"I had that dream about meaningful employment again last night."

The business case

- **"Demographic crunch" poses the most significant challenge yet?**
  - ageing workforce, talent & skills shortage (turnover goes up in times of low unemployment)
  - entering a new era of employer / employee relationships with power shift in favour of the latter
  - growth in search firms, increased likelihood of talent poaching **(Pull)**

- **Performance:**

  An aligned (i.e., committed, engaged & satisfied) workforce is approximately 30% more productive, + 10% more profitable
  - close relationship between performance and retention (win – win)
  - requires + 20% salary increase for aligned employees to consider leaving **(Pull)**

- **Retention:**

  Divorce is more expensive than marriage: Cost of turnover varies from 0.5 to 2.5 times the salary of the job (Cascio)
  - +80% of this costs are indirect and delayed (not hard $ and may not be believed!)
  - approx 60% of turnover is under the direct control of the organisation **(Push)!**
  - need to conserve people resources
  - retention represents the highest ROI of any HR initiative

Human capital reporting

- **Level of reporting on human capital lags behind that of other key assets**
 - most vital intangible asset
  - many HR measurement systems weak
  - HR data typically disjointed / unintegrated, value not exploited
  - reporting lacks surgical precision
  - gap between empirical research and HR practices
  - need measures that directly linked to the bottom line

- **Senior executives are looking for numbers**
  - need for informed investment $ decision making, mitigating risk
  - often *ad hoc* approaches adopted with no ROI analysis

- **Kept HR from a seat at the table!**
  - need to provide actionable information on how to improve business results thru' management of people
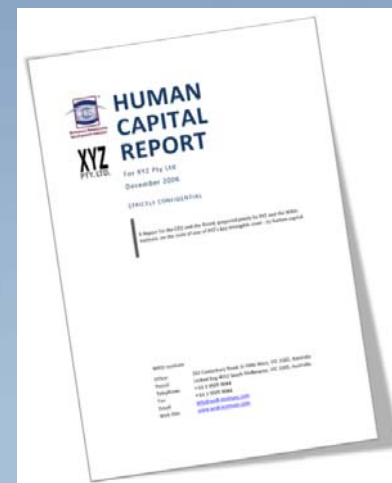
HC report structure: Key data (p. 5)

- **Roles classified according to skills quadrants 1, 2, 3 & 4**
  (1) Criticals
  (2) Professionals, Skilled & Semi-Skilled
  (3) Doers
  (4) Specialists

- **Data reported according to skills quadrants**
  - one size doesn't fit all concerning people management policies & practices
    and level of investment in people
  - data generated thru' a survey tool (see later)

- **3 critical report sections:**
  - Performance Predictors
  - Retention Risk
  - ROI People Investment Initiatives

