



The Insidious DRAG on Shareholder Value Creation That Slips by Big Data and Analytics

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Contents

2	EXECUTIVE SUMMARY
3	THE PROMISE OF BIG DATA AND ANALYTICS
4	People Analytics— An Analytics Subset With Enterprise-wide Impact <i>Expectations of People Analytics</i> <i>Major Challenges to Meeting Expectations</i> <i>Current State of the Art</i>
7	The Drag on Shareholder Value Creation <i>A Brief Comparison With Aerodynamic Drag</i>
8	AERODYNAMIC DRAG— AS ILLUSTRATION
8	Aerodynamic Drag Penalty
8	Aerodynamic Drag Reduction <i>Private Vehicle Example--Automobiles</i> <i>Commercial Vehicle Example--Tractor-Trailers</i>
9	WORKPLACE IED DRAG— ON ENTERPRISE PERFORMANCE AND HEALTH
9	Sources of Workplace IED
9	Workplace IED Drag Penalty <i>Absenteeism and Presenteeism</i> <i>Employee Engagement</i>
12	Economic Benefits of Workplace IED Drag Reduction
15	CONCLUSION

EXECUTIVE SUMMARY

Along with cloud computing, big data and analytics are getting a lot of attention these days, and rightly so. This is because the potential that they hold for delivering impressive leaps in organizational performance and health are considerable. For instance, big data and analytics have made impressive inroads into, and are making significant contributions in the functional areas of marketing, operations, product development, and even human resources.

Yet, applications of analytics in enhancing the effective utilization of an organization's human capital have only begun to scratch the surface, in terms of what is possible. In particular, one area that has tremendous potential for impacting the performance and health of entire organizations, but that has been largely neglected, is the deployment of people analytics in evaluating the effects of workplace IED drag—*that is the drag on performance, due to inimical employee distraction in the workplace.*

In this paper, we begin by providing a quick overview of people analytics (*also referred to as human resource analytics and human capital analytics*)—the expectations, the major challenges and the current state of the art. Next, as an introduction to the concept of workplace IED drag and its reduction, we tap into the example and inspiration provided by decades of progress made in the area of aerodynamic drag reduction efforts, as they apply to vehicles in motion. A brief discussion is provided on page 8.

Addressing workplace IED drag is very important because, as depicted in Fig. 1 on page 10, its effects propagate all the way to the top of the hierarchy of organizational objectives, ultimately producing a negative impact on shareholder value creation. In the section on workplace IED drag, common sources of workplace IED are presented. Also discussed are the key drivers of growth and profitability of an enterprise—*especially employee engagement*—as they are influenced by workplace IED drag.

Starting on page 12, the economic benefits of reducing workplace IED drag are discussed. In particular, the important role of benefits in helping employees deal with distraction at its source is presented.

Just as it is not necessary to understand the intricacies of the functioning of an internal combustion engine before taking advantage of the benefits afforded by driving an automobile, executives at leading companies are not waiting for people analytics to address all the current challenges it faces, before getting on board. They are taking the immediate steps necessary for reducing workplace IED drag, and generating additional growth and profits for their organizations. They will continue to enjoy the resulting competitive advantage, for as long as their peers choose to stay in their comfort zones, and avoid addressing the negative impact of workplace IED drag.

Finally, we conclude by inviting company executives to pause, and consider where their organizations are, in terms of efforts aimed at workplace IED drag reduction; to decide where they would like to move their organizations; and how soon they would like to make that move... so that they can begin to enjoy the additional shareholder value creation benefit of taking action without further delay.

The payoff can be significant.

THE PROMISE OF BIG DATA AND ANALYTICS

Big data and analytics are here to stay. Online marketers led the charge into the new arena of leveraging copious amounts of customer data into marketing success. Now, more and more companies across every industry are discovering the business advantage of leveraging big data and analytics in every aspect of their operations.

In a Wall Street Journal article¹, Rosenbush & Totty described how “Big Data” is changing the whole equation of business. They presented examples of the use of big data in Human Resources (*employee benefits and hiring*); in Product Development (*capturing customer preferences, as vital input to drive the design of new products, and for translating product features between diverse regions*); in Operations (*for driving continuous improvements*); and in Marketing (*for generating much more personalized and effective customized marketing messages*).

Increasing numbers of companies are getting on board and reaping the benefits of big data and analytics, in spite of obstacles that remain. Some of the obstacles are technical, according to Rosenbush & Totty, but they point out that “business as usual” can also stand in the way.

More recently, Baker, Kiewell & Winkler at McKinsey & Company² extended the discussion of the use of big data to improving pricing decision making, especially for B2B companies that deal with “enormous numbers of SKUs and transactions, as well as fragmented portfolio of customers.” Tapping into the power of big data and analytics, companies in industries as diverse as software, chemicals, construction materials, and telecommunications have been able to see profit margin improvements of between 3 and 8 percent, from setting prices at much more granular product levels, according to Baker and colleagues.

In another recent article, McKinsey Company’s Bhandari, Singer and van der Scheer³ highlighted the need to anchor analytics to a company’s strategy, as a means of tapping into “significant new decision-making firepower.” Their focus was specifically on how to drive superior growth and marketing return on investment (MROI).

