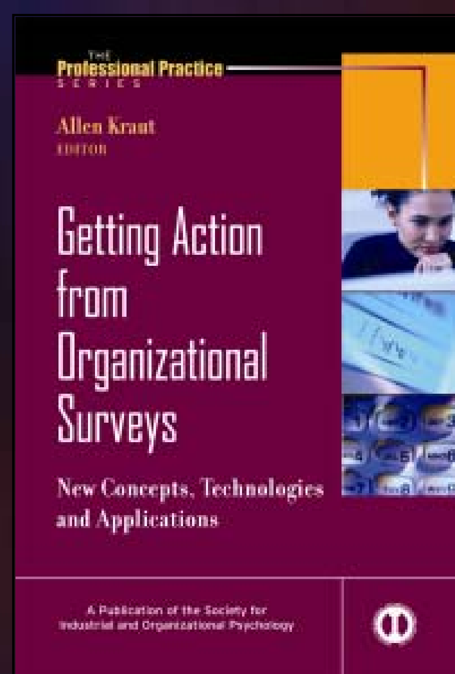
STRATEGIC SURVEYS

Linking People to Business Strategy

A Chapter from



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CHAPTER 4

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Linking People to Business Strategy

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A Chapter from:

Getting Action from Organizational Surveys:
New Concepts, Technologies and Applications

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Strategic employee surveys are focused on the people issues that make the greatest difference in business performance. The items on strategic surveys ask whether people understand the strategy and their role in achieving business objectives, whether they are engaged with these objectives and with the company itself, and whether they have the resources they need to get the job done. These surveys are clearly very different from traditional employee surveys that focus primarily on issues related to employee satisfaction. This chapter defines strategic surveys and their potential value for senior management, describes their content and the unique aspects of the strategic survey process, and reviews the factors that determine their effectiveness.

Jim Barkley, the head of a financial services organization that we will call Cashco, must have felt gratified that the favorable readings of his leadership team on the employee survey had improved by nineteen percentage points. Of course, the big news, and the reasons that Jim and his team were beaming, were the strong financial growth, increased market share and client retention, and faster cycle time that had occurred over the prior three years. This should have been no surprise: their strategic employee survey results had predicted strong operating, customer, and financial performance.

The story had begun four years earlier with the development of a strategy map (Kaplan & Norton, 2004; Schiemann & Lingle, 1999) and scorecard that provided a highly focused set of concepts and metrics to capture the critical assumptions, results, and drivers of their business strategy. (Throughout, we define *strategy* as an organization's overall business goals and the key elements of its plans for achieving these goals. It often includes its product and market focus, its competitive advantage or value propositions, and the core competencies required to achieve the overall goals.) Within that strategy map were a set of people drivers (factors presumed to have influence on an outcome, whether alone or in combination with other factors) that leadership believed were essential to executing the business strategy: issues related to leadership, performance management, values, innovation, and excellence. A number of these important people drivers, such as values, leadership, and alignment of performance management and rewards, were best captured through the eyes of associates in an employee survey.

One key to their success was ensuring that they had good measures of these critical drivers—that their employee survey focused on these strategic drivers, going beyond more traditional employee satisfaction items—so that the survey had business meaning to the top team and the measures could be used as leading indicators of business performance. Another key was prioritizing issues and addressing strategic gaps indicated by the survey. The company's success was largely a tribute to management's relentless focus on the critical few issues and closing performance gaps. The survey became a key strategic tool to identify those gaps and validate their beliefs about the people drivers of the business strategy.

Cashco was one of the first to truly use employee surveys strategically, but it is no longer alone. Strategic surveys represent the most recent evolution of management's ongoing quest to understand the impact of the workforce on the company and on key stakeholders such as customers and shareholders. Surveys have evolved through several phases, as shown in Table 4.1, beginning with surveys focused solely on taking the temperature of the organization, with a focus on satisfaction and morale, up through today's more business-focused surveys. The work of Higgs and Ashworth (1996) describes a similar course of development in organizational surveys over time.

Table 4.1. Evolution of Employee Surveys

Temperature-Taking Surveys	Employee Entitlement Surveys	Tactical Issues Surveys (Engagement, Safety, Quality)	Strategic People Equity Surveys
Focused on issues awareness	Focused on satisfaction, morale, pay, benefits, job security and other employee relations issues	Focused primarily on employee commitment and engagement and their drivers	Addresses all three human capital components: engagement, alignment, & capabilities, & their drivers/enablers
No linkage	Limited linkage to employee relations outcomes	Linkage to employee engagement, turnover, performance	Strong linkage to customers, operations & business outcomes
Low action	Action frequently aimed at corporate HR initiatives to improve morale, stem turnover	Feedback and action aimed at issues/managerial skills/HR processes that influence employee commitment/ engagement/turnover	Enterprise and local action aimed at human capital effectiveness
Low management commitment	Commitment to action is often low or narrowly focused	Commitment varies across levels and functions; greater emphasis on middle management or unit themes	Strong leadership ownership and action; high middle mgmt involvement
Few resources allocated to address issues	Follow up resources (time and funding) targeted defensively	Follow up resources targeted tactically	Follow up resources targeted strategically
Assumptions			
"It's better to know than not"	"Happy employees are productive employees"	"Surveys help us improve people and people processes"	"Human Capital Management is critical strategic challenge"

Development of a strategic survey begins with strategy. In the course of developing a strategic survey, three questions are posed to the leadership team:

1. What are the most important business goals for your organization to achieve?
2. What people results are critical for the organization if it is to achieve these goals?
3. What people drivers (for example, communication of strategy, leadership, professional development, diversity, performance management) have an impact on performance on these people results?

