



MEASURING SUCCESS

New Talent Management Tools for the Post-Pandemic World



Overview

In the post-pandemic world, organizations require new management approaches and evidence-based analytics. Using a more structured approach, organizations will gain actionable insight into overall leadership and management effectiveness and alignment of the most appropriate talent with the most vital business outcomes.

Over the past two decades, Success Profiles¹ and Gallagher² have confirmed consistently that the single practice that drives both business success and high performance is how well senior leaders appoint the right people in the right roles and leverage the talent of their teams.

As a result, organizations need evidence-based data to make the most timely business decisions. Fortunately, technology has made collecting and interpreting this information easier and quicker than ever. Yet with so much data available, it's easy to focus on the wrong facts, draw inaccurate conclusions, make poor decisions, and fall short of business goals. This is why the wisdom of knowing what to measure, what the data truly means, and with whom to act is so important to making business decisions with high return on investment (ROI).

In order to make the critical decisions that drive talent performance and business success, leaders must focus on three core efforts:

1 Adopt more sophisticated talent management practices.

The status quo of talent management and succession planning simply isn't enough. Organizations must leverage more strategic, more integrated and more comprehensive approaches to gain the clarity to support better career wellbeing.

2 View talent management as a competitive advantage.

Some leaders still view talent management as "nice to have." In reality, evidence-based talent management strategies allow organizations to identify and address problems more effectively. Therefore, leadership teams should make talent management central to how they develop business strategies and measure success.

3 Turn raw data into actionable knowledge.

Data on its own often is tedious to interpret correctly because it's hard to "hear the signal" over all the noise. The ability to convert data into insights for strategic action is critical. Novel approaches that incorporate the visual display of quantitative information such as Talent Management Insights "Eye Charts™" created by Success Profiles offer new ways to transform raw data into a format that any user can understand instantly.

Leaders who routinely incorporate new ways of thinking about talent management into management practices can profoundly enhance organizational wellbeing. When leaders adopt an approach that offers strategic insight, combined with leadership coaching and development opportunities, organizations will see results across employee engagement, customer satisfaction and financial returns, among other measures.

Case Study: Strategic Investment Builds Success

A multi-hospital healthcare system prioritized “front-line” management effectiveness over every other business practice. That innovative approach to talent management contributed to a dramatic shift to improve outcomes by virtually every measure.

Statistics from 2002 revealed fewer than 50 days of cash on hand, patient satisfaction in the 25th percentile, and industry performance benchmarks that struggled to reach the 50th percentile.

As an important step, the organization began to track the performance of leaders system-wide against key measures. Using sound analytics, they identified those leaders most likely to respond to coaching and created personalized coaching plans to help those individuals to improve.

By 2008, the organization’s EBITDA grew at a rate of 12–14%, cash on hand stood at 150+ days, patient satisfaction jumped to the 70th percentile, and staff satisfaction rocketed to 90%. Today, this organization is a profitable, award-winning healthcare system.



The success in this case study illustrates how an organization willing to measure, learn and act on improving performance can leverage evidence to drive total organizational performance and well-being.

Key Takeaways

- Leadership and management effectiveness ultimately drive performance by virtually every measure, accounting for 70% of the variance in observed performance.
- Organizations must commit to several years of effort to adopt, institutionalize and refine the business practices and disciplines associated with human capital performance measures.
- Organizations often overestimate the degree to which they can improve the performance of managers who are struggling, neglecting to consider the ROI of attempts to improve performance.

Conclusion

While these talent management approaches bring no “quick fixes,” they represent higher-level strategic thinking. Putting the right people in the right roles and tracking associated measures is core to greater alignment with business goals and better organizational wellbeing. Regardless of industry, business practices have changed in the post-pandemic world. It follows that now is the time to adopt evidence-based performance measurement and talent management approaches.



Think your organization could benefit
from these tools? Give us a call

866-572-0719

¹Success Profiles is a talent management methodology with a measurement framework and support research data; Successprofiles.com

²Gallagher, “2020 Benefits Strategy & Benchmarking Survey Report – U.S. Edition,” September 2020

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Evidence-Based Talent Management

Putting the right leaders in the right roles

Featured Topics

- 1) Understanding the importance of evidence-based talent management:
Creating a competitive advantage with a focus on **leadership and management effectiveness**
- 2) Leveraging mature and sophisticated Performance Measurement and Talent Management: Connecting leadership and management effectiveness to **overall performance outcomes**
- 3) Viewing an efficient talent management system as a financial imperative: **Aligning talent to value**, differentiating and calculating value at risk to lower costs
- 4) Using an evidence-based system to **quickly identify, measure and differentiate the effectiveness of all leaders**: Healthcare case study

An Evidence-Based Approach

- Any organization, any size and nearly any industry:
Attributes approximately **70% of overall success** to consistently appointing the right people in the right role
- Post-pandemic organizations will require **innovative performance measurement and talent management tools** – such as those created by *Success Profiles*
- These tools provide **actionable knowledge and insight** into overall leadership/management effectiveness and alignment with organizational goals

Unprecedented Challenges, Opportunities

Forces Impacting all Organizations

The accelerating need to restructure all levels of management

From top to bottom, the traditional span of responsibility for people in management is siloed, obsolete and unsustainable.

