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Return on Employee Voice (ROE)

Organizations are in a continuous search for sources of competitive advantage. To stay and, in fact, lead the competition, organizations must have rare imitable competitive advantage. A source of this kind of competitive advantage is Employee Voice.

What is Employee Voice? It is the organisational culture that expects, welcomes, utilizes and measures employee's verbal contribution. It refers to the participation of employees in influencing corporate decision making. Employees are given a voice through informal and formal means to minimise conflict, improve communication and encourage staff retention through motivation and fair treatment (Stone, 2005). This means that an organization is finally able to engage the hearts and minds of its employees with an environment that welcomes, encourages, expects and celebrates employee contribution and dissent.

Can Employee Voice really create a competitive source of advantage? Can it impact organizational performance? Let us not begin to discuss something because it just sounds nice and noble. Business executives are in the business of managing organisations profitably and as such cannot afford the luxury of 'niceties' that don't clearly add value. Is Employee Voice a nice to have or a need to have?

Employee Voice grants an organization access into her employees' discretionary effort. Discretionary effort is defined as difference in the level of effort one is capable of bringing to an activity or a task, and the effort required only to get by or make do. Andrea Needham said "discretionary effort is the difference between how well people actually perform and how well they are capable of performing. Discretionary effort could represent a range of performance as broad as 20% to 40% above the performance actually realised by an organisation and could be directed toward improved output, results, quality, customer service, and safety. Consequently, discretionary effort represents an unmanaged and unrealised resource for successful as well as troubled organisations." The Chartered Institute of Personnel Development, UK (CIPD) defines it as something we hold back unless we feel really motivated or inspired to give more. Good managers recognize that much of the knowledge required for businesses to be competitive is actually in employees' heads. According to CIPD, the returns to the organization with a greater voice for employees, in principle, are:

· employees' skills and knowledge can be better used, leading to higher productivity

· employees feel more valued, so they are more likely to stay and contribute more

· the organisation gains a positive reputation, making it easier to recruit good employees

· Conflict is reduced and co-operation between employer and employee is based on interdependence.

· employees that have more influence over their work

· higher job satisfaction for employees when their voices are heard

· more opportunity to develop skills for employees

· better job security if their employer is more successful as a result of 'voice initiatives'.

Expressive workers are assets, not liabilities

What is the difference between discretionary and traditional or regular effort? A story from Haygroup's Engaged Performance illustrates this. "At the end of each day union workers at an oil refinery dumped scrap metal in a pile to be discarded by a night crew. The day crew routinely co-mingled the scrap with pieces of new steel; as a result the night crew was tossing out the new steel as well. The practice was costing the company hundreds of dollars a day. When asked why they were throwing out new steel with scrap, the night workers replied, "Because we were told to clean up the area." What they were doing made no sense, but they felt their duty was to do their job, not to make sense of things. "These workers were very smart people," says a consultant who worked with the company. "Many of them had their own businesses on the side; one was the mayor of his town. There was a great deal of 'discretionary effort' in this workforce, and the company was getting none of it. One of the workers said to me, 'Basically, when we come here we check our brains at the gate.'"

Contrast these workers with a payroll clerk at another company. On Tuesday, September 11, 2001, the day of the World Trade Center attack, she realized that employees weren't going to get their pay checks on Thursday morning. Because planes were grounded, Federal Express wouldn't be able to bring the checks from North Carolina. Without consulting anyone, she immediately arranged to have a courier service ship them 650 miles by truck. On Thursday morning, all employees received their checks on schedule. Her boss, Director of Accounting and Taxes Bill Craig, says "you just wouldn't have seen that sort of behavior two years ago. It's the result of the trust we've worked hard to get as a result of our change initiative."

Organisations that deny themselves access to employee discretionary contribution are doing themselves a huge disservice. Can you quantify how much your employees know if they haven't told you? Can anyone place a value on losses or leaks that are well hidden by staff? Loss of time spent on needless meetings where everyone has actually checked off their best contributions at the door. Loss of time and money spent on consultants, since we wouldn't listen to ourselves anyway. Loss of organisational resources spent on strategy crafted without the input of your employees. Loss of strategy-implementation-energy because we didn't engage Employee Voice at the beginning. It means that even the successful companies that aren't engaging Employee Voice have placed a cap on their potential. Remember that good is the enemy of best. My question is this: if the return on Employee Voice is as massive as we say it is, why is it overlooked?

