realise your potential

SHIFTING THE Employee Productivity Curve

with Smart Talent Management Strategies

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The impact of employee productivity on the bottom line

Making a profit in today's business climate is notoriously difficult. Companies must navigate many challenges, including increased regulations, stricter budgets and keeping up with rapidly changing technologies – all threats to your bottom line. Yet amid these challenges, companies can still thrive – by improving productivity.

Improving productivity is all about efficiency – producing more while using less effort and resources.

> In practical terms, this means sales teams sell more, production lines catch defects sooner and the retail floor is faster and more accurate at managing stock.

The common denominator in these scenarios? People. Productivity is heavily reliant on the continued, targeted efforts of employees – positive and consistent actions taken by possibly hundreds of people across the business.

Increasing the productivity of each employee can radically transform your company's income, market share, and longevity. Yet while it's often assumed that employee productivity can be improved simply by focusing on performance, driving sustainable productivity should actually start before an employee's first day on the job.

Successful companies know the secret to consistent productivity lies in shifting the employee productivity curve, not just at the middle of the employee lifecycle, but throughout every stage of it; from start to finish.

What is the employee productivity curve?

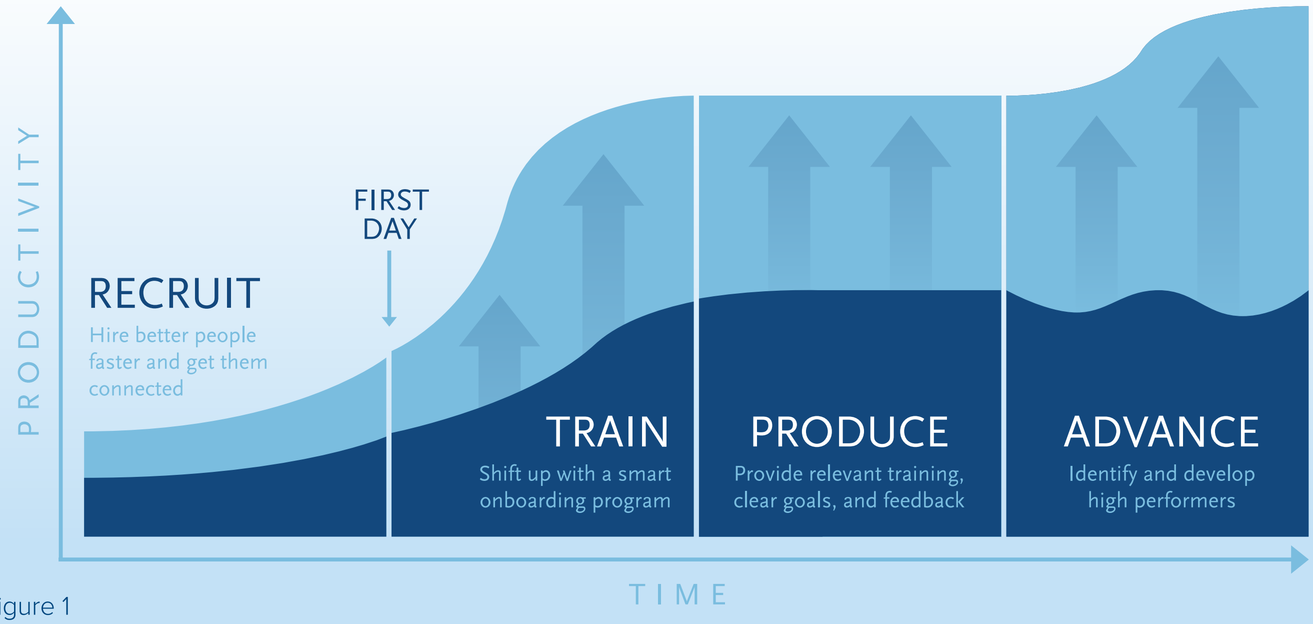

Figure 1

The employee productivity curve, as illustrated in Figure 1, charts the effectiveness of employees over time. It's a given that employees become more productive as they progress through learning their job and increase their confidence with responsibilities. The productivity curve typically plateaus after all the tasks are learned, unless the employee decides to train and perform a new role or take on additional tasks.

> Companies that commit to moving the productivity curve to the left at each phase – implementing productivity measures earlier in and more consistently throughout the employee lifecycle – can see dramatic increases in productivity during an employee's tenure.