Immediate and far deeper cost cutting of waste

In the human capital/productivity deep end of the pool vs. the shallow end—product supply chain or oversimplified staff reductions

Accelerating departure in the dominant cohort of management

Baby-boomers increasing retirements and the need for succession planning and leadership continuity initiatives with all key management vs. just in the C-suite.

Continued incorporation of sound analytics to make business decisions

Business intelligence that is on par with the recent emphasis in creating a highly engaged “Just Culture”—transparency and open book management.

Performance management: From annual to ongoing coaching

The unsustainable business model forced upon Healthcare (declining top-line revenue) requires more sophisticated forms of measuring productivity (Activity-Based Cost Accounting).

Mature and Sophisticated Performance Measurement and Talent Management:

Success Profiles

An Evidence-Based Approach

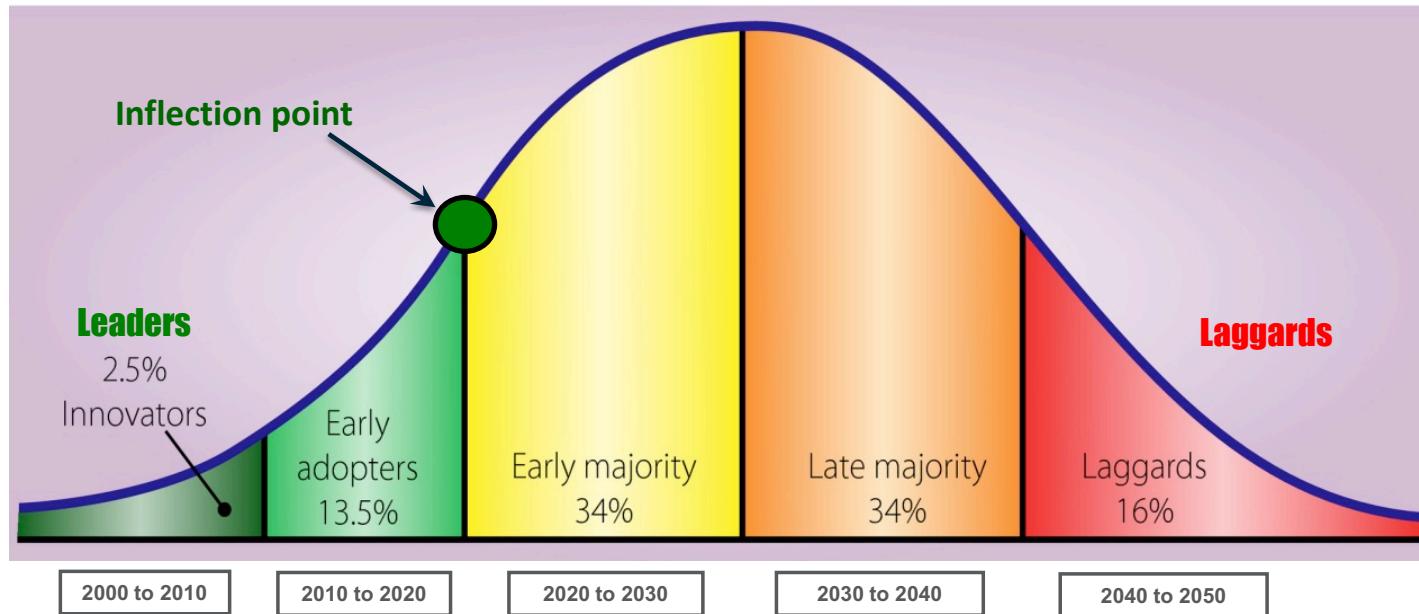
- These unprecedented marketplace challenges drive the imperative for **timely hard data and up-to-date insights**
- Fortunately, technology has made **collecting, accessing, and interpreting information easier than ever**
- Yet, abundant data can misdirect focus on the **wrong facts, resulting in inaccurate insights, poor decisions**, and in the end, fall short of business goals

An Evidence-Based Approach

- **Mature and sophisticated performance measurement**
Success Profiles studied hundreds of healthcare organizations and more than **48,000** people in management
- **Importance of converting data to actionable knowledge—Visually**
- **The relationship between leadership/management and outcomes**
One case study example included **104** healthcare organizations
What senior leadership of one healthcare organization was willing to do in a challenging turn-around

