Featured

HR Overestimates the Impact of Performance Management Changes

Time to Fill Has Increased 50% Since 2010

More Employees Are Being Recognized, but the Rewards Function Is Ineffective
Diversity and Inclusion
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Employee Engagement and Retention
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HR Transformation
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When Leaders Know What Their Peers Do Well, the Business Grows

Learning and Development
Leaders Now Control Over Half of All L&D Spend

Organization Design
Ongoing De-layering Will Disrupt Career Advancement

Performance Management and Productivity
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Recruiting
Time to Fill Has Increased 50% Since 2010

Total Rewards
All Organizations Miss the Best Opportunity to Increase Pay Perceptions
Health Care Will Cost Employees Even More
More Employees Are Being Recognized, but the Rewards Function Is Ineffective

How will you create compelling career paths?
Pinpoint strategies to create careers based on growth instead of on promotions.

Attend a 2015 CEB Corporate Leadership Council™ Event

Who Should Attend
■ Reserved for CHROs

When to Attend
6 Aug. Sydney
3 Sept. London
17 Sept. Johannesburg

Contact your account manager, or e-mail HR.Support@executiveboard.com.
Employee Resources Groups: Convert High Time Spend into High Returns

Half of employees who participate in employee resource groups (ERGs) spend more than eight hours per month working for ERGs; 17% spend more than 15 hours.

### Monthly Time Spend on ERG Projects

<table>
<thead>
<tr>
<th>Hours Spent Per Month</th>
<th>Percentage of ERG Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2.7</td>
</tr>
<tr>
<td>1.5</td>
<td>22.1</td>
</tr>
<tr>
<td>4.0</td>
<td>25.2</td>
</tr>
<tr>
<td>8.0</td>
<td>21.0</td>
</tr>
<tr>
<td>12.5</td>
<td>11.4</td>
</tr>
<tr>
<td>17.5</td>
<td>5.3</td>
</tr>
<tr>
<td>25.0</td>
<td>4.1</td>
</tr>
<tr>
<td>30.0</td>
<td>8.1</td>
</tr>
</tbody>
</table>

n = 4,566 ERG participants.
Note: Total does not equal 100% due to rounding.

### Opportunity: Channel ERG Time into Business Outcomes

Most ERG participants (8 in 10) belong to multiple groups and spend approximately 8.83 hours each month on ERG projects. These participants are more engaged overall, and they have higher levels of energy, pride, and optimism than their peers.

To maximize the efforts of this talent segment, organizations should manage ERGs strategically and ensure they focus on the best projects in order to increase workforce diversity and inclusion as well as business outcomes.

### What the Best Companies Do™

Although most organizations use ERGs to drive activities that create a respectful and inclusive work environment, the best organizations use ERGs in two additional ways:

- They rely on ERGs for insight on recruiting, retaining, and developing diverse candidates and employees.
- They partner with ERGs on diversity and inclusion-related business challenges to brainstorm, test, and deploy solutions to better serve customers and clients.

### Definition

Employee Resource Groups
These groups of individuals with shared characteristics or life experiences (e.g., veterans) work together for a common goal and support diversity within the organization.

### Have You Considered...?

Review the CEB Recruiting Leadership Council topic center on diversity recruiting to learn how organizations practice inclusion and diversity recruiting in order to be 14% more effective at diversity hiring.

### Data Source

1 CEB Q2 2015 Global Labor Market Survey.

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**Action Plan to Maximize This Opportunity**

### 1 Assess

Discuss these questions at your next team meeting.

**For CHROs**

- What are the primary objectives for each of our ERGs? Do they align with the overall organizational strategy?

**For HRBPs**

- Which ERG would be the best partner to help our business unit solve a key talent or business challenge this year?

### 2 Plan

Find the right best practice.

**For CHROs**

- Use ERGs to improve marketing campaigns like Verizon Communications did; Verizon used its African American ERG to better understand and market services to African American entrepreneurs and community leaders.

**For HRBPs**

- Use ERGs to improve the customer experience, like American Airlines did; ERGs at American Airlines helped the company select in-flight amenities that best appeal to all customers.

### 3 Execute

Drive and embed change.

**For CHROs**

- Use our research brief to establish a business case for ERG creation and to define the process for successful ERG creation and implementation.

**For HRBPs**

- Use our research brief to explain an ERG’s value to your business leader; then use the guidelines to operationalize ERGs in your business unit.
HIPO Discretionary Effort Is Falling Faster Than That of the Overall Workforce

The discretionary effort of high-potential employees (HIPOs) has fallen nearly 2% since 2014; this rate is almost twice as fast as the overall workforce’s effort decline.

Discretionary Effort Q1 2014 and Q1 2015

\[ \Delta = 1.9 \text{ ppt.} \]

Global Average

\[ \Delta = 1.3 \text{ ppt.} \]

HIPOs


What the Best Companies Do™

The best organizations clearly connect HIPO career aspirations to available career opportunities by aligning HIPO and senior leader expectations. They don’t take HIPO engagement for granted; instead, they ensure their highest-performing employees are still interested and engaged in the organization by finding and helping them design a realizable career path.

