



December 12, 2002

## **It's Budget Time Again**

By Theresa Welbourne, Ph.D.

Over the last four weeks I did something I thought I'd never do – something that I really thought I would not even contemplate in our current economy that has everyone fighting for new customers. I turned down business. Two companies wanted me to do traditional employee surveys for them. The HR teams had all the questions lined up; they planned to use questions that were asked for the last five years – every year. There was no opportunity for employees to comment, and there was no place for customization. HR controlled the content; they wanted to measure what they always measured. So, I asked them, “What does your management team think about these questions?”

The answer did not come; these HR executives were confused by my question. They were delivering the results of a poll to their managers, and it did not matter to them whether the management team thought the questions were useful or not. The questions were always asked. They were always answered – well, at least by 20% of their population. Managers always got their scores. But what did managers do with the data? Well, I knew the answer because I had met with some of the managers (of course, at a time and in a location where they were not suppose to meet me), and the managers hate the survey. They think it's a waste of money; they hate getting the results because they have “no clue” what to do with the data. And they receive their results six months after the survey is taken. For many managers, things change so much in their units that they don't even manage the same employees when they receive the survey report.

Does this story sound familiar? It has all the makings of a waste of money. Managers who don't believe in an HR process; an HR department forcing managers to do something they don't want to do; a team of people forced into inertia and doing something just because they and their predecessors always did it that way. This is why HR gets into trouble.

### **A Difficult Choice**

I was asked by two organizations to do their annual surveys – with no training included in the project – no support for the HR team from the outside experts – no customization of questions – no focus on action -- no plan for manager accountability, and I said no. This was really, really hard.

The HR teams would not allow managers to ask or even suggest ideas for their own questions; they only wanted to get data from an opinion poll. I refused to do this work because I knew the company would not be successful, and I didn't want to help them fail. These companies will find someone to do the work; it won't be difficult at all. In fact, the client will probably get a great “deal” on the project. There are thousands of survey companies out there who will do this type of work at a very low price. But whatever they spend, I think that it will be a waste of money.

I hope these two companies come back to me next year after they realize that they could have done so much more. I guess that we all have to learn from our own experiences (unfortunately).

### **Leadership Action**

I didn't learn to do surveys differently on my own. I have been a researcher for 16 years, working on the faculties of Cornell University and the University of Michigan Business School. In my academic jobs I did traditional surveys – with no manager input – doing all the things I refused to do this month. But I quit doing paper, 150-question, theory-driven surveys because I started working with CEOs who taught me to “listen” – to listen to their needs and help them by creating a leadership tool rather than continuing to support the world with just another survey.

Let me tell the story of another company with whom I am very closely working. We are in the process of rolling out a new leadership tool to 20,000 employees after having used the process with 6,000 people over the last year. The company (whose name unfortunately I cannot disclose) is a fast growth organization that wanted to assure continuous growth and success by being an employer of choice and by developing every single manager in a non-intrusive manner.

Over the last 12 months, they have saved “millions of dollars” from managers taking action in response to their own data. The focus of our leadership development project is action; we wanted managers to take action based on data. Rather

than giving managers the results of the latest poll, we taught them to use data for purposes of dialogue and action that supports growth and continuous performance improvement. Over the numerous research studies I have done, and by working with large organizations, small businesses, older firms and brand-new entrepreneurial businesses, I have learned that leadership action in response to people data (information collected from employees) requires the following:

### **1. Metrics Strategy**

You need more than the questions you used last year. You need to have a question or metrics strategy that results in data collection and information that managers accept and that they can use to improve performance of their department and the organization. In the world of social science, we talk about the data gathering or research process being either inductive or deductive. Goetz and LeCompte (1984: 4), define both approaches as follows:

“The inductive-deductive dimension refers to the place of theory in a research study. Purely deductive research begins with a theoretical system, develops operational definitions of the propositions and concepts of the theory, and matches them empirically to some body of data. In a sense, deductive researchers hope to find data to match a theory; inductive researchers hope to find a theory that explains their data. Purely inductive research begins with collection of data – empirical observations or measurements of some kind – and builds theoretical categories and propositions from relationships discovered among the data.”

Now let’s think about what this means to a manager. I recently ran a study for executives who had participated in the University of Michigan Business School’s executive education management programs, and I asked them what suggestions they had for professors – what can we do better to help them learn? One of the overwhelming answers was “spend less time on theory; focus on the real world.” For whatever reason, managers aren’t enamored with theory, so if your research approach (and a survey is research) only uses theory, it’s not a surprise that managers will find it useless, silly, and then avoid the results.

Does this mean theory is bad? No. I strongly suggest that you have a metrics strategy that includes some theory-based or validated questions, but you MUST supplement those questions with

two things: (1) questions that are important to the managers who are the clients of the HR department, and (2) open-ended comment data. The theory-based and manager-focused questions provide you with your deductive approach, and open-ended comments give you the inductive approach. I suggest you take advantage of all aspects of science; learn as much as you can, and help your company succeed.