The Phases of Innovation

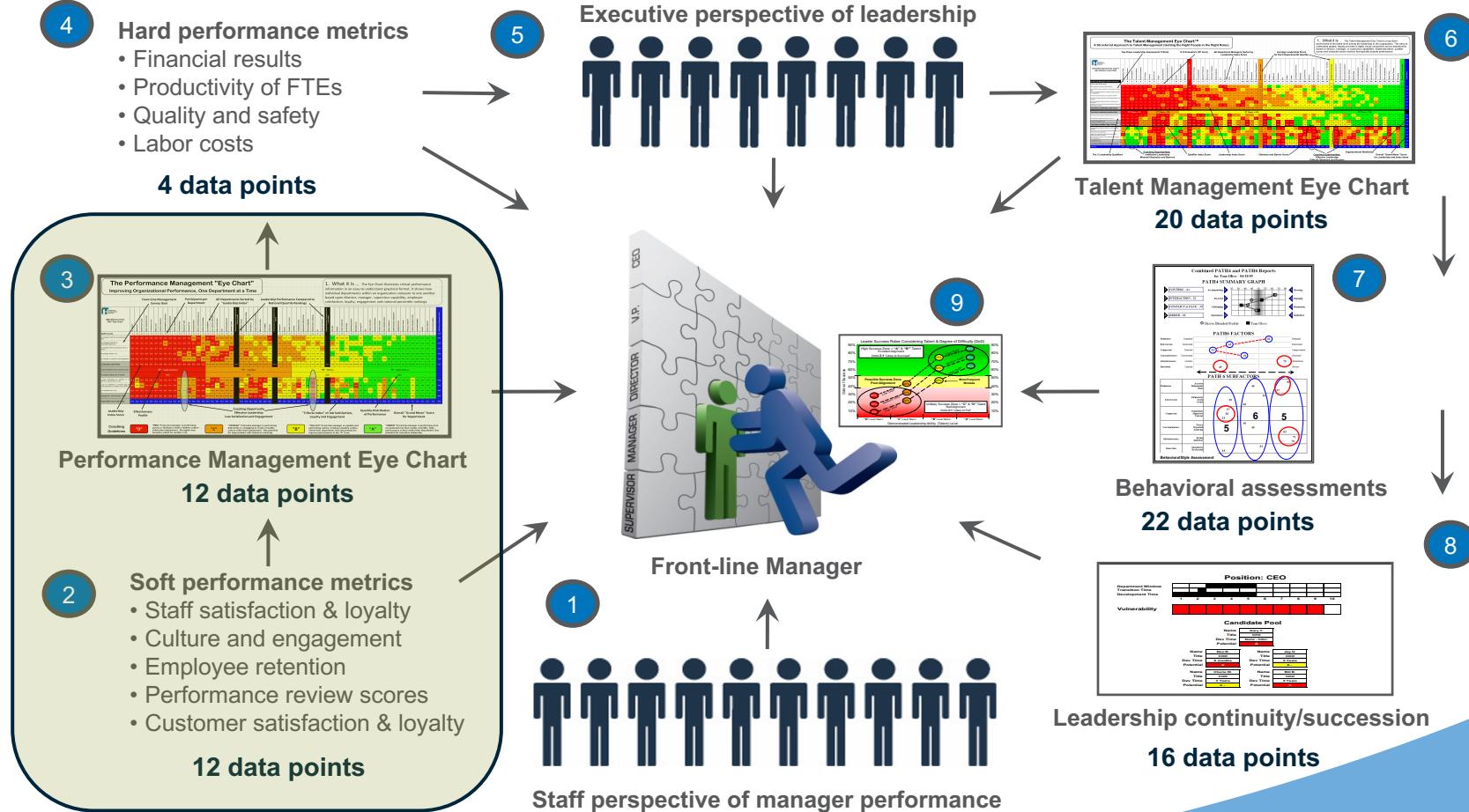
Today, fewer than 16% of organizations use a structured approach to performance management, talent management and succession planning



An Evidence-Based Approach

- Measure what seems subjective—leadership and management—to create objectivity and turning raw data into **actionable knowledge**
- *Success Profiles* performance measurement incorporates five perspectives of triangulation to create an **accurate picture** of effectiveness

GPS-like Navigation to Evaluate Leadership Performance



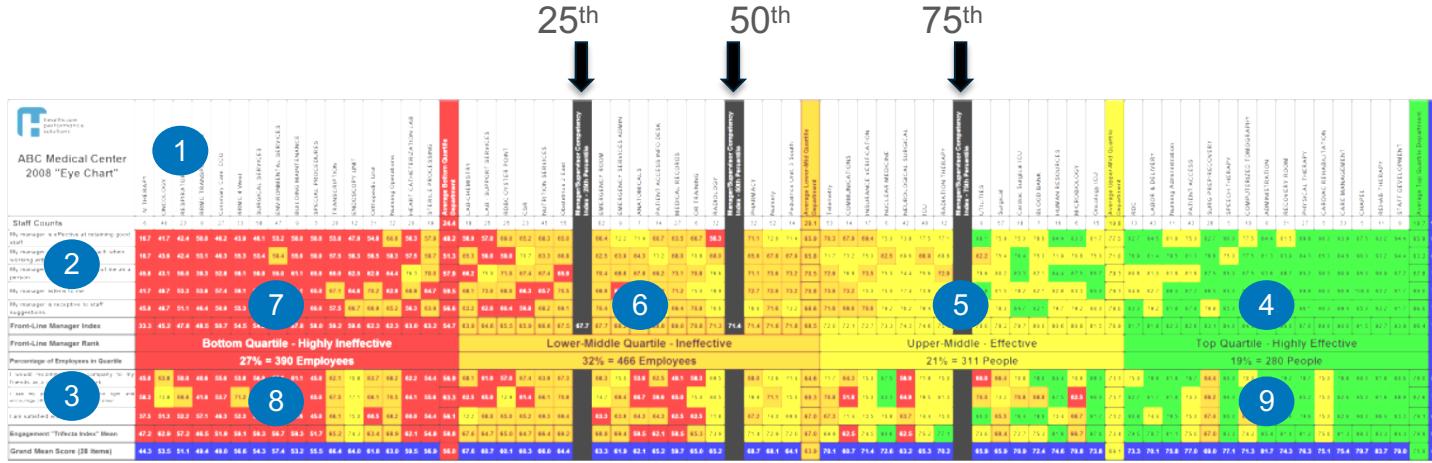
The Visual Display of Quantitative Information

