Cornerstone
ONDEMAND *Empowering People*

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. Organizations must navigate multiple challenges, including increased government regulations, stricter budgets, and keeping up with rapidly changing technologies - all threats to the bottom line. Yet amid these challenges, organizations can still thrive - by improving productivity.

Improving productivity means organizations produce more while using less effort and resources. When this occurs, businesses operate more efficiently.

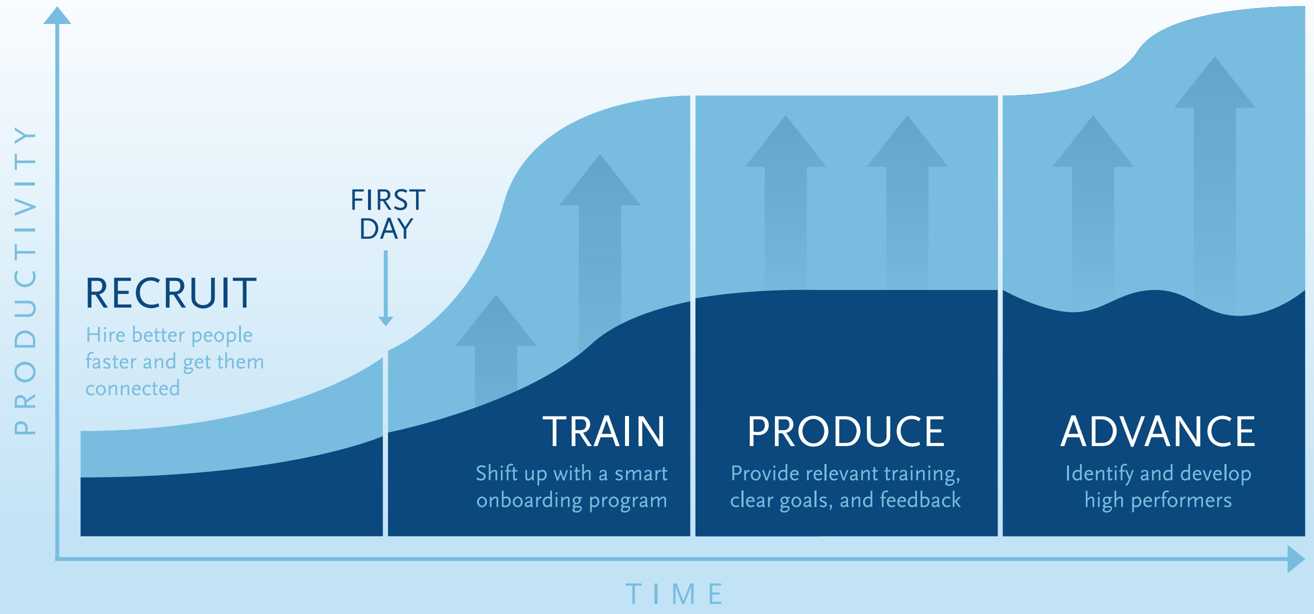
> In practical terms, this means sales teams sell more, production lines catch defects sooner, and the retail floor is faster and more accurate at managing inventory.

The common denominator in these scenarios? The human factor. Productivity is heavily reliant on the sustained, targeted efforts of employees - positive and consistent actions taken by hundreds, or hundreds of thousands, of workers.

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

Successful organizations know the secret to consistent productivity lies in shifting the employee productivity curve, not at the middle of the employee lifecycle, but at the very beginning of - and throughout - the entire lifecycle.

What is the employee productivity curve?



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 comfort level with responsibilities. The productivity curve typically plateaus after all competencies are learned, unless the employee decides to train and perform a new role or take on additional responsibilities.

> Organizations that commit to moving the productivity curve leftward 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 organizations take to shift the curve? Employing smart talent management practices that help each employee - from new hires to top, seasoned performers - 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, feedback, and goal setting
- Identify, develop, and manage high performers
- Identify and manage poor performers earlier

Cornerstone clients like you have already witnessed first-hand the benefits of investing in onboarding, learning, and additional talent management solutions. Read on to discover how a continued commitment to managing your employees with Cornerstone's suite of tools can help you shift the productivity curve even further to the left, which will result in a more engaged staff and stronger revenues.

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 morale and brought about legal issues, but also reduced productivity.[1] The ability to quickly hire the right people also mitigates the loss of productivity associated with vacancies. Position vacancies can result in significant economic damage - as much as $5,000 per day - as revenue collection, sales, or critical work comes to a halt.[2]

How can organizations 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 employees 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.

Give recruiters better tools.

