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Bringing Work to Life

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Welcome

Welcome to the latest issue of Bringing Work to Life. In the last four issues we explored:

- How to decide if an organization will be a good fit for you in “Worklife Survival: Finding a Fit” (http://www.elsdon.com/oct__nov__2004.htm)
- Confronting one of our fears as leaders in “Facing Our Greatest Fears: Public Speaking” (http://www.elsdon.com/sept__oct__2004.htm)
- Bringing meaning to our work lives, the benefits to each of us and to our organizations, in “May You Live All the Days of Your Life” (http://www.elsdon.com/august_2004.htm)
- Seven key aspects of the organizational and business drivers for workforce development in “Opening the Door for Workforce Development” (http://www.elsdon.com/july_2004.htm)

This month we examine the messy subject of knowing how we are influencing workforce effectiveness in “Measuring Our Progress.”

Measuring Our Progress

“That must have been an exciting conversation” was the caustic observation from a fellow participant, Dan, at a recent fundraiser to two of us who had just been talking about metrics. While his comment could be dismissed as the wine talking (or listening), it also speaks to a broader concern, since Dan was a senior human resources practitioner. Workforce metrics are often viewed as an afterthought, at best boring, at worst a mystery of Sherlock Holmsean proportions. Why is this? After all can’t we just boil everything down to return on investment (ROI) and be done with it?

Certainly ROI, which is simply the economic benefit from an investment divided by

enhance effectiveness through revitalized workforce relationships and leadership practices. Prior to establishing his practice, Ron held senior leadership positions at diverse organizations.

Ron is also author of *Affiliation in the Workplace: Value Creation in the New Organization* (2003), a book describing leadership approaches to integrate the needs of the individual with the needs of the organization for the benefit of both. Ron holds a Ph.D. from Cambridge University in Chemical Engineering, an M.A. from John F. Kennedy University in Career Development and a first class honors degree from Leeds University in Chemical Engineering. With his co-author he was awarded the Walker Prize by the Human Resource Planning Society for the paper that best advances state-of-the-art thinking or practices in human resources.

the investment itself, expressed as a percentage, has the virtues of simplicity, consistency in different settings and linkage of outcomes to costs. However, it misses much:

- The influence of spending or benefits spread over several years
- The importance of scale, for example the ROI for a pencil sharpener may be large but the investment is inconsequential in influencing the fortunes of the organization
- The time value of money; a dollar in the future is worth less than today
- A primary focus on the past rather than the future
- Misses non-financial factors
- Does not consider the impact on different stakeholders

As with many simple statements it is incomplete. So with this uncertainty it is not surprising that Dan steers clear of this messy metrics stuff. What help can we offer him? Let's clear up why this is more than an academic question. Measuring what happens when we invest in the workforce allows us to:

- Be objective and prudent in committing resources
- Know how effective our solutions are
- Know where to invest in the future

This is just what the CEO (and the CFO) ordered. But how do we go about structuring measurement? We first recognize that there are two primary operational aspects of financial performance that we can influence (as shown on the profit and loss statement); they are revenue growth and profitability. They in turn influence asset utilization (this shows on the balance sheet). Our metrics need to address one or both of the primary items. The following core questions can help guide the measurement process and provide this focus:

- How is workforce capability linked to organizational performance?
 - ▶ For example
 - ▶ For a sales organization we could define the characteristics of the most effective salespeople, translate these characteristics into a more effective hiring process, then measure the effect of this enhanced hiring process on sales force contribution.
 - ▶ For a manufacturing organization we could define the link between the depth of knowledge of processes and equipment and manufacturing cost reduction. We could also measure how investing in a comprehensive training curriculum affects the rate of cost reduction.
 - ▶ For a leadership team, we could measure the influence of investing in interpersonal skill training on reduced attrition.
- How can this be quantified?

