

LINKING EMPLOYEE OPINIONS TO PERFORMANCE GOALS OR INCENTIVES

Many clients have successfully used results from employee surveys in their variable compensation calculations. The role of employee opinion results should be considered as one component among many measures that managers are accountable for addressing. When employee opinions are part of a comprehensive plan and integrated well, significant, positive change can result in managers' and employees' behaviors or opinions. Research has shown that this can have a substantial effect on business results.

Generally, the most effective employee survey based metrics in variable compensation calculations at a manager level have qualitative elements. For example:

- Were action plans or initiatives successfully executed?
- Was the planned improvement of a particular index achieved?
- Were employees sufficiently and fully involved in the process?

It is critical that survey measurements are well communicated in advance, tracked over a period of time and statistically reliable. These guidelines suggest using higher level scores such as a business unit or overall enterprise results when the actual survey scores are used in variable compensation calculations.

The following are guidelines on how employee survey results may be incorporated into variable compensation calculations. Every situation is different and applicable laws, regulations and practices and existing employment agreements and compensation plans must be reviewed before such a plan is implemented.

RECOMMENDATIONS IN ORDER FOR LINKS TO BE SUCCESSFUL

The Formula for Linkage Should be Communicated in Advance

As with any incentive or performance management system, expectations should be communicated in advance so that managers have a chance to react and do not feel that the rules have changed in midstream.

Commit to Continue the Survey Program on a Regular Basis

Any performance goal or incentive program works best over time. Managers and employees begin to understand what types of efforts lead to success. This understanding is critical for the program to effectively motivate and reward improvements in the work environment. The commitment to continue the program should include plans to re-administer the survey and the goal or incentive program on a regular basis.

Focus Survey Follow-Up on Results Related to Business Outcomes

In order for employee opinions to improve, formal follow-up programs should be created. Managers who are affected by the performance goal or incentive program should have the ability (including time, budget and other resources) to make improvements on areas previously identified as the priorities for survey follow-up.

A related question to consider is who to include in the program. In general, this could be managers who were accountable for following up on the survey results—usually those who received results reports. There are several non-survey considerations as well, such as internal equity, organizational level, etc.

OPTIONS FOR MEASURES ON WHICH TO BASE THE PROGRAM

Base the Program on the Accomplishment of Survey Follow-Up Action Plans and Initiatives Versus Specific Scores

The benefits of this approach are that (a) you do not need to re-survey in order to determine the success; (b) it can easily be integrated into existing MBO-type programs; (c) success is tied to concrete efforts rather than survey measurements. The disadvantages include that action plans are often more difficult to measure and may not actually improve employee opinions.

Base the Program on Survey Measurements Most Closely Related to the Priorities you Chose

If the priorities are well chosen and effectively pursued, they should represent the areas that are most important for the business and receive organizational attention and resources.

Base the Program on an Established Index Relevant to Company Success

This index should be clearly defined and well understood. It should be well grounded in research. Kenexa, an IBM Company, has some well developed, general use indices including the Employee Engagement Index.

Base the Program on Global Workplace Issues

This approach is a good general barometer of how people feel about their workplace and their commitment to staying with the company.

HOW TO MEASURE IMPROVEMENTS AND DETERMINE SUCCESS

Programs Based on Survey Data Must be Based on Statistically Reliable Techniques

When comparing two years of survey data, it is recommended that there is a statistically significant improvement before determining that there has been improvement. The guidelines are straightforward: the size of difference one needs to see in survey results from two different time periods in order to conclude that a difference is significant depends on the size of the organization or unit being compared. If the organization or unit exceeds 100 survey respondents in size, a five percentage point difference represents a “practically” significant difference (see Table 1). For smaller organizational units, larger differences are needed to conclude that the change over time is practically significant. It is in this respect that the guidelines follow statistical principles: just as with a statistical test, unit size is considered in determining the threshold for a significant difference.

TABLE 1: MEASURE OF STATISTICAL SIGNIFICANCE

If number of respondents in the unit compared is...	Look for differences in percent favorable of...
100 or more	5% or more
50 – 99	10% or more
Less than 50	15% or more

A five to 10 percentage point improvement can be fairly realistic, yet would represent quite an achievement. Perhaps one in every 40 organizations sees general improvements of more than 10 percentage points.

It is More Reliable to Use Dimension Scores Rather Than Individual Item Scores

The cases where individual item scores alone can be used effectively are where they represent key outcomes like overall satisfaction with the organization or serious consideration of leaving. For other topics such as training, dimension scores should be used.

Measure Managers on Organization-Wide Scores Versus Departmental Scores

While this can build more of an organizational unity in survey follow up, it can also demand trust among the managers to pull their own weight.

Examine the Level of Unfavorability Versus Favorability

If unfavorable levels pose a particular concern, you might want to base the program on reducing the level of unfavorable rather than improving the favorable. The level of unfavorable is often the appropriate focus for issues like safety or consideration of leaving the organization.

Base the Program on Attaining and Maintaining a Specified Level of Favorability Versus Solely on Improvements

In this way, the managers who are already good at fostering a positive working environment are not punished. It is always easier for those who need the large improvements to realize the largest gains. ■

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