With the right tools, recruiters can spend less time finding candidates and more time making the right match. Configurable career sites that target and attract qualified hires, easy-to-use tracking systems, and ways to gather feedback from other employees about candidate performance, shorten the time-to-hire and ensure smarter evaluations of candidates. These tools also help increase the size of the candidate pool, thereby improving the likelihood of finding top talent.

Support hiring managers with 360 degree feedback capability.

Recruiting and hiring is a collaborative process; ensure hiring managers have access to feedback about candidates from other stakeholders. Give executives, managers, and employees an organized, easy way to rate and review candidates, from interview performance to observed skills and behavioral 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 organizations use assessments in recruiting;[5] building a competency framework is key to ensuring this evaluation process is transparent and successful.

Using competencies to determine suitability ensures new hires have the skills necessary to be successful in their job. Allow recruiters and managers to establish competencies specific to each position - based on existing top performers - and then evaluate those competencies in candidates.

2 Facilitate more effective onboarding, sooner

Onboarding has a tremendous impact on new hire success: according to the Aberdeen Group, organizations that facilitate an onboarding process see significant changes in new hire behavior, including 54% greater productivity.[6] In SHRM's Onboarding Employees: Maximizing Success, more than half of surveyed organizations connected effective onboarding with reduced time to productivity (60%).[7]

How can organizations use smart onboarding strategies to decrease ramp 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 rote tasks are finished earlier, new employees can spend their first day on the job connecting with their team and making a meaningful contribution to productivity - 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 organization and the resources and connections they need to be successful.

Start goal setting early.

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

Minimize the impact of the learning curve.

The learning curve is costly; the Mellon Financial Corporation discovered that organizations can expect to lose between 1% and 2.5% of total revenues due to lost productivity related to getting new hires up to speed and trained.[8] 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 organizations keep the productivity curve shifting higher once new hires are on the job? By nurturing engagement. According to Gallup's employee engagement assessment, organizations in the top-quartile of employee engagement scores had 21% higher productivity than those in the bottom quartile.[9] Other studies show that investing just 10% more in employee engagement can increase profits by $2,400 per employee, per year. [10]

How can organizations drive engagement-based productivity?

Offer ongoing learning opportunities.

Organizations that provide regular training see higher productivity; in a study by the National Center on the Educational Quality of the Workforce (EQW), a mere 10% increase in workforce training resulted in an 8.6% gain in productivity.[11] Research by the American Society for Training and Development (ASTD) shows that organizations considered "leading edge" also spend twice as much per employee on training as "average" organizations.[12]

Ongoing development is also linked with increases in net sales and gross profits per employee.[13] In a three-year study of 575 organizations, those that invested the most in training and development saw 45% higher shareholder return than the market average.[14]

Provide ongoing, actionable feedback.

The annual performance review is dead - or should be. Ongoing feedback allows organizations 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.[15]

Productivity can also be shifted upward by providing more specific feedback. In a study of 530 work units, Gallup found that employees who received strengths-based feedback were 12.5% more productive than employees who received no feedback.[16]

Assign goals that are aligned with both employee career plans and organizational strategies.

Unclear performance expectations, according to a survey by Robert Half, are seen as a significant factor in failed hires (30% of respondents).[17] Clear goals that are also aligned with organizational 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.

4 Identify, challenge, and develop high performers

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

How can organizations 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. This means giving decision makers access to data for the entire employee lifecycle for each employee, from development records to performance improvement. The ability to identify high potentials deep within the organization correlates to improved productivity and financial gain: in a Hewitt Associates study, organizations in the 75th percentile or higher for shareholder return identified high potentials through a formal process.[18]

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.[19] 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 productivity curve on a upward 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 workforce. Research by CEB discovered that strong bench strength across the organization can result in two times the profit growth in comparison to those organizations with weaker bench strength.[20] In a BusinessWeek.com/Hay Group survey that identified the "20 Best Companies for Leadership," 94% of respondents working for those companies said their organization "actively manages a pool of successors for mission-critical roles."[21]

Compensate high performers for performance.

A study by Kelly discovered that 40% of American workers not currently being paid for performance said their productivity would increase if their compensation were linked to performance and productivity markers.[22] Establishing a way for employees to be more directly compensated for their actions may also be less costly in the long run. Research by the Center for American Progress showed that the cost of losing an executive can be up to 213 percent of the employee's salary and up to $10,000 for positions earning less than $50,000 annually.[23]

5 Identify and manage the actively disengaged

According to a 2013 survey by Gallup, 24% of employees are “actively disengaged.”[24] These employees - those who are unhappy, negative, and unproductive - cost the American economy alone $350 billion per year.[25] 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.[26]

Disengaged workers also negatively affect the rest of the workforce. Exposure to the poor workplace behavior of even one employee can reduce a team’s productivity by 30% to 40%.[27]

How can organizations better manage actively disengaged employees?

Identify the disengaged.

