



# Using HR Metrics to Understand the Drivers of Employee Engagement

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# Agenda



- Introduction
- HR Metrics and Workforce Analytics
- Employee Engagement
- Drivers of Employee Engagement
- Workforce Analytics Example
- Summary of Critical Findings
- Workforce Analytics Within Your Organization
- Questions

# The Importance of HR Metrics



- There are hundreds of metrics in use by HR today, ranging from the most basic (employee turnover) to highly complex scorecards and workforce analytics.
- Senior managers are looking for meaningful measures of human capital factors and their impact on business outcomes.
- HR functions are using metrics to track and manage their performance and to drive decisions in the HR function.

# Beyond HR Metrics

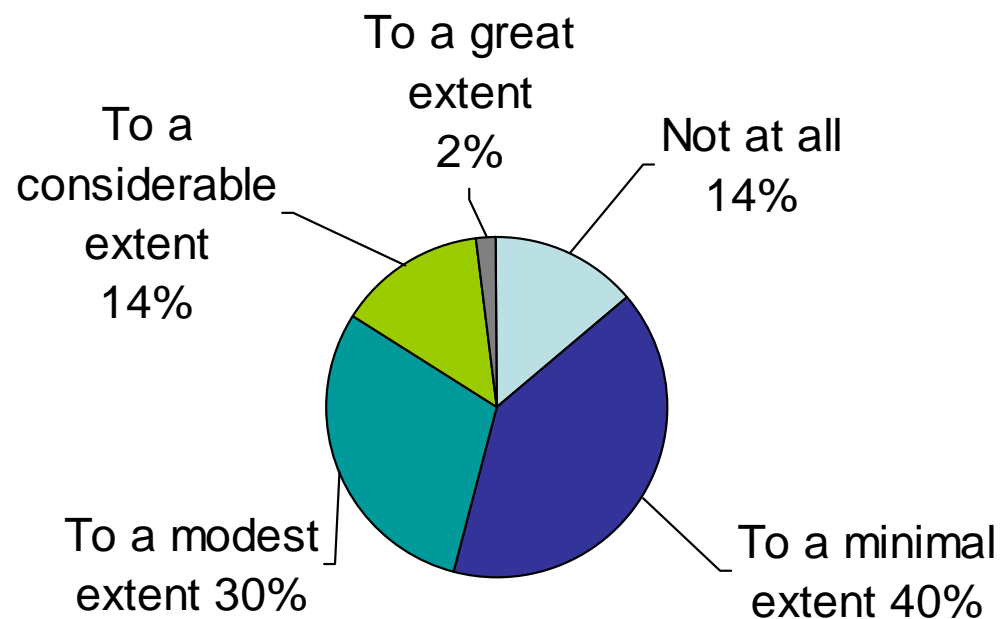


## ***Workforce Analytics***

*The integration of HR metrics with other business metrics from within, as well as outside of the organization, to understand the complex factors which affect the current workforce and make predictive decisions about the future workforce.*