One common element across every organization is the fact that the success of every initiative depends on the quality and commitment of its workforce—a fact that has prompted many business leaders to declare that people are the organization’s most valuable asset. For the rest of this contribution, we will focus our attention on examining the current state of affairs in the deployment of data analytics within human resources, both for improving the effectiveness of the function itself, as well as for positively influencing decision-making quality for business impact across the enterprise...ultimately toward the sustained achievement of higher levels of shareholder value creation.

This approach makes sense because workplace IED drag cuts across the entire organization, regardless of function, roles and responsibilities, since it shows up in the people who make the enterprise function.

¹ Rosenbush, Steven and Totty, Michael, “How Big Data is Changing the Whole Equation for Business,” *WSJ Online*, March 10, 2013. [\[Get Ref.1\]](#)

² Baker, Walter, Kiewell, Dieter. and Winkler, Georg, “Using Big Data to Make Better Pricing Decisions,” *McKinsey & Company Insights*, June, 2014. [\[Get Ref.2\]](#)

³ Bhandari, Rishi, Singer, Marc and van der Scheer, Hiek, “Using Marketing Analytics to Drive Superior Growth,” *McKinsey & Company Insights*, June, 2014. [\[Get Ref.3\]](#)

People Analytics—An Analytics Subset With Enterprise-wide Impact

The use of analytics continues to advance in the human resource function at large and mid-sized businesses, and well it should. However, many challenges remain, before the potential of people analytics (*also referred to as human resource analytics and human capital analytics*), to incontrovertibly demonstrate direct, cause-effect relationships between people investments and business results, and be effective as a strategic decision-making tool, can be fully realized. So, what are the expectations of people analytics; what are the major challenges to meeting those expectations faced by the new tools and capabilities; and what is the progress made thus far?

Expectations of People Analytics

Driven by recent advances in data storage technologies and computing firepower on the one hand, and by the vastly improved capabilities of other parts of the enterprise to harness the power of copious amounts of data to drive business results on the other hand, expectations have been rising for the human resource function to also tap into these new resources, and enable a more strategic utilization of people-related data for business decision making. While some progress has already been made toward this end, plenty of work remains to be done, toward the development of decision science capabilities for people analytics.

In a 2011 article, Laurie Bassi⁴ addressed the raging debates that continue in HR analytics, adopting the approach of addressing the “what,” “why,” “who,” “when,” and “how” of the debate. Bassi also explored the role of “Human Capital” in the sustainable agenda. In a 2014 article⁵, after discussing the superior investments that companies which consistently prioritize the “people side” of their businesses represent, she made the case for broad-based reporting of human capital information, along with financial information, to assist investors to better manage the people-related risks associated with making an investment.

Major Challenges to Meeting Expectations

In their extensive review paper of 2007, Gibbons and Woock⁶ reported that “...advances in the use of human capital analytics are less focused on business strategy and more on department efficiencies. They also delineated some of the challenges that faced the human resources profession at the time. They then posited that a new *evidence-based* approach to measuring and managing talent was emerging. In discussing evidence-based HR as state of the art, they stated that the “...approach to managing talent uses *both* empirical methods of analysis *and* standards for evaluating evidence, to build the argument that talent drives business performance.” The obvious challenge for HR practitioners at the time, which has not been fully resolved even now, was the ability to address how human capital creates value, and how HR interventions could help improve business outcomes. But much progress has been made, and continues to be made.

Gibbons and Woock further noted that evidence-based HR extended beyond the then current focus on improving efficiency or proving the value of the HR function. Rather, its practitioners are motivated by

⁴ Bassi, Laurie, “Raging Debates in HR Analytics,” *People & Strategy*, Vol. 34, No.2, 2011, pp. 14-18. [\[Get Ref.4\]](#)

⁵ Bassi, Laurie, “Where Should ‘Human Capital’ Fit in the Sustainable Agenda?,” *Cornerstone Journal of Sustainable Finance & Banking*, May 2014, pp. 56-58. [\[Get Ref.5\]](#)

⁶ Gibbons, John and Woock, Christopher, “Evidence-Based Human Resources: A Primer and Summary of Current Literature,” *The Conference Board*, Research Report E0015-07-RR, December, 2007. [\[Get Ref.6\]](#)

the desire to find the critical human levers for improving business results. They asserted that evidence-based HR places strategy at the forefront, and in doing so, adopted Kaplan and Norton's⁷ definition of strategy as describing how the company "intends to create value" for its stakeholders.

In a 2013 HBR Blog Network post, Brown, Court and Willmott⁸ address the issue of the need for a C-Suite presence for the person with the task of leading the data analytics initiative and heading up centers of analytics excellence for an organization. They acknowledged the enterprise-wide nature of data capture, storage and use, and pointed out the need for a team approach to ensuring data analytics success.