- ▶ Our examples
 - ▶ In the case of the sales force we could focus on revenue itself or the rate of increase of revenue, market share or market penetration.
 - ▶ For the manufacturing organization we could examine absolute costs or the rate of cost decrease (for example an experience curve showing costs falling as cumulative output grows), or how more sophisticated manufacturing equipment improves yields.
 - ▶ For the leadership team we could examine reductions in the losses of key personnel and the influence on the organization.
- How can this be translated into financial terms?
 - ▶ In each example we identified specific changes causing either an increase in revenue or a decrease in costs.
- What resources are needed?
 - ▶ In the case of the sales force we could define the resources needed to gather data about sales competencies; for the manufacturing organization we could identify which skilled personnel would be needed to conduct effective training; for the leadership team we could identify the time required for interpersonal skills training and the resources needed to do it.
- What costs are associated with those resources?
 - ▶ We can show both the direct and indirect costs (such as the opportunity cost of time) that we incur.
- What is the relationship between projected gain and costs?
 - ▶ Depending upon the situation we may use a simple measure such as ROI or a more complex measure such as the discounted net present value of future benefits and costs, and the profitability index that equates the two.

As Dan is looking at investing in his workforce he should project outcomes before making investments. The projected outcomes help drive the decision about where and when to invest and provide a means for comparing actual and anticipated performance.

Measurements can either focus on the overall enterprise, a given workforce development project or a combination of both. For example a reduction in overall attrition rates, and the corresponding financial influence would be outcome measures for the overall enterprise. These outcomes are driven by processes that strengthen employee affiliation such as support for individual development, and resources to provide this. The following chart illustrates the links.

Value Creation in the New Organization



An alternative and complementary approach to measuring at the enterprise level is to examine individual workforce development projects, such as workshops or coaching, and measure their influence on the organization. The four level Kirkpatrick approach, extended to a fifth level by Phillips and a sixth level by Elsdon and Iyer is a good way to frame this:

- Level 1: Reaction and Planned Action
 - Measures participant satisfaction and planned action (sometimes known as a smile sheet)
- Level 2: Learning
 - Measures changes in knowledge skills and attitude
- Level 3: Individual Performance/Behavior
 - Measures changes in on-the-job behavior
- Level 4: Business Results
 - Measures business impact, for example increased sales or productivity
- Level 5: Return on Investment
 - Compares program benefits to costs
- Level 6: Prediction
 - Estimates impact of resources on future performance, for example taking a given workshop to a broader population

More complex and expensive projects generally justify measurement at higher levels. Measures of progress aren't restricted to the purely financial. For example in the case of leadership development these are some other measures to consider:

- Leading indicators of progress or concerns (they provide advance notice of issues)