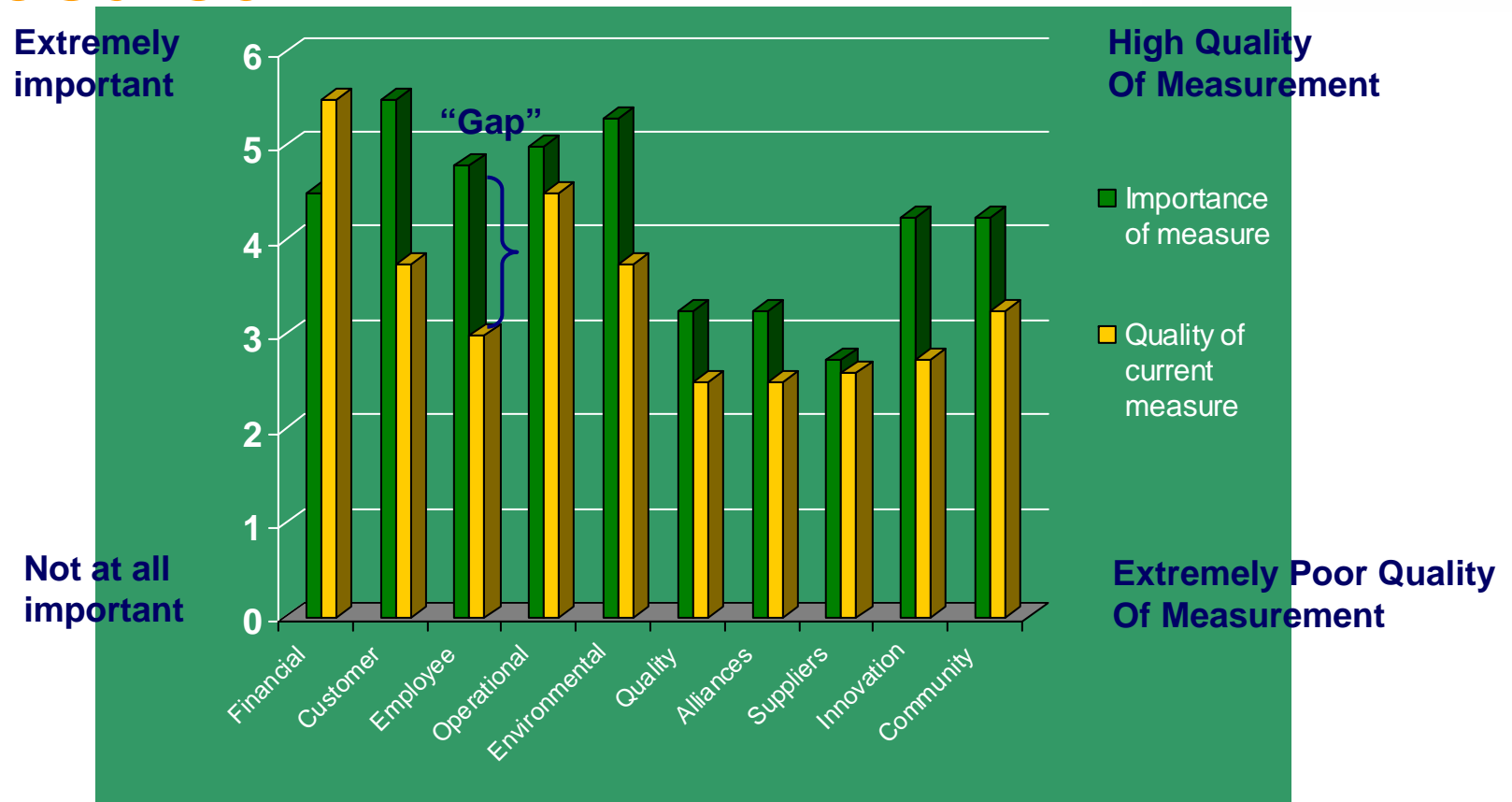


# To what extent do you know the return on your investments in human capital?



Source: Survey of 189 senior financial executives conducted by CFO Research Services in fall 2002. Figures are % of respondents

# Non-Financial Measures: Under-Rated & Under- Measured



*\*Survey of 148 US financial services companies  
Ittner & Larker, Decisions That Matter: The Wharton Research Program 2000*

# Why Workforce Analytics?



- Human capital is one of the least measured and analyzed investments, despite the fact that more than 70% of company costs are labor related.<sup>1</sup>
- Executives are realizing that they do not have a firm grasp on the characteristics and capabilities of their workforce.
- Investors are asking for ‘human capital’ statements to be included as part of annual reports because human capital drives the performance of all other assets.<sup>2</sup>
- Need to justify how workforce investments impact business performance.