Creating Actionable Knowledge For Better Decisions

- Success Profiles measurement tools aggregate and illustrate data in a **right brain** visual format to provide true business intelligence; like a “crime board” used by detectives
- Of the 5 senses, our brains are designed to **process information best** using pictures
- There is no math involved in processing and interpreting visual information; **gain instantaneous understanding** using rank order, relationships, color
- The Management Insights Eye Charts create synthesis and meaning by revealing a complete picture with **both peripheral vision and detailed focus** to coach individual managers

Eye Charts™: Performance Management Insights

Visual display of quantitative information: employee engagement data



- 1) Departments and front-line managers
- 2) Effectiveness Criteria
- 3) Indicators of employee engagement, cultural health and/or resiliency
- 4-7) Forced-quartile rankings of all managers calculated by overall effectiveness
- 8-9) High causation/correlation with management effectiveness and engagement

Eye Charts™: Performance Management Insights



Specific measures and compelling motivation to act



- Bottom Quartile (Red) Departments had 300% greater voluntary turnover
 - Top Quartile (Green) Departments achieved 28% tile points higher patient satisfaction
 - Bottom Quartile (Red) Departments missed financial budget performance by over 9%

Eye Charts™: Performance Management Insights

Longitudinal management performance tracked over time



What we learned by studying thousands of people in management

- Improvement within the original quartile zone = likely (1 in 2 odds)
- Improvement of one quartile (Red to Orange) = somewhat unlikely (1 in 4 odds)
- Improvement of two quartiles (Red to Yellow or Orange to Green) = unlikely (1 in 10 odds)
- Improvement of three quartiles (Red to Green) = very unlikely (fewer than 1 in 20 odds)

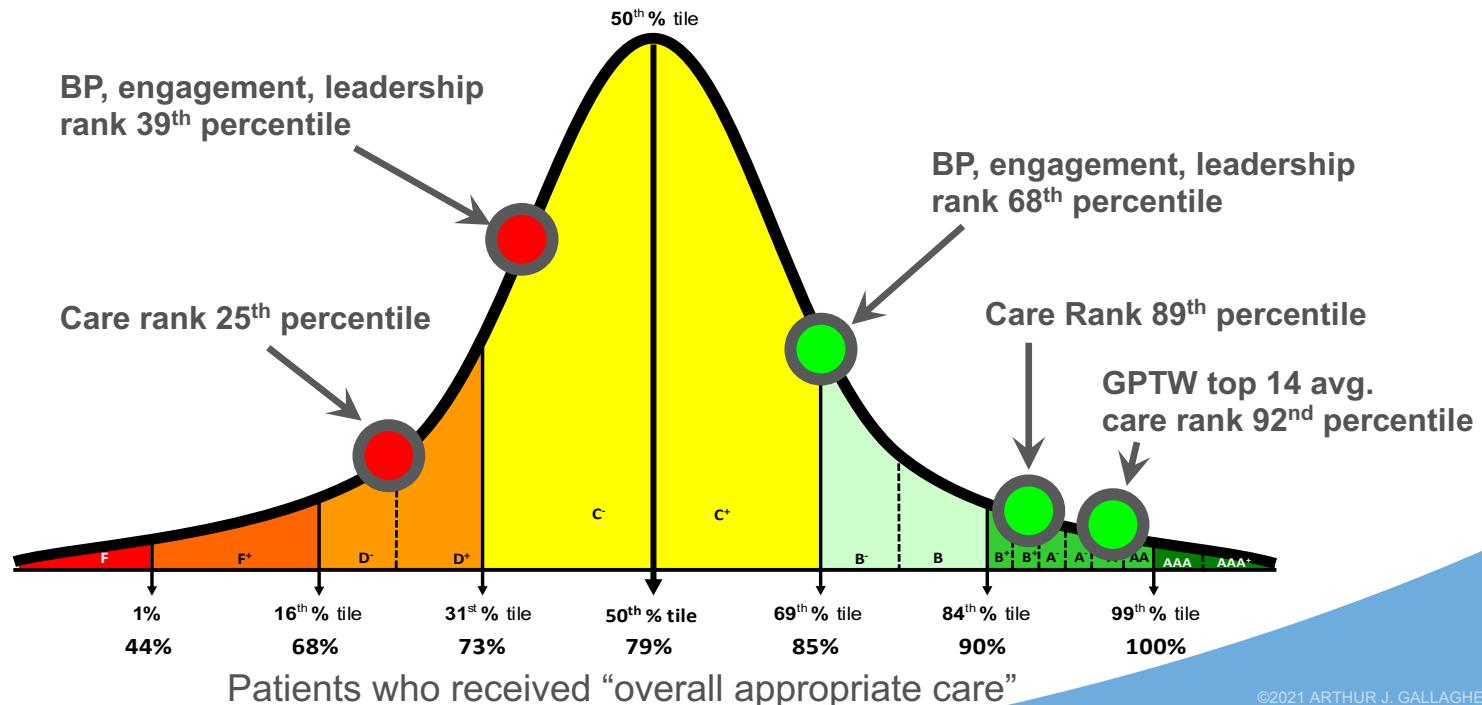
Leading and Lagging Indicators: Leadership, Engagement and Quality Metrics