Guiding management through these three questions leads to articulation of what the leadership team believes are the critical people components required to execute its strategy. Strategic surveys have these advantages over other surveys:

- A strategic survey captures the attention of the leadership team. It is directly linked to business imperatives and outcomes and is a tool for strategy execution. It generates a high level of executive interest in the results and a strong commitment to action.
- Because of the linkage to business outcomes, the results tell management where to invest to add value. Rather than leading to scattered investment in a wide array of tactical programs, these surveys help guide management to the most critical issues that warrant investment, as they are focused on the people issues that make the greatest difference in business performance.
- The results provide early warning signals of impending trouble, as strategic people issues are often leading indicators of business performance.

The next two sections focus first on the strategic content of the survey and second on three elements of the survey process—design, analysis, and implementation—that have the potential to be far more strategic.

Strategic Content

One of the critical gaps in creating strategic surveys has been a lack of strategic content. Over the years, we have seen survey reviews or feedback sessions in which the leadership team was truly engaged and others in which they appeared to be going through the motions. Often the type of survey content was at the root. Although most executives express empathy for employee relations issues and the need to motivate the workforce, they often do not see the connection between traditional employee survey content and their most important business goals.

The two are not mutually exclusive. There is a well-documented connection between employee satisfaction, good morale, a positive culture, and business outcomes (Heskett, Sasser, & Schlesinger, 1997; Kowalski, 2004; Rucci, Kirn, & Quinn, 1998; Schiemann, 1996; Wiley, 1996), as well as many proprietary studies in individual companies that have reinforced the validity of these linkages.

A more strategic approach to survey content is beginning to emerge. We discovered the value of this approach through our work in the area of business strategy measurement, including the development of strategic people metrics. Rather than using a bottom-up approach to employee measurement based on what will make people happy, this approach begins with a focus on the business strategy and the requirements for executing it. Approaching the issues from the perspective of strategy and what will be needed to achieve strategic business goals places the focus on human capital requirements along with requirements for technology, information, and financial resources. This line of thinking creates the platform for defining what should be measured in each area. Consideration of measurement requirements in turn points toward the elements of strategy execution on which employees will be able to provide valuable feedback. Employees have a unique vantage point for providing intelligence regarding business processes, the effectiveness of the current structure, teamwork across functional units, customer concerns, barriers to innovation, ethics, and technology deployment. So why not ask them?

Capturing Management and Employee Attention

How do we capture both senior management and employee attention? The answer lies in blending the strategic business issues with the issues that will create workforce engagement. Over the past decade, we have conducted hundreds of surveys with a variety of content areas and have arrived at a model that seems to capture this blend. The approach captures three areas that make up a concept we call *people equity*—a concept that is closely linked with shareholder equity and customer equity (Rust, Zeithaml, & Lemon, 2000). Shareholder equity—an important topic for senior management—is created by carefully developing customer equity in most businesses, and customer equity is enhanced by developing people equity. Many of the elements of customer equity—such as strong customer relationships, service recovery, and enhanced product and service value—are built on employee behaviors. Even elements that are heavily technology driven are often complemented by key employee behaviors.

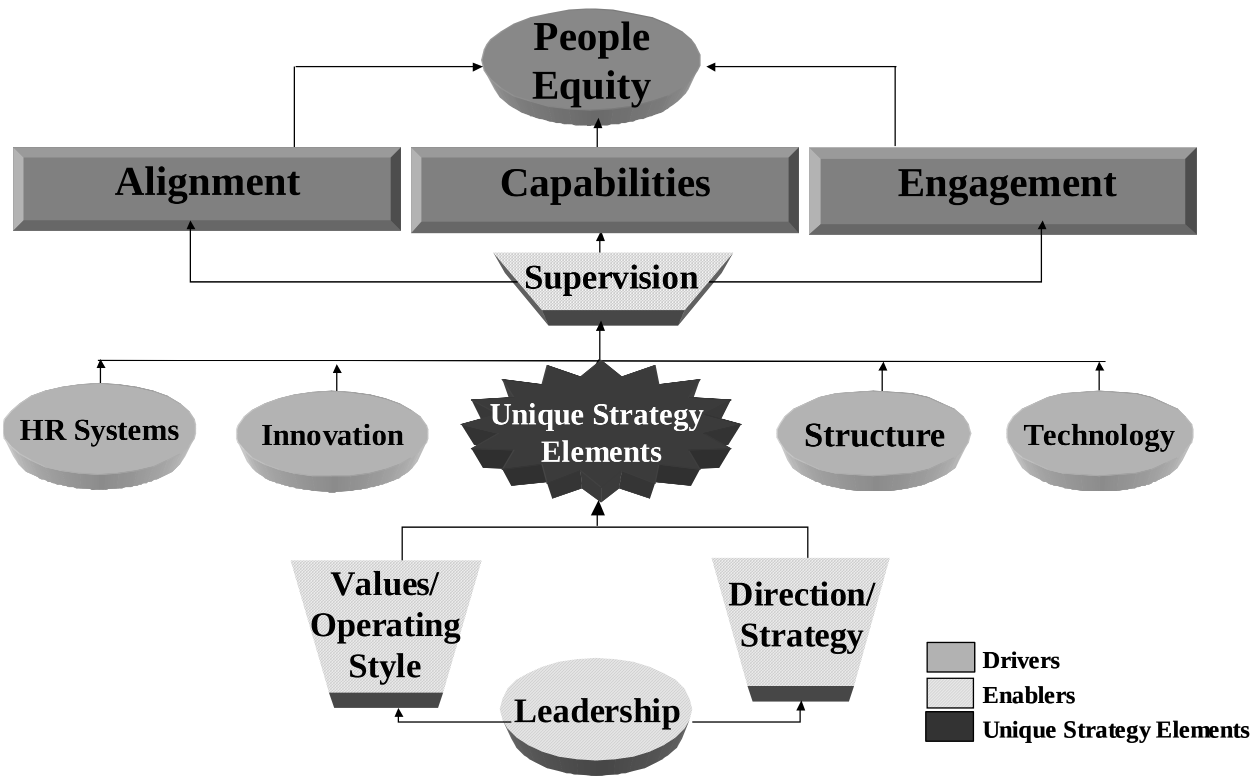
People equity has three elements: employee alignment with the business strategy, capabilities to deliver customer value, and employee engagement. Together, these elements represent a three-legged stool of value—value that becomes meaningful to the executive team as an aid to reaching their strategic business objectives. Business leaders with whom we work have come to realize that they need employees who are focused on the right things (alignment), are capable of delivering the value proposition to customers (talent, information, and technology), and are engaged—truly committed to the mission, goals, and values of the organization. Without any one of these legs in place, performance will be at best mediocre.