Definition

High-Potential Employee

A high-potential employee is an individual with the ability, aspiration, and engagement to rise to and succeed in more senior, critical positions.

Have You Considered...?

Learn more about your organization’s biggest engagement risks by participating in CEB’s ClearAdvantage Check, an engagement pulse survey.

Risk: Organizations Cannot Take HIPO Engagement for Granted

More than 30% of HIPOs are uncertain about their careers, which puts many organizations at risk of employee turnover. This risk is real: only half of organizations’ hardest workers have high intent-to-stay levels. Although HIPOs still exert more than double the discretionary effort of their non-HIPO counterparts (39.2% compared to 16.9%), their engagement cannot be assumed. Company-wide engagement efforts must reengage and reenergize their HIPO employees.

Action Plan to Mitigate This Risk

1 Assess

Discuss these questions at your next team meeting.

For CHROs

- Do we outline a clear path forward for our firm’s HIPOs or explicitly communicate career options to them?

For HRBPs

- What could be disengaging our most critical staff right now, and how can we mitigate the risks this has on our most important projects (e.g., delays, poor-quality work)?

2 Plan

Find the right best practice.

For CHROs

- Create compelling HIPO career paths, as UnitedHealth Group did, to increase their long-term career certainty and to improve their engagement.

For HRBPs

- Equip managers to proactively manage HIPO engagement challenges, a best practice at Novartis.

3 Execute

Drive and embed change.

For CHROs

- Deploy our Action Toolkit among your team to design a HIPO mentoring program that connects HIPOs to the organization and their career path.

For HRBPs

- Ensure managers are accountable for continually developing and engaging HIPOs using our accountability checklist.

Have You Considered...?

Learn more about your organization’s biggest engagement risks by participating in CEB’s ClearAdvantage Check, an engagement pulse survey.

Data Sources

1 CEB Q1 2015 Global Labor Market Survey.

2 CEB 2014 Human Resources High-Potential Employee Management Survey.
How Are You Maximizing the Business Impact of Higher Intent to Stay?

Quarter-over-quarter, intent to stay remains strong. Worldwide, intent to stay has remained at 33%, but it increased by 3.3 percentage points in North America and by 5.6 percentage points in Australia and New Zealand.

Intent to Stay
Q4 2014–Q1 2015

<table>
<thead>
<tr>
<th>Region</th>
<th>Intent to Stay</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>40.2%</td>
</tr>
<tr>
<td>Europe</td>
<td>40.1%</td>
</tr>
<tr>
<td>Latin America</td>
<td>36.1%</td>
</tr>
<tr>
<td>Australia and NZ</td>
<td>37.4%</td>
</tr>
<tr>
<td>Asia</td>
<td>19.7%</td>
</tr>
</tbody>
</table>

What the Best Companies Do™
Even organizations that report high engagement levels consistently fail to gain business support. For example, intent-to-stay data—raw and lacking synthesis—does not help leaders make complex talent decisions. To maximize HR data use, the best companies help decision makers arrive at their own conclusions by providing effective decision aids and clear guardrails through data visualization and decision scenarios.

Have You Considered...?
Measure engagement in a way that closely aligns with your business objectives—by participating in CEB’s ClearAdvantage Check, an engagement pulse survey.

Data Sources
4 CEB 2013 Analytics Survey.
5 CEB 2011 Building Engagement Capital.

Action Plan to Maximize This Opportunity

1 Assess
Discuss these questions at your next team meeting.

For CHROs
• How can we better show the business the value of our current engagement and retention efforts?

For HRBPs
• What is the one thing I can do to better link our engagement metrics to business priorities?

2 Plan
Find the right best practice.

For CHROs
• Get guidance on reporting and educating the board on critical talent issues impacting strategy, using our guide and templates.

For HRBPs
• Refocus the role of HR analytics so HR analysts and HRBPs inspire, influence, and shape business decisions rather than just report data, a best practice at Telefonica.

3 Execute
Drive and embed change.

For CHROs
• Identify the most critical human capital questions related to engagement and retention through advanced metrics, using our action toolkit.

For HRBPs
• Learn how to better drive value through talent and increase retention by referring to our step-by-step guide.

Opportunity: Use Talent Analytics to Maximize the Business Impact of Higher Engagement

When engagement scores increase, only 40% of HR executives consider underlying factors that explain why (e.g., HR programs, the broader economy). Significantly, only 4% of them then use engagement as an input for broader business decisions. By understanding what drives intent to stay and what implications these drivers have for business outcomes, HR executives can influence key decisions and use talent to give their organizations a clear advantage over the competition.  

Data Sources
4 CEB 2013 Analytics Survey.
5 CEB 2011 Building Engagement Capital.
To Maximize Your Internal EVP, Go Beyond Typical Attraction Drivers

Organizations try to retain talent by focusing their employment value proposition (EVP) on typical drivers of attraction: compensation, work-life balance, and job stability. But this strategy only incrementally improves employees’ job satisfaction. To further increase job satisfaction, improve employees’ perceptions of internal career growth opportunities. Doing so can boost job satisfaction by 28 percentage points.

