

What employee surveys are missing—and why the HR profession should be concerned

The old adage, “What you don’t know might hurt you,” comes to mind when I hear discussions about surveying employees about their workplace culture, job satisfaction, or engagement. Employers often boast of high numbers of positive responses to the “Overall I am satisfied with my job” or “I would recommend this company to a friend” entries. Further, they cite their employee hotline, compliance, and labor and employment data—all of which lie within “tolerable” ranges. But then seemingly out of nowhere, a class action suit is filed against the company, leaving the organization dumbfounded. Next, questions asking what went wrong and how was this missed start bellowing from the C-suite.

Human capital risk

The answer here lies in the qualitative and abstract nature of human capital risk. Survey fatigue and the lack of organizational response to surveys can cause employees to not answer surveys honestly, if at all. Further, an employee’s reaction to being harassed, discriminated against, or retaliated upon is not always easy to measure.

Organizations should analyze human capital risk for trends, patterns of behavior, and “hot spots” to ensure they do not provide harbor for employees who engage in retaliation, discrimination, and harassment—and just as important—do not promote an environment where victims feel the only place to turn is the media or the courts. It is not just the monetary exposure that should concern most HR professionals—perhaps even more significant is the PR damage to the company.

Workplace trends

Unfortunately for HR professionals, the climate appears to be ripe for an increase in human capital risk, which often leads to litigation. Two significant events are occurring in the workplace that should put human resources on alert. The first is recent Supreme Court decisions affording broader protection to employees in regard to claims of retaliation, discrimination, and harassment. The EEOC received approximately 83,000 discrimination charges in FY 2007, the biggest one year increase since 1993. This resulted in nearly \$350 million in financial penalties from corporations.¹

Also significant to corporate human capital risk is the aging workforce population. By some estimates, 76 million workers will retire by 2020, accounting for approximately 40 percent of the current workforce.² It follows that most HR professionals expect to see a talent drain as the baby boomers age. Once again, the corporate culture of an organization provides the best defense to mitigating these HR risks. As years of talent leave an organization en masse, and Generations X and Y arrive behind them, a company’s culture will play a key role in workforce attraction and retention (a recent study showed that only 30 percent of workers aged 21 to 30 would strongly recommend their organization as a good place to work³).

Given the above trends, HR professionals need to prepare for the challenges that will inevitably come from an aggressive EEO commission and a weak labor pool at the management ranks. And in this, the organization typically turns to the HR department to monitor risks in the culture. To many organizations, the key source of risk indicator has become the employee survey. But too often the employee survey lacks rigor and is flawed in its ability to catch the subtleties or gray areas that can exist in cultures. It is from this gray area that retaliation, discrimination, and harassment issues emerge unbeknown to the HR professional—that is, until the whistle is blown or a lawsuit is filed.

¹U.S. EEOC press release, March 5, 2008.

²Aging Workforce Creates Challenges & Opportunities: New Data Show, Compensation and Benefits for L. Offices, Dec. 2005.

³Leadership IQ poll of 11,244 employees from 872 different organizations.

Warning signs

Some warning signs do exist and can provide clues that an organization's culture may warrant further attention by HR. Key indicators include:

- A rigid, tradition-bound culture unaccustomed to change
- Difficulty in recruiting talent, especially top talent
- Disengaged employees
- Customer service issues
- Management that is resistant to suggestions for improvement or criticism
- Management retaliation—sometimes subtle and other times illegal—that keeps employees from speaking up (this can be pervasive throughout the company and extended into senior management ranks)
- A pattern of letting problems fester and not addressing them until they reach crisis stage
- Distrust of management by employees and vice versa—often, management distrusts employees because it doesn't believe it's being told the whole truth

The organization may or may not be aware of these issues, but mitigating the risk associated with them must be driven by HR. The challenge is that most C-suites are metrics driven and they struggle to understand and manage human capital risk. Even enlightened organizations often find themselves unable to build consensus among executive leadership and HR on how to identify, attack, and mitigate human capital risks.

The exercise should start with an understanding by HR of what the empirical data of the organization indicates about the state of human capital risk—quantitative data that sheds insight into the qualitative nature of human capital risk.

Improved analysis

Statistical analysis is crucial. Particularly important is a refined analysis that reads between the lines of survey data and reveals what is really driving risks from the employee perspective. Statistical procedures, including structural equation modeling and factor analysis, can empirically analyze existing survey and employee data to reveal trends that simplistic statistical analysis may not uncover. More importantly, these statistical techniques have the added bonus of analyzing multiple surveys from multiple periods and overlapping the data to reveal patterns that the organization never knew existed.

The over/under use of surveys not only affect future survey data but also affect an employee's desire to communicate openly and honestly with his or her manager. This survey fatigue leads to the critical issue of management, including HR, falling out of touch with what they do not know.

The HR professional, as the human capital 'risk officer', needs to fully understand how human capital issues, such as retaliation, discrimination, and harassment, can present themselves in the organization. Simply relying on hotlines, incident reports, or a satisfactory litigation track record is rarely a sufficient way to mitigate these risks. A custom statistical analysis of survey data not only reduces the organization's liability for retaliation, discrimination, and harassment, but also "transforms" the culture in ways that increase engagement, attract top talent, and retain talent within the organization.

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