What practical measures can companies take to shift this curve? Using smart talent management practices which help staff at all phases of the employment lifecycle learn, perform, engage and produce at higher levels. These talent management practices include the ability to:

- hire better people, faster
- onboard new hires sooner
- increase engagement with development opportunities, feedback, and goal-setting
- identify, develop, and manage high performers
- identify and manage poor performers earlier

Read on to discover how investing in your employees' growth can help shift the productivity curve to the left and result in a higher performing team while increasing your bottom line.

Five talent management practices to shift the productivity curve

1 Find better hires, faster

The wrong hire can be devastating: 69% of those surveyed by CareerBuilder said that bad hires not only affected staff morale, but also reduced productivity.[1] The ability to quickly hire the right people also mitigates the loss of productivity associated with job vacancies. Unfilled roles can result in significant economic damage – as much as $5,000 per day – as sales or critical work comes to a halt.[2]

How can companies use strategic recruiting – shortening time-to-hire while sourcing better candidates – to improve productivity?

Enable employee referrals.

High potential, high performing employees know others just like them – quality people who are a good fit for your existing workplace culture. Research shows that referral hires outperform hires from other sources by 3% to 15%.[3] In another study, 88% of employers surveyed thought employee referrals generated a higher quality of new hires than other sources.[4] Having a well-designed employee referral strategy makes it easy for employees to connect their personal network to recruiters and hiring managers.

Prioritise social sourcing.

Nearly 90% of job seekers use social media in their searches, so to get your vacancies seen by as many candidates as possible and blast them out to as many networks as possible. Take it one step further by optimising your career page for mobile devices and let candidates apply using their social profile data.[5]

Support hiring managers with feedback.

Recruiting and hiring is a collaborative process, so ensure whoever is hiring in your company has access to feedback about candidates from others involved in the process. It could be as simple as an online form to rate and review candidates, covering interview performance, observed skills and behavioural assessments.

Find better-matched candidates by hiring based on competencies.

New hires must not only be the right cultural match; they must also be a skills match. The Aberdeen Group discovered that 91% of Best-in-Class organisations use assessments in recruiting[6] – building a competency framework is key to ensuring the evaluation process is transparent and successful.

Ask your top performers to list the competencies specific to their roles. This will help those recruiting to find qualified candidates and ensure the new hires have the necessary skills to be successful.

2 Facilitate more effective onboarding, sooner

Onboarding has a tremendous impact on new hire success: according to the Aberdeen Group, companies that facilitate an onboarding process see significant changes in new hire behaviour, including 54% greater productivity.[7] In the Society for Human Resource Management (SHRM)'s Onboarding Employees: Maximising Success, more than half of surveyed companies connected effective onboarding with reduced time to productivity (60%).[8]

How can companies use smart onboarding strategies to decrease induction time?

Streamline orientation and form completion.

Automating part of the onboarding process allows new hires to complete time-consuming orientation tasks before their first day. When routine tasks are finished earlier, new employees can spend their first day on the job connecting with their team and actually working, instead of filling out paperwork.

Create community before day one.

Start onboarding earlier by providing access to a social collaboration site where new hires can engage and connect with colleagues. A collaboration tool also gives new hires access to key information about the company and the resources and connections they need to be successful. Collaboration tools also facilitate learning among employees, which leads to better performance.

Start goal-setting early.

Help new hires set clear goals from day one. Align their goals with department and company goals so their colleagues know from the start what they are supposed to work on, know how their work fits into company objectives and that what they do is important.

Minimise the impact of the learning curve.

The learning curve is costly; the Mellon Financial Corporation discovered companies can expect to lose between 1% and 2.5% of total revenue, due to lost productivity related to getting new hires up to speed and trained.[9] Delivering development opportunities early, ideally on-demand and accessible on the new hire's schedule, not only decreases ramp time, but also improves new hire engagement and confidence.

3 Drive engagement with ongoing development, frequent feedback, and aligned goals

How can companies keep the productivity curve shifting higher once new hires are on the job? By nurturing engagement. According to Gallup, companies in the top-quartile of employee engagement scores had 21% higher productivity than those in the bottom quartile.[10] Other studies show that investing just 10% more in employee engagement can increase profits by $2,400 per employee, per year. [11]

How can companies drive engagement-based productivity?

Offer ongoing learning opportunities.

Companies that provide regular training see higher productivity. A workforce education study found a mere 10% increase in training resulted in an 8.6% gain in productivity.[12] Further research shows that companies considered "leading edge" also spend twice as much per employee on training as "average" companies.[13]

Ongoing development is also linked with increases in net sales and gross profits per employee.[14] In a three-year study of 575 companies, those that invested the most in training and development saw 45% higher shareholder return than the market average.[15]

Provide ongoing, actionable feedback.

