Invest in People, Improve Profits and the Global Economy

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Conserving Resources, Saving Money, Doing Good

Every business, regardless of size, is impacted by, and in turn impacts the global economy. As business leaders focus on rebuilding to pre-recession status and improving the bottom line, their successes are inherently part of the solution—a resource—for what ails the global economy.

The workplace is an organized system, and much like an organism, it is a vibrant, dynamic human ecosystem. To get past the challenges that most companies face today, to positively impact their local economy, and to expand their financial success to the state, the nation, and beyond, organizations must operate at peak performance. Investing in people to retain, reward, and develop quality, committed, employees—the human resources of a business—will shorten the road to pre-recession status, and beyond that, to growth, while also improving profits.

People are the biggest budget item for many companies. As managers rise to higher positions, they know less of the employee experience and how it impacts workforce effectiveness. For decades, organizations have conducted employee satisfaction surveys to get "the inside story" on how employees perceived specific organizational dimensions that impact productivity (i.e., feelings about the immediate supervisor, top management, compensation, and related factors). After seeing the survey results, managers then target areas for improvement and make adjustments with an eye toward improving employee satisfaction, partly to reduce turnover costs.

The pre-recession theory was that satisfied employees are more productive and do not leave. Instead of spending human resource (HR) dollars on recruiting, selection, hiring, boarding, and training replacements, in an organization with satisfied employees, HR could focus its resources on achieving business objectives. This would theoretically result in growth, and HR could recruit for new positions, with new challenges in ever-expanding organizations.

The theory that increasing employee satisfaction would reduce turnover, however, was not as real as expected, particularly in service industries and for high performers in most industries. Why were satisfied employees leaving? The easy answer was compensation. In most cases, low pay was one of the top three reasons, but rarely the first reason for employee attrition. Surprisingly, money was not the reason satisfied employees became disengaged and began job-hunting.

In 2007, the economy trembled, and managers implemented process efficiencies to reduce labor costs. As sales dropped, layoffs replaced efforts to stem turnover. From 2008 to 2009, management cut mid-and upper managers who no longer had enough direct reports to justify their salaries. By 2010, the survivors—top talent who are needed for their experience, innovative thinking, customer retention, and ability to develop others—were feeling overworked. Now, in 2011, they wonder if the grass is greener. They are now less excited about rebuilding organizations where their valued co-workers were expendable than they were when they were hired to take the company to "the next level."

The road to recovery is one that management cannot travel without top talent being not just satisfied, but committed, focused, intent on the mission and vision of the organization—fully engaged in their jobs, with the vision of a brighter future, and the firm resolve that they themselves will create it.

Satisfaction vs. Engagement – The ROI

What are the behavioral and financial differences between employee satisfaction and engagement? Employee retention authority Rim Yurkus, CEO of Strategic Programs, Inc., says, "Any seven engaged employees will do the work of ten satisfied employees. What's more, employees attract their own kind." Do the math. If ten satisfied employees at X-dollars is reduced to seven employees at the same rate—that improves profits! Therefore, it is worth investing in engagement research to learn how to improve productivity in organizations.

Employee satisfaction surveys measure exactly what they propose—satisfaction. Hiring people with skills and ability will get the company a satisfied employee who can get the job done in full compliance. But to move a company to economic recovery and then to growth requires investing in and developing a workforce whose level of engagement includes the employee's heart and mind, as well as eyes and ears, skills and ability that are aligned with the mission, vision and values of the company.

When a major contract that could have catapulted a company forward falls through, engaged employees are foul-weather friends who have no time to cry about it. Driven by a sense of urgency and their commitment to find an even better piece of business, engaged employees will go through long hours without complaining, based on their determination not to survive, but to thrive!

Managers know an engaged employee when they have one, but how do they measure engagement? Employee engagement surveys ask feeling, values-based questions, not the just-satisfied queries of pre-recession days. It takes experience and skill to measure what is invisible at work—loyalty, vision, commitment, trust, self-motivation, and more. To measure engagement with the degree of accuracy that produces dependable data for driving crucial business decisions, the survey and its implementation process must include several things.

First, outsourcing the assessment process to a reliable human resource research and consulting firm is the only way to get "the inside story" from internal employees, especially if they feel insecure about their employment or employer. Research shows that respondents tend to answer questions based on their perceptions of the organization that is sponsoring the survey, if they know who the sponsor is, rather than providing their own honest responses. This phenomenon, known as auspices bias, dilutes the quality of the research when conducted internally to save a few dollars. This savings is a high price to pay for less than optimal data on which managers must base data-driven decisions for allocating limited resources.