Why aren't executives looking this way! Some aspects of people management are easily disparaged because they are considered 'softies' or 'niceties'. They are held lightly by executives because they (executives) look out for 'hard numbers'. They look out for the old reliable financial ratios that are easy to generate and easy to compare. The world has gone full circle to realise that financial ratios aren't all-mighty. From Enron to AIG, we all now know that some of the ratios we see are derived from 'brilliant' financial engineering. But one major minus of financial ratios is that they come after the performance – meaning their ability to accurately predict is limited. In HR Scorecard, Brian E. Becker et al made the point that financial analysts are now including intangibles in their company valuation models. They quoted the CFO at GTE who said, "A direct link between human capital and corporate financial results is not readily apparent in traditional accounting practices."

Clearly, businesspeople everywhere recognize the importance of intangibles in today's marketplace. Yet managing these intangibles is challenging, for a number of reasons. For one thing, the accounting systems in use today evolved during a time when tangible capital, both financial and physical, constituted the principal source of profits. During this time, those organisations that had the most access to money and equipment enjoyed a huge competitive advantage. With the emphasis on knowledge and intangible assets in today's economy, conventional accounting systems actually create dangerous informational distortions. As just one example, these systems encourage short-term thinking with respect to the management of intangibles. Why? Because expenditures in these areas are treated as expenses rather than investments in assets. By contrast, investments in buildings and machinery are capitalized and depreciated over their useful lives. The point isn't that we should discard financial ratios but that they, on their own, can't sufficiently provide the data we need to drive corporate performance.

I also think that some executives are far removed from the present day realities of people management. They are neck deep in 'more' important issues like corporate governance, strategy, profitability, etc. Today's employees, like today's youth, are much more expressive than before. Some of today's executives still have a picture of the docile 90s employees. It's a new day. The people coming to our workplaces now are more restless, have more options & information, younger and smarter. So the yearning to get their voice out is much higher. How do some organisations respond? They increase salaries! The idea is, "Give them more money and they'll be happy". The thing with salaries is that they are self-correcting – you can't increase salaries interminably. Creating a culture that supports the release of Employee Voice is one of the other levers that firms can pull in their bid to satisfy the yearnings of their staff.

For those firms that want to tap into this powerful resource (Employee Voice), there is a need to have a framework. The best ideas or strategies crumble because of faulty implementation. I provide a guide here for crafting an 'employee-voiced' strategy. To get any returns from Employee Voice requires the creation of a culture that supports it. A culture is simply defined as 'the way we live and do things around here'. It is created when the elements of the culture being espoused are clearly defined, communicated and personified by executive management. It is sustained when that culture is measured and celebrated. You would then need to set-up a process to 'operationalise' this new culture. This usually consists of real-time two-way feedback and also all-way communication systems.

"Employee Voice is attained through both informal and formal mechanisms. Informal Employee Voice mechanisms include general conversation between employees and employers, email communication, employee feedback, social functions and meetings at the workplace. Employees can also influence corporate decision making through their actions, such as turnover and absenteeism. Formal mechanisms include communication tools implemented by an organisations human resource department, such as employee surveys and suggestion boxes. Some organisations promote Employee Voice through financial participation, such as share ownership and profit-sharing opportunities. Employee consultative committees and representation through trade unions are also formal ways of ensuring employees are informed and are given a voice in decisions that affect their employment – Wikipedia.

But where the leverage is, is in the two-way communication systems. A truly exemplary global example comes from General Electric's (GE) work-out, which they say was modeled after New England Town Hall meetings.Town meeting is a form of local government practiced in the U.S. region of New England since colonial times, and in some western states since at least the late 19th century. How does GE's Work-out work? Read what Dave Ulrich & his colleagues have to say about GE's Work-Out.

"Work-Out is a simple, straightforward methodology for cutting bureaucracy and solving problems quickly. Its genius lies in harnessing the intelligence of workers closest to a problem. The problem can be of almost any type. Work-Out was first used at GE to harvest the low-hanging fruit of overgrown bureaucracies by reducing meetings, reports, and the number of approvals needed to make a decision. It can also be used to cut in half process times in product development, order entry, employee communications, and more. Or, Work-Out can be used to bring your people together with customers or suppliers to develop innovative ways of doing business together. No matter what the challenge, the process remains the same, with four basic steps:

· Bring together the people who know the issues best.