Percentage of Employees Satisfied with Current Job

<table>
<thead>
<tr>
<th>Traditional EVP Drivers (Compensation, Stability, Work-Life Balance)</th>
<th>EVP Career Growth Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>68%</td>
</tr>
</tbody>
</table>

△ = 28 ppt.

Opportunity: Use Career Growth as a Discrete Retention Strategy

The availability of internal career growth opportunities can make employees more inclined toward internal than external roles. However, most organizations do not communicate or deliver these opportunities to their employees. In fact, 65% of organizations with increased regrettable turnover in the past three years name their lack of career opportunities as a top improvement area. Organizations focusing their internal EVP on career growth opportunities can improve employee job satisfaction by 28 percentage points, which can increase intent to stay by more than 50%.†

What the Best Companies Do™

The best companies recognize that retaining critical talent requires prioritizing career growth. They offer employees relevant and achievable growth opportunities to help them gain critical skills for the business’s future. By delivering on their EVP promises, these companies drive employees toward internal career opportunities, not external ones.

Definitions

Job Satisfaction
An employee’s satisfaction with his or her current job measured on a seven-point scale ranging from “very dissatisfied” to “very satisfied.”

Internal and External Employment Value Propositions
Sets of attributes that drive attraction and commitment in either the internal or external labor market

Regrettable Turnover
The departure of an employee whom the organization would have wanted to retain

Have You Considered...?
Visit the CEB Learning & Development Leadership Council topic center to learn how to drive career growth through your L&D function.

Data Sources
6 CEB 2015 Careers Head of HR Function Survey.
7 CEB 2015 Careers Employee Survey.

Action Plan to Maximize This Opportunity

1 Assess
Discuss these questions at your next team meeting.

For CHROs
• How do we prioritize the most pressing needs for employees so their advancement aligns with business needs?

For HRBPs
• How do we help line leaders create business-aligned career development opportunities?

2 Plan
Find the right best practice.

For CHROs
• Provide employees with career growth opportunities by creating realizable career paths that they can realistically follow when opportunities become available, a best practice at Chubb Corporation and profiled in The New Path Forward webinar and meeting series.

For HRBPs
• Help leaders identify their most critical future talent requirements based on business strategy, a best practice at General Mills.

3 Execute
Drive and embed change.

For CHROs
• Use our Competency Skill Gap Assessment Tool to understand employees’ development needs and see which learning opportunities you should provide in order to develop business-critical competencies that will help employees grow within your organization.

For HRBPs
• Use our HR Business Partner Guide to Succession Management tool to partner with the business and together identify future business-critical competencies and skills needed for leaders’ career growth.
Among HR staff who work with analytics, their primary responsibilities are collecting data (57%) and managing datasets (44%). Fewer report responsibility for analyzing quantitative and qualitative data or for visualizing and communicating data. The least common activity is identifying solutions using data (30%).

Prevalence of Analytics Responsibilities Among HR Analysts

Percentage of HR Analysts

- Collecting Data: 57%
- Managing Datasets: 44%
- Analyzing Qualitative Data: 38%
- Analyzing Quantitative Data: 36%
- Visualizing and Communicating Data: 33%
- Identifying Solutions Using Data: 30%

n = 2,146

Most HR Analysts Are Stuck Collecting Data

Opportunity: Turn Talent Data into Insight

Almost all senior HR leaders (95%) have increased—or plan to increase—investments in HR data and analytics in the next two years. Despite HR’s investments in data, only 25% of senior business leaders use HR data for key talent decisions, and only 15% of them report that HR analytics led them to change a business decision in the past year.

By moving from median to maximum analytic impact, organizations can improve talent outcomes by 12 percentage points, leading to a 6% improvement in gross profit margin. This translates to $18.9 million in savings for every $1 billion in revenue.

What the Best Companies Do™

Most organizations limit HR analytics—often unintentionally—to basic information-related activities (e.g., data collection, data asset management). Although such tasks are tactical, important jobs, they are not conduits for strategic decisions.

The best companies, however, improve how their HR analytics inform talent decisions by more effectively identifying the right business problems, applying business judgment to data, and engaging leaders to take action.

Prevalence of Analytics Responsibilities Among HR Analysts

<table>
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<th>Percentage of HR Analysts</th>
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<td>Visualizing and Communicating Data: 33%</td>
</tr>
<tr>
<td>Identifying Solutions Using Data: 30%</td>
</tr>
</tbody>
</table>

n = 2,146

Action Plan to Maximize This Opportunity

1 Assess

Discuss these questions at your next team meeting.

For CHROs
- To what extent does HR analytics support improve the line’s decision making?

For HRBPs
- Given the key questions facing our business unit, what HR metrics should we prioritize and closely monitor?

2 Plan

Find the right best practice.

For CHROs
- Shift job roles in the HR analytics function so they emphasize metrics that align with business needs, and provide HRBPs with clear guidance to unlock insights, a best practice at Novo Nordisk.