<sup>1</sup> Brookings institute

<sup>2</sup> Barrette, 2004

# Stages of Workforce Analytics

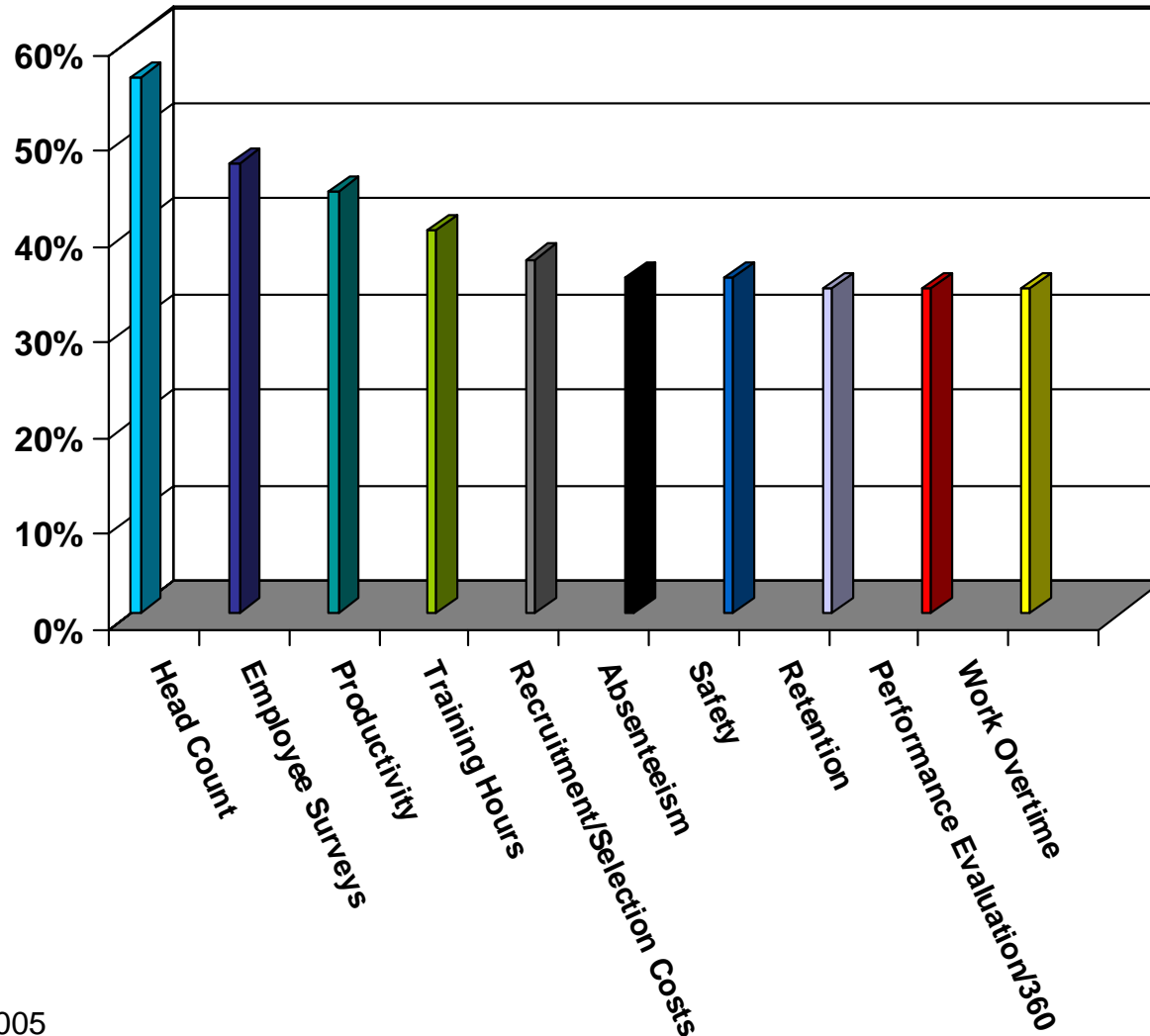


- 4 Stages of Maturity when using Workforce Analytics - Jim Holincheck, Gartner Group
  - **Stage 1:** Basic Reporting – Regulatory reporting that is reasonably automated
  - **Stage 2:** Access to Metrics – Key Performance Indicators (KPIs) that are distributed effectively to different people
  - **Stage 3:** Detailed Workforce Analyses - Multi-dimensional analyses so one can “slice and dice”
  - **Stage 4:** Advanced Analytics – Taking data and applying it to make better decisions about how to manage Human Capital (e.g., predictive analyses)



What HR metrics are used  
at your organization?

# Commonly Used Metrics



Source: ISR, 2005



## Employee Engagement

- Employee's feelings of enthusiasm and involvement in their work.
- Engaged employees feel involved in their work and the people with whom they work; they feel recognized, encouraged, and supported.



Is your company engaged?

# Importance of Employee Engagement



- Engaged workers are more productive than disengaged workers.<sup>1</sup>
- Companies who can successfully engage their employees can achieve higher levels of performance and deliver greater returns to shareholders.<sup>2</sup>
- Actively disengaged workers undermine the work of engaged workers.
- Unfortunately - Estimates indicate the number of actively disengaged workers to be anywhere from 16% - 50% of the workforce.<sup>1</sup>

<sup>1</sup> Deloitte & Touche/Gallup research

<sup>2</sup> Hewitt research



# What factors impact employee engagement?

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# What Drives Employee Engagement?



- Organizations with motivating organizational climates and positive cultures have employees who are actively engaged.
  - Linked to employee performance, customer satisfaction, organizational performance
- Leadership behavior one key factor in creating and reinforcing organizational culture.



# Workforce Analytics Example: Leadership Impact Study

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# Leadership Impact Study - Purpose



- Confirm linkage between leadership performance and employee engagement.
- Identify specific leadership performance that drive employee engagement.
- Pinpoint how positive changes in leader performance impact employee engagement.