| % of patient that received "Overall Appropriate Care" | National % rank |
|---|-----------------|
| 45.1% | 1.0% |
| 48.3% | 1.2% |
| 51.4% | 1.5% |
| 53.6% | 1.8% |
| 54.6% | 2.1% |
| 56.7% | 2.8% |
| 57.8% | 3.4% |
| 58.9% | 4.0% |
| 59.9% | 4.7% |
| 62.0% | 6.7% |
| 64.2% | 9.3% |
| 65.2% | 10.9% |
| 66.3% | 12.7% |
| 67.3% | 14.8% |
| 68.4% | 17.1% |
| 69.5% | 19.6% |
| 70.5% | 22.3% |
| 71.6% | 25.3% |
| 72.6% | 28.4% |
| 73.7% | 31.7% |
| 74.8% | 35.2% |
| 75.8% | 38.8% |
| 76.9% | 42.5% |
| 77.9% | 46.2% |
| 79.0% | 50.0% |
| 80.1% | 53.8% |
| 81.1% | 57.5% |
| 82.2% | 61.2% |
| 83.2% | 64.8% |
| 84.3% | 68.3% |
| 85.4% | 71.6% |
| 86.4% | 74.7% |
| 87.5% | 77.7% |
| 88.5% | 80.4% |
| 89.6% | 82.9% |
| 90.7% | 85.3% |
| 91.7% | 87.3% |
| 92.8% | 89.1% |
| 93.8% | 90.7% |
| 94.9% | 92.1% |
| 96.0% | 93.3% |
| 97.0% | 94.4% |
| 98.1% | 95.3% |
| 99.1% | 96.0% |
| 99.5% | 96.6% |
| 99.9% | 97.6% |
| 100.0% | 99.0% |

104 organizations business practice & leadership scores (top half vs. bottom half)

42 organizations → avg. leadership/engagement for below 50th percentile group = 39th percentile

62 organizations → avg. leadership/engagement for above 50th percentile group = 68th percentile



Leadership and Performance

The evidence and what we learned

- Examining **500+** organizations, we have **never** observed or measured a high-performing organization with below-average leadership capability
- We consistently see poor performing organizations and departments with below-average leadership and leaders out of alignment—**in over their head**
- Leadership alignment and talent management are the ultimate leverage points to drive performance

This process is not labor, capital or time intensive, but it is perspective intensive where people need to see, feel and act on the evidence

- Leadership alignment and talent management is not a software solution nor an APP. They are **core competencies** that senior leadership need to demonstrate

Aligning Talent to Value

- All organizations have functions, departments, business units, and products that disproportionately contribute to their overall success
- Few organizations use an evidence-based approach to align the **right people in the right roles** to optimize management effectiveness
- Immature and unsophisticated performance measurement systems are unable to calculate the value of risk associated with tolerating ineffective leadership and management

Aligning Talent to Value

Key Considerations

- Natural and developed leadership and management ability
- Bias vs. an evidence-based approach to appointment
- The impact that leadership has on resiliency and burnout
- Disproportionate value added: the **19%, 62%, 80%** formula
- Value at risk when tolerating ineffective management
- The importance of leadership alignment and coaching—who should be coached and how often

Leadership and Management Success Rates

Targeted Formal Coaching

What percent of the population demonstrates the **natural hardwired talent** to be consistently effective in leadership/management roles?

Approximately 12%

How many are very likely to become effective with disciplined self regulation, a focus on development and formal coaching from their immediate supervisors?

An Additional 26%

Bias vs. Making Appointments with Evidence-based Science

Most organizations use the following criteria for key leadership appointments:

- Tenure
- Experience
- Technical skill

The Problem: There is **no** statistical correlation between these attributes and management effectiveness. Effective managers bring out performance in others

- 1) Managing oneself
- 2) Managing others
- 3) Leading leaders
- 4) Matrix reporting

What We Know About Burnout and Resiliency

- **Resiliency impacts Burnout**—burnout can be controlled by one's ability/ inability to cope with work demands
- **Burnout impacts Engagement**—the more individuals experience burnout, the more likely they will grow less enthusiastic about their jobs



Source: Bakker, A.B., Demerouti, E., & Sanz-Vergel, A.I. (2014). Annual Review of Organizational Behavior, 1: 389-411

Recognizing and Managing Disproportionate Value

In healthcare, approximately **19%** of departments/ functions produce **62%** of the revenue, and are responsible for up to **80%** of overall patient experience.

Most healthcare organizations do not recognize this disproportionate impact, and are therefore do not align their management talent to value or role complexity.

These organizations have no way to calculate value at risk when an ineffective leader or manager remains in a role for an extended period.

The improvement in performance and productivity gained by **aligning the right talent to the appropriate level of complexity** can produce more overall value than any other business practice or cost-cutting initiative.

Leadership and Management Success:

A Performance Imperative

We suggest that organizations **look beyond** interpreting leadership and management alignment—putting the **right people in the right roles** as the right thing to do.