Skills' segmentation model
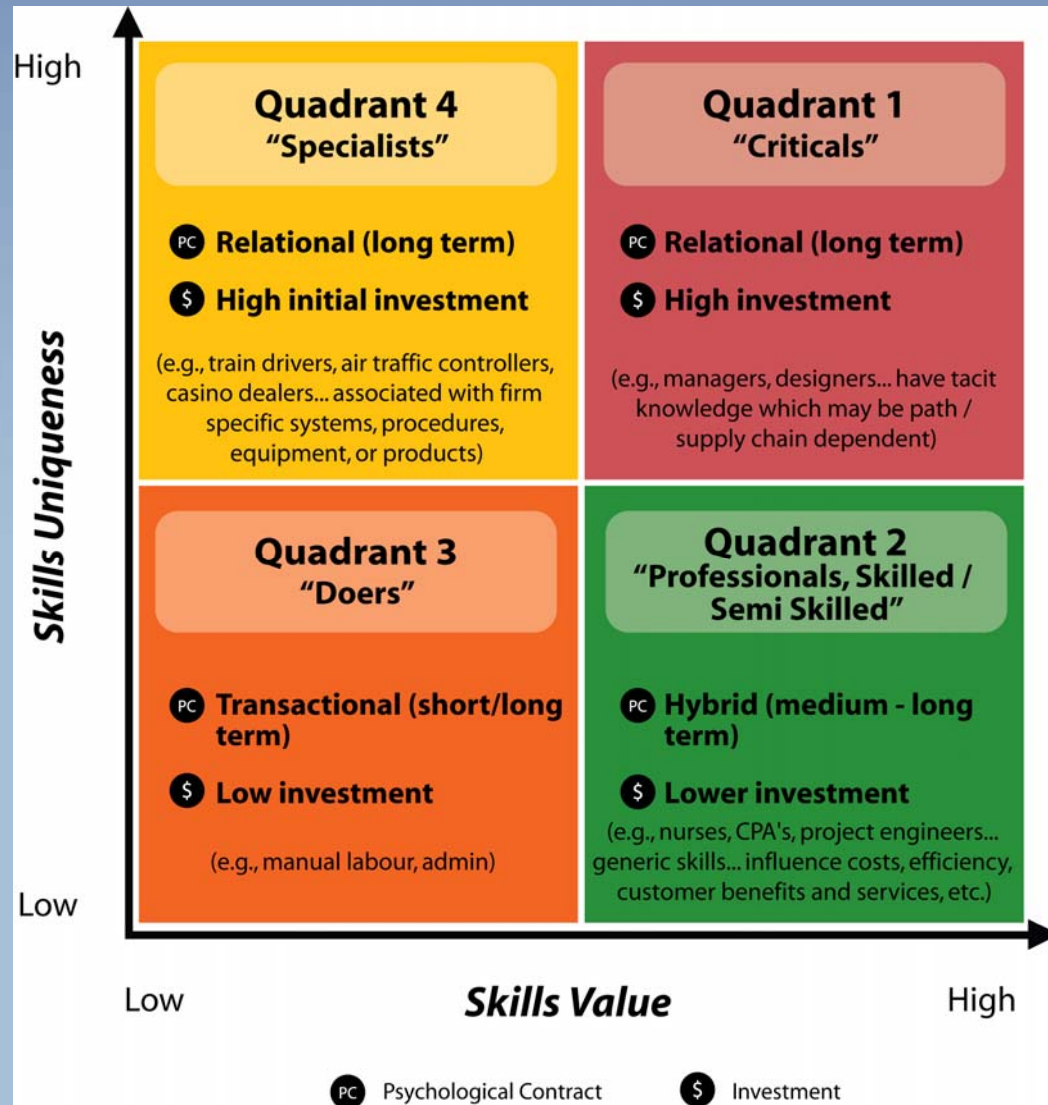
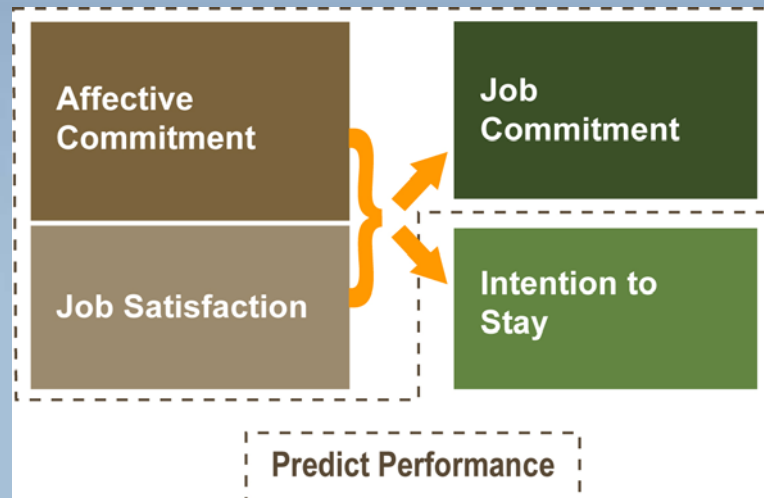Model developed by Lepak & Snell, 1999

Understanding performance & retention drivers

4 "holy grail" workforce measures

Affective Commitment (AC) = emotional attachment to the organisation

r = .7 with Intention to Stay

r = .7 with Intention to Stay

Affective Commitment	Job Commitment
Job Satisfaction	Intention to Stay

Predict Performance

Job Commitment (JC) = Discretionary Effort

Intention to Stay (IS) is the main predictor of turnover

- 2 key drivers of performance are also 2 key drivers of retention (win- win)

- r = correlation where r > .5 is high

- Affective Commitment (AC) is a strong indicator of person –organisatonal fit

- Job Satisfaction (JS) is a strong indicator of person – job "fit"

# Retention risk (p. 5)

- **Intention to stay**

- **Note. The higher the % intention to stay, the lower the risk of turnover**

- **Quantification of retention risk:**
  # of employees at high risk of leaving
  The imminent cost of turnover ($) if this risk is left unchecked
  # of high performers / potentials at high risk of leaving
  # of low performers at high risk of leaving
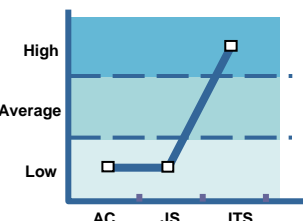
Selective retention important
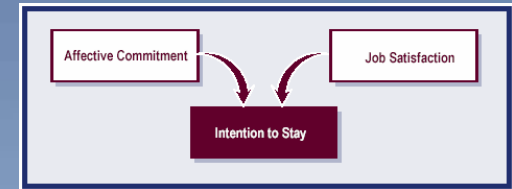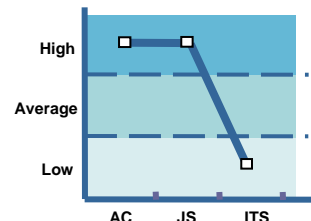

Are you retaining the right people?