The people equity framework makes sense to most managers, but to develop a framework for action, we also need to understand the levers that control people equity. How is people equity increased or decreased? We have adopted a heuristic model to define how people equity works. Over the past twenty years, we have conducted scores of correlation, regression, time-series, and crosslagged studies for corporations that have examined the relationships among various people factors (typically based on factor analyses of survey content into components such as leadership, supervision, respect, performance management, teamwork, commitment, and alignment), or the relationship between these people factors and various outcomes such as employee turnover, customer satisfaction, or financial performance. The people equity models explored in this chapter are based on our judgments across many studies of the consistent relationship that occurs between business outcomes; the three people equity concepts of alignment, capabilities, and engagement; and a set of drivers and enablers that have been the most fruitful predictors of people equity and employee and business outcomes.

We have identified nine elements that frequently seem to drive performance across organizations in study after study: four driver categories, four enabler categories, and a company's unique strategy elements.

As shown in Figure 4.1, drivers are assumed to have a direct influence on the three people equity factors, while enablers are assumed to have a more indirect influence. For example, supervision, considered an enabler, often influences the way various drivers, such as rewards, innovative practices, or person-job skills, are matched on a day-to-day basis, while the leadership team and broad organizational values often influence how reward systems, innovation policies, and competency investments are prioritized. Taken together, these elements frequently influence the three people equity factors.

Figure 4.1. People Equity Drivers and Enablers



The four drivers are:

- Human resource systems, including talent acquisition and development, performance management, and recognition and reward.
- Technology and business processes, including operating effectiveness, business process improvement and effectiveness, adequacy of tools and technical resources, and effectiveness of knowledge management and information use.
- Innovation, including production and use of ideas, creativity, and adaptability.
- Structure, including deployment of staff and cross-functional information flow.

The four enablers are:

- Supervision, including people, technical, coaching, and communication skills and practices of immediate managers.
- Leadership, including confidence in senior management and its ability to set, guide, and create a passion for the organization’s direction.
- Strategic direction, including clarity of direction and presence of a strategic measurement system.
- Values, including such areas as respect, diversity, and teamwork.

Unique strategy elements are aspects of business strategy implementation that are specific to a given organization.

Our experience has confirmed that these drivers, enablers, and unique strategy elements have considerable heuristic value. They are frequently the leading indicators of the three people equity elements and are often linked to turnover, customer loyalty and retention, and some aspects of operating effectiveness. Most are controllable by senior management, so management can see how changes in these people issues can influence important business outcomes. Finally, the drivers and enablers are closely connected to resources and initiatives in which the leadership team has invested. For example, management approves budget dollars for training, which in turn influences capabilities and resources. Or management invests in rewards with the goal of engaging or focusing employees through the performance management system. Or management invests in diversity programs to change the values of the organization in a way that will lead to a more productive and valuable workforce. In summary, strategic surveys are outcome driven. They are built on the business strategy and the key employee outcomes (turnover, people equity), drivers, and enablers that allow the strategy to be implemented effectively.

A Mind-Set, Not a Mountain

At first, a strategic approach may seem daunting, but it is quite workable. After much experimentation over the years, we have realized that it is less important to cover each set of drivers and enablers comprehensively than it is to have broad coverage of most of the factors. The reason is that management needs to see the big picture rather than delve too far into specific areas. We find that leadership teams are more likely to connect to a survey of broader issues rather than a few areas in depth. A broad survey allows them to strategically prioritize areas of focus and then explore as needed in the follow-up phase to uncover the root causes of critical performance gaps. A survey that captures employees' perspectives on the core people equity questions, the drivers and enablers, and business outcomes such as turnover intention, productivity, customer focus, and operational excellence can be captured in forty to fifty survey items. An abridged version with only key marker items can capture this content with as few as twenty items. This is enough to focus management's thinking and action about critical people issues.

There are compelling reasons to be less than comprehensive in identifying all of the root causes in a broad survey. First, it would require too many items. Today senior executives and employees have limited tolerance for long exercises. Second, there are complementary vehicles for capturing root cause information. Finally, using findings from a broad survey as a springboard for exploring root causes forces senior executives to come to grips directly with the nuances of the issues being addressed. This approach often leads to better understanding and ownership of issues than one in which the causes or solutions are artificially spoon-fed through quantitative data.
Based on identification of competitive differentiators, the organization can create survey items that will reflect whether the strategy is being executed. These items fall into two categories:

- Standard items from core people driver or enabler areas that are related to one strategy versus another.
- Custom items that capture unique strategic issues.

