

William Schiemann: Metrics and Human Capital Management

These days there is no excuse for not using metrics to help assess workforce related issues like alignment, capability and engagement.

One person who has led the work on these sorts of metrics is William Schiemann, CEO & President of Metrus Group.

John Wiley and SHRM recently copublished Bill's book, "Reinventing Talent Management" (www.reinventingtalentmanagement.com) and that was my opportunity to get an update on one of my favourite topics: human capital metrics.

DC: There are various types of HR metrics, but you have focused on the data you get from employee surveys. Why is that?

WS: Metrics come in many forms and for a wide variety of uses, but we have been surprised with just how powerful the perceptual measures from surveys are for managing the business.

What's powerful about surveys is that employees are key stakeholders in what we are trying to do and their perceptions really do count. And, these perceptions are leading, not lagging indicators. They are early warning indicators and we can change or tweak programs and communication as needed to head off problems.

DC: People may say, "Well, I already have an employee survey, I'm all set."

WS: My response is, "better take a close look at what you're getting from your survey." If your survey is similar to 80% of the organizations we assessed in our recent study, chances are you are not yet getting good, practical measures. The typical employee survey has improved. Certainly, surveys now are better at measuring engagement, but big

gaps remain. Even today, surveys usually fail to capture how well employees are aligned with the company's goals and customer expectations. And many fail to capture much about capabilities: Is the right talent in place? Are the people sufficiently trained? Do employees have the right information to delight customers?

DC: You've mentioned the concepts of alignment, capabilities and engagement—tell me about your overall framework.

WS: We call what we are measuring "people equity" and it is a measure of the current and potential performance level of your people.

Alignment, capabilities and engagement (ACE) are the three components of people equity. Our research shows that ACE drives the value contribution human resources make to key outcomes, such as innovation, customer satisfaction, and financial performance. Organizations are 'Aligned' when everyone is pulling in the same direction. Capability assesses whether the organization has the talent, information and resources needed to meet customers' expectations. Engagement is related to, but goes beyond, the traditional notions of employee satisfaction and commitment. It assesses the extent to which employees are advocates of the organization, whether they'd encourage friends and family to work there or to invest in the company. It's a higher level than just 'I'm happy with my job.'

DC: How extensive a survey do you need to assess these three factors?

WS: You probably remember the 1980s when we had 200 item surveys covering just about anything HR could think of. Then Gallup came up with the simplicity of the Q12 which tried to capture a lot with just a few items. In our experience 12 questions are too few and 200 far too many. You

can capture the important things that drive 90% of the value of the workforce with 25 to 40 questions. That number of questions will get at the ACE factors and the drivers of ACE. Each ACE factor has about seven drivers and you never know which driver will be most important in a given situation until you do the study.

Let me give you an example. We did research for the quick-serve restaurant chain Jack in the Box. We found the restaurants had ACE scores that ranged all over the place (at least they did before they started measuring and managing people equity). You'd find some at 40% on engagement and others at 90%. Also, the profiles weren't the same; you'd find some high in capability and low in engagement and others just the reverse. So you need to look at the results of each restaurant to know what sort of intervention is required.

We also did a study of over 70 hospitals in a large health care organization and found some hospitals with engagement scores less than 25 out of a 100 and others as high as 90. Think about which hospital you would like to go to for your next operation! This is an organization with common strategy, common communication from top management, common selection procedures and so on, yet you still get these remarkable differences from unit to unit.

DC: So we have to be careful about how we aggregate the data.

WS: The results are not always that extreme, but looking at the results unit by unit takes us away from the one-size-fits-all programs that were so

characteristic of the 80s and 90s. An organization-wide program to enhance a factor like alignment would be pretty insulting to those units already very high on that factor and probably insufficient for those very low. When we have data, we can be much more focused in our interventions and avoid the huge costs typically associated with one-size-fits-all programs.

DC: How do organizations act on the results that come from an assessment of people equity?

WS: At Jack in the Box, we did a simple green, yellow, red rating for each factor at each restaurant and then went about tackling the reds. They were able to eliminate 90% of reds in six months by going at this in focused way, with different solutions for different units.

DC: Do you have any parting advice?

WS: We've already mentioned one of the risks, which is too much aggregation. If you average the scores at a high level, too much variation is eliminated and you can't see where to take action. So be sure to look at the data unit by unit.

In addition, be relentless in following through and fixing the problems. These gaps in the ACE measures should be addressed like any other business gap. Typically they can be fixed in three to six months and there is no reason why they shouldn't be addressed quickly and effectively.

Bill's book, [Reinventing Talent Management](#) is available at Amazon.com.

David Creelman writes and speaks on human capital management. Learn more at www.creelmanresearch.com