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Making the 'say/do' connection:

New generation of workforce
analytics yields powerful insights

Consulting. Outsourcing. Investments.

A new generation of workforce analytics is helping employers gain deeper insights into their workforces and how they can be best managed to improve employee engagement and organizational performance.

Nowhere is the strength of this new approach more evident than when combining what employees “say” with what they “do.”

Mercer’s unique and innovative approach – which we call the “say/do” proposition – augments traditional methods of *listening* to employees (for example, through surveys and focus groups) with measures of *observable* actions such as staff turnover, absenteeism, performance, pay raises and promotions, as recorded in HRIS and related databases. This is a new type of evidence-based management that uses the power of statistical modeling to guide strategic decision making about which human capital policies and practices will best drive individual and team performance as well as business results. The result is a more complete and action-oriented view of workforce dynamics than either the “say” or “do” methodologies can provide alone.

A core premise of Mercer’s “say/do” proposition is that what employees say they do and what they actually *act upon* are not always aligned (in other words, employee perceptions do not necessarily drive behavior). Just like customer preferences for a product, real-world decisions by employees are made in the context of a variety of constraints and alternative opportunities that influence what employees actually do. So while employees may

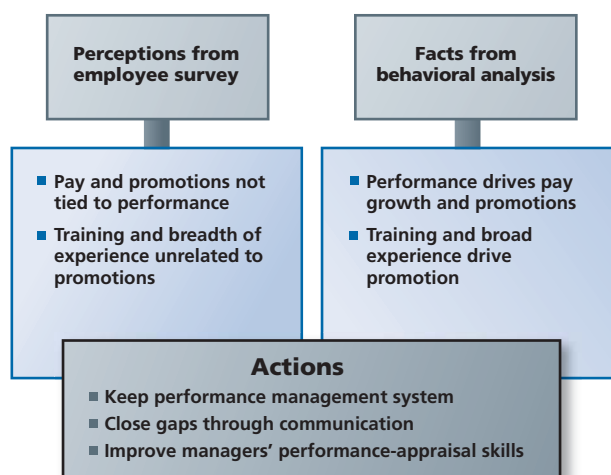


assert that they highly value a particular incentive program or benefit, their degree of engagement (and, therefore, their behavior) may be more related to something else, such as the quality of supervision or advancement opportunities.

A second premise of the “say/do” proposition is that employee opinion or HRIS data – when examined in isolation – provide only a partial picture. For example, employee survey results might indicate low scores in the area of leadership. By combining survey scores with HRIS data, we might find that perceptions of leadership actually improve significantly where spans of control (the ratio of supervisors to direct reports) are smaller, and that other outcomes, such as performance or retention, also improve. With the survey data alone, it would not be possible to draw this important distinction. Conversely, with only the HRIS data, we might have gained insights into what the ideal span of control is, but we would have failed to identify organizational pockets where negative perceptions of leadership might be influencing discretionary behavior and performance.

The ‘say/do’ proposition in action

Imagine the surprise for one world-class manufacturing organization when – after years of investing in performance-driven strategies – its employee survey revealed overwhelming perceptions that pay and promotions were not tied to performance. In addition, relatively few employees believed that their chances of promotion would increase by broadening their perspective through business travel, training and job rotation experiences acquired by working in other parts of the organization. In essence, employees were telling their employer that it was wasting millions of dollars each year on expensive performance and career management systems.



Wisely, before revamping any of these systems, management undertook a detailed analysis to determine which employees actually received higher pay and promotions. This analysis put the survey findings in a different light by providing evidence that, year after year, rewards were, in fact, being channeled to higher performers, and that travel, training and working in other facilities did significantly increase the likelihood of promotion. If this organization had relied solely on what its employees were saying, it would

have wasted considerable time and money changing or eliminating programs that were essentially sound. However, if the organization had not listened to employees through the survey and had instead relied only on the analytics, it would have missed the real problem: a lack of employee understanding about what the organization actually valued, what criteria were used to evaluate performance, and how specific behaviors and results were translated into rewards. The insights came from combining both “say” and “do” data, and the solution focused on better communication and improving managers’ performance appraisal skills, not on program redesign.

How the ‘say/do’ proposition works

Mercer’s “say/do” approach anonymously combines employees’ survey responses with facts about behaviors (for example, performance), experiences (for example, taking on a new position) and workplace conditions (for example, spans of control).¹ Statistical models are then constructed to identify and aid in the interpretation of the causal connections between perception and behavior.

For example, survey results might indicate that employees perceive little opportunity to move across organizational business units. Yet, actual rates of movement can be examined by looking at the individual records that are stored in HRIS/payroll to determine whether perceptions match behaviors. If the employee perceptions are inconsistent with the actual rates of job mobility, this may indicate that the organization’s policy of job rotation is not being effectively communicated or supported by line management. As our work with leading organizations repeatedly shows, knowing the results of both “say” and “do” can make a substantial difference in designing actions that will have the greatest impact on performance.

¹ One critical point here is that this analysis is conducted at the individual level, not in the aggregate by department or business unit. This level of analysis allows a much greater degree of statistical power to disentangle the true influences that are driving outcomes of interest (for example, productivity, retention and customer loyalty).