Consider an example. If the strategic area of emphasis is uncompromising service, we might go into the “values” enabler and use values items that relate to customer focus, such as, “In our organization, there is a premium placed on delivering outstanding customer service.” Or we might select from within the “leadership” enablers an item such as, “Top management walks the talk when it comes to customer service.” Alternatively, one might create unique items for strategic initiatives or programs to ensure that they are understood, accepted, and being used—for example, “Associates in my unit strongly support the Customer One program,” or “Customer One has helped us understand and deliver better service to our customers.” In a broad-based survey, we find that best practice organizations allocate 15 to 30 percent of their survey content to these unique items and use the remaining items to capture the important people issues that typically cross organizations, such as the engagement items or performance management items within the alignment area. Box 4.1 outlines the case of a successful user who built a strategic survey from the people measures on the organization’s balanced scorecard.

Box 4.1. A Strategic Survey
in a Financial Services Organization

After completing a balanced scorecard that defined the important financial outcomes and customer, operational, and people drivers of their business, a financial services organization needed to capture information on the people drivers of success. Management realized that employees would be the best source of information about most of the drivers. An employee survey provided an ideal mechanism to capture performance on these drivers and to track their improvement to reach targets they had set for these drivers over time. Among the drivers were these:

- Several critical values that management believed were essential to their business, including self-assurance, integrity, and proactivity.
- Leadership. Again, who would be better to evaluate leadership than the followers, especially given the areas of leadership that had been prioritized, such as “providing clear direction on the strategy” and “high accessibility”?
- An aligned performance management system, referring to a clear line of sight from the strategy to department goals to individual goals to team and individual rewards. This area was again appropriate for an employee survey.

The organization also developed items on the employee survey that would directly connect to customer ratings on important issues that market research had confirmed were related to buying behavior and customer retention. For example, customers had already confirmed that one of their most important issues was problem resolution and rapid quotes for new financing. It was straightforward to evaluate employee perceptions on these issues to find out how in touch employees were with customer perceptions. By building this type of survey with strategic targets, this organization was able to increase its performance dramatically.

Survey Process

Strategic focus results from both survey content and survey process. Survey process can be thought of as having six phases: planning, questionnaire design, information gathering, analysis, reporting, and implementation. While we could argue for increased strategic value in all six phases, for purposes of this chapter we have focused on the three that typically have provided the most strategic leverage: planning, analysis, and implementation.

Making the Planning Phase Strategic

During the planning phase of a survey, the objectives for the initiative are set, and issues for coverage in the questionnaire are identified. These objectives and issues define the strategic content of the survey. But the processes by which objectives are set and issues are defined are also critical elements of a strategic survey. The notion of getting executive buy-in is as old as the survey process itself. What is different in a strategic survey is the focus of initial dialogue with executives. At the outset of a strategic survey, the leadership team is engaged in a discussion of their goals, critical people results, and drivers of those people results. This discussion focuses the leadership team's attention on the people issues that make the greatest difference in business performance. Of course, this information is corroborated from multiple sources to create a set of hypotheses about what drives business results. Drawing the leaders into this type of thinking early in the process is helpful in creating a mind-set that is different from their traditional views of employee surveys and is also helpful in creating anticipation for the strategic findings.

The process of inquiry at the outset of a strategic survey is different for employees as well. In employee focus groups conducted in the design phase of a strategic survey, employees are often asked questions such as these:

- What do you believe to be the organization's strategy and its business objectives?
- Do you believe that employees generally buy in to the strategy?
- Do you understand how the work of your department and your own work contribute to the company's achievement of its business objectives?
- Does your unit have the resources and talent you need to meet customer requirements? If not, what are the gaps?

Then the discussion shifts to people drivers and enablers such as leadership, supervision, HR systems, technology, and values. When completed in the right context, this type of group session engages employees in a discussion of strategy and the people issues connected to it, signaling a different focus for the employee survey, and it provides additional information to guide the development of custom survey questions related to the unique strategy of the organization.