For HRBPs
- Provide insight-based decision support by identifying, addressing, and evaluating strategic initiatives using data, a process successfully employed at Sears Holding Corporation.

3 Execute

Drive and embed change.

For CHROs
- Use this implementation guide to reorient the HR analytics function for maximized business application.

For HRBPs
- Drive business application of HR data by following our step-by-step guide for identifying opportunities for analytic impact, establishing credibility, communicating insights to drive decision making, and following up on implementation.

Data Sources
- CEB 2013 Analytics Survey.
- CEB 2015 Business Barometer.
- CEB 2013 Analytics Survey.
When Leaders Know What Their Peers Do Well, the Business Grows

Organizations that upskill leaders on the latest competencies only see minimal increases in enterprise leadership effectiveness (less than 1%). If leaders have the right information and understand which capabilities to update, organizations can experience true gains with peers’ work (7%) and with business needs (9%).

Impact of Information on Enterprise Leadership Effectiveness

<table>
<thead>
<tr>
<th>Update Universal Leadership Competencies</th>
<th>Clarify Capability Fit with Peers and Team</th>
<th>Clarify Capability Fit with Business Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1%</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>

n = 197
Source: CEB 2014 Enterprise Leadership Head of Function Survey.

Opportunity: Use Transparency to Increase Leader Impact

Today, more than 66% of leaders have mastered the competencies assigned to them. Despite this, only 27% of business units believe they have the leaders they need for the future, confirming that competencies do not necessarily yield strong leadership. In today’s more networked environment—where leaders must use and contribute value throughout the organization to meet aggressive enterprise goals—the hierarchical direction of traditional competency models is insufficient and requires a shift to enterprise leadership. To do this, organizations need to help leaders determine whom to reach out to, and when, so the right people work on the right projects and don’t waste time seeking or giving help.

What the Best Companies Do™

Most organizations update their leadership competencies to help leaders acquire new skills and to promote collaboration. The best companies, however, realize that the real barrier to enterprise leadership is not knowing how to best support colleagues in mutually beneficial ways. To remove collaboration barriers, increase transparency so all leaders can find specific opportunities based on each other’s relative strengths and overall business impact.

Definitions

Enterprise Leadership
A leader’s effectiveness at meeting his or her individual objectives, contributing to and leveraging the performance of other units or teams, and leading his or her team to do the same

Capability Fit with Peers and Team
This fit measures how individual leaders contribute to and use peer and team capabilities.

Capability Fit with Business Needs
This fit measures how leaders’ and teams’ capabilities align with the organization’s strategic objectives, stage of maturity, and environmental context.

Have You Considered...?

Refer to the CEB L&D topic center to help leaders activate and engage their support networks.

Data Source

® CEB 2015 Succession Management Survey.

Action Plan to Maximize This Opportunity

1 Assess
Discuss these questions at your next team meeting.

For CHROs
• What information do business leaders need in order to identify high-impact collaboration opportunities for leaders in their business unit?
• What capabilities can the business unit export to other business units? What does it need to import?

For HRBPs
• Refer to our Cisco: Leadership Capability Clouds case study to identify leaders who are proficient in critical competencies, and encourage them to collaborate with other leaders to drive overall business unit objectives.

2 Plan
Find the right best practice.

For CHROs
• Read our Cisco: Leadership Capability Clouds case study on building teams, functions, or units with the optimal mix of capabilities to address business needs.

For HRBPs
• Refer to our Cisco: Leadership Capability Clouds case study to identify leaders who are proficient in critical competencies, and encourage them to collaborate with other leaders to drive overall business unit objectives.

3 Execute
Drive and embed change.

For CHROs
• Use our Five Imperatives to Become an Enterprise Leader guidebook for tools leaders can use to reflect on, and evolve, their leadership style by changing their approach to work.

For HRBPs
• Use our Identify Opportunities for Enterprise Leadership toolkit to partner with the most senior line leaders to identify specific opportunities for leaders to leverage the strengths of their peers and provide support using their own strengths.
CEB’s HR Practice 2015 Meeting Descriptions

Creating Enterprise Leaders
May–August 2015

Only 27% of business units have the leaders they need for the future. Although leaders’ average effectiveness at key competencies remains relatively unchanged, the environment in which leaders must perform has shifted significantly.

The leaders who are most effective in today’s new leadership environment are enterprise leaders; they lead their teams to high performance as well as contribute to and leverage the performance of other units and teams.

Learn how organizations are creating the leaders they need for the future by addressing the three economic costs of being an enterprise leader.

The New Path Forward: Creating Compelling Career Paths for Employees and Organizations
May–November 2015

The employee–employer contract is broken: only one in five employees is satisfied with his or her organization’s future career opportunities.

CHROs are increasingly responsible for solving this problem, as nearly 70% of engagement reports that are provided to the board cite career paths as a top challenge to solve.

To attract, retain, and build the talent that organizations need to be successful, organizations must redesign careers to build organizational capabilities and improve internal labor market efficiency. Learn how the best organizations do this to meet employees’ career growth expectations.