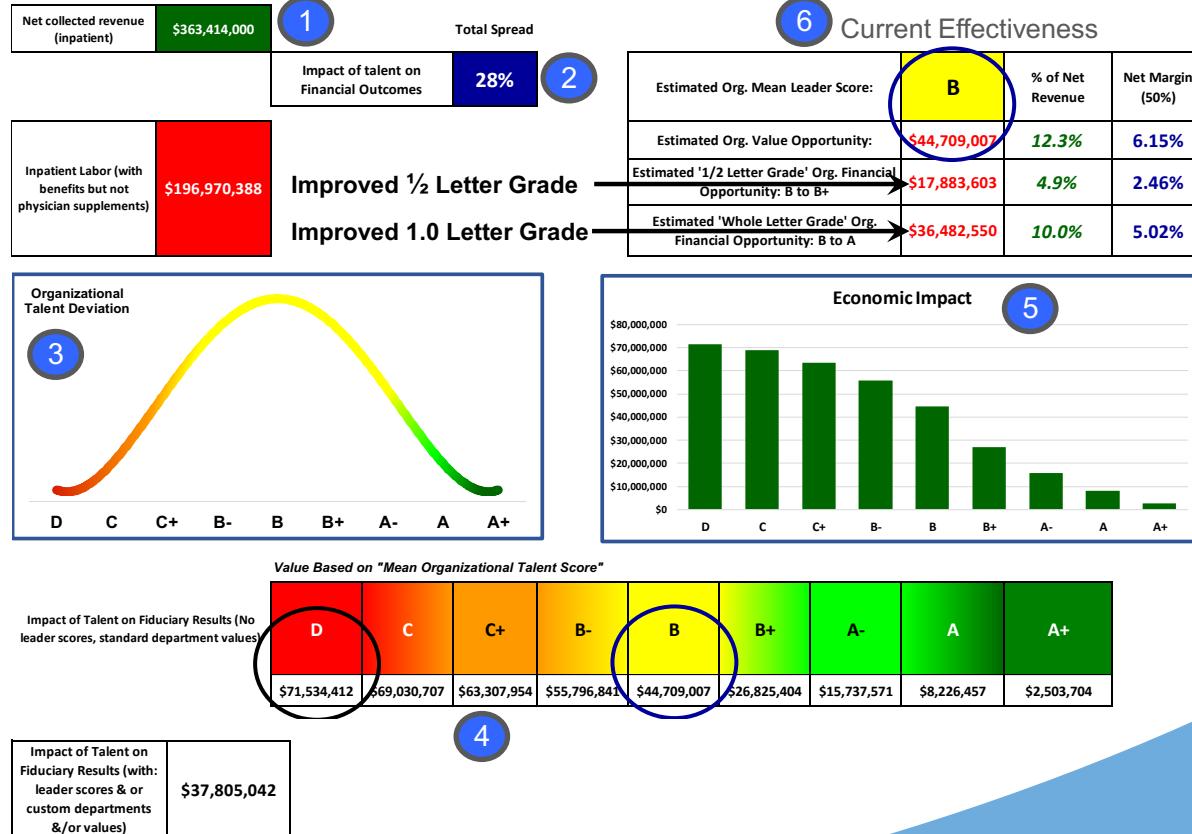
Instead, leaders need to view these efforts as a **business and financial performance imperative**.

Value At Risk With Sub-optimized Management Effectiveness

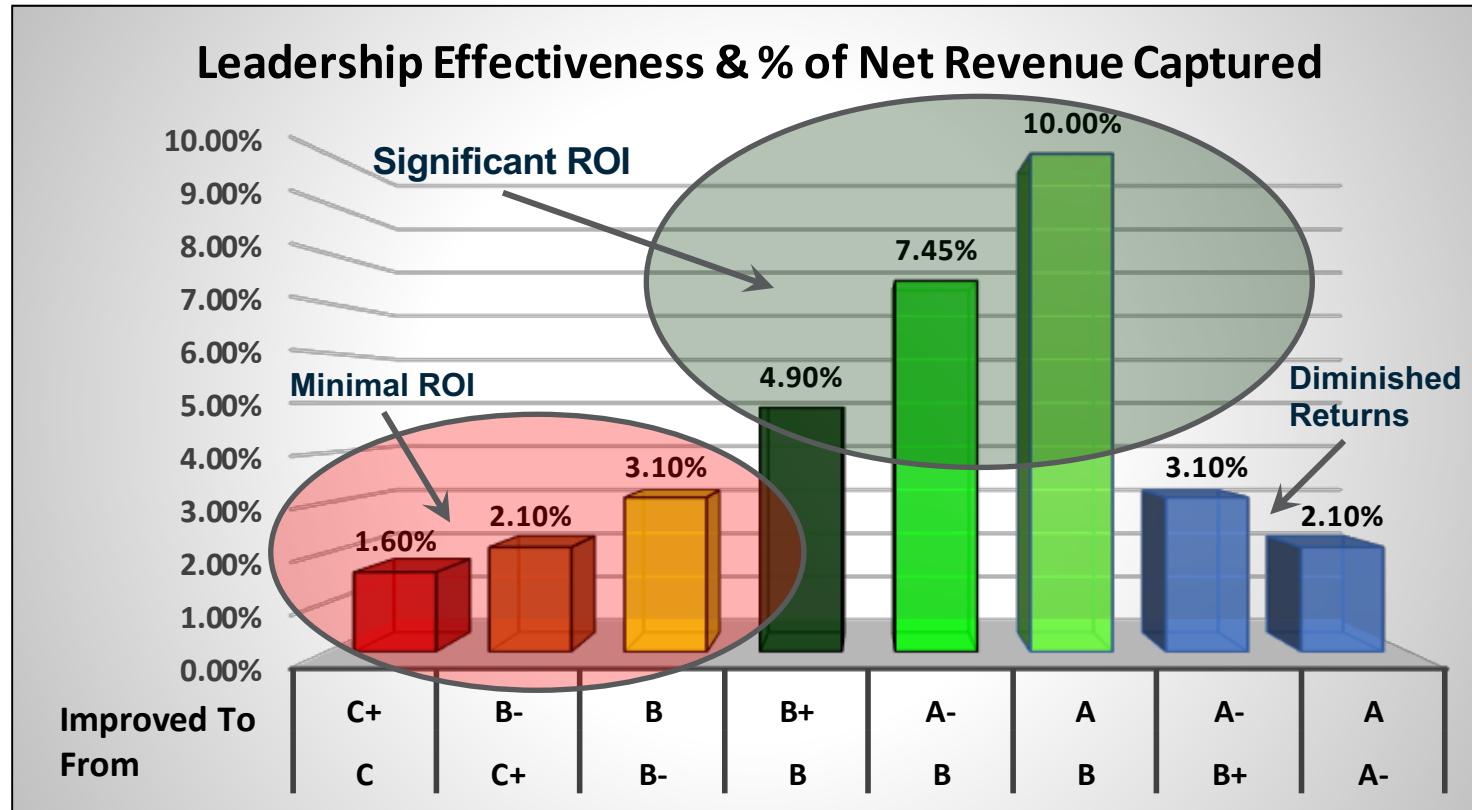
Costs contributing to the value at risk:

1. **Productivity:** total FTEs and labor costs/effort to produce efficient output
2. **Turnover:** direct and indirect replacement costs when people defect
3. **Absenteeism:** cost to cover people who are not at work
4. **Quality and safety:** costs associated with poor quality of care or safety issues
5. **Patient/customer satisfaction:** value of the customer experience
6. **Profitability:** ultimate measure of financial success

Most organizations do not utilize activity based cost (ABC) accounting and cannot easily measure each of the performance metrics listed above. The simplest and most conservative way to measure the total value at risk is to use a productivity multiple for labor costs.



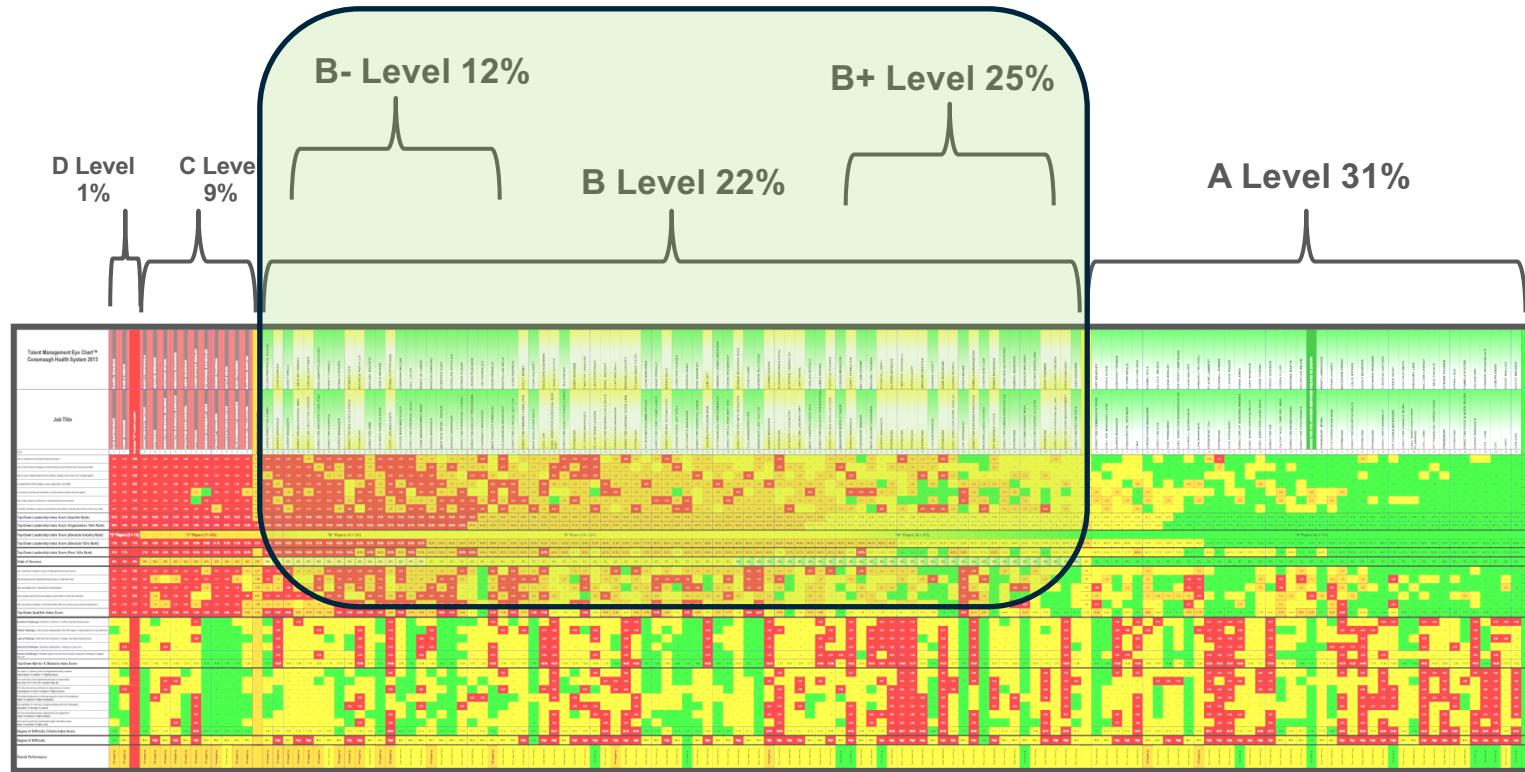
As we optimize management effectiveness, we decrease value at risk and enhance economic value