Organizations 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 organizations 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 have a clear and transparent mandate to either make corrective measures or let the employee go.

Determine the cause of disengagement.

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

Be prepared to let underperforming employees go.

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, organizations aren’t held hostage by the disengaged. This puts organizations in the powerful position of being able to keep their workforce productive, better reward and retain key performers, and improve morale and overall motivation.

Success stories

Organizations that have shifted the productivity curve through strategic talent management

Organizations across industries experience similar productivity challenges – from sourcing and hiring candidates ready to make a meaningful contribution to identifying, developing, and promoting top performers. Here are five companies that succeeded in improving productivity by unifying smart talent management practices with Cornerstone OnDemand's talent management platform.

Recruiting: New Belgium Brewing

New Belgium Brewing receives 200 to 300 applicants for each position. The company must be able to quickly identify candidates who are skill and cultural matches - those who can be more productive, faster. "Our challenge is how we get through those applicants to find the people who really want to work here," said Jennifer Briggs, HR director for New Belgium. "Cornerstone Recruiting enables us do that in less time, which means we have more time to engage with the right candidates." Via Cornerstone Recruiting, the company also continues to engage with high potential candidates who may not fit current job openings. "When a job comes up that is a good fit, we have great candidates that have already been vetted."

Onboarding: Elavon

To increase productivity, Elavon, a global merchant services provider, engages new hires before their first day. Elavon gives new hires access to all their HR information (key to ensuring employees can make a meaningful contribution their first day, instead of spending time filling out paperwork), and pushes out e-learning opportunities to build critical skills before the new hire is on the job. The company also ensures new hires feel like part of the Elavon community right away. "Our new hires use Cornerstone's Connect to meet their managers and the people in their training classes," said Clarissa Mitchell, senior director, enterprise learning technologies, at Elavon. "They're forming bonds before they even step foot in Elavon."

Ongoing Development: MetroPCS

As a provider of wireless communications services, MetroPCS must keep more than 10,000 sales associates up-to-date on the latest technology and rate plans, without taking time away from customer interactions on the sales floor. The company created Metro University, an online training resource that gives employees access to 80 dynamic, on-demand courses. Employees can train on their own schedule and continually improve knowledge and skills. According to Larry Wecsler, staff vice president, organizational learning, at MetroPCS Communications Inc., "We've shortened the learning curve and made [employees] more productive in less time."

Leadership Development: E*TRADE

E*TRADE's leadership education program helps maintain the company's bench strength - and productivity - through the Baby Boomer exodus and skills shortage. Based on developing competencies, the program features face-to-face and virtual learning sessions. "We're consciously building and retaining a team of leaders," said E*TRADE's global director of talent and organizational development. "The Leadership Program helps us deliver on our ability to create flexible talent pools to ensure readiness; energize, engage, and retain top talent; and increase business acumen."

Talent Visibility: Turner Broadcasting

Turner Broadcasting, a global media conglomerate, employs more than 11,000 workers. The company believes that technology plays a critical role in enabling an integrated talent management strategy. As an organization, Turner focuses on building bench strength, which is a key function of succession planning. When assessing their talent needs, they questioned how they could develop a pipeline of 'ready-now' individuals who would be able to take on broader leadership roles. "Since implementing Cornerstone, we've been able to have an automated way to capture that information that we didn't have before. Access to that information is greater and it has allowed greater line-of-sight across the global enterprise," said Scott Katz, director of talent development at Turner Broadcasting. Turner Broadcasting now employs a holistic, comprehensive view of talent management, including building pipelines for depth, real-time training, and career development.

Shifting the Productivity Curve… Towards a Future of Success

Planning for employees at all levels to increase learning and development opportunities, feel engaged, and build depth for the future may seem like a tall task, but the solution is actually very simple, and leads to an improved bottom line.

> By having a team that is continually improving and becoming more valuable, employee productivity curves across the organization will shift to the left, allowing an organization to produce more and transform their income, market share, and longevity.

With a unified talent management solution (UTM), organizations can bring all phases of the employee lifecycle under one platform. From learning about the company before an employee’s first day to offering training courses and readying high performing employees for the next few years of their careers, UTM solutions help companies find qualified employees, develop their hard and soft skill sets, and ensure companies have the talent they need today and for the future. Research has shown that the more companies invest in multiple, unified talent management products, the more they increase their ROI per employee – in essence, shifting the productivity curve to the left. Processes will evolve and strategies may come and go, but the one constant is that increasing the productivity of employees will result in a stronger bottom line.

As a valued client of Cornerstone, you’ve already seen the benefits of adopting talent management technologies as a method of shifting the productivity curve. But there may be opportunities to create even larger shifts. Reach out to your Client Executive to discuss how you can make this happen.

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