engagement and performance. The ten reasons highlighted above provide a mandate for successful implementation of employee engagement initiatives. The overall message is clear.

The usefulness of employee surveys is only limited by the way in which they are viewed in each organisation. As is often the case, there are those who 'talk a good game' and those who 'deliver a good game'. When it comes to employees, delivery pays off every time.



**INTERNATIONAL SCHOOL
OF
HUMAN CAPITAL MANAGEMENT**

Employee Engagement Faculty

The EE faculty is currently undertaking a series of white papers in the area of employee engagement including further work on the Employee Engagement Standards.



Major publication for 2007:

Employee Engagement: A treatise for organisational application

Berkeley Square Campus	Victoria Campus
2nd Floor, Berkeley Square House	27 Floor, Portland House
Berkeley Square	Stag Place
London	London
W1J 6BD	SW1E 5RS

Tel: +44 20 7887 6121

Fax: +44 20 7887 6100

www.ISHCM.com

International School of Human Capital Management

Berkeley Square Campus

2nd Floor
Berkeley Square House
Berkeley Square
London
W1J 6BD

Victoria Campus

27 Floor
Portland House
Stag Place
London
SW1E 5RS

Tel: +44 20 7887 6121
Fax: +44 20 7887 6100
www.ISHCM.com