

Employee Confidential

Using Identified Survey Information

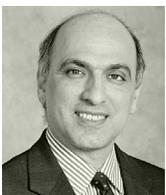
A European client of ours recently asked about the benefits of using “identified” (though still confidential) employee surveys and how you convince leadership, and corporate counsel, to sign off on this approach.

In discussions about the design of the company’s new engagement survey, he was encountering stiff resistance from members of the engagement survey project team and their planning committee about moving in this direction as well as concerns from their legal function as to whether an identified survey would be compliant with data protection regulations in the European Union (EU). The client reached out to us because he knew of our experience working with data from identified surveys in client engagements and the huge value

we attribute to that source.

What is the value of using a survey protocol that permits linkage of employee responses to corresponding individual archival data? Good workforce analytics are designed to help organizations better understand what employees most value in the employment value proposition and what financial and non-financial elements of that proposition — e.g., pay, specified benefits, career advancement, learning, colleague relationships, working conditions, etc. — elicit the strongest behavioral responses. They provide insight into how employees actually experience the employment value proposition and whether that reality differs notably from what the organization thinks it is offering them.

Finally, they help uncover the key sources of value produced by an organization’s workforce so in the design and implementation of their workforce policies and practices they can focus resources on the right things and leverage their investments.



Haig R. Nalbantian
Mercer Workforce Sciences Institute

Of course, there are important issues of data privacy connected to analytics in all of these domains. No organization should embark on such an undertaking without addressing these issues carefully and comprehensively and ensuring the right protections are in place before permitting any access to such data beyond its source. I cannot think of a situation in which we were unable to put these protections in place and satisfy legal counsel that the data handling protocols and processes strictly and ethically maintained data privacy and were compliant with relevant regulations.

From a pure survey perspective, assurances of confidentiality are essential to elicit truthful and meaningful responses. That is why virtually 100 percent of engagement or satisfaction surveys are conducted this way. It is also why companies generally turn to third party vendors to conduct and analyze the survey and manage the survey process. This is the surest way to make the promise of confidentiality credible. That cannot be compromised. Any suggestion that the confidentiality of individual responses would be breached would undermine the integrity and, ultimately, the value of the survey. There is absolutely no incentive to weaken assurances of confidentiality.

Yet, survey responses do not emerge in a vacuum. They are affected by various individual and situational factors that characterize the work environment and shape individual perceptions and behaviors. To take a simple example, levels of engagement and responses to particular survey questions of employees in this professional services firm were found to vary significantly by tenure.

Multivariate modeling of the predictors of engagement would uncover a broad range of factors and combinations of factors that significantly affect the measured outcomes and tell a far richer story that opens pathways for an organization not just to track engagement but also to effectively and efficiently drive it upwards.

If the organization fails to account for these factors — at the right level of analysis — it will surely miss existing or looming risks as well as opportunities to better tailor its

Figure 1 Favorability of employee responses to items on an engagement survey in this services company generally decline with tenure

Category	% pay for company	<1 year	1-2 years	3-4 years	5-10 years	11-20 years	20+ years
Clients	79	3	-1	0	0	1	2
Management of team/ dept	69	6	2	2	-1	-1	-2
Colleague engagement	69	14	1	-2	-3	1	3
Your job and role	68	8	2	0	-2	0	1
Integrity, ethics and values	68	8	2	0	-2	0	1
Leadership	63	16	5	0	-4	-3	-3
Teamwork and cooperation	59	8	1	-1	-2	0	2
Fairness and diversity	56	19	4	-1	-4	-3	-3
Corporate citizenship	55	9	3	0	-2	-2	-2
Communication	54	13	6	1	-4	-2	-3
Parent company	52	16	4	1	-4	-2	-4
Development and career	47	18	2	-2	-4	-1	2
Reward and recognition	42	15	1	-3	-3	0	1

Source: Mercer

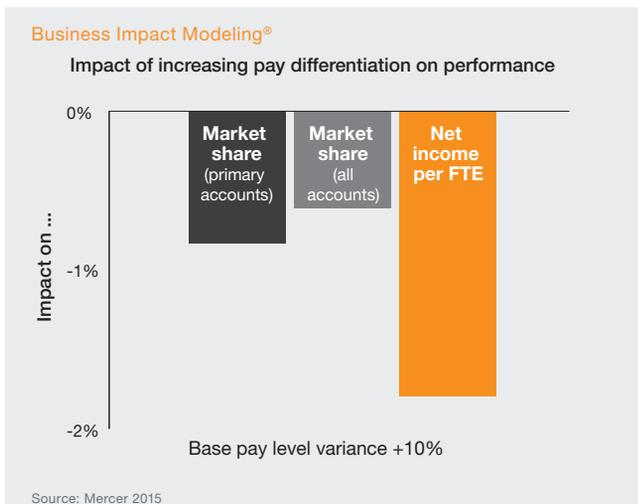
policies and practices to the needs and interests of different workforce and business segments.