Second, to get the most accurate data, the right questions must be asked. The questions must be reliable and communicate exactly what they intend, and they must be organization-specific, using the jargon and acronyms of the organization. The extent to which respondents quickly understand the questions prompts automatic, unfiltered responses. The greater the quantity, the more reliable data sorts can be reported.

Third, the process for data collection and reporting must consider current issues like the history of previous assessments and how that data was used, how the data will be used this time; who will see the results; how comments will be reported; and the extent to which confidentiality is assured. This, and more, will impact participation and the quality of the responses.

Fourth, for cost-effective time efficiency, results should be easily interpreted. This will save scarce, expensive management time discussing what the data means when comparing engagement survey results to other HR and OD data like exit interviews, performance reviews, and customer satisfaction scores.

And finally, the data must be actionable. If the questions are complex or if there is not enough data for reliable conclusions, some responses will be of no value. So it is imperative that there is enough data for “deep dives,” especially if managers want to know more about a question that is reported by departments. For instance, they may want to see if there are differences when a question is sorted by gender or tenure. Interventions targeted to small subpopulations are much more cost-effective than one-size-fits-all interventions, especially if the broad solution has unintended consequences for subgroups. When action plans have been outlined and accountability for results is assigned, it is time to sort engagement data by high performers.

Retain High Performers

HR performance reviews or managers’ observations can identify employees who are essential to driving an organization forward. Letting them know their value to an organization’s success can be an important part of an overall human capital retention strategy, but communicating it verbally is not enough.

If high performers are asked how committed they are, only if they are committed will they reply honestly. They may not be looking for greener grass today, but in the war for talent, an organization’s competitors may attempt to lure high performers away. High performers do not often leave for compensation reasons, unless a personal situation requires it, or if compensation is how they “keep score.” They are more likely to leave for professional development or a better career opportunity. Identifying this pool of talent, along with identifying competent employees in hard-to-fill positions is essential to an organization’s recovery strategy.

Internal professionals cannot get accurate, candid information from this group.

Third party HR research firms can design client-specific stay questions—a wise investment in this human capital group. These firms are trained to conduct sensitive interviews, and depending on the job level of the high performers, stay interviews may be effectively conducted in person or by telephone. Questions are in the organization’s language and are both quantitative and qualitative.

Information that helps managers forecast how engaged this group is and what will keep them engaged is priceless. An extended professional development plan may be the best insurance to keep the best and brightest invested in the organization and to continue to attract other quality employees. This also brands an organization as a great employer—the best weapon against competitors.

Exit Interviews, Lessons Learned

What does it cost to lose one competent employee? The conservative formula is 1.5 times an employee’s salary. Do the math. Losing a single $40,000 employee per month is $60,000 times twelve, or $720,000 per year. And consider this, just ten percent of that will buy years worth of good research and action plans for retaining employees.

What can managers learn from people who are already out the door? Very little from internally conducted exit interviews, but a great deal from skilled third party interviewers who may be seen as welcome confidantes.

Responses like, “personal reasons” or “retired” is what exiting employees give internally as reasons for leaving. The same employees told strategic programs interviewers they were leaving “Because the DM was taking merchandise out of the store, and I didn’t want to get involved,” or “I took an early retirement because I hated my supervisor.”

Good exit analysis research will compare exit data to other HR or organizational assessment results. Dividing data by manager to learn who is losing more people and who is retaining and developing people is immensely valuable. Comparing this information to performance reviews can show which managers could benefit from coaching or training, and which ones may be either reassigned or become part of a “turnover management” strategy. Investing in a year of exit interviews and using the data to reduce turnover by even one or two valued employees can more than pay for the research, reduce turnover costs, and increase profits.

Sorting exit data for high performers will show where they are most at risk. A comeback campaign for rehiring can readily offset the cost of this research. Skilled interviewers can link a broken relationship to HR if there is a misunderstanding, and reassignment to a different site or supervisor may be a cost-effective alternative—with an ROI.

Whether exit interviews are used for retention or not, there is no more candid data available about the workplace. Despite low turnover in a down economy, most companies continue this service because of “the inside story” that is not available from any other source. Employees who experience unsafe work conditions, potentially litigious situations, policy or procedure errors, or violations of ethics want to tell someone. And they often leave because they do not want to get involved in controversy by reporting their experience. Eager to make a difference for their former co-workers, they readily unload their experience confidentially to a third party expert interviewer. Investing in former employees, perhaps rehiring them, or learning how to avoid one lawsuit or improve workplace safety is worth far more than the cost of exit interviews.

Every business, regardless of size, contributes to the human and financial global ecosystems. When business leaders develop and grow the pool of human resources in their organizations, they improve not only their profits, but their very lives, those of employees, their employees’ families, and the surrounding community, which ultimately contributes to the global economic climate that impacts everyone.