Impact of Coaching: ROI and Who Benefits Most



Greatest performance improvement and highest coaching ROI comes from those in the B category



Case Study: Organizational Turnaround Journey to Performance Excellence

One Organization's Journey

- Multiple campuses and dozens of locations
- Faced environmental challenges similar to today's challenges
- The turn-around improvement over the first 6 years
- The focus to create long-term consistent performance
 - Leadership and management effectiveness
 - Engagement and creating a healthy culture
 - Financial impact, productivity improvements and quality of care

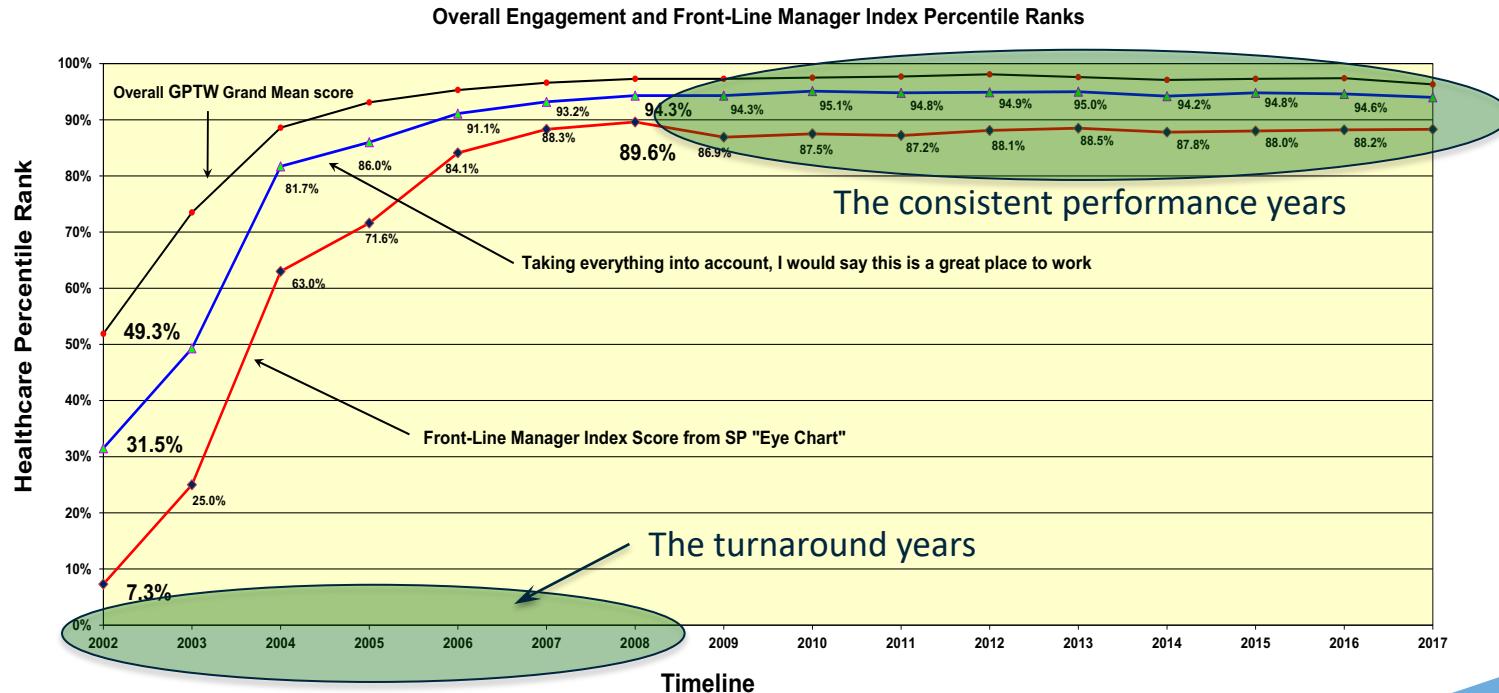
Organization's Starting Point

A Challenging Turnaround in a Highly Competitive Marketplace

- Negative operating margins with **less than 50 days cash on hand**
- No bond ratings, used bank financing for debt.
- Customer satisfaction at the **25th percentile** and no process improvement systems.
- Quality outcomes at **50th percentile** compared with competitors nationally.
- Talent drained at 35% rate overall 50% of new hires—union campaigns throughout.
- Satisfaction at 50% with range of 100% to 20% (an 80-point variation).
- Performance benchmarks were at the **50th percentile** of all similar businesses.

Our focus to create long-term consistent performance with leadership/management effectiveness (the first 6 years and beyond).

- Leadership and management effectiveness, engagement and creating a healthy culture.
- Financial impact, productivity and quality of care.