The best way to be able to make these connections is to have some means of linking survey responses to the HRIS and related HR system records of individual employees. There is no getting around that reality. Yes, we can use higher-level indicators like department or office location, but chances are these will miss many of the key factors that drive the survey responses. Individual records are best.

The linkage of survey with archival data goes beyond understanding what drives individual responses. It also permits evaluation of broader policy issues. As an example, some years ago we undertook an analysis of the drivers of branch level performance in a U.S. regional bank. Specifically, we modeled how various workforce factors and practices influenced four performance measures at the branch level: net revenue, customer retention, growth of premium accounts and local market share — all measures that Finance was tracking carefully. We learned a great deal about the importance of length of service in the front-line roles, the power of greater use of incentive compensation, and opportunities to economize on local management, among many other things.

One important finding that surprised the bank's executive team and contradicted its management philosophy was the

effects of pay differentiation. Management wanted more pronounced differentiation than was currently the norm. They wanted to stop being so extremely “employee friendly” and become more demanding in their performance evaluations as well as expand differentiation in their merit pay increases with large increases going to top performers and less to average or low performers. Our analysis of the running record of actual business results showed that, in fact, the branches that exhibited less differentiation in pay performed substantially better on virtually all of the business performance measures identified below:



Any way we looked at it, the branches with more pay compression fared better. Our assessment was that some of the branch leaders had successfully created a team culture and it was working for them. Something about the company fostered that team orientation and it was producing value for the bank. Why run the risk of disrupting and imperiling this achievement by pressuring branch and regional managers to introduce greater individual differentiation? Notwithstanding the beliefs of top management, the record showed that those who did so had weaker, not stronger, results.

Some skeptical members of the management committee pushed back with questions: “How can this be? We don’t share information about employee ratings and pay among employees. How could they possibly know whether there was more or less differentiation of pay in their local branches?” Fortunately, we had access to several years of engagement survey data from a vendor that deployed an individually identified survey. We were therefore able to link the survey responses to the archival data at the individual and branch levels. The research showed that in the branches with less differentiation, employees responded more favorably to these

statements: “My manager treats me fairly.” “My manager cares about employees in the branch.” “I am paid fairly.”

In other words, there was something else in the management style and behaviors of local managers that correlated with their actions on pay. Apparently, managers who were able to instill a sense of comfort and belonging in their groups, who created more of a team environment also tended to focus more on group than on individual performance. They differentiated individual pay less.

Modeling the drivers of branch performance across branches and over time uncovered distinctive patterns that showed the likely effects of this type of change in the organization’s approach to decisions about pay. In this case, the analysis raised a serious red flag. The engagement survey data provided important corroboration of the core findings and uncovered the avenues through which the effect materialized. They provided a level of granularity and fed a story line that was compelling to leaders, sufficient to override their previous convictions.

I would never generalize these findings from the regional bank because all organizations are unique. In this particular environment, within this particular culture, the data showed that the team-oriented model was more effective than one emphasizing individual performance and differentiation. Ironically, it was the engagement survey data that clinched the deal with top leadership. The analysis of archival data alone was not enough to convince them. The link to employee perception closed the loop. In our experience, combining learnings from the analysis of archival and perceptual data is the surest way to get the facts and uncover the real story within the data.

Because of legitimate concerns about data privacy, one should always obtain proper legal advice about the appropriateness of one’s proposed approach to the transfer, handling and use of employee data. In my 25 years of working with the most sensitive employee data from both archival files and surveys, I have found there is usually a way to rigorously adhere to ethical and legal requirements while permitting organizations to extract the full value of the employee information in their possession. Before launching projects with clients in the EU and the more restrictive countries with respect to data privacy, we generally have our legal departments involved in the relevant jurisdiction to review the data issues in play and offer guidance on how to proceed. Given the value that can be derived from identified surveys, it is worth the effort. **WF**

Haig R. Nalbantian is senior partner at Mercer and co-leader of its Workforce Sciences Institute in New York City. Contact him at haig.nalbantian@mercer.com.