Stayers

"Locked-in & Disengaged"

Disengaged with the organisation and poor job fit

These "Stayers" retained by the organisation are likely to be the "wrong" people

"In Love and Satisfied"

Engaged with the organisation, and good job fit

These "Stayers" are unlikely to leave, likely better performers and will be less stressed

Leavers

"Jilted"

Engaged with the organisation, and good job fit

These "Leavers" may perceive inadequate career opportunity or have reasons unconnected with the organisation

"In Love, but Dissatisfied"

Engaged with the organisation, but poor job fit
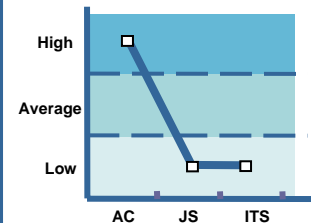
Some "Leavers" may be suitable candidates for redeployment or job re-design

AC = Affective Commitment / Engagement   JS = Job Satisfaction   ITS = Intention to Stay

Can't reduce to a single number - explains why Engagement Index is flawed!

Dashboard indicators:
Flight risk quantification for Criticals

Note: Engagement = Affective Commitment (AC)

These people are likely to be your highest performers

These people are possible candidates for re-deployment or job redesign

These people are likely to be your lowest performers – an indication that you may be retaining the wrong people!

Employee #	Norm	Actual	Employee Retention Risk
14	70%	70%	Indicating intention of "staying"
3	15%	15%	Indicating "moderate risk of leaving"
3	15%	15%	Indicating "high risk of leaving"

Employee #	Norm	Actual	Employee Alignment
14	60%	70%	Engaged with Organisation & Satisfied with Job
2	15%	10%	Engaged with Organisation - Dissatisfied with Job
1	10%	5%	Disengaged with Organisation - Satisfied with Job
3	15%	15%	Disengaged with Organisation – Dissatisfied with Job

Imminent cost of turnover is $260,000 – patented risk based methodology

ROI for people initiatives / investments? (p. 5)

- *Have recent salary increases reduced risk of turnover?*
  (i.e., for those who were given salary increases, has their intention to stay increased?)

- *Has the recent investment in leadership / coaching been effective?*
  (i.e., has Affective Commitment (AC) and Job Satisfaction (JS) of immediate subordinates increased?)

Human capital data cube

Sourced from existing databases including payroll, HRMIS, online performance management system, training admin, etc

Sourced from employee survey/s using known identity (not anonymous)