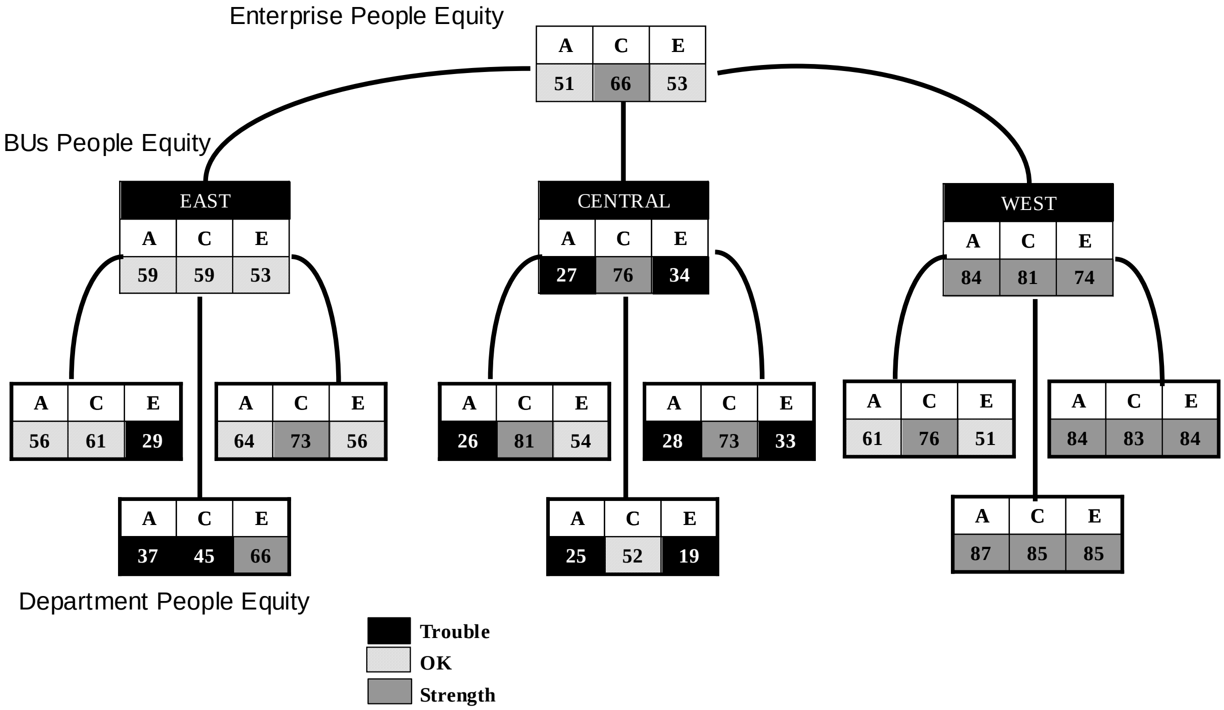
Making the Analysis Phase Strategic

Once the survey has been conducted, unique analyses are used to help identify strategic business issues for action.

Providing an Overview

What does the leadership team want to know? The first, and often the most captivating, step in a strategic survey is giving leaders a snapshot of the entire organization. How does the organization look on alignment, capabilities, and engagement at the enterprise, business unit, and perhaps major geographical or functional group levels? Using an alignment-capabilities-engagement (ACE) tree diagram like the one displayed in Figure 4.2, the organization can see (1) its overall performance in the three areas and whether there are areas of consistent strength or concern across all units, and (2) the performance of each unit on these issues to identify both pockets of concern and high-performing areas that can serve as best practice.

Figure 4.2. Alignment-Capabilities-Engagement Tree Diagram



Note: The numbers in the boxes are composite index scores of items within the categories of alignment (A), capabilities (C), and engagement (E). They can range from 0 to 100 (high) and typically represent the "strongly agree" and "agree" (favorable) responses to items in the questionnaire. In this example, strength was defined as 65 or better, okay was defined as 51-64, and trouble was defined as 50 or below. Since this is only a sample of an organization of many more units, the scores for a particular box are not necessarily the average of the subboxes below them.

Are There Systemic Issues?

From the CEO's perch, what is the next most frequent question? Management wants to know if there are a few critical items that need organization wide attention. The leadership needs to know if there are systemic issues that they control that are pervasive throughout the company. A thorough examination of the variation in ACE scores across units can provide these answers to both the senior team and groups at various levels throughout the organization. As you can see from the tree diagram in Figure 4.2, there are no systemic issues that pervade all major geographical divisions, but the issue of alignment is pervasive throughout the Central Division.

High levels of variation from unit to unit and from manager to manager within units often provide warning signals of flaws in strategy implementation. Are managers across various units aware of and engaged with the company's strategy and direction? Are they conveying the right messages to employees? Are unit objectives consistently aligned with business objectives? Do employees across units understand how their work contributes to achievement of overall business objectives? Or are there pockets of misalignment?

Modeling Approaches

What is typically referred to as driver or linkage analysis—modeling the relationships between outcomes and variables hypothesized to be leading indicators of those outcomes—is also used at this stage, with the objective of providing additional information that focuses management action on the critical few people issues. These analyses can be used to:

- *Validate a company's theory of the business.* If data for business outcome measures (such as operational excellence, customer loyalty and retention, and employee retention) are available, modeling tools such as path analysis, multiple regression analysis, and cross-lagged correlations can be used to identify the impact of people issues on business outcomes.
- *Identify the most critical performance gaps.* Using driver analyses in which survey measures are linked to each other (such as identifying drivers of alignment scores), a few key issues typically emerge as having the strongest relationship to a given outcome. If performance is poor on these issues, they become high-priority action items.

Once the findings have been analyzed and it is time to begin survey follow-up, management will be armed with the following information to help guide follow-up activities:

- Its own identification of strategic people issues as articulated in the survey development process, now supplemented by actual findings on the issues thought to be keys to business success.
- The ACE tree, which identifies both overall organizational and unit-specific strengths and concerns.
- The results of linkage and driver analyses that identify the highest-impact people drivers of business performance This information can be used to focus problem-solving and action planning activities.

Making the Survey Action Implementation Phase Strategic

While many organizations are able to complete the survey planning and analysis phases of the process well, failure often occurs at the survey action implementation phase. Among the factors causing this failure are:

- Lack of prioritization (often tied to lack of strategic context)
- Lack of a disciplined process to complete action outcomes
- Poor implementation skills among managers
- Weak or nonexistent impact evaluation and analysis

In this section we address the implementation issues that can derail a survey even when content and analysis are strategic. We will examine ways to address these issues through the application of more strategic thinking and approaches.

For a moment, we step back and look at why things often break down even after good survey information has been collected, strategically analyzed, and fed back to senior management. Why do we hear so many organizations lament that they do not achieve the impact from the survey that they would like? Why are so many survey managers frustrated that they cannot get senior or middle managers to select critical issues or to follow through on the issues selected? Why do so many good plans seem to fade?