A few overarching challenges prevent many companies from using analytics to build and empower best-in-class workforces, according to SumTotal⁹. Such challenges were identified as: lack of staff with analytical skills; insufficient technology; and, lack of integration. Linking powerful analytics to workforce performance certainly has its obstacles. Nevertheless, SumTotal's 2013 study report showed that advanced analytics users were already achieving the primary goal, which is: "put the right people with the right skills in the right work, provide them with the necessary training and development opportunities, and engage and empower them to perform at their highest possible level." In addition, advanced analytics users were reported as having rated productivity, flexibility, collaboration and engagement as the most important workforce attributes.

SumTotal further reported that "increasing engagement topped the list of activities to improve company performance, even beating out productivity..." noting that although engagement is really not the ultimate goal—*productivity is*—engagement is the means to the end, the end being the achievement of greater productivity and effectiveness. An example from auto manufacturing was presented, in which a quality manager related the importance of innovation to an improving productivity environment, then proceeded to assert that innovation only happens when employees are engaged. A fairly extensive discussion of engagement, seen as key to improving company performance, then followed.

Current State of the Art

Despite the challenges faced in harnessing people analytics to the benefit of the enterprise in optimizing organizational performance and health, considerable progress is being made by several companies that forge ahead regardless. We will now take a look at some that are leading the way into the future.

Mondore et al.¹⁰ start off by acknowledging that "the definitions and process details associated with doing analytics the right way" had not been well articulated. They then proceeded to focus their article on remedying the situation, by taking readers through a step-by-step process for conducting HR analytics for maximum impact and effectiveness. After discussing the benefits of analytics, and addressing what HR analytics is not, they went on to show, through two case studies, how HR analytics should be executed. In particular, they stressed the need to show actual cause-effect relationships between HR business input on the one hand and business unit and enterprise-wide business outcomes on the other.

⁷ Kaplan, Robert S. and Norton, David P., "Strategy Maps: Converting Intangible Assets into Tangible Outcomes," Harvard Business Review Press, Boston, MA, 2004. [\[Get Ref.7\]](#)

⁸ Brown, Brad, Court, David and Willmott, Paul, "Can Your C-Suite Handle Big Data?," *HBR Blog Network*, October 10, 2013. [\[Get Ref.8\]](#)

⁹ (Sponsor, SumTotal), "Connecting Workforce Analytics to Better Business Results," *A Harvard Business Review Analytic Services Report*, 2013. [\[Get Ref.9\]](#)

¹⁰ Mondore, Scott, Douhitt, Shane and Carson, Marisa, "Maximizing the Impact and Effectiveness of HR Analytics to Drive Business Outcomes," *People & Strategy*, Vol. 34, No.2, 2011, pp. 20-27. [\[Get Ref.10\]](#)

Structural equations modeling, a statistical analysis approach used by econometricians and market researchers, was introduced as a tool that helped assure the uncovering of cause-effect relationships required to validate any evidence-based advice on how to drive the business, from a business results perspective.

Frank DiBernardino started his 2011 article¹¹ by expressing his view that “a financial approach to human capital analytics can help drive human capital strategy, revenues, margins and shareholder value.” He distinguished between the prevailing tendency of internal HR functions to focus on measures of efficiency of the function, and the desire by corporate decision makers for measures of effectiveness, such as ROI, “to gauge the impact of human capital (HC) investments on enterprise-level value.”

DiBernardino developed his approach to human capital analytics to parallel financial capital analytics, as a way to provide the “missing link” in HC analytics: the “... ability to isolate an organization’s entire investment in human capital so that its performance can be measured and managed with the same empirical precision paid to financial capital.” He went even further, by presenting a corollary to the recommendation by McKinsey’s Jiang and Koller¹² on how to choose between growth and ROIC, suggesting that the first priority for an enterprise should be to manage to an acceptable level of human capital ROI, then invest in growth.

In a 2011 paper on connecting people investments to business outcomes, Coco et al.¹³ presented a case study on the successful application of HR analytics in which they successfully linked employee engagement to business performance. A systematic methodology for determining the impact of people on financial results was developed, designed specifically for measuring the relationships of HR data points to other metrics throughout the organization. In particular, statistical modeling techniques were used “to show cause-and-effect linkages,” useful for managing complex business processes.

Another noteworthy application of people analytics comes from Google, Inc. In a 2013 TLNT article, Sullivan¹⁴ discussed the application of people analytics at Google, Inc., and tied the success of people analytics to innovation success, which is an engine of growth and organizational health. Sullivan also pointed out that since people costs can approach 60 percent of corporate costs, it makes sense to manage such a large cost item analytically. Indeed, Google embraced a data culture from the start, and the company uses data to drive people decisions, among others.