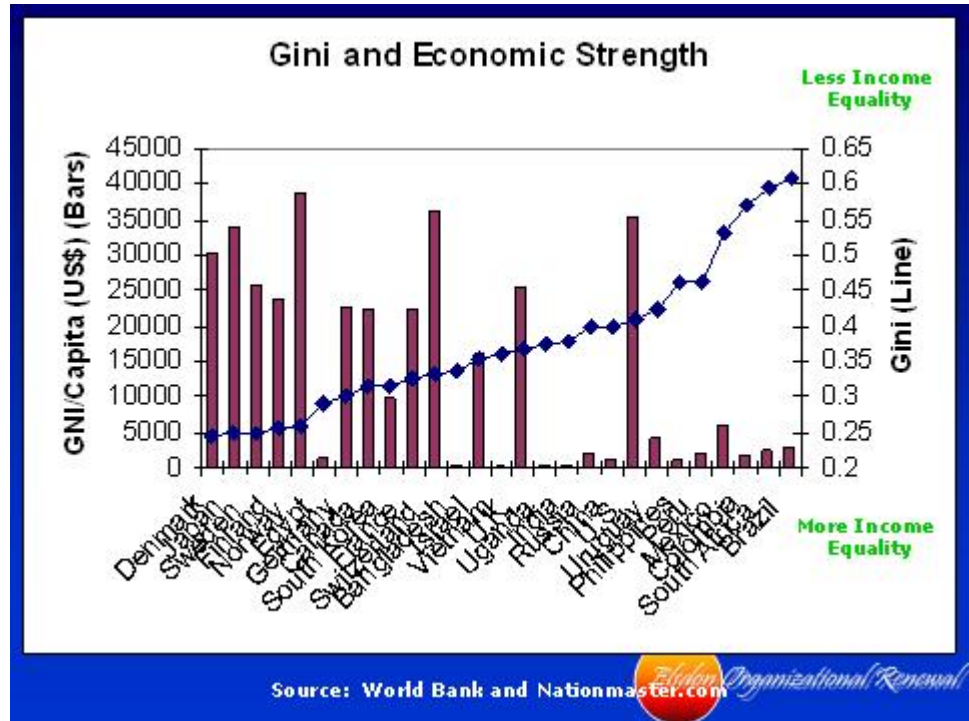
- 360 degree or multi-rater feedback surveys
- Affiliation and satisfaction surveys
- Goal alignment throughout the organization
- Measures of activity
 - Frequency of developmental meetings of individuals and supervisors
 - Number and extent of organizational listening processes such as focus groups
 - Number of development and affiliation plans in place and used
- Measures of skill building processes
 - Extent and nature of tools used to build leadership self understanding
 - Breadth of coaching/mentoring processes
 - Scope of learning activities to strengthen communication skills

Dan is presented with an array of measures from which to choose. His choice needs to fit the needs of his leadership audience, some will welcome sophisticated analyses others prefer it simple. The depth of analysis needs to match likely outcomes and spending level; more spending generally justifies greater depth of analysis. By using selected measures Dan can move his organization forward and show tangible progress. His seat at the table just became a throne.

Myths about Income

Sometimes we build mental pictures from prevailing views shaped by fragments of information in the news media. One such situation is that of income and wealth distribution. To provide more in-depth information, in the September/October newsletter we looked at statistics that show growing inequity in U.S. income and wealth distribution since the early 1980s. Here we will look at one aspect in more depth, examining income inequality and national prosperity for a number of countries. In doing this we will explode some myths.

The line on the following chart shows one measure of income inequality, the Gini coefficient, referencing the right axis. A Gini coefficient of 0 means complete equality, a value of 1 means one family owns the entire wealth of a country, in other words complete inequality. The bars on the chart show Gross National Income (GNI) per capita in 2002 US\$ referencing the axis on the left. The Gini coefficient and GNI per capita are shown for a range of countries listed on the horizontal axis at the bottom.



Overall, we see vast differences in income inequality from the egalitarian Scandinavian countries and Japan at the left side of the chart with Gini coefficients around 0.25, to some South and Central American countries and South Africa showing gross income inequities at the right side of the chart and Gini coefficients above 0.5. The U.S., shown by the tallest bar towards the right side of the chart, has a Gini coefficient greater than 0.4, and income inequality that is closer to a South American country. What are some myths dispelled by this chart?

- Myth: it is necessary to build a society based on a Darwinian survival of the fittest approach driven by individual and corporate greed to achieve prosperity.
 - Reality: Norway, Switzerland and other Scandinavian countries achieve superior GNI per capita levels in societies that provide greater support for their poorer and weaker members.
- Myth: the U.S. is the most prosperous country in the world providing the highest standard of living for its citizens.
 - Reality: while the U.S. has generated remarkable overall prosperity, our GNI per capita is exceeded by that of Norway and Switzerland. Indeed, if the much greater degree of income inequity in the US is considered, along with significantly fewer safeguards against financial deprivation, the average citizen in the U.S. may be at a significant disadvantage. The advantage in the U.S. accrues to those few who amass great wealth.
- Myth: developing economies always display vast income inequities.
 - Reality: Egypt and Bangladesh have more equitable income distributions than the U.S.