Consider the case of a large telecommunications firm that was losing talent, including employees in whom it had made large investments, as well as employees in areas of skill shortages such as information technology. This talent loss was jeopardizing the organization's strategic plan to move beyond traditional telecommunications toward the evolving high-technology end of the industry.

Although the organization's HR department was able to determine how much turnover occurred and the costs this posed for the organization, sensing data (employee surveys and exit interviews) alone did not yield enough information to precisely pinpoint the drivers of turnover. Mercer's "say/do" analytics were used to explore the root causes of turnover, including the external, organizational and individual factors contributing to talent loss. The analysis uncovered large gaps between what departing employees said about why they were leaving and the actual factors influencing their choices, as revealed in the patterns of individual HRIS/payroll records. Issues of career mobility and opportunity emerged as key talent retention factors, as did several aspects of organizational design. In addition, "quick quits" (employees leaving within 90 days of being hired) were a major problem in certain departments.

This comprehensive "say/do" analysis provided a prioritized set of action plans, including recommended improvements to the hiring and orientation procedures to reduce the number of "quick quits." Upon implementing the recommendations, the organization stood to realize an estimated \$75 million per year in reduced costs of turnover. In addition, this approach forms the basis for a long-term human capital management strategy for acquiring and developing talent.

'Say/do' – it's not just about employees

Just as it's critical to connect the "say" with the "do" for employees, the same holds true for the organization itself. An organization may espouse a certain human capital approach or philosophy, but

the data may tell a different story about what is actually happening within the workplace – settling the question of whether the organization "walks its talk."

A major high-technology organization thought of itself as a pay-for-performance organization, offering multiple bonus programs, profit sharing, recognition awards and stock plans. Yet, by analyzing the pattern of investments in these programs, Mercer found that significant portions of the reward pools were being channeled to low performers. In fact, without realizing it, this organization was spending about \$13 million each year in bonuses for employees who had been ranked in the bottom performance quartile for several years running.

When the right evidence is examined more closely, powerful disconnects often surface between what the organization *says* versus what it *actually does* when implementing its policies. Mercer's "say/do" approach can help identify and remedy such disconnects.

Taking advantage of 'say/do'

Mercer's prescription for enhancing the power of employee research is to get the right facts – by capturing employee perceptions *and* observing actual behaviors and organization practices. In looking at the "say," we consider the perceptions of both employees and the organization itself. We then focus on behavior – the "do" – by examining organizational records and the behavior of employees in different environments over time. These facts are then analyzed (through statistical procedures) to pinpoint cause-and-effect connections. As a result, Mercer's proven "say/do" approach equips organizations to make better decisions and realize the benefits through improved business results.

For more information, visit

www.mercer.com/workforceanalytics.

The proper role of employee opinion benchmarks

Many consulting firms maintain normative data that allow their clients to compare their employees' survey responses to external benchmarks. Through its global *What's Working*™ studies, Mercer maintains a wide range of such national, industry and job function norms. The advent of benchmarks represented a significant leap forward in the survey field by providing interpretive context and allowing organizations to move beyond simple descriptive statistics to evaluate organizational climate. With the "say/do" approach, we can augment the contextual power of norms with a richer understanding of the unique, causal connections among organizational practices, employee opinion and behavior.

While norm comparisons are useful for identifying areas of relative strength and weakness, they cannot identify which survey dimensions are critical to business performance, customer retention, employee engagement or other important outcomes.

The lesson here is clear: Organizations should use benchmark data to stimulate thinking and direct further investigation, but always within the context of their unique business and people strategies. Benchmarking data alone should not be used to make decisions, especially strategic ones that are best made on a factual foundation of cause-and-effect connections.

About Mercer

Mercer is the leading global provider of consulting, outsourcing and investment services, with more than 25,000 clients worldwide. Mercer consultants help clients design and manage health, retirement and other benefits and optimize human capital. The firm also provides customized administration, technology and total benefit outsourcing solutions. Mercer's investment services include global leadership in investment consulting and multi-manager investment management.

Mercer's global network of more than 18,000 employees, based in over 40 countries, ensures integrated, worldwide solutions. Our consultants work with clients to develop solutions that address global and country-specific challenges and opportunities. Mercer is experienced in assisting both major and growing midsize companies.

The company is a wholly owned subsidiary of Marsh & McLennan Companies, Inc., which lists its stock (ticker symbol: MMC) on the New York, Chicago and London stock exchanges.

Mercer is the global leader in the areas of evidence-based management and employee research. Collectively, our consultants have experience across a broad range of industry sectors and have pioneered the industry's most

advanced analytical processes. We help organizations employ a "say/do" understanding of their workforces through:

- Employee engagement surveys that focus on the right issues, taking into account each organization's unique business and cultural contexts
- Analysis of an organization's internal labor market and identification of the issues that have the greatest impact on rewards, career mobility and turnover, thus indicating whether practices are aligned with the organization's human capital strategy
- Statistical modeling of the impact of HR policies and practices on business and workforce outcomes
- Benchmark comparisons using Mercer's global *What's Working*™ research
- Enhancement of employee survey processes with consulting services to improve the effectiveness of post-survey action planning and implementation

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