Demographic Data

Organisational Process Data

Predictive/ Attitudinal Data

Service
Age
Gender
Job Level
Workforce Segment

Performance Rating
Potential Rating
Salary Increases
Turnover
$ in Training & Development
Discretionary Effort
Job Satisfaction
Affective Commitment
Intention to Stay
Competencies
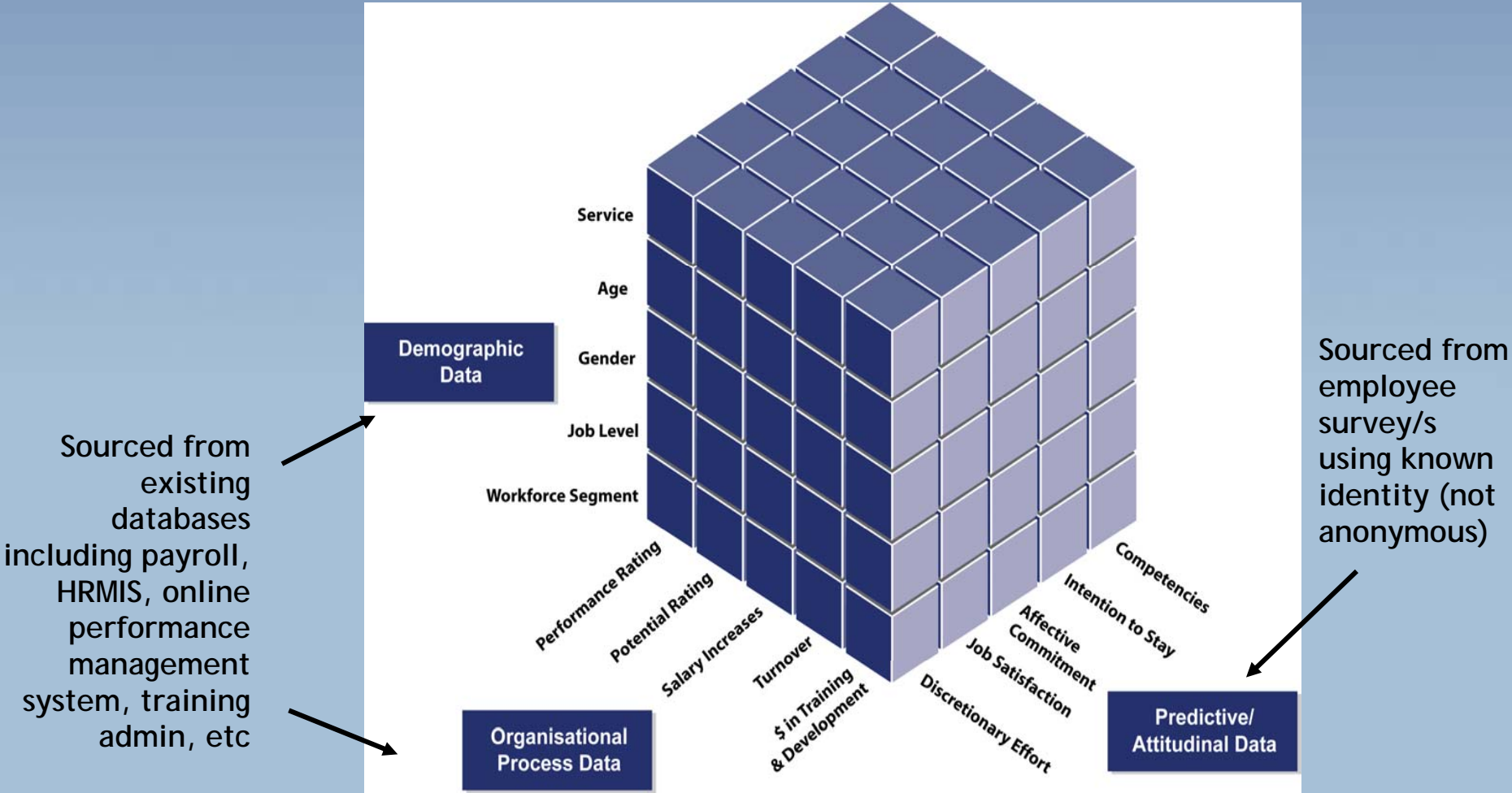
HC Report:
Historical data (p. 6)

- **Historical data reconfigured according to the skills' segmentation model, under key human capital topics:**

    - experience (years in job)

    - turnover past 12 months (including costs)

    - $ investments in people (salaries, training & development)

    - average performance ratings

    - assessment of skills /competencies

    - recruitment needs by # of employees, next 12 months

A Psychological Contract (PC) model:
The Workplace Relationship Development Indicator (WRDI®)