Examples of these can be seen in a 2011 presentation by Dekas¹⁵, People Analytics Manager at Google. Dekas presented a six-step analytics chain that Google Analytics team (*a free-standing unit that reports*

¹¹ DiBernardino, Frank, “The Missing Link: Measuring and Managing Financial Performance of the Human Capital Investment,” *People & Strategy*, Vol. 34, No.2, 2011, pp. 44-49. [\[Get Ref.11\]](#)

¹² Jiang, Bin and Koller, Timothy, “How to Choose Between Growth and ROIC,” *McKinsey on Finance*, No.25, Autumn 2007, pp. 19-22. [\[Get Ref.12\]](#)

¹³ Coco, Cedric T., Jamison, Fiona and Black, Heather, “Connecting People Investments and Business Outcomes at Lowe’s: Using Value Linkage Analytics to Link Employee Engagement to Business Performance,” *People & Strategy*, Vol. 34, No.2, 2011, pp. 28-33. [\[Get Ref.13\]](#)

¹⁴ Sullivan, John, “How Google is Using People Analytics to Completely Reinvent HR,” *TLNT: HR Management, HR News & Trends*, February 26, 2013. [\[Get Ref.14\]](#)

¹⁵ Dekas, Kathryn, “People Analytics: Using Data to Drive HR Strategy and Action,” *Presentation at O’Reilly Strata Jumpstart*, New York, September 19, 2011. [\[View the Presentation\]](#)

directly to the HR executive) uses to extract the most business value from data. The six steps, in the order of increasing value, comprise the following: opinion, data, metrics, analysis, insight, and action.

According to Keenan¹⁶, companies that have established HR analytics groups to get a clearer understanding of the behavior, potential, and risks inherent with their workforces include Procter & Gamble Company, Lowe's Companies, Inc., Marriott International, Inc. and Intel Corporation. He notes, however, that companies leading the way in HR analytics are sometimes reluctant to talk about their work, as they seek to maintain their related competitive advantage.

The desire to get a better handle on their workforce capabilities and flexibilities is of particular relevance to companies that seek to build upon their operational excellence through tactical agility in workforce deployment. In a 2013 Harvard Business Review Analytic Services Report¹⁷, the point was made that "the pressure to make the link between financial performance and talent management is expected to continue." The example was given of a global company where executives were able to access real-time data on compensation, performance and tenure, which was then overlaid by information on skills for workers at factories around the world, as the company considered targets for expansion.

One recurring theme in the reported cases of successful application of people analytics to directly connect investments in people with business outcomes—*with a clear cause-effect guarantee*—has been the cautionary statement that the results were specific to the particular organization for which the study was carried out. Clearly, the desire to develop a people analytics decision science with general applicability, one that parallels that used for evaluating financial capital investments, remains a work in progress.

The Drag on Shareholder Value Creation

So far, one important area of organizational performance and health that the practitioners of people analytics have not even acknowledged, is the drag on the growth and profitability of a company that results from workplace IED. The seriousness of the oversight will be highlighted in the next section, when we discuss the analogous case of aerodynamic drag on vehicles in motion. Given its importance in helping to further fine tune organizational performance and health, we will take a closer look in the following section, on workplace IED drag. But before we do that, it would be illustrative to take a look at one drag on performance with which we all are familiar... the aerodynamic drag on moving vehicles.

A Brief Comparison With Aerodynamic Drag

The consequence of aerodynamic drag, which typically shows up in terms of higher fuel consumption to overcome the drag resistance, is very well known, if not the details of drag coefficients and wind tunnel studies that are typically undertaken toward reducing the effect. Hence, that fact should help us to appreciate the concept of a drag on organizational performance that results from the issues that render employees distracted on the job, and therefore unable to fully engage and give of their best. Sources of workplace IED and its consequences, such as absenteeism and presenteeism impact other drivers of performance, that ultimately influence shareholder value creation... as we shall see in the section on workplace IED drag.

¹⁶ Keenan, Charles, "Human Capital: Leveraging Your Company's Greatest Asset," Corporate Board Member Magazine, Third Quarter, 2012. [\[Get Ref.16\]](#)

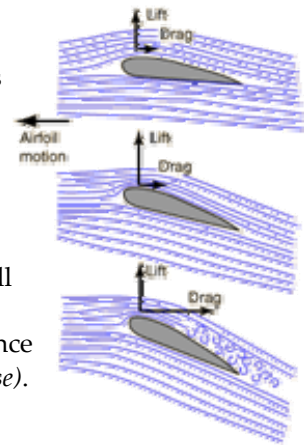
¹⁷ (Sponsor, workday), "Taking Measure of Talent," A Harvard Business Review Analytic Services Report, 2013. [\[Get Ref.17\]](#)

AERODYNAMIC DRAG—AS ILLUSTRATION

The phenomenon of aerodynamic drag on all types of vehicles and aircrafts has been studied and investigated for decades and is very well understood. Hence it qualifies to serve as illustration for the phenomenon of workplace IED drag, which has received very little attention. Besides, the direct cause and effect nature of the measures adopted to address aerodynamic drag, and the benefits that result from such measures have been quantified in hard numbers. These facts might suggest possible milestones for evaluating progress made in the effort to address the similar phenomenon of workplace IED drag.