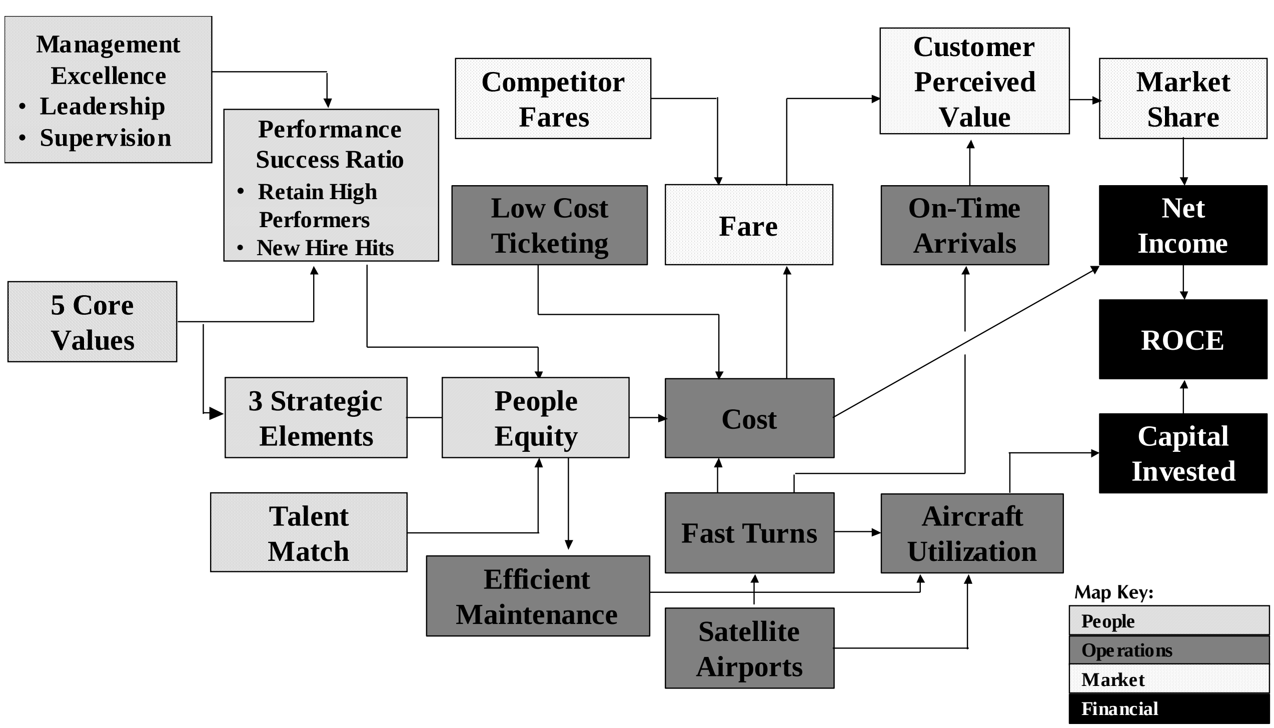
Prioritization

Without prioritization, there will not be enough focus, resources, or managerial energy to drive improvement. Even with traditional surveys, we have found that by focusing management on strategic objectives and what they need from their people to reach those objectives, we can channel executive and managerial action more effectively toward business improvement and organizational transformation (Schiemann, 1992).

Organizations with strategic survey content and processes are in an excellent position to prioritize issues based on strategic priorities (discovered in the development phase), knowledge of the most important drivers of business outcomes (from the strategic analysis phase), and identification of issues that are systemic across the organization. For example, in a medium-sized bank, technology gaps on several fronts were hindering high productivity and customer satisfaction—a capabilities gap. Coupling this information with poor implementation of a major bankwide focus on crossselling loan products to customers, low customer satisfaction ratings, and employee reporting of technology blunders, the employee survey information on technology use was of major value to senior management.

For organizations that have already created strategic maps (Kaplan & Norton, 2004; Schiemann & Lingle, 1999), the process is much easier. We began using strategic maps in the early 1990s to help translate business strategy into a cause-and-effect model that showed the linkage of employee, operational, and environmental (supplier, safety, regulatory, and community) drivers with customer and financial outcomes. A sample map appears in Figure 4.3.

Figure 4.3. Strategic Business Map for an Airline



In this business map for an airline, financial outcomes such as return on capital employed require certain market outcomes (such as high customer perceived value), defined levels of operating performance (for example, on-time arrivals and fast turnarounds) and strong people performance (for example, high people equity, talent utilization, and management excellence). Through a strategic planning process, management of this airline identified six critical people outcomes (people equity), drivers (for example, talent match), and enablers (for example, management excellence) that it believes are most important to implementing its strategy. In this case, survey measures can be used to assess people equity, employee understanding, and buy-in to three key strategic elements, management excellence, and the extent to which the organization is living its five core values. Surveys in this case provide management with critical indicators to let them know whether they are hitting their targets in each of these areas. In this example, the map is a clear guide to defining survey content, conducting the appropriate analyses, and then examining resource deployment to each of these areas.

These maps provide a view of the theory of the business—how senior management believes that value is created for shareholders or key stakeholders. Employees are a critical ingredient of that value equation and often seen as a leading indicator in the value chain. By understanding how employees connect to the business strategy—that is, what outcomes employees drive that are important—it becomes far easier to focus management attention on the important drivers of those outcomes. While maps are typically constructed at the enterprise or business unit level first, a similar thought process can be applied to functional units or departments.

Disciplined Implementation Process

Stakeholder feedback and action planning have been fixtures in postsurvey best practices since the late 1970s, a result of some of the excellent application of good behavioral science at IBM and a few other leading organizations at the time. These organizations realized that there was a crucial linkage needed to move from survey information to organizational action. They recognized the motivating nature of good feedback and the importance of specific, controllable, and measurable goal setting.