Based on Guest's model & a model of turnover & performance
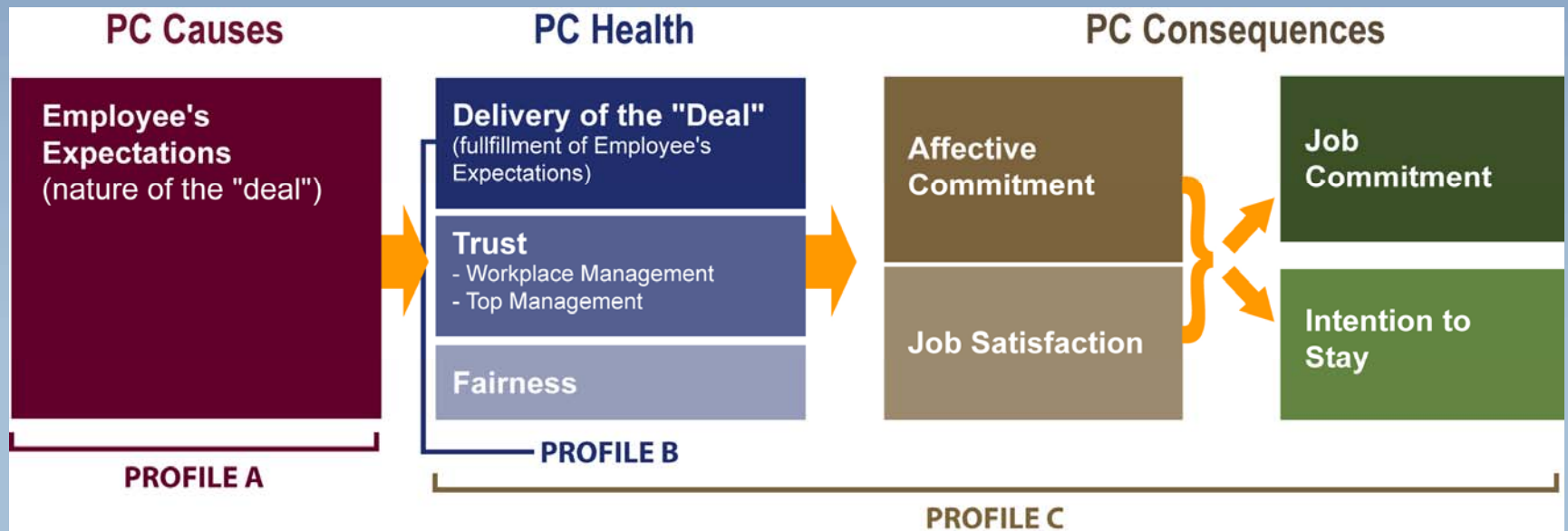
- **The WRDI® has diagnostic capability (cause / effect)**
  - Psychological Contract (PC) health factors predict (in part) PC consequences

- **The "deal" includes tangibles & intangibles (employment value proposition)**

Engagement & retention:
Need to cover all the bases

Organisational Issues →	• Top Management Leadership; • People Management Policies & Practices (pay, careers)
Workplace Issues →	• Local Management Leadership; • Training, Team Support, Resources, Flexible Work Practice, etc.
Individual Issues →	• Job & Career Issues

WRDI® - a complete engagement & retention solution, from post recruitment assessment thru to diagnostic exit interview.

WRDI® options/applications?

- **WRDI® as part of a Human Capital Report:**

  - hamburger with the lot!

- **WRDI® for talent retention risk assessment:**

  - unpack and understand engagement and retention risk for Criticals
  - can be positioned as a career development initiative rather than another survey
  - now becoming more common for organisations to run 2 surveys

- **WRDI® as a general employee survey:**

  - focus on performance enhancement & retention
  - can add additional items from existing survey
  - we can do cross validation with existing survey key measures to preserve historical data

- **WRDI® for post recruitment assessment or on-boarding:**

  - focus on initial adaptation
  - whether brand / promise matches reality
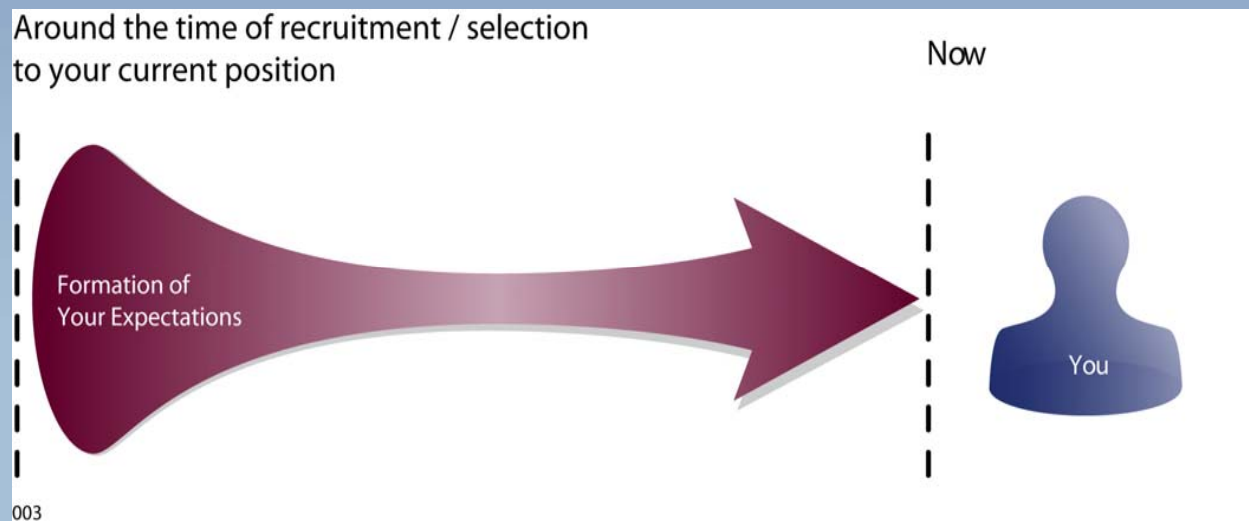 - can also produce a Human Capital Report: Recruitment version