As with the information we saw in the September/October newsletter, this chart is a reminder for those of us in the U.S. to advocate for those who are disadvantaged and in so doing build a strong foundation for a society that offers opportunities to all.

This chart calls us to re-examine compensation practices in our organizations that disproportionately reward those with power, and to re-examine national policies, such as taxation and healthcare, that marginalize large segments of our population.

Quote

“Come to the edge” he said. They said, “We are afraid.” “Come to the edge,” he said. They came. He pushed them ... and they flew.

Guillame Appollinaire, quoted in *Leadership from the Inside Out* by Kevin Cashman

Upcoming Elsdon Organizational Renewal (EOR) Events

- Building Employee Commitment in a Growing Economy. 56th Annual California Groundwater Association Convention and Trade Show Concurrent Session
([California Groundwater Association Events](http://www.groundh2o.org/events/events.html), <http://www.groundh2o.org/events/events.html>)
 - November 6, 2004, Silver Legacy Resort and Casino, Reno, NV
- Staying Career Fit. San Francisco State University
 - November 11, 2004, San Francisco State University
- Research in Career Development. Class in John F. Kennedy University MA in Career Development program. Fall Quarter 2004.
- Coming in early 2005
 - Presentation for HR Connection
 - Presentation for ASTD Mount Diablo Chapter
 - Presentation for Haas School of Business Alumni

About EOR: Our Value Contribution

We enhance your workforce, leadership and organization by:

- Using proprietary approaches to understand workforce and leadership challenges
- Creating tailored action plans and solutions to strengthen workforce and leadership practices
- Building individual capabilities and contributions

We enable you to focus on external results and building value, confident that your organization and leadership are operating at peak effectiveness.

Our Mission

To support your organization by enhancing **performance, productivity and effectiveness** through revitalized workforce relationships and leadership practices.

Our Approach and Values

We tailor our engagements to the needs of each organization with a process designed to surface critical issues, identify root causes, build effective solutions, monitor progress and implement.

With a scope that ranges from system and organizational interventions to work with individuals, our focus is on the heart of the relationship among the individual, the organization and the community. We believe that organizational and community prosperity are built on enabling each person to fulfill his or her potential.

Our Services

We work with individuals and groups in your organization to drive performance and development for both the short and long term. As result people will choose to work in your organization and will prosper there.

We bring solutions when you need to:

- Reverse declining revenues and performance
- Revitalize your workforce
- Stem the loss of key talent
- Redirect your organization to new areas
- Stop losing customers or market share
- Penetrate new markets
- Combat aggressive competitors
- Handle major change
- Break down communication barriers
- Energize your leadership team
- Successfully build on an acquisition or merger

Our proprietary services include:

- State-of-the-art tools to take the pulse of your organization and then move to action
 - Web enabled systems
 - Experts to gather and analyze information, moving your organization to action
- Individual leadership coaching to give you world class leadership

capabilities

- Leaders who know themselves and their aspirations, build their capabilities and become catalysts developing others
- Workshops to build interpersonal skills in your organization so that:
 - Communication is timely, concise, accurate and personal
 - People listen to each other
 - Negotiations are quick and effective
 - Differences create rather than destroy value
 - Teams move forward, get results and quickly commercialize new products and services
 - People understand and link their motivations to your organizational needs
 - Your teams understand what it takes to create a committed, energized workforce
 - People use their time well
- Systems that make it easy to drive performance and build capabilities by:
 - Linking objectives throughout the organization
 - Strengthening key competencies
 - Making sure you have the bench strength where and when you need it
 - Giving people tools to take charge of their own careers, development and have a major long term influence on your organization
- Proprietary simulation and modeling techniques that let you explore how to maximize the value of your workforce
 - Move from guessing what might happen to looking in depth at the financial impact of different approaches