Organizing HR to Lead Enterprise Change
September–November 2015

The pace and diversity of today’s major organizational changes are greater than ever. Two-thirds of organizations will experience at least one major organizational change in the next six months (e.g., M&A, restructuring, global expansion). But almost 60% of these initiatives will fail, resulting in millions in costs and missed opportunities.

Most heads of HR are trying to improve their function’s effectiveness at change management during the change itself. Our research shows how leading heads of HR are organizing their functions to more effectively prepare the organization before change and to monitor and adjust after the change has occurred.

CEB ReimagineHR Summit 2015
September–October 2015

ReimagineHR is our new three-day event that, depending on the summit, brings together over 350–500+ executives and their teams, presenting a unique opportunity for members to engage in discussions on critical HR topics with their peers.

Strategically timed to help with the 2016 planning season, ReimagineHR provides members with research and insight from across our multiple talent management businesses.

To bridge the gap between high-level strategic planning and actionable implementation, the event is exclusively for CHROs (or equivalent roles) and their teams.

Creating Enterprise Leaders
Executive Briefing
São Paulo
(In Portuguese; 1/2 Day)
28 Aug.

The New Path Forward: Creating Compelling Career Paths for Employees and Organizations
Executive Retreat
Johannesburg
17 Sept.
London
3 Sept.
Singapore
TBD
Sydney
6 Aug.

Executive Briefing
Atlanta
20 Aug.
Bogota
16 Sept.
Canberra
16 Sept.
Charlotte
4 Nov.

Organizing HR to Lead Enterprise Change
Executive Retreat
Chicago
18–19 Nov.

CEB ReimagineHR Summit 2015
Chicago
30 Sept.–2 Oct.
London
13–15 Oct.

Note: Dates and locations are subject to change.
* CHROs/heads of HR and their direct reports; limit of two per meeting.
* CHROs/heads of HR only.
* Two-day meeting runs from noon on day one to noon on day two. Meeting includes a networking dinner on the evening of day one.
Leaders Now Control Over Half of All L&D Spend

Most business leaders report they increasingly oversee the development of learning opportunities for their team compared to three years ago. In addition, the line is now responsible for, on average, 59% of the organization’s total L&D expenditure.

What the Best Companies Do™

The best organizations focus on building line managers’ most critical learning and development skills. For example, they prioritize needs analysis and evaluation skills to reduce wasted learning in the organization. These organizations know:
- Poorly conducted needs analysis will lead to solutions that do not solve for the right problem, and
- Poor evaluations will make it difficult to properly tweak the learning event or show the value it added.

Risk: Line Managers Lack Experience Evaluating and Investing in Employee Development

More business leaders are actively developing employees, a trend supported by most L&D leaders. In fact, 65% of L&D leaders report they consider line managers their most important partners for driving the business impact of learning. However, although managers are an ideal partner for extending learning’s reach throughout an organization, many lack the experience and skills necessary for their growing learning roles. Only 24% of L&D staff believe line managers understand learning needs analysis, while even fewer (19%) believe line managers understand how to properly evaluate learning interventions.

Have You Considered…?

Access CEB L&D’s brief on Measuring for Impact to help understand how L&D staff and line managers can work together to best measure and evaluate learning programs.

Data Sources

13 CEB 2015 Head of Learning Functional Effectiveness Survey.
14 CEB 2015 L&D Staff Functional Effectiveness Survey.

Action Plan to Mitigate This Risk

1 Assess

Discuss these questions at your next team meeting.

For CHROs
- How are leaders evaluating and selecting training providers to match business needs? How are these leaders measuring ROI?

For HRBPs
- What tools and resources would allow managers and employees to take greater ownership of their development through daily responsibilities?

2 Plan

Find the right best practice.

For CHROs
- Learn how Novo Nordisk’s guidelines on business-relevant metrics use enable colleagues throughout the organization to apply metrics consistently and in a way that positively influences business decisions.

For HRBPs
- Work with business leaders to determine the critical skills gaps within the leader population; consider adopting Syngenta AG’s difference-based mentoring program that pairs leaders based on complementary expertise.

3 Execute

Drive and embed change.

For CHROs
- Refer to our article on Metrics Interpretation for guidance on helping others better understand measurement formulas as well as the uses and limitations of metrics.

For HRBPs
- Enable business leaders to foster an environment of peer learning to get more out of L&D spend; use our Coach Selection Criteria to match employees with mentors who will help them build critical skills.
Ongoing Delayering Will Disrupt Career Advancement

Most HR functions will continue to delayer management levels, as 83% of heads of HR do not anticipate management layers will be added back to their organizations.

Management Layers Will Not Be Added
Percentage of Heads of HR Anticipating That Management Layers Will Be Added Back to Their Organization in the Next Five Years

Management Levels Will Not Be Added

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>83%</td>
<td>124</td>
</tr>
</tbody>
</table>

Source: CEB 2015 Head of HR Function Survey.