· Challenge them to develop creative solutions.

· Make yes or no decisions on the solutions immediately in a public forum.

· Empower people to carry out the solutions.

For example, one of the earliest Work-Outs at GE Capital focused on finding and getting rid of procedures that get in the way of doing business and serving customers. After an introduction by the Chief Financial Officer and an outside consultant, 40 people from various businesses and functions within GE Capital broke into small groups and started brainstorming. What procedures didn't make sense? Where were they wasting time? What activities added the least value? The CFO expected very little to come out of the discussion. GE Capital was one of the company's fastest-moving, least bureaucratic units. It wasn't a tired old business with 100 years of outdated procedures. But to his amazement, the participants filled countless pages with notes about areas that needed to be improved. The facilitators asked the CFO to leave, and then the group divided the ideas into three themes: expense approvals and reimbursements; materials purchasing; and deal analysis and approvals. The participants split into three groups to work on each issue. They spent the rest of the day selecting the ideas that were worth pursuing, and estimated how much money or time the change would save.

The next day, the three groups met together to discuss their recommendations. After lunch, the CFO returned, along with several senior GE Capital managers. For several hours, all 40 participants talked through the ideas one at a time in a "Town Meeting." After each idea was discussed, the CFO had to say "yes" or "no" immediately. As a result of this Work-Out, GE Capital got rid of several time-consuming, money-wasting activities on the spot. Expense reports no longer needed multiple approvals. People could purchase approved software without going through the IT organization. And a pre-deal process was established to see if deals were worth pursuing, before going through all the analytics. At GE and at other firms that use it, Work-Out is more than a way to solve problems. It also creates an empowered workforce, because employees can see that their ideas make an impact. Work-Out also helps to build a culture that is fast-moving, focused on innovation, and unconcerned with boundaries. Plus, it develops leaders who listen to workers and make quick decisions, rather than hiding in their offices". The return on Employee Voice is truly huge and largely untapped.

Mr. Aruosa Osemwegie is of GT Bank

Dos and Don'ts… in a downturn

What should the Human Resources (HR) function do in a recession? Different actions are needed to deliver great service and HR may feel pressured to 'do something radical' for short-term gains.

Should the profession revert to the safe territory of "hire and fire", assembling assessment criteria and writing redundancy cheques? Or is now the opportunity to demonstrate that HR acts as a true business partner, delivering real value in difficult times?

Outlined below are a few Dos and Don'ts which are based on experiences of HR leadership teams during economic downturns. Following these simple rules would ensure that your organization emerges in a stronger position than its competitors.

When workers can't differentiatiate between amber and green, organisational goals suffer

DO get your house in order. Do you have the right HR capabilities to manage the demands of the downturn and stay ahead?

Take stock and make sure you have the right people who can find and act on opportunities. In a prior recession, one pan-European organization took the chance to increase capability by recruiting technology consultants from organizations that were downsizing. This enabled it to tap into new talent pools that weren't available locally, creating significant new business opportunities.

DO refocus your HR agenda on new business priorities. It may have taken much effort to set out your HR strategy, but it's essential that you now rewrite this agenda in line with the revised business plan. Ensure that your senior management team understands the role that the HR department will play. Equally, guarantee that your HR team understands the priorities and expectations. Clear communication will make for focus and motivation.

DO more with what you've got. Are you getting the most out of your HR technology? Research shows most organizations don't make use of the full range of HR systems functionality available. A relatively small investment in tackling problem areas or in acquiring new modules, can result in a significant return on the original IT expenditure without the need to reinvest in a new platform.

DO focus on top talent. Is your organization still retaining the right people? Often high-performers in their specialist fields may not be the right people to lead during a downturn, so reappraise talent definitions to check that they still stack up. Communication is key. During a prior downturn, one Bank revised its talent plan, starting by reviewing its talent definitions. It then invested in a 360-degree feedback process, coupled with development planning and coaching, to signal commitment to staff and bond this group more closely to the organization.

DON'T lose your identity. Is your team still the independent voice of reason? It is easy, under pressure, for HR to take a reactive role and start taking instructions. During a downturn, HR's business partnering capabilities should come into their own, identifying opportunities and challenging short-term management thinking – for example, drastic cost-cutting measures that would damage your firm's employment brand value. Focus the business on the long-term impact on the organization after the recovery, using data and analysis to prove your points.