Aerodynamic Drag Penalty

At a basic level, aerodynamic drag is the frictional resistance experienced by a vehicle as it moves through the air. Without it, and such other frictional agents as the rolling resistance of the tires (*something that is obviously absent in the case of an airborne aircraft*), no additional force would be required to keep a vehicle in motion at a constant speed... according to Newton's first law of motion. A direct consequence is that no additional fuel would be needed. Aerodynamic drag's penalty is that fuel has to be constantly consumed, in order to keep a vehicle in motion. The less aerodynamic the shape of a vehicle, the more air resistance it will experience and, consequently, the more fuel it would consume, in order to overcome that air resistance. In a two-dimensional view, a square would experience more aerodynamic drag for instance, than an airfoil (*at low angles of attack, of course*).



Aerodynamic Drag Reduction

Motivation for reducing the drag encountered by a vehicle in motion is driven by different agendas. Restricting our discussion to land vehicles, let's consider two cases: automobiles and tractor-trailers.

Private Vehicle Example—Automobiles

Aerodynamic drag reduction efforts in automobiles are not all driven by a desire for fuel efficiency. Yes, standard automobiles tout their fuel efficiency numbers (*typically miles per gallon—mpg*) as a badge of honor. Government mandates in the United States and, presumably, in other developed economies, also specify corporate average fuel economy (CAFE) targets for automobile and light truck fleets. Hybrid vehicles powered by electricity and gas engines, have been able to achieve impressive mpg numbers.

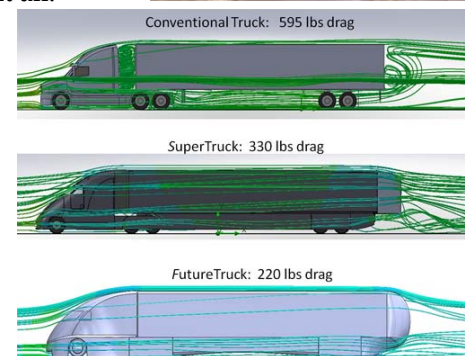


However, for another class of automobiles, the pursuit of extreme drag reduction is driven by a different objective—*performance*. Here, the primary metric of choice is the 0-60 mph time clocked by the vehicle. Fuel efficiency and gas mileage come much further down the list of objectives, if at all.



Commercial Vehicle Example—Tractor-Trailers

When it comes to tractor-trailers, operational economies and fuel mileage performance are top of mind. Efforts aimed at improving fuel efficiency in tractor-trailers have yielded significant savings to the operators of such vehicles, since much progress has been made. Regardless though, design changes continue to be made, driven by the quest for even more savings. Futuristic designs are being continually pursued—for even more drag reduction gains.



WORKPLACE IED DRAG—ON ORGANIZATIONAL PERFORMANCE & HEALTH

After that brief discussion of aerodynamic drag, you might be wondering, what has all that got to do with workplace IED drag? Well, drag caused by inimical employee distraction (IED) in the workplace—*what we refer to as workplace IED drag*—is the people equivalent of aerodynamic drag that we just discussed. Just as aerodynamic drag erodes the momentum of vehicles in motion, workplace IED drag erodes the ability of an enterprise to achieve or sustain maximum possible shareholder value creation. Workplace IED drag negatively impacts the drivers of individual employee productivity and engagement.

Sources of Workplace IED

Disruptors to normal living come in many forms and from many sources. Many of these life disruptors are accompanied by considerable amounts of worry and stress delivered to the individual, resulting in distractions from the normal rhythms of life. Work-life is not exempt, and employees are typically unable to leave their distractions, worry and stress at home, or in the parking lot, upon arrival at work.

Known sources of employee distraction that accompany them to, or originate at work include:

- Health issues or worries
- Family issues or worries
- Financial issues or worries
- Legal issues or worries
- Ill-advised lifestyle choices
- Workplace-based/enabled sources
- Other life disruptors, from the trivial to the traumatic.