Some WRDI® clients

citibank	AWB LIMITED	eNTITY SOLUTIONS
vero	caroma	NEC
Qenos	Roche MINING A DIVISION OF DOWNER EDI LIMITED	VIRAX
Commonwealth Bank	BUSINESS OBJECTS®	cs energy generations ahead
CUE®	CBHS	pageup
Australasian Compliance Institute	CD AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS	Hudson TMP/HUDSON GLOBAL RESOURCES

Forming the Psychological Contract or the Deal

Around the time of recruitment / selection to your current position
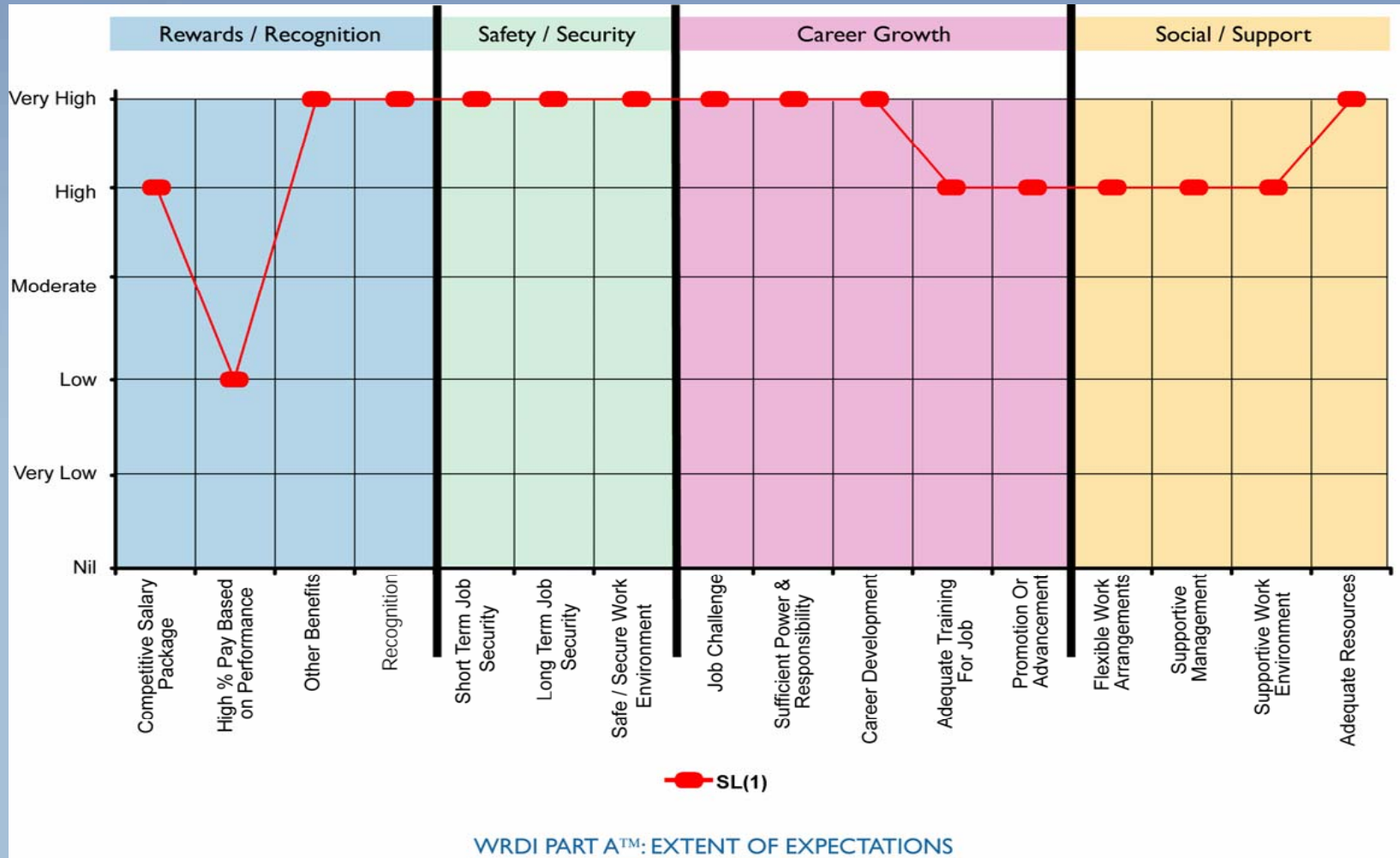
Formation of Your Expectations