The leading applications that emerged from this period included survey processes that fed the survey information down the organization in a cascade fashion, with each level reviewing the information that pertained to it and then creating action plans that were reverse-cascaded up the organization. This process, although cumbersome and requiring exacting execution and skills, had the potential to get information to many levels of the organization and involve each level in the interpretation of the information and the building of plans to ameliorate the gaps in areas of their control, while passing recommendations up the organization in areas that required higher levels of authority to resolve.

While this process had many merits and succeeded in creating buy-in from employees and many managers when executed well, it has declined in use and effectiveness over the past decade for a number of reasons. First and foremost, such surveys often evolved into “entitlement” surveys in which the primary outcome was a list of actions that the senior management team should take to increase employee satisfaction. Management soon became wary of the employee survey as a tool that simply increased the length of its to-do list, often with little impact on their ability to reach their goals or to enhance organizational performance.

Second, in an era of increasing competitive pressure, speed, focus, and agility are becoming competitive requirements. In such an environment, a high premium is placed on rapid flow of information. In this environment, the comprehensive and lengthy cascading survey feedback and action planning processes of the 1970s and 1980s were soon becoming too cumbersome, and their effectiveness had diminished.

Third, the approach produced too much bottom-up information that cluttered the strategic picture. While some of that information was important to building organizational health and dealing with dominant issues (such as unionization at the time), in today's fast-paced, information-clogged, rapid-decision-making environment, information that is strategic and focused provides more value. This requires top-down prioritization of issues that are most strategic, coupled with rapid feedback from the workforce.

While a number of alternative approaches have been developed over the past two decades, the strategic feedback and action planning processes that seem to work best in the emerging competitive environment have the following characteristics:

- Senior management has viewed the survey information from a strategic perspective—that is, they understand which areas are most crucial to executing their business strategy and in which of those areas the most significant performance gaps reside.
- Information is fed back to the relevant stakeholders rapidly so that decisions and solutions can be implemented quickly.
- Stakeholders are almost always employees but are beginning to include others as well, such as board members (on governance issues), suppliers (on supply chain or outsourced labor issues), strategic partners (on joint venture issues), and customers (on service themes).
- Action planning includes elements of quality management, such as cause-and-effect thinking, that helps employees identify root—rather than superficial—causes through such techniques as fishbone diagrams, cause-and-effect thinking, variance analysis with tools such as Pareto analysis, impact analysis with techniques such as cost-benefit analysis, and target setting, including both incremental and stretch targets. Organizations that already have embedded such thinking have a distinct advantage because these tools help managers and their teams clearly identify a limited set of likely root causes of prioritized issues, that, when addressed, will have a positive impact on key outcomes. Of course, root cause analysis is used in more traditional surveys as well. The difference in strategic surveys is the starting point, which is senior management's effort to understand and address a few critical people issues that have been identified as important to reaching strategic objectives.
- Accountability has shifted more from action planning to implementation. In fact, the best practices organizations hold managers and employees accountable for changes in the outcome—not just executing action plans. Best practice organizations most typically avoid punishing managers for low scores in areas under their control the first time, but place much higher accountability on those managers for addressing and improving those areas.
- In support of this, action planning has become more visible in many organizations. This visibility has several beneficial consequences. Sharing gaps and intended solutions enables others who have traveled the same path to share helpful information on the efficacy of intended solutions and to offer alternatives that have worked better. And others who have similar issues can watch and learn if an individual unit's efforts are closing the targeted gaps. Furthermore, visibility allows managers and third-party evaluators such as organizational effectiveness groups and coaches to scrutinize the quality of the root cause analysis (Did they select the right issues?) and the effectiveness of implementing solutions (Did they execute well?). The action planning process is often a great early indicator of managers' comfort with strategic and quality thinking, as well as their ability to focus to solve business issues.

- Tracking of action plan execution is imperative in a well-executed strategic survey process. Best practice organizations typically have efficient and often technologically driven (for example, Web-posted) systems for collecting action plans. Although there still appears to be wide variability in the level to which action plans are scrutinized at a local or organization level, new technology is making it easier and easier to gather, collate, and integrate such information to draw conclusions on which actions are most productive in different circumstances (for example, a given solution to a particular gap works well for all or certain job groups or for all or certain regions).

Implementation Skills

To execute the previous processes effectively, managers and employees must have the requisite competencies. This is not a given. In our experience, up to 30 percent of managers, regardless of formal training, will find a way to use the survey information to make effective changes. Ten to 20 percent will have trouble, even with sound training. The remainder—about half the managers in most firms—will become substantially better at managing improvement with the right skills. Most of these are the critical skills that make up a well-rounded managerial skill set: strategic thinking, business acumen, prioritization and decision making, giving and receiving feedback, knowledge of root cause analysis and other quality tools, team decision making, building effective action plans, and evaluating change.

The only requisite skill that should be unique to the survey process is “interpreting survey information.” While the other skills should be part of a rounded managerial skill set, we typically find a good deal of variance across them. This is one of the biggest gaps in many survey follow-up processes. And many organizations lack the commitment to developing these skills, which are nothing more than the raw ingredients of effective group problem solving. Most often these gaps are simply made relevant and visible during the survey follow-up process.