Risk: Fewer Opportunities for Promotion Cause Attrition
HR functions that rely on offering promotions to their employees to demonstrate that their careers are advancing face increased risk as management layers disappear. With fewer opportunities for promotion, many employees believe they won’t be able to advance their careers at their organization.

Their concern is real: 70% of employees are dissatisfied with their career opportunities. More than half of organizations (65%) have seen regrettable turnover increase in the past three years, and, quarter-over-quarter, departing employees continue to report that the lack of career opportunities is the top driver of attrition.

What the Best Companies Do™
The best organizations motivate employees not by relying on higher promotions and titles, but by increasing the workforce’s employability and labor market value. They set explicit expectations with employees—clarifying the value they bring to the organization and the value they receive in return—and also provide employees with resources (e.g., career centers, guidelines) to help them communicate their personal brand. Establishing a career partnership between the employee and employer reduces the likelihood of an internal skills shortage by 20% and increases employees’ career satisfaction by over 30%.

Definitions
Delayering
Delayering is the removal of management layers and the move to a flatter organizational structure, often to cut costs, boost collaboration, and increase efficiency.

Employability
Employability is the capabilities, skills, knowledge, experiences, achievements, and personal attributes that make an employee more valuable and that make it easier for the employee to gain employment elsewhere and achieve success later on.

Have You Considered…?
Delayering has not just disrupted careers but also destabilized innovation networks. CEB’s Innovation & Strategy practice can help your organization adjust its innovation strategies to meet the emerging innovation skills gap.

Data Sources

Action Plan to Mitigate This Risk

1 Assess
Discuss these questions at your next team meeting.
For CHROs
• Compared with our internal career satisfaction metrics, how has our rate of promotion changed over the past few years? Is there a link?
For HRBPs
• How can we help managers and employees understand the skills they are developing and the value they have in the labor market?

2 Plan
Find the right best practice.
For CHROs
• Drive employee awareness of opportunities beyond their immediate environment by making the data in their talent profile visible throughout the organization, an approach used at Corning Inc.
For HRBPs
• Emphasize the skills development benefits of diverse career opportunities—lateral and vertical—a best practice at National Grid.

3 Execute
Drive and embed change.
For CHROs
• Ensure employees have the tools and support they need to effectively direct their own careers by deploying our Career and Development Ownership Diagnostic.
For HRBPs
• Use our IDP Progress Tracker to help employees understand their growth in role.
HR Overestimates the Impact of Performance Management Changes

HR leaders believe their updates to performance management processes will make the organization more effective, but line leaders disagree.

Percentages of HR and Line Leaders Who Rate HR as Effective at Performance Management 2009-2014

\[ \Delta = 25 \text{ Percentage Points} \]

\[ \Delta = 14 \text{ Percentage Points} \]

Percentage of HR and line leaders who rate HR as effective at performance management.

Source: CEB 2009-2014 HR Business Alignment Tool.

Risk: HR Mistakes Talent Process Updates for Talent Outcome Improvements

More than half of HR organizations have updated their performance management processes to try to reflect new business priorities. But these updates don’t always add up to real results. Despite HR’s efforts, only one-third of managers say they have the talent they need to achieve business priorities. HR needs to motivate breakthrough performance with performance management activities before it’s too late.

What the Best Companies Do™

Most HR organizations use performance management systems to track their organization’s overall performance. But only one-third of HR teams use these systems to drive high performance. So progressive organizations are making changes to measuring and rewarding performance that motivate—and hold leaders and managers accountable for—breakthrough performance.

Have You Considered...?

Learn more about designing a total rewards strategy that drives breakthrough performance at your organization by reading this CEB Total Rewards Leadership Council executive summary.

Data Sources

2. CEB 2014 Enterprise Contribution Head of Function Survey.

Action Plan to Mitigate This Risk

1. Assess

Discuss these questions at your next team meeting.

For CHROs

- What behaviors distinguish high performance in our organization today? How do we encourage employees to adopt them?

For HRBPs

- What barriers in our existing performance management activities prevent our employees from improving their performance?

2. Plan

Find the right best practice.

For CHROs

- Help teams identify the root causes of successes and failures during their everyday work, a best practice at Lenovo.

For HRBPs

- Enable managers to have more effective feedback conversations by teaching them to ask questions and listen to their reports instead of simply communicating their ratings, a best practice at Cargill.

3. Execute

Drive and embed change.

For CHROs

- Learn how to refresh your performance rating system to reward top performers in today’s work environment by using our Network Performance Points Action Toolkit.

For HRBPs

- Identify the activities and tools that HRBPs can use to influence the line’s performance management conversations by referring to our HRBP Guide.
In 2015, Recruiting will take 21 more business days (on average) to fill a role than it took in 2010.