Now

You

003

- WRDI® measures employees' perceptions of the deal (i.e., their expectations based on stated or implied promises and understandings) and its delivery
- Unrealistic or unmet expectations results in loss of commitment, lower job satisfaction and higher turnover
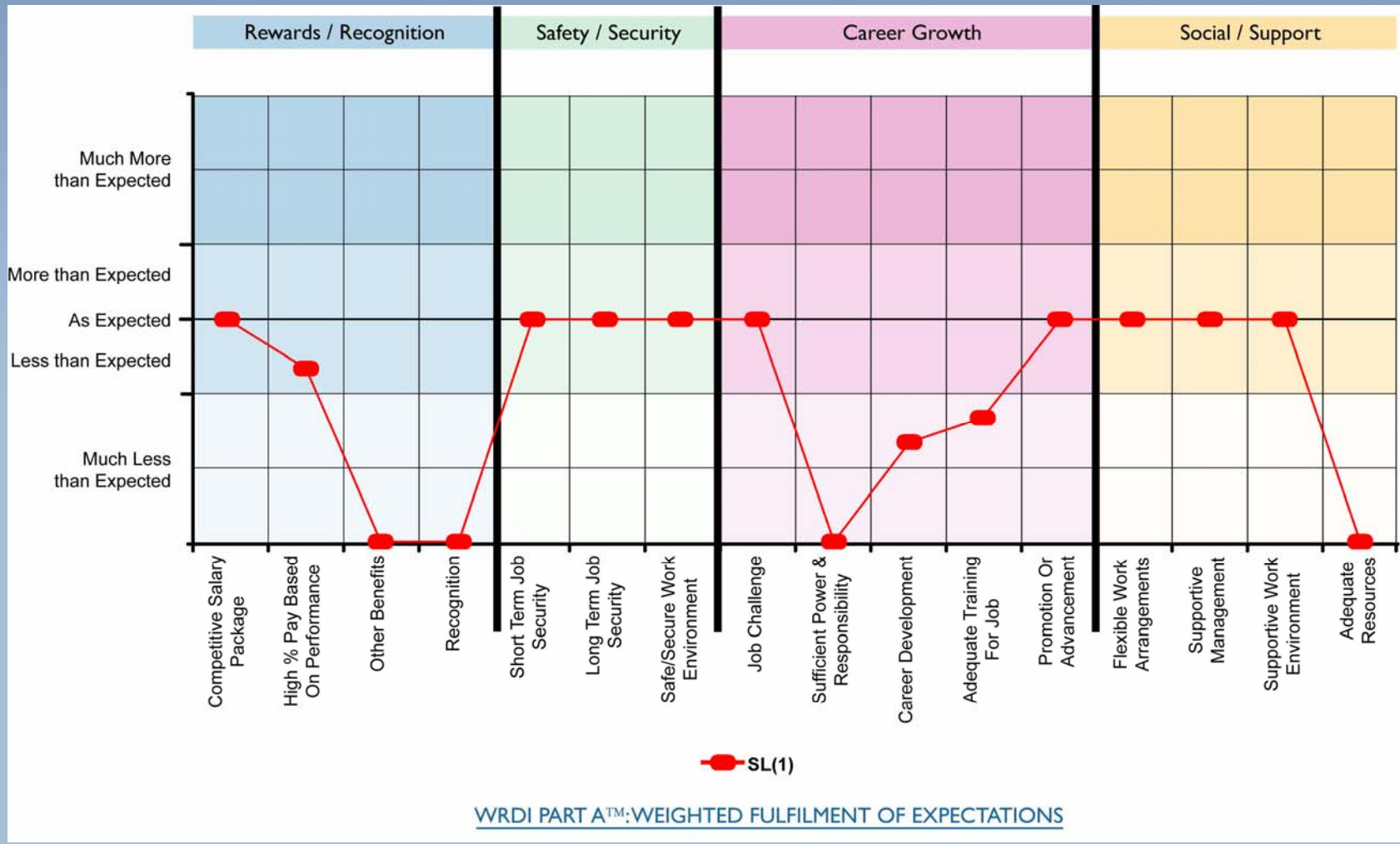
How it works: A case study