# Leadership Impact Study - Methodology



- Measured leadership performance using 360-degree feedback process
- Measured Employee Engagement through Employee Opinion Survey (EOS)
- Statistically analyzed data using Multiple Regression

# Measurement of Leadership Behavior



- 8 competencies measured by 37 behaviors
  - Communication
  - Coaching & Developing
  - Planning & Organizing
  - Leadership
  - Interpersonal Skills
  - Self Management
  - Innovation
  - Organizational Strategy
- Ratings from self, leader, peers, direct reports, and others

# Measurement of Employee Engagement



- Employee Engagement measured as part of employee opinion survey initiative
  - 5 factors measured by 57 items
  - Factors of interest:
    - Pride
    - Credibility
    - Respect
  - Ratings made by individual employees

# Overall Findings



- “Significant” Results
- More effective leaders manage employees who report high levels of employee engagement.
- Numerous relationships reveal specific leader behaviors of interest.

# Pride



- Clear relationship established between several components of leader performance and employee feelings of Pride.
- Self-Management
  - Follows through on commitments. ( $r = .33$ )
  - *Employees are willing to give extra to get the job done. (Pride)*

# Pride - cont'd.



- Planning & Organizing
  - Keeps things organized so that the work goes smoothly. ( $r = .31$ )
  - Focuses time, resources, and energy on priorities that matter to the business. ( $r = .29$ )
  - *Employees are willing to give extra to get the job done. (Pride)*
  - Focuses time, resources, and energy on priorities that matter to the business. ( $r = .30$ )
  - *When I look at what we accomplish, I feel a sense of pride. (Pride)*

# Pride - cont'd.



- **Leadership**
  - Sets clear expectations and provides clear direction to others. ( $r = .32$ )
  - *Employees are willing to give extra to get the job done. (Pride)*
- **Organizational Strategy**
  - Pursues solutions to problems that are directed at achieving long-term success versus short-term gain. ( $r = .28$ )
  - Ensures that objectives established within his/her area of expertise are consistent with the company values, policies and practices. ( $r=.23$ )
  - *Employees are willing to give extra to get the job done. (Pride)*

# Credibility



- **Clear relationship established between leadership performance related to Innovation and employee's perceptions of Credibility.**
  - Challenges the status quo. ( $r = .22$ )
  - *Management is approachable and easy to talk to. (Credibility)*
  
  - Challenges the status quo. ( $r = .23$ )
  - *Employees are kept informed about important issues and changes. (Credibility)*

# Respect



- **Clear relationship established between leadership performance related to Innovation and employee's feelings of Respect.**
  - Challenges the status quo. ( $r = .24$ )
  - *Employees are involved in decisions that affect their job/work environment. (Respect)*

# Summary



- Integrity, Communication, and Organizational Skills facilitate pride, commitment and hard work.
  - Leaders who follow through on commitments facilitate employee commitment and energy.
  - Leaders who focus on critical priorities, set clear expectations and provide direction lead employees who are more engaged and work hard to accomplish goals.

# Summary



- Innovation and Courage facilitate feelings of respect and involvement.
  - Leaders who take risks and challenge lead employees who feel involved in the organization and informed about things that impact them.

# Caveats



- Sample size (n=84)
- Timing
  - Employee engagement data collected before leadership performance data
  - Changes post EOS

# Further Questions



- Will these relationships change over time?
- Do those teams with higher employee engagement produce better results (as measured by quality or financial indicators)?
- What impact might training have on leader performance and employee engagement?

# Enhancing Engagement through Leadership Development



- Identify the key drivers of engagement within your organization
- Conduct a comprehensive assessment to identify which leaders may or may not have the requisite skills to support employee engagement
- Develop training curriculum to support the key drivers of engagement
- Provide coaches or mentors who have skills in the unique drivers of engagement
- Generate interview/selection tools which probe for the specific behaviors identified in the analysis



# How can you apply workforce analytics within your organization?

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# Metrics Within Your Organization



- Bottom-Line Measures:
  - Financial performance
  - Market share
  - Employee productivity
  - Customer service
  - Quality
  - Safety
  - Turnover/retention
  - And more . . .
- Other Measures:
  - Level of trust
  - Employee commitment / alignment
  - Satisfaction with Management
  - Perception of company culture/work environment
  - Job satisfaction
  - And more . . .

# Workforce Analytics Ideas



- How does sales leader performance impact sales, as measured by financial indicators/market share?
- How does employee engagement impact internal or external customer service?
- How does internal customer service influence external customer service?
- Other ideas?



# Questions?

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