DON'T stop recruiting the best talent. A blanket freeze on recruitment, or on learning and development, can have a catastrophic effect. Ensure that you are ready to capitalize on great talent when it becomes available.

DON'T lose the wrong people. Implementing headcount reduction plans too rapidly without reference to talent plans will lose key skills and information. For example, there is a significant risk that customers may desert if key members of the account teams leave. If there's a rapid push to cut jobs, HR needs to have a clear understanding of the criteria for success.

DON'T cancel capital projects that you will need for the upturn. HR technology investment is often one of the first items to go. But this may put the organization years behind in terms of HR systems and information once the economy recovers. Furthermore, investments in technology can yield significant savings. For example, establishing shared-service technology can help to drive more than 30 per cent of the support costs out of HR, finance and IT.

Culled from people management.co.uk. Written by Cat Rickard and Allan Boroughs - Orion Partners

Inspire loyalty and team spirit

You can always find reasons to work. There will always be a time when you stop being productive. You stop being happy and that affects the morale of everyone around you." ***Carisa Bianchi, Chief Strategy Officer, TBWA/Chiat/Day***

If you work together as a team, chances are you are seeing more of each other than of your respective families. If this is the case, then there is a need for everyone to exist in unity. The best way to do this is to inspire loyalty and create a team spirit. The leader of this team or manager will essentially replicate the role of the Head of the family.

The leader has to be able to groom more leaders, not followers. He must be respected, looked up to and show he can be trusted and relied upon. Sounds like a tall order? Impossible? It is not! He can achieve these by:

- Rewarding the team
- Praising them
- Being kind to them
- Trusting them
- Inspiring them
- Leading them
- Motivating them
- Growing them
- Genuinely caring about your team.

As a leader and the head of a team, it is not enough to think you are doing enough to inspire your team. A lot of times, you need positive criticisms and honest feedback from your followers in order to do a self appraisal and take stock of your success (or failures).

The questions you might want to ask yourself are varied, but ultimately the only one you really need to answer is "how could I have done it better?"

Checklist for the discerning leader:

- Communicate
- Delegate effectively
- Provide constructive feedback
- Empower

Leading should not always be perceived as a difficult task. Using some of these time tested methods, loyalty and team spirit can be achieved.

CIPD Human Resource Development Conference 2009 APRIL 21-23; EXCEL, LONDON

Do you need to update yourself on the trends and developments in talent management and organizational development? Are you looking for new ways to improve individual and organizational performance?

Human Resource Development 2009 is designed with your needs in mind, entirely aimed at equipping your organization and people with the knowledge and skills required to survive turbulent times. The HRD Conference provides all the strategic insights and practical advice you need to help your organization and employees develop. Offering a huge variety of seminars, it provides you with the knowledge, skills and tools you need to resolve issues you're facing now, and in the months ahead.

Spread over three days, there are 40 seminars and workshops to choose from. Examples of topics include:

- Building organizational change capability.
- Sustaining performance in a downturn.
- What CEOs want from HR and people development professionals.
- Overcoming the employability skills gap.
- Delivering successful change.
- Developing emotional intelligent leadership.
- Developing Talent and Succession Planning

Throughout the conference, there will be opportunities to interact with fellow delegates to exchange ideas and explore how you can implement what you have learnt back in the workplace.

For further information please go to http://www.cipdco.uk/cande/hrd

Quotes

"I don't want any yes-men around me. I want everybody to tell me the truth even if it costs them their job."

Samuel Goldwyn.

"My rule always was to do the business of the day in the day".

Arthur Wellesley.

"A group becomes a Team when each member is sure enough of himself and his contribution to praise the skills of others."

Norman Glass Shindle.

"The best Executive is one who has the sense enough to pick good people to do what he wants done, and the self-restraint enough to keep from meddling with them while they do it."

Theodore Roosevelt

"The leaders who work most effectively, never say 'I' and that's not because they have trained themselves not to say 'I'. They don't think 'I' they think 'WE'; they think 'team'. They understand their job to be to make the team function. They accept responsibility and don't sidestep it, but 'WE' gets the credit…..this is what creates trust, what enables you to get the task done".

Peter F. Drucker

"No one is less ready for tomorrow than the person who holds the most rigid beliefs about what tomorrow will contain."

Jim Taylor and Howard Means

"Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful."

Albert Schweitzer

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