Training in these areas can take various forms when done in conjunction with the survey process. We have found it effective to focus on three sets of skills:

- Interpreting the data and prioritizing issues in a strategic framework
- Conducting strategic feedback sessions with employees, identifying root causes and potential solutions, and building strong action plans that are bought into by both management and employees
- Securing resources, implementing the action plans, and tracking results and impact

Impact Evaluation

The final area is determining the impact that the initiatives or intended solutions have on strategic business outcomes. This sounds obvious and reasonably easy to do, but it is the most frequent failure of everything that has been discussed thus far. Partially this is because it is the terminal stage in the overall survey process; those who cannot complete the earlier stages well rarely have the opportunity to evaluate the impact. But those who reach this stage too often settle for anecdotal evidence of improvement or use weak criteria. And because many survey efforts are spaced so far apart, they can move on to other business and only be reminded of these issues again in one or more years.

In our experience, organizations that succeed with strategic surveys implement the following actions more often:

- Changes in survey scores in high-priority targeted areas are reviewed much more frequently than in low-performance organizations. Today it is not uncommon to track changes in areas targeted for improvement by using quarterly pulse surveys. It has been our experience, and we have seen research over the past several decades suggesting, that if scores in targeted areas for improvement do not change within 90 to 120 days, they are unlikely to change over longer periods of time, with a few exceptions such as longer technological or complex process improvement solutions.
- Improvements in strategic scores are more frequently linked to executive and managerial rewards, with the increasing recognition that if the people metrics have been designed effectively, they represent leading indicators of performance on key business outcomes such as customer retention, operating efficiency, and financial performance.
- Survey feedback and action planning processes are evaluated for their effectiveness on a regular basis. After all, these processes should provide a strong return on investment. While many organizations have reduced the complexity of their survey efforts, they do not want to reduce their impact in identifying and ameliorating key business gaps. This is a delicate balancing act. While many organizations have arrived at the conclusion that their prior survey efforts were becoming their life's work, as they increase the efficiency and effectiveness of these processes, they need to be careful not to lose the impact that the processes were intended to create. Others, in contrast, have never infused their survey processes with the power they deserve. They conduct the survey on faith, and senior management learns some interesting things if they are lucky. Then they get back to work assuming that the information will seep into the organization through osmosis. It rarely does.

The survey process is no different from other competing tools in the business, and it should demonstrate a return on investment. We have documented a link between both return on assets and return on investment, on the one hand, and effective use of surveys and people measures, on the other (Morgan & Schiemann, 1999). For example, organizations in which executives say that their employee surveys provide information that is valuable in guiding decision making have achieved a 65 percent higher return on investment over a five-year period. Survey cost can easily be computed by totaling the hard costs such as survey processing and consulting assistance, dedicated staff time, and the indirect costs of managers and employees throughout the survey process. But the benefits are rarely tracked as part of the process. Part of the reason is the traditional focus on employee satisfaction and a failure to connect satisfaction to business outcomes. But even surveys that have primarily focused on employee satisfaction and a positive work climate have shown impressive results. In recent research reported by Feuss, Harmon, Wirtenberg, and Wides (2004) and Kowalski (2004), the researchers found that a small improvement in work climate and employee satisfaction resulted in substantial financial impact on the cost of patient care and claim processing.

When surveys are based on more direct people drivers and business results, it should be even easier to estimate the value of improvements. For example, changes in certain people drivers will result in improved retention of high performers, higher customer buying or retention, or faster cycle times. If the organization has good measures of these business outcomes, it should be able to estimate the return on investment in the people drivers.

Finally, we have observed that the best practice organizations do not allow these plans to sit. They often incorporate the action planning evaluation into impact reviews in which they evaluate the subsequent changes to key milestones or indicators on regular basis. Some firms have instituted quarterly surveys that track a limited number of marker items from a baseline survey—

either key tracking items or ones that were targeted for high-priority action. These surveys provide timely feedback that enables the plan owners to either declare victory or quickly adjust their plan and execution of those plans to achieve more effective results. Others, who do not conduct pulse surveys with such frequency, look for other indicators of performance improvement. These may be surrogate indicators that would be expected to move if the fixes are working. For example, low scores on customer focus that triggered efforts to give more time and attention to customers would be expected to improve customer satisfaction, retention, or buying behavior. Actions in response to low diversity ratings would be expected to reduce complaints or filed actions by minorities or protected classes. The key is looking for the best available indicators that real change has occurred.

Best Practices

In the end, these are the defining characteristics of a strategic survey:

- The surveys focus on the people issues that make the greatest difference in business performance.
- These issues are defined through dialogue with senior leadership that focuses on the answers to three key questions:
  - What are the most important business goals for your organization to achieve?
  - What people results are critical for the organization if it is to achieve these goals?
  - What people drivers have an impact on performance on these people results?
- Development of content is guided by inquiry into three areas that together constitute people equity: alignment, capabilities, and engagement.
- The survey itself is of moderate length—long enough to provide adequate coverage of the issues but not so long that it either overloads respondents or overburdens those tasked with translating the findings into action.
- Results are analyzed to highlight pockets of strength and concern across the organization in terms of alignment, capabilities, engagement, and related drivers, with a focus on improving overall performance and identifying and reducing variation across units by making improvement in poor performing units.
- Survey findings are linked to business outcome measures to test senior management's business model and identify key performance gaps for action.
- Priorities are set so that action is focused on a limited number of strategic people issues.
- Action is driven from the top down, with results cascaded to the workforce so that solutions can be developed quickly.
- Managers are provided with the requisite skills for conducting strategic action planning sessions as well as defining and implementing specific actions.
- Implementation is a highly visible activity and is monitored at all levels.
- The impact of action implementation on key strategic indicators is monitored, measured, and documented within one to two quarters of implementation.

The key is to understand the critical impact of people management on achievement of business objectives, focus measurement on the people issues that have the greatest impact on business results, and focus action on the critical few issues that will generate the greatest benefit to the organization's key stakeholders, including shareholders, customers, managers, and employees.

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