The best data I get comes from the open-ended comments – from customers, suppliers, partners, and employees. You cannot think of every question that is important your business. There is no overarching theory of business that will be applicable to your survey. You need to use theory to guide your question strategy but supplement it with what the managers call the “real world.” When you let employees speak up and tell you what’s on their minds, they give you information you would not otherwise have, and that information makes you a better manager.

There is a very well established theory in business and economics called agency theory. The theory focuses on the relationship between owners or managers of a company and employees, and it states that there are agency costs whenever an employee is not the owner (Fama & Jensen, 1983; Jensen & Meckling, 1976). Agency costs are costs that a business incurs because the owner does not know what is in the minds of employees. This means the owner makes mistakes, less than great decisions, and the employees may act in ways that do not benefit the owner.

You minimize agency costs when you minimize what is called information asymmetry – the lack of information that the owner has in the business relationship (Postlewaite, 1989). When you ask employees to provide information to you via a survey that guarantees confidentiality and that is easy to use, and employees see results or action from management (they need to have evidence that this is true), you get information you did not have before. You minimize agency costs, and you make more money.

That’s what theory says, and I know this is true. The company I mentioned that is collecting weekly data from 6,000 employees gave me numerous examples of how managers are acting on information they did not previously have, and the actions managers take are saving money, improving productivity, and enhancing the organization’s financial performance.

The metrics strategy you choose needs to go beyond theory-bound questions in order to give managers information that they can use to make better business decisions. And no matter how smart you are, no matter how educated your consultant, you will not think of everything that's going on out there in the business world. When you use the inductive approach to the survey process, let employees have voice and speak out, and give that data to managers who can take action, you get a return on your investment vs. wasting your time.

## **2. Communications/Marketing**

So, I've convinced you to take on a more strategic metrics strategy; you are getting great data, you are delivering it to managers in a real-time way so that they can take action. Now what? You need to tell employees what you did. First, you have to communicate your intent, and second, you have to market what you did. I've worked with over 50 organizations – collecting weekly data from employees, providing reports to all managers in a company, propelling managers toward great action, recorded measurable results, and the one thing I see every company do wrong is “brag.” Alynne Mann and Ellen McCoy, the founders of a Southern California consulting firm called Trendspotters, call this “fix and tell.” They try to help their clients find the things to fix and then help them to TELL. Maybe it's due to HR department personnel's lack of marketing skills, or their tendency to be conservative (beaten down by lawyers), but “telling” is a skill that HR has not perfected.

When employees see management do something with the information they provided, employees trust the process of data collection more; they engage more; they give more information. The fix and tell part of the process makes data collection an intervention. Employees want to be heard. I did several research studies on rewards systems, and in unionized plants, high technology firms, older, established companies, and start-ups, employees rated as their #1 reward: “my manager implementing my idea.” They rated this reward higher than pay-related benefits.

You can turn an old, traditional survey process – that costs money, irritates employees, frustrates managers, and takes a lot of time -- into a process that not only creates a return on your investment but that results in an improvement in morale because it's an intervention that energizes employees. Employees want voice, and you can provide an additional method for communication and voice.

## **3. Education**

Making fix and tell stories come true and understanding what to do with your data does take some energy on your part. Education or training is key to manager success and employee participation. What if the manager does not receive proper education and then proceeds to print out his/her comment reports (comments submitted by employees), and in reaction to being frustrated by some of the comments, runs from employee to employee asking who said a certain comment? Well, if that happens, you have just ruined the process. Trust is diminished, and employees clam up rather than speak out.

And yes, that really happened. That's why I will not implement a frequent measurement and communication (research survey) process without some guarantee that managers will be trained. Most of the organizations that I work with will not give managers reports until they have gone through training.

Then once you train managers, it's perfectly fair to hold them accountable. Many organizations today are using the balanced score card approach to measurement, but what are they measuring? Do managers accept the data, or do you have the same problems with this data that you have with traditional surveys? You can supplement balanced score card data with usable, actionable data and train managers so that they can understand ways to improve their results.

One of the key components of the training that I use is the top-down approach. The CEO is the first person in the company to obtain data from his/her direct reports. The CEO's question strategy is customized for the needs of the CEO, and I help educate the CEO so that he/she takes action with this data and communicates back to his/her direct reports. This may sound like something your management team would never do, but I disagree. Senior executives need voice too, and they don't all speak out equally in regular meetings. I find that data the CEO receives from his/her team (via a confidential process and a third party) is incredibly useful information. The next step is for the CEO and his/her direct reports to receive data from the next level down, and they are taught to act on their data. The next level of management continues to be motivated through leadership by example. Education through participation and action is the best way to teach someone to use a new process.

#### **4. Continuous Education**

Once I have an organization up and running, and to me, “up and running” means that they are collecting weekly or bi-weekly data from employees and other stakeholders (e.g. customers, suppliers, partners, retirees, etc.), I like to use the data to write case studies that are used for purposes of executive education. Managers love digging into their own cases, and when you gather data via a well defined metrics strategy, you can use that data to teach your management team.

I also work to teach each manager a little bit about science. When you put a company on a weekly or bi-weekly data collection process, managers can ask their own questions in some of the surveys. You have freedom to ask strategic questions and inquire about current events. You help develop managers who learn more about data and who use that data to improve their performance.

#### **Action Leads To Wins**

Action is the goal of the four processes I have just defined, and I have case after case after case of action that saves money because HR executives have engaged in a more rigorous process for data collection. They have dumped the traditional employee survey to try something new. These HR executives are all “at the table.” Being strategic is not hard for them because they are HR executives with data and reports from this week. They do not rely on water cooler chat; they have real data to help their senior executive teams develop their own leadership skills and make better decisions.

They are not wasting money but providing a valuable service to their clients - their managers – by giving them information they did not have and information that is actionable. Action leads to short-term wins and big wins; wins lead to long-term competitive advantage and improved financial performance. In today’s economy in particular or at any moment in our history, that spells “return on investment.”

#### **Further Reading/References**

Goetz, J.P. & LeCompte, M.D. (1984). *Ethnography and qualitative design in educational research*. Academic Press, Inc., Orlando, FL.

Fama, E.F. & Jensen, M.L. (1983). Separation of ownership and control. *Journal of Law and Economics*, 88(2), 288-307.

Jensen, M.C. & Meckling, W.H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3, 305-360.

Postlewaite, A. (1989). Asymmetric information. In: J. Eatwell, M. Milgate, & P. Newman (Eds.), *The new palgrave: Allocation, information, and markets.*



<b>Criteria</b>	<b>Traditional Survey Tools</b>	<b>eePulse's Leadership Tool</b>
<b>Goals</b>	Obtain a score	<b>Obtains data to drive action</b>
	Compare your score within an industry	<b>Bases action on changes in trends – not a quick response to point-in-time data</b>
<b>Implications</b>	Base decisions and comparisons on what others are measuring – or more correctly, on what others have measured in the past	<b>Focuses decisions on today's issues and your own internal business initiatives</b>
<b>Timing</b>	Conduct annually or every other year	<b>Conduct surveys on a weekly, bi-weekly or monthly basis</b>
	Take considerable time to collect benchmark data from multiple firms (Benchmark data may not be collected when you collected your own data so results may be "out of sync.")	<b>Provides weekly Trendmarking™ (compares your trends to those of others) with peers that matter within your own organization</b>
<b>Participant Time Commitments</b>	Takes anywhere from 15 minutes to an hour and conducted less frequently	<b>Takes only a few minutes to complete and conducted on a more frequent basis</b>
<b>Manager Action</b>	Does not provide managers with a compelling need to take action (Managers can easily say that it is not their agenda – the survey is an HR program. Nobody is really watching; no one really cares. There is no way to follow-up. Cause and effect can be argued due to lag time between survey and action planning.)	<b>Receive frequent data and ability to review results at all levels, every week - compels managers to take action (It's really obvious when a trend line keeps going down. It's very obvious when your manager action report is blank.)</b>
<b>Data Implications</b>	Offers numeric, closed-ended questions that have been asked before to provide benchmark statistics (If comments are made, coding is not necessarily provided and not provided quickly.)	<b>Offers trend data that provides statistical means for understanding variance in the same way that variance is used to improve quality (Open-ended comments provide a way to tap into the minds of all stakeholders with an important exploratory approach. Comment reports are critical components of the eePulse process because they provide opportunity for immediate manager action.)</b>
	Presents an anonymous survey process with limited demographic cuts of the data	<b>Provides within-person-change score data, multiple demographic views and the ability to drill-down immediately into sub-group reports and target follow-up questions to specific subgroups</b>
<b>Metrics</b>	Bases metrics on the goals of the survey vendor, which may be designed to drive their own agenda or consulting business	<b>Provides bottom-up driven metrics on what drives performance and specific company directives (metrics strategy is developed from customer needs and performance-focused research. Assume managers want to solve their own problems and can do so because they recognize problems early. Process drives company action not consulting business)</b>
<b>Effect of Your Measurement Intervention on Participants</b>	Irritates employees and reduces morale with the slowness and irrelevance of questions in addition to the lack of follow-up from management	<b>Provides frequent communications and shared, synthesized data that give stakeholders value, offers opportunities to voice opinions and gives everyone a simple format to make people feel valued and for managers to take action</b>
<b>Management Beliefs</b>	Provides a way to easily ignore results and conduct a survey just because one was done the year before (don't really need to do anything with the data we receive from stakeholders such as employees or customers)	<b>Monitors and provides frequent information on changes in stakeholder attitudes that are critical to organizational success and difficult to ignore (Believe that the experience and knowledge of stakeholders help leaders make better decisions)</b>
<b>Results for Leaders</b>	Becomes a process that is despised by management (considered a waste of time)	<b>Offers a way for leaders to improve their skills by learning to use data to dialogue with their stakeholders and offers a true consultancy opportunity for internal departments such as Human Resources, Communications, Marketing and Organization Development</b>
<b>Results For The Business</b>	Deliver scores to be discussed and used to set new yearly goals	<b>Drive action that leads to immediate improved productivity, leadership and management skills, morale, process, and bottom-line firm performance</b>