Workplace IED Drag Penalty

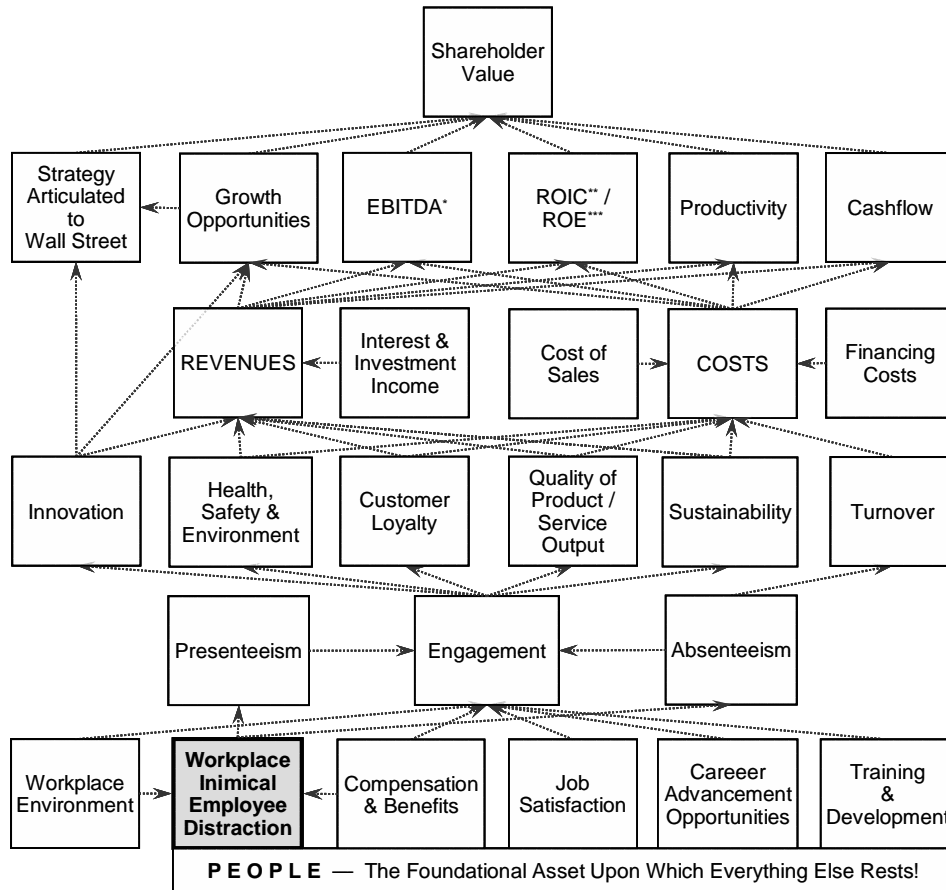
Distraction, wherever it surfaces, manifests as a temporary reduction in concentration and, possibly, in cognitive abilities. Depending on the particular situation where someone becomes distracted, the consequences can be very severe indeed. For instance, we all are aware of the very serious outcomes that can result when someone operates a vehicle, while simultaneously sending and receiving text messages on their mobile phone. Unfortunately, reported cases of distracted driving and their serious consequences continue to climb.

However, unlike driving while distracted—a *more open and obvious form of distraction, and one with potentially more immediate consequences, such as loss of human lives or serious physical injury*—workplace IED drag is a more insidious variety, one that can persist undetected for long periods of time, but with serious negative economic consequences for the organization in which it is allowed to flourish. Like the condition itself, its consequences for the organization manifest over both the short-term and the long-term.

As illustrated in Fig. 1, workplace IED drag shows up primarily as increases in absenteeism and presenteeism, which can progress into a decrease in employee engagement. These “causes” then propagate all the way up the hierarchy of organizational objectives, to finally appear as the “effect” of a reduction in shareholder value creation.

We will now take a closer look at these manifestations of the effect of workplace IED drag—absenteeism, presenteeism and a reduction in employee engagement.

Hierarchy of Organizational Objectives
 for Achieving & Sustaining Organizational Performance & Health



The **organizational objective** is to increase/decrease the impact of every item above, toward increasing Shareholder Value.

* Earnings Before Interests, Taxes, Depreciation & Amortization
 ** Return on Invested Capital
 *** Return on Equity

Figure 1: Hierarchy of Organizational Objectives

Absenteeism and Presenteeism

Absenteeism, on the one hand, is very well known, and has been around since the inception of organized labor. Still, there is an economic cost associated with absenteeism, especially when it involves salaried employees. Nevertheless, the effect is transparent and easy to track and, hopefully mitigate or minimize.

Presenteeism, on the other hand, is a more insidious penalty that results from workplace IED drag. Since the involved employee is actually present and on the job, presenteeism is much more difficult to detect, and therefore, to mitigate or eliminate. Yet the negative effect on organizational performance can be even more pervasive and far reaching, since presenteeism can negatively impact engagement and, consequently virtually every other aspect of an organization’s operations, as illustrated in Fig. 1. In a 2004

Harvard Business Review article¹⁸, Paul Hemp referred to presenteeism as the “\$150 billion problem: the nearly invisible drain on worker productivity,” caused by common ailments. That was a decade ago. Besides, his focus was on distraction that was triggered by health issues only.

Employee Engagement

Employee engagement continues to enjoy considerable attention, both from HR executives and their colleagues in the C-suite executives, who are increasingly searching for more evidence of return on investment in a variety of people initiatives. For instance, as employers seek to manage escalating health care costs, pressure is increasing on HR departments to demonstrate stronger return metrics for wellness programs, especially as they relate to increasing engagement and productivity measures. In a recent article, Kuehner-Hebert¹⁹ discussed the challenges faced by big data and analytics practitioners, in meeting demands from top decision makers for evidence-based impact on business outcomes.

Hartley²⁰ acknowledged that there are “a host of psychological and motivational components at the core of employee engagement.” She went on to discuss the difference between employee satisfaction and engagement, making the point that “employees’ satisfaction with their jobs does not mean they are engaged.”

So, what really is employee engagement? Ray²¹ presented a definition from The Conference Board, after she pointed out its three main elements as being: cognitive commitment, emotional attachment, and behavioral outcomes. The Conference Board definition of employee engagement, as presented by Ray is:

“Employee engagement is a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that, in turn, influences him/her to apply additional discretionary effort to his/her work.”

Ray’s work builds upon earlier work on employee engagement done by Gibbons²². Ray proceeded to present other definitions of employee engagement from other organizations, and eventually discussed why we have ended up with an “expanded, more holistic concept of engagement.” Next, she presented the drivers of engagement, under an eight-theme framework.