The annual performance review is dead – or should be. Ongoing feedback allows companies to address key performance issues at the time they occur, while simultaneously improving performance and productivity through learning assignments. More frequent feedback also correlates with higher engagement: 43% of highly engaged employees received feedback at least once a week, compared to only 18% of employees with low engagement.[16]

Productivity can also be shifted upward by providing more specific feedback. In a study of 530 work teams, Gallup found that employees who received strengths-based feedback were 12.5% more productive than employees who received no feedback.[17] Shift the curve even further by using that feedback to inform learning and growth objectives, which will increase performance.

Goals that are aligned with both employee career plans and company strategies.

In a Robert Half survey, 30% stated unclear performance expectations are seen as a significant factor in failed hires.[18] Clear goals that are also aligned with company goals, are key to ensuring employees are working on the right job, at the right time, and moving the company forward in a targeted, meaningful way. Employees who set their own goals boast a 37% higher performance margin compared to employees who were assigned goals.[19]

4 Identify, challenge, and develop high performers

Delivering training and improving performance is only part of the productivity equation. Companies must also be concerned with keeping and developing top talent for their next role. Without succession planning – retaining, training and promoting high performers – companies face a shortage of leadership and people power, which is detrimental to future productivity.

How can companies use succession planning to improve productivity today and ensure continued productivity tomorrow?

Make talent visibility a priority.

Identifying and managing high performers is crucial to developing a working talent pipeline. Enable stakeholders to see who is ready for a more senior role, or who needs additional training to take the next step. This leads to higher productivity and financial gain: in a Hewitt Associates study, companies in the 75th percentile or higher for shareholder return, identified high potentials through a formal process.[20]

Engage and develop high potentials with new opportunities.

High potentials need opportunities to develop and use their skills. Sixty-three percent of employees surveyed by SHRM said using skills and abilities was the most important factor in job satisfaction.[21] Offering high potentials the opportunity to grow on the job keeps them engaged and productive. It's not enough to ensure high potentials master their existing jobs. Development opportunities should also be used to prepare high potentials for their next roles, which is crucial to keeping the talent pipeline filled with viable candidates and the productivity curve on an upwards trajectory.

Apply succession planning practices beyond the executive level.

Succession planning isn't just for executives; ongoing productivity relies on the continued efforts of the entire staff. Research by CEB discovered that a strong succession plan across the company can result in two times the profit growth in comparison to those companies with a weaker one.[22] In a BusinessWeek.com/Hay Group survey that identified the "20 Best Companies for Leadership," 94% of respondents working for those companies said they "actively manage a pool of successors for mission-critical roles."[23]

Compensate high performers for performance.

A study by Kelly discovered that 40% of workers said their performance and productivity would increase if it were linked to compensation.[24] Establishing a way for employees to be more directly compensated for their actions may also be less costly in the long run.

5 Identify and manage the actively disengaged

According to a 2013 survey by Gallup, 16% of employees in Australia and New Zealand are "actively disengaged."[25] In the US this figure rises to 24% and these unhappy, negative and unproductive employees cost the American economy $350 billion per year.[26] They are also a significant distraction for managers. In a survey of chief financial officers by Robert Half International, managers said they spent approximately 17 hours per week managing unproductive team members.[27]

Disengaged workers also negatively affect the rest of the workforce. Exposure to the poor workplace behaviour of even one employee can reduce a team's productivity by 30% to 40%.[28]

How can companies better manage actively disengaged employees?

Identify the disengaged.

Companies must be able to distinguish employees who are truly disengaged from those who simply need more guidance. This means ensuring decision makers have access to the big picture of talent. The ability to view performance and potential for all employees, allows companies to quickly identify those who are taking the initiative on learning, leadership, and performance – and those who aren't.

Make the performance evaluation process transparent.

Employees need to know where they stand. A transparent performance evaluation process – one based on defined competencies, ongoing assessments, and actionable goals – ensures all employees know what is expected. When an employee doesn't perform up to expectations, managers should have a clear and transparent mandate to make corrective measures.

Determine the cause of disengagement.

Do disengaged employees need additional training, clearer goals or better job direction? Access to complete talent visibility will highlight reasons why employees may be failing. Collaborate with them to build a development plan, create goals, follow up on progress and recognise and reinforce improvements.

Be prepared to let underperforming employees go.

If you have followed the correct legal procedures, then employees who continually underperform despite corrective efforts should be encouraged to move on. With a comprehensive recruiting process and an ongoing succession plan in place, companies won't be at the mercy of the disengaged. This puts companies in the powerful position of being able to keep their workforce productive, better reward and retain key performers, and improve morale and overall motivation.

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