Median Time to Fill

<table>
<thead>
<tr>
<th>Business Days</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Days</td>
<td>42</td>
<td>63</td>
</tr>
</tbody>
</table>

Δ = 21

Risk: Slow Hiring Comes at a Steep Cost

Slow hiring not only affects existing and future talent outcomes but also adds serious financial costs to the business. In fact, the average organization loses roughly US$407 for each day that a single vacancy is open. With average time to fill at 63 business days, this delay adds up to an annual cost of roughly US$8.55 million per 1,000 vacancies. This cost of vacancy includes lost productivity in the role and cost per hire (including recruiter and hiring manager time spend), as well as decreased productivity of the role’s immediate network as it compensates for the empty position.20

What the Best Companies Do™

Most organizations help their recruiting teams fill roles more quickly by providing additional resources and tools for hiring teams to use throughout the recruiting process. The best recruiting organizations, however, help their recruiters prioritize existing resources to manage excess and unexpected hiring volume, reduce the complexity of the recruiting process, and limit and restructure the information and number of stakeholders involved in the hiring decision.

Definitions

Quality of Hire
The quality of hire is a hiring manager’s rating of his or her new hire’s current and anticipated effectiveness at achieving individual and network outcomes.

Hiring Workflow
The hiring workflow is the process by which a recruiting team fills a role, and it includes the recruiting team’s workload, recruiting process steps, and final hiring decision.

Have You Considered...?
Attend a CEB Recruiting executive retreat, Accelerating Recruiting: Achieving Quality at Speed, to learn how you can help your recruiting function move beyond just enabling hiring teams to streamlining the hiring workflow.

Data Source
20 CEB 2015 Recruiting Efficiency Audit.
All Organizations Miss the Best Opportunity to Increase Pay Perceptions

Organizations can significantly improve employee pay perceptions when pay communication strategies specifically target employees by their age (1.25x greater), performance (1.04x greater), and region (1.00x greater).

Segment Impact on Pay Perceptions Index

<table>
<thead>
<tr>
<th>Segment</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>1.25</td>
</tr>
<tr>
<td>Performance</td>
<td>1.04</td>
</tr>
<tr>
<td>Region</td>
<td>1.00</td>
</tr>
<tr>
<td>Gender</td>
<td>0.85</td>
</tr>
<tr>
<td>Tenure</td>
<td>0.77</td>
</tr>
<tr>
<td>Function</td>
<td>0.63</td>
</tr>
<tr>
<td>Level</td>
<td>0.47</td>
</tr>
</tbody>
</table>

Dimensions for Customization of Pay Communications

<table>
<thead>
<tr>
<th>Percentage of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
</tr>
</tbody>
</table>

Opportunity: Improve Pay Perceptions by Customizing Communications

To improve employee pay perceptions, 83% of organizations customize their pay communication—most often by job level and by function. Despite this level of customization, 69% of employees do not think their organizations share pay information that is relevant to their needs. Organizations that go beyond levels and functions and instead customize their pay communications to meet the needs of specific employee segments—age, performance, and region—can improve employee pay perceptions by 1.3 times (total net impact).

What the Best Companies Do™

Most organizations segment employees by their job levels and functions and then communicate the pay plan elements and policies most relevant to these segments. The best organizations, however, realize that employee needs are diverse and instead customize their pay communications by their employees’ ages, performance, and regions to more effectively improve employee pay perceptions.

Definition

Pay Perceptions Index

The Pay Perceptions Index (PPI) measures six aspects of employees’ pay perceptions at their organizations: financial value, nonfinancial value, organizational fairness, manager fairness, internal equity, and external equity. Each aspect is weighed by its impact on employees’ discretionary effort and intent to stay.

Have You Considered…?

With CEB Total Rewards, understand which pay themes matter most to employees today and then decide who should communicate these themes by reviewing Communicating the Right Pay Themes to Maximize Organizational Outcomes.

Data Sources

21 CEB 2015 Tailoring Pay Communications to Employee Segments.
22 CEB 2015 Tailoring Pay Communications to Employee Segments.
23 CEB analysis.
Health Care Will Cost Employees Even More

Average deductibles for both individual and family coverage have increased by 30% in the past year.

For In-Network Plans

<table>
<thead>
<tr>
<th>Year</th>
<th>Individual Coverage</th>
<th>Family Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$681</td>
<td>$1,447</td>
</tr>
<tr>
<td>2015</td>
<td>$883</td>
<td>$1,863</td>
</tr>
</tbody>
</table>

Average Deductible per Plan Year

\[ \Delta = 29\% \]

\[ \Delta = 30\% \]

Risk: Higher Cost Sharing Increases Financial Stress for Employees

More organizations are moving to high-deductible insurance plans\(^\text{24}\) to help negate the projected cost inflation of health care in 2015.\(^\text{25}\) But if organizations adopt more expensive cost-sharing plans without actively encouraging employees to participate in wellness programs and prioritize preventive care, the workforce could experience severe financial stress. This additional stress won’t just affect employees’ mind-sets; it will also increase organizational costs through reduced employee productivity, increased absenteeism, and higher health care utilization.

What the Best Companies Do™

Most organizations moving to higher deductibles offer wellness programs and free preventive coverage to help employees stay healthy while avoiding expensive health care expenditures. The best organizations actively encourage employees to take advantage of, participate in, and understand the value of wellness incentives (e.g., premium discounts). To do this, organizations aggressively communicate before and after open enrollment so that wellness is seen as a ubiquitous offering.