With regard to the impact of employee engagement on business performance, Ray reported on studies that identified nine business-level outcomes that can be significantly linked to employee engagement. The schematic of the hierarchy of organizational objectives in Fig. 1 provides a convenient presentation of the drivers and outcomes that lead to the ultimate business objective: sustained, superior shareholder value creation.

¹⁸ Hemp, Paul, “Presenteeism: At Work—But Out of It,” *Harvard Business Review*, October 2004, pp. 49-58. [\[Get Ref.18\]](#)

¹⁹ Kuehner-Hebert, Katie, “Big Data or No Data: Can Wellness Boost Engagement?,” *Talent Management—Special Report: Employee Engagement*, June 2014. [\[Get Ref.19\]](#)

²⁰ Hartley, Deanna, “I Don’t Want No Satisfaction,” *Talent Management—Special Report: Employee Engagement*, June 2013. [\[Get Ref.20\]](#)

²¹ Ray, Rebecca, “Employee Engagement in a VUCA World: A Review of Current Research and Its Implications,” *The Conference Board*, Research Report R-1480-11-RR, July, 2011. [\[Get Ref.21\]](#)

²² Gibbons, John, “Employee Engagement: A Review of Current Research and Its Implications,” *The Conference Board*, Research Report E-0010-06-RR, November, 2006. [\[Get Ref.22\]](#)

Absenteeism appears on Ray's list, as a business-level outcome. However, it is possible to imagine a chicken and egg debate on absenteeism and engagement, entertaining the question: which comes first? It is certainly possible that non-work-related distractions can lead to high levels of absenteeism by an employee, which can then negatively impact engagement.

Ray introduced and then proceeded to address another chicken and egg question: "Are employees engaged because they are top performers? Or are they top performers because they are engaged?"

So, what is the role of employee engagement in fostering organizational health? McKinsey & Company's Keller and Price in their 2011 article²³ (and later in their book, *Beyond Performance*,²⁴) cautioned that cultivating organizational health should not be confused with other concepts such as employee satisfaction or employee engagement. They defined organizational health as the ability of an organization to align, execute and renew itself faster than competitors can. Organizational health, they further explained, is about adapting the present and shaping the future faster and better than the competition. Clearly, employee engagement is an important prerequisite for achieving organizational health... in addition to its key role in driving organizational performance.

Economic Benefits of Workplace IED Drag Reduction

The economic effects of the drag reduction design or retrofitting of a tractor-trailer can be measured easily and precisely, in terms of fuel consumption savings. There is a direct cause-effect relationship. This is currently not the case with measures taken to improve the primary drivers of organizational performance and health. A key reason for this state of affairs is that, while attempting to establish a cause-effect relationship, it is virtually impossible to isolate the effect of any single variable, while holding all the other contributing variables constant. Yes, statistical analysis methods such as multivariate regression analysis can be employed, but caution must always be exercised, even where clear correlations are established, since correlation does not necessarily imply causality.

As we saw earlier, most workplace IED originates outside the workplace, and is therefore not amenable to direct mitigation by an employer. Still, every effort should be made to reduce workplace IED drag, and its consequences for the organization, by helping employees access the tools needed to effectively deal with the IED-producing life disruptors... just as tools are applied, and measures are taken to reduce aerodynamic drag.

The importance of using employee benefits to reduce workplace IED drag has been largely underestimated. A 2013 Harvard Business Review Analytic Services Report²⁵ was devoted to the relevant topic of employee benefits in the age of big data and analytics. The discussion included understanding the extent to which employee engagement affects revenues, and how to increase both. Driven by the demand to effectively "navigate the multiple objectives of satisfying employees, managing rising costs, and complying with evolving regulations related to the Patient Protection and Affordable Care Act (PPACA)," companies are being compelled to "reevaluate which benefits carry the most impact for

²³ Keller, Scott and Price, Colin, "Organizational Health: The Ultimate Competitive Advantage," *McKinsey Quarterly*, June, 2011 [\[Get Ref.23\]](#)

²⁴ Keller, Scott and Price, Colin, "Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage," John Wiley & Sons, Inc., Hoboken, NJ, 2011. [\[Get Ref.24\]](#)

²⁵ (Sponsor, Sun Life Financial), "Benefits in the Age of Big Data and Analytics," *A Harvard Business Review Analytic Services Report*, 2013. [\[Get Ref.25\]](#)

employees and how best to deliver them. At stake is the quality of an organization's workforce and, ultimately, its financial sustainability."

According to the report, 36 percent of respondents say their companies would invest more in benefits, if they could quantify the impact on the bottom line, and 15 percent of respondents' companies were already quantifying that impact. Indeed, several portions of the report highlight the potential of employee benefits to help reduce workplace IED drag. Relevant quotes include the following:

Among survey respondents that quantify the impact of benefits spending on any measure of business performance, "only a slim percentage track benefits spending in relation to an outcome, such as revenue; most are looking at intermediate measures such as retention rates or engagement."

"A solid 50% of survey respondents see a strong connection between benefits and broader corporate objectives such as employee morale and retention. Over 60% say their companies have a strong sense of responsibility regarding the financial well-being of employees and their families."

"... connecting benefits with results remains a challenging task. 'It's easy to look at items like the cost of running a program... now, what we are trying to do is make the leap to quantifying employee productivity.'" Among the *productivity proxies* the company is considering are absenteeism (*missed work*) and presenteeism (*lackluster performance while at work*).

"*Productivity* and higher *retention rates* are two of the most commonly cited metrics among the small group of companies that claim to be measuring the value of benefits, along with the *company growth*, increased *customer satisfaction*, and decreased *absenteeism*. *Employee engagement* surveys, which ask employees how they feel about benefits, as well as... workplace culture, are also popular."

"...measuring impact of benefits on business performance appears to intensify that impact. The small group of companies that report using specific metrics in this area also rises to the top in terms of seeing the greatest effect on the bottom line as a result of their benefits."

"... the good news is that the turmoil in the benefits landscape offers new opportunities to measure the "before" and "after" effects of changes... track a number of metrics beyond the program costs" ... and how a program affects employees' productivity at work and absenteeism rates.

"While it is still rare for companies to uncover a precise connection between benefits and results, some companies stand out for what they reap from the benefits they offer... excellence in benefits is a matter of strategic focus, breadth of offerings and extraordinary communications."

"Approximately 30% of respondents... believe their firms offer best-in-class benefits, in contrast to the majority, who simply aim to keep up with competitors. A number of factors differentiate this group from others in ways that can be helpful for those looking to make smart changes."

"A primary distinction for those with best-in-class benefits is their organizational philosophy. Those at best-in-class companies are almost three times as likely as those in companies with competitive benefits to see benefits as an investment rather than an expense and likely worthy of more thoughtful assessment rather than simple cost calculations. This stance is logical, as they are also more than twice as likely... to see a positive impact on profits as a result of benefits spending.

"Taken together, these findings suggest that best-in-class benefits packages are more effective at making employees feel as though the company cares about them and their families and wants them to thrive both

on and off the job. This can strengthen employee morale and engagement, and along with it, productivity, leaders say. “We try to tell employees that ‘we value you as a person’ with our benefits; we think people appreciate that and return the favor in their performance.””

“These effects can be powerful, even when employees are paying some or all of the cost of such benefits... With high participation rates in the plans, ‘it would be frowned on if we took them away, even though they’re voluntary.’ Such options are generally popular... because they provide lower-than-market rates and a large dose of convenience.”

“At stake is the quality of an organization’s workforce and, ultimately, its financial sustainability.”

The extensive quotes above have been included because they help to encapsulate the value of employee benefits, when properly deployed, to effect a decisive reduction in workplace IED drag.

CONCLUSION

Imagine that the automotive industry never addressed the issue of aerodynamic drag. The industry would have marched on, regardless. But the performance and fuel economy of vehicles would have remained stuck well below the realm of possibility.

Similarly, if companies ignore the insidious drag on organizational performance and health that results from workplace IED, business life will certainly continue unhindered. And companies will continue to be faced with a huge missed opportunity. Opportunities for additional shareholder value creation will remain untapped. But, as inevitably happens, a few organizations are already addressing the issue, and reaping the economic benefits. And, as more and more companies become aware of workplace IED drag, and the opportunity it represents, the number of companies that come on board will continue to increase.

All companies fall into three basic categories, when it comes to their current stage of addressing workplace IED drag. These can be described as Last Century, State of the Art, or Futuristic.

Staying in the Last Century

Negligible economic benefit from workplace IED drag reduction. These are companies that are totally clueless, or that have chosen to ignore the problem. They have chosen not to even attempt moving any of the levers that are available for addressing workplace IED drag. Such companies have the most to gain from facing up to the challenge, and putting in place measures for helping their employees deal proactively with distraction.



Maintaining State of the Art

Some economic benefit from workplace IED drag reduction. Companies in this category accept the fact that there is an organizational payoff to reducing workplace IED drag. Therefore, they are taking steps to deploy employee benefits to address the problem. However, the effectiveness of the measures introduced remains far below what's possible. For instance, low rates of participation in, and utilization of benefits introduced to address any of the sources of workplace IED will not have the full desired effect.



Leading Into the Future

Maximum economic benefit from workplace IED drag reduction. Finally, there is the ultimate prize, available to any company willing to step outside the box of conventional wisdom. Such companies will be prepared to evaluate investments in the workforce against the returns from such investments, even if such investments include helping employees to cover some or all of the costs of employee benefits that will help minimize workplace IED drag. Maximum economic benefit to the organization will be realized when all such employee benefits are not only made available to all employees, but serious efforts are made to encourage maximum participation and utilization levels.



To conclude, we ask: Which of the three scenarios best depicts the situation at your company? Will keeping workplace IED drag within your organization at its current level continue to be allowed to hurt the effectiveness of your initiatives to leverage innovation into future growth and profitability?

Are you satisfied with maintaining the current levels of the insidious drag from workplace IED in your organization? If not, what do you plan to do about it? And when do you plan to initiate action?



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