- **Individual**

- **Relatively new recruit (9 months)**

- **Headed up a new consultancy arm for a global organisation (Critical)**

- **Looking for a tool that drilled down to better understand engagement / retention risk for talent**
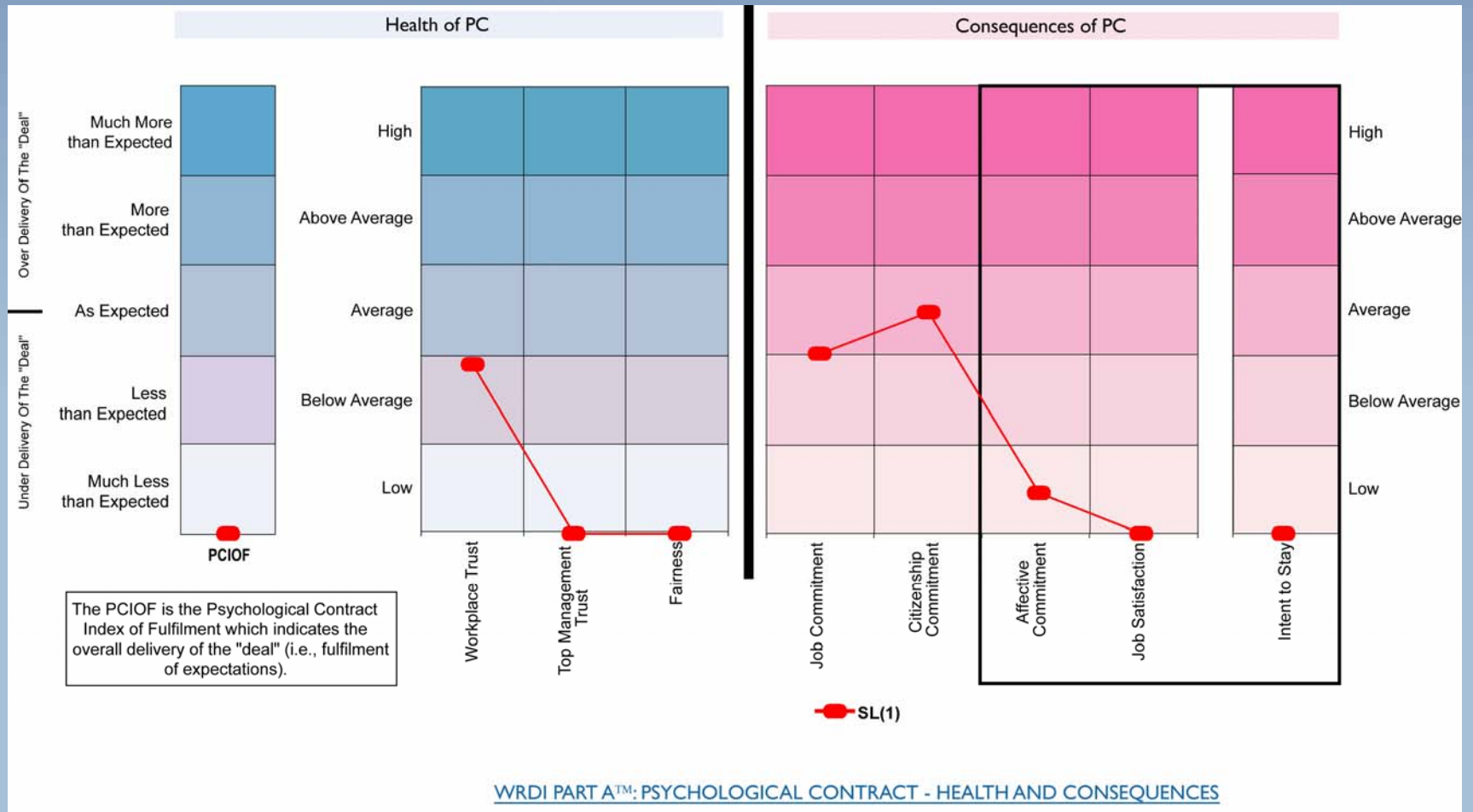
Profile A: The "deal"

WRDI PART A™: EXTENT OF EXPECTATIONS

Profile B: The delivery of the "deal"

WRDI PART A™: WEIGHTED FULFILMENT OF EXPECTATIONS

Profile C: Psych Contract health & consequences

WRDI PART A™: PSYCHOLOGICAL CONTRACT - HEALTH AND CONSEQUENCES

4 ways to improve human capital

Increasing Human Capital

| Acquiring (recruitment) | Utilising / Engaging and Retaining (people management policies & practices) | Developing (training & development) | Borrowing (consultants, alliances) |

- **Borrowing doesn't contribute significantly in the longer term**

- **Retention represents the highest ROI of any HR initiative (Sullivan)**

- **Unless workforce engaged, other people investments problematic**

Questions
&
Comments