Definition

Deductible

The deductible is the amount an employee pays for covered health care services before his or her health insurance or plan begins to pay.

Have You Considered…?

CEB Total Rewards can help you design incentives to guarantee employee behavior change and identify tactics to ensure employees stay committed to healthy behaviors. Design and roll out wellness incentives that drive employee participation and behavior change by using our Deploying Wellness Incentives Programs toolkit.

Action Plan to Mitigate This Risk

1 Assess

Discuss these questions at your next team meeting.

For CHROs

• How can we quantify and communicate to management the financial and emotional stress that employees face with increased health care costs?

For HRBPs

• Does our wellness communication prompt our employees to take advantage of and participate in existing programs?

2 Plan

Find the right best practice.

For CHROs

• Design wellness incentives that effectively drive employee participation and behavior change, a best practice at the US Department of Energy.

For HRBPs

• Organize employee volunteers to provide on-the-ground communication and then give feedback to the benefits function to help it make wellness programs more appealing, a best practice at Perot Systems.

3 Execute

Drive and embed change.

For CHROs

• Communicate the advantages of taking part in wellness programs to increase employee participation by using the sample excerpts in our Communication Plan to Increase Employee Commitment to Wellness toolkit.

For HRBPs

• Choose the best wellness programs that will prompt your employees to make healthy behavior choices and that will sustain their new healthy behaviors over time by using our Wellness Program Catalog.
More Employees Are Being Recognized, but the Rewards Function Is Ineffective

Although organizations use recognition programs to acknowledge a significantly larger portion of the workforce than they did just a few years ago, 56% of total rewards practitioners still believe their rewards and recognition programs unsuccessfully motivate and reward good performance.

Percentage of Employees Receiving a Recognition Award

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>18%</td>
</tr>
<tr>
<td>2014</td>
<td>32%</td>
</tr>
</tbody>
</table>


Percentage of Total Rewards Practitioners Who Find Their Organization Successful at Achieving Established Total Rewards Objectives

- 44% Successful
- 56% Not Successful

Source: CEB 2015 Using Employee Preferences to Increase the Impact of Total Rewards.

Opportunity: Improve Employee Pay Perception

A logical equation—an increase in workplace recognition to motivate employees and make them feel appreciated—has not yielded transformational organization returns. In fact, although organizations now recognize and reward more employees than before, 51% of the workforce still feels unappreciated. If organizations focus on the right types of employee recognition, they can design programs that have nearly double the return on investment than do traditional short-term incentive offerings. Rewards and recognition programs do not necessarily have to be expensive. In fact, the largest pay perception increase comes from awards that cost less than $100.

What the Best Companies Do™

Most organizations offer a variety of formal programs—and often an online platform—through which employees can recognize each other’s work and performance. The best companies, however, encourage ongoing, more informal recognition—particularly from managers—in one-on-one and team settings. Instead of investing in expensive awards, these organizations simplify awards criteria and build in flexibility to help managers and peers recognize their colleagues effectively.

Definition

Recognition Programs
Recognition programs include monetary and nonmonetary awards that organizations, managers, or peers offer to employees for their exceptional contributions and performance.

Have You Considered…?

With CEB Total Rewards, assess the impact of your rewards and recognition program so you can prioritize program improvements by using our Reward and Recognition Returns Calculator.

Data Sources

2. CEB 2009 Increasing the Role of Reward and Recognition in Incentive Plan.
3. CEB 2009 Increasing the Role of Reward and Recognition in Incentive Plan.

Action Plan to Maximize This Opportunity

1 Assess

Discuss these questions at your next team meeting.

For CHROs
- What behaviors and level of performance should we recognize to align with our business and organizational philosophy?
- How effectively do managers recognize employees throughout the year, and how could we better equip and encourage them to recognize their teams?

2 Plan

Find the best right practice.

For CHROs
- Learn how to make award criteria more flexible so employees can recognize each other for behaviors and outcomes that matter the most, a best practice used at RSA Canada.

For HRBPs
- Learn how Arrow Electronics encourages managers to identify their employees’ recognition preferences and provides a menu of offerings managers can use to meet these preferences.

3 Execute

Drive and embed change.

For CHROs
- Learn how leaders can create a culture of recognition through informal, nonfinancial recognition practices by using our guide.

For HRBPs
- Equip managers to recognize and reward employees the right way throughout the year by adopting the simple and diverse practices included in our Employee Recognition Toolkit.

Total Rewards

Opportunity: Improve Employee Pay Perception

A logical equation—an increase in workplace recognition to motivate employees and make them feel appreciated—has not yielded transformational organization returns. In fact, although organizations now recognize and reward more employees than before, 51% of the workforce still feels unappreciated. If organizations focus on the right types of employee recognition, they can design programs that have nearly double the return on investment than do traditional short-term incentive offerings. Rewards and recognition programs do not necessarily have to be expensive. In fact, the largest pay perception increase comes from awards that cost less than $100.