The Paradigm Shift: Data-Driven Leadership

Theresa Welbourne

In today's fast-paced business environment, you need rapid-fire information to make high quality decisions. And value-add, real-time data are very difficult, if not impossible, to collect and disseminate to people who can take action. The larger and more complex your organization, the more difficult the challenge.

Executives know that much of the data they need lay in the hearts and minds of the people with whom they work – in particular, their employees. CEOs set up organization hierarchies that transmit information from employees on the front line to supervisors, from supervisors to managers, and from multi-levels of management up to the CEO. However, the time it takes to transmit information in this way, and the errors associated with this process lead to missed opportunities.

Even though your executives know that employees have information about the business that is important to them, the inability to access and synthesize this data has led to an overwhelming dependence on other metrics. Accounting data, financial ratios, sales forecasts, production statistics and more are what senior management uses to make critical strategic and tactical business decisions. Not that these data points lack value for management business decision making, but these data are complete.

One look at today's business headlines (e.g. articles on accounting errors at Enron, WorldCom, etc.) sheds light on the fact that traditional forms of data do not suffice. Most managers know this, and they try to get better data. In fact, HR has been instrumental in bringing employee data to managers. But are our ways of delivering employee data as effective as they can be?

In this article, I suggest that technology-based solutions to data acquisition from employees allow for unique and superior ways to provide managers with data. Although my personal experience is with a proprietary process developed at my company, the basics behind the process I have used can be employed with a variety of technologies (including simple e-mail). The key to my success in using this technology has been providing managers not with Pulse surveys – which is a term being used by many different types of organizations – but providing managers with Pulse Reports. Pulse reports lead managers to action, and it is action that drives results – not more numbers.

Why Change?

As a professor of management who conducted extensive research studies within organizations, I needed data. And to get data for my research and writing, I did what many of you have done and/or continue to do. I conducted surveys with employees. Those surveys followed a tried and true process that resulted in my getting numbers, but it did not result in the managers with whom I worked taking action. As I continued to do survey after survey, I ran into a group of CEOs who thought my processes were slow, inadequate, and a waste of their time. It was these individuals who led me toward what I will call a paradigm shift – a change in thinking about the survey process.

My customers were, and continue to be, CEOs. They gave me permission to study their organizations with one mandate – "give me useful information that is actionable." So, I tried. But I learned to do surveys from other academics, and the result was a survey process with too many questions that took too long to process and results that were delivered months after the survey was conducted.

In the world of fast change and high technology (my niche has been, and continues to be, the study of high growth, high-change businesses), I was lucky the CEOs with whom I worked were patient and tolerant. They liked my work, but basically said if I didn't get my act together (speed things up), they would not let me in their organizations. As I started sharing my experiences with HR executives, I found that I was not alone. The largest organizations – the best – did paper surveys that took months to process and even longer to deliver results to managers. I met managers who showed me reams of survey results from data collected six months prior to their receiving the survey. They had mandates to do something with data that they considered to be old, irrelevant, and somewhat "silly" because they did not buy into the questions that were asked.

Of course these managers did not act on the data. It was old. It was not useful to them. Even with many businesses moving to Web-based surveys, the results continue to be delivered to managers late because although the data are collected via the Internet, reports continue (in many cases) to be created and disseminated with old technology. Managers are even more concerned with the process today because employee survey data is often used to evaluate their performance (e.g. balanced scorecard data) and dictate their bonuses.

In this environment, the ultimate challenge was issued – fix the survey process. With this mandate from my team of CEOs, I started using technology to improve the survey process.

Traditional Employee Surveys: An Opportunity for Innovation
The typical survey process starts out with an assumed model of performance. Researchers, business leaders or consultants have models about what is important in business. They may use leadership models, strategic process models or change management theories to guide their survey process. These models are used to guide the development of survey questions. Questions are written, surveys are conducted, and the firm assesses how well it is doing against the criteria established in the management model. Lastly, corrective action is taken to fix the things that the management model shows are broken in the business.

This traditional survey process produces high quality research but does not always work for executives in fast-paced organizations. Why? First, the conceptual model that you use at time one may be irrelevant at time two, even if time two is only three months away. Also, if you want managers to take action, you need to ask questions relevant to them today rather than questions that come from a model. The world is changing quickly, and I've come to understand that it's more important to know what's really going on in your business rather than how you stack up against a theory-based model. The former is a necessity; the latter is a luxury. Your management team needs to own accurate, actionable data and not the results of the latest poll.

Second, you may have chosen the wrong model. This is how many firms or consultants really get into trouble. Unsure of which model is correct, many people tend to hedge their bets and do surveys that have questions from many different models. That means many, many questions. More questions do not necessarily lead to better data.

Third, I fundamentally believe that employees are smart and that most want their companies to excel. If you give employees an outlet, or "voice," employees will tell you what's going on, and in fact, they will tell you how to fix problems that exist. I believe this and know it is true because my team of researchers has been collecting weekly information from employees at large, small, fast, and slow-growth firms, and we have found that employees do share important information that is needed by management to run their businesses more effectively.

Over the years, employees have provided information that led to:

- Product enhancements that increase revenue
- Company reorganizations that result in improved efficiency
- Immediate improvements in productivity
- Customers saved that would have otherwise left
- Changes in process that save hundreds of thousands of dollars
- Major redirection of strategy
- Fast and efficient implementation of change processes
- Reduced employee turnover and improved customer retention
- And more – all leading to improved bottom-line financial performance

In order to get information about key business opportunities and problems that need to be fixed, you need to craft questions that ask for this information. Many companies will not do this. They don't want to ask about things they can't fix, so they avoid the tough issues. This is ridiculous! What you ignore will come back to haunt you. But – asking for business information from people who are not "in charge" is indeed a paradigm shift.

Frequent Data Collection Is Essential for Action
The traditional annual survey (or in some cases I've seen bi-annual) results in all your "eggs being in one basket." Everything depends on how employees are doing on the day of the survey. The survey process does not focus on managers taking action. The focus tends to be on getting a high response rate.

Sure, you can get great response rates by corralling all employees in a room and forcing them to do a survey. But do they trust you? Are they being honest? How much is their mood affecting their responses?

With more frequent assessment, you simply get better data because you analyze trends, not point-in-time data. Consider the parallel to manufacturing. A production manager would never go into a manufacturing plant, halt the production process, measure what the machines are producing, and then say, “got it.” Instead, in manufacturing, managers learn to maintain an optimal range of output for each machine, and then they minimize variance in order to stay within the optimal range. Plant managers do not want their machines to ‘overdo’ it, or the equipment will require too much maintenance and result in unnecessary down time. The goal is reliable, dependable output.

Consider how we use financial data. Your executive team does not look at net profit, sales, or cash flow once a year and say “yep, got it!” They use financial data for decision making so they collect it frequently. You can do the same with people data. But you have to know what to measure.

People with whom you do business – your employees – have information about your business that you do not have. You can obtain this information from them via customized measurement strategies and the use of open-ended comment data. While collecting actionable, business data you can also assess the quality of the relationship you have with your employees. My academic research on fast-growth firms shows that companies that sustain a high sense of urgency culture, where employees are energized by their work and valued for their contributions, are more likely to survive, have higher stock price growth, and outperform their peers on earnings per share.

Measure Energy Levels

Frequent data collection also will allow you to assess and measure sense of urgency, or energy, within your organization. Energy is one metric that I chose to focus on in my own work, but there are other metrics that could be considered candidates for optimization versus maximization scales.

In an optimization scale, such as I use to assess energy, the goal is to optimize your score within a given zone. The goal is not to maximize your score. On the energy scale, maximization means you are so “over-energized” that you are facing burnout.

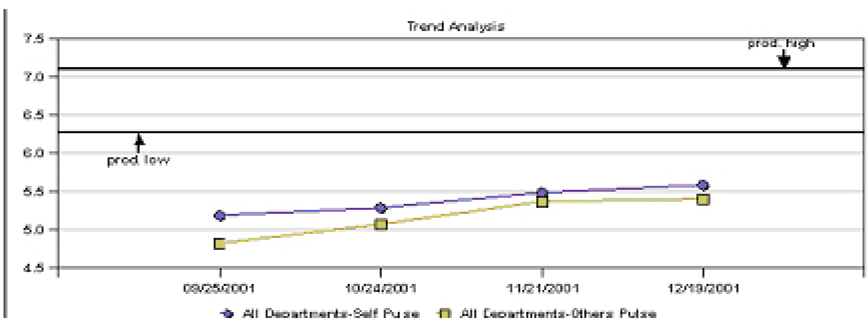
This concept is what manufacturing uses, and it’s what you use when you assess how well you are exercising. When you exercise, your coach does not ask you to perform like an Olympic star (unless you’re in really great shape). For me, at least, the coaches consider my age, physical condition, goals, and more, and suggest that I maintain an optimal heart rate during my workout. This same optimization concept can be applied to business.

Data becomes actionable when managers know what to do with it. Optimization scales (such as the one I have used in my research) communicate to a manager where his or her own group of employees is optimal for peak productivity. The manager knows to manage by this zone. The goals are simple to explain, and they are internal to the organization.

For example, when I use our company’s energy metric, I do two things. First, I ask the Pulse energy question weekly. I do this because it’s the variation in the metric that I’ve found predicts turnover, absenteeism, performance ratings, and more. High variance is a bad thing. Second, I ask employees; after they have answered the question enough times to really understand the question and how to answer it (specifically how to interpret the 1 to 10 Pulse scale), where they are most productive. This number is aggregated to each department within an organization, and Pulse zones are calculated for the manager. So, the manager knows that his/her employees said, “this is the zone where I’m most productive” – and then on a weekly basis, the manager gets a report that shows the scores reported by his/her employees for that week.

What happens when the manager’s report looks like the one in the table below? This manager’s employees said they were most productive between 6.4 and 7.1 (approximately), but for the last four weeks, the employees reported their pulse (or their work related energy level) below that productivity zone.

Managers know this is a problem – because the benchmarks were determined by his/her own people – not a consulting firm – not from data outside his/her own company – but from the people with whom the manager works with daily. These data are accepted, and the manager does something with it – immediately. The Pulse Report result is action, and if you tracked this data into the following four weeks, you would see that employees moved into their productivity zone because their manager did some digging, found the problems that were affecting productivity, fixed them, and helped the organization.



Measurement is a Powerful Intervention
Measurement, or the survey process, touches many people. Unfortunately, in most cases, the outcome of this “touch” is negative. Employees become frustrated when they never see survey results, answers to their questions, or change. In traditional surveys, managers often don’t believe the results when they see them. Things change dramatically between the point in time when the survey is done and when the action planning starts, and the intervention that was intended to be positive results in many negative outcomes. Why not trade in the negative reaction for one that is positive?

Employees value “voice” and want to contribute their ideas to the company. By utilizing Web-based technology, taking a weekly or bi-weekly pulse of your business and providing employees with an opportunity to say what THEY think is important via open-ended comments communicated in a confidential environment, you not only gain valuable data, you can also make employees feel more valued. Employees who can access their own personalized trend charts, benchmark their answers with those of their co-workers and see results quickly feel more like part of the business process. However, it is important to incorporate this data in regular communications (newsletters, postings, company website, all-hands meetings) and provide personal responses in a timely manner. Many companies have even created strategic teams to specifically oversee all internal communications and respond to survey comments, suggestions, trends, and arising issues. Managers with weekly data do a better job of managing, and given that my work and that of many other organizational researchers indicates that people stay or leave based on their relationship with their managers, this can be an important benefit of the survey process.

Human Resources Can Finally – Really - Be Strategic

In recent surveys that I have done with members of the Society For Human Resource Management (SHRM) and the International HR Information Management (IHRIM) Association, I asked respondents to identify the key challenges that they faced in their organizations. The top challenge in both surveys was “being strategic;” it was alluding the HR executives.

With real-time data, HR can contribute not in the one-time strategy formulation phase, but in continuous strategic realignment. Companies that succeed will not and do not set one strategy and then follow it without change; they read the environment, and they make continuous adjustments. This strategy realignment process must be informed, and the best information can come from your employee population.

Your employees are a vast untapped resource of data. When you stop thinking about surveys assessing how people “feel” and design a communication system that routes information from the people who have it to the people who need it, then HR can play a key role in assuring the future success of leaders and the businesses they run.

Data Driven Leadership – the Paradigm Shift

A colleague of mine said that this approach to management is new, and she suggested the term “data-driven leadership” as a label for the paradigm shift that I am suggesting. I like the label, and I particularly like that the data is “people data,” which has long been overlooked but whose time has come.

Comments

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Prior to summer, 1999, she was on the faculty of the Human Resource Studies Department (from 1992 to 1999) and the Entrepreneurship and Personal Enterprise Program (from 1993 to 1999) at Cornell University. She received her Ph.D. in Business from the University of Colorado, Boulder in 1992. Prior to that, she spent approximately ten years working in the field of human resource management as a practitioner and as a consultant. Dr. Welbourne’s expertise is in the area of employee management in high growth and high change organizations. Her particular focus is on understanding how various human resource, communication, leadership, and rewards strategies affect the longer-term performance of organizations and the employees within those firms.

As CEO of eePulse, Inc., she leads a technology and research business that is delivering web-based Pulse surveys powered by the company's proprietary software called Measurecom™. The measurement and communication tool was developed based on Dr. Welbourne's research and consulting. She conducted a number of studies with initial public offering firms and large firms undergoing large-scale interventions.

In these studies, she demonstrated the direct effects of leadership and human resource management strategies on firm survival and financial performance (e.g. stock price growth, earnings growth, etc.). Her research has been featured in popular publications such as Inc. Magazine, The Wall Street Journal, Business Week, The New York Times, and Entrepreneur Magazine. Her work has been published in several books and in journals such as the Academy of Management Journal, Journal of Management, Human Resource Planning, Executive Talent, Compensation and Benefits Review, Journal of Applied Psychology, and Journal of High Technology Management Research. She is currently writing a book (publisher is Jossey-Bass) that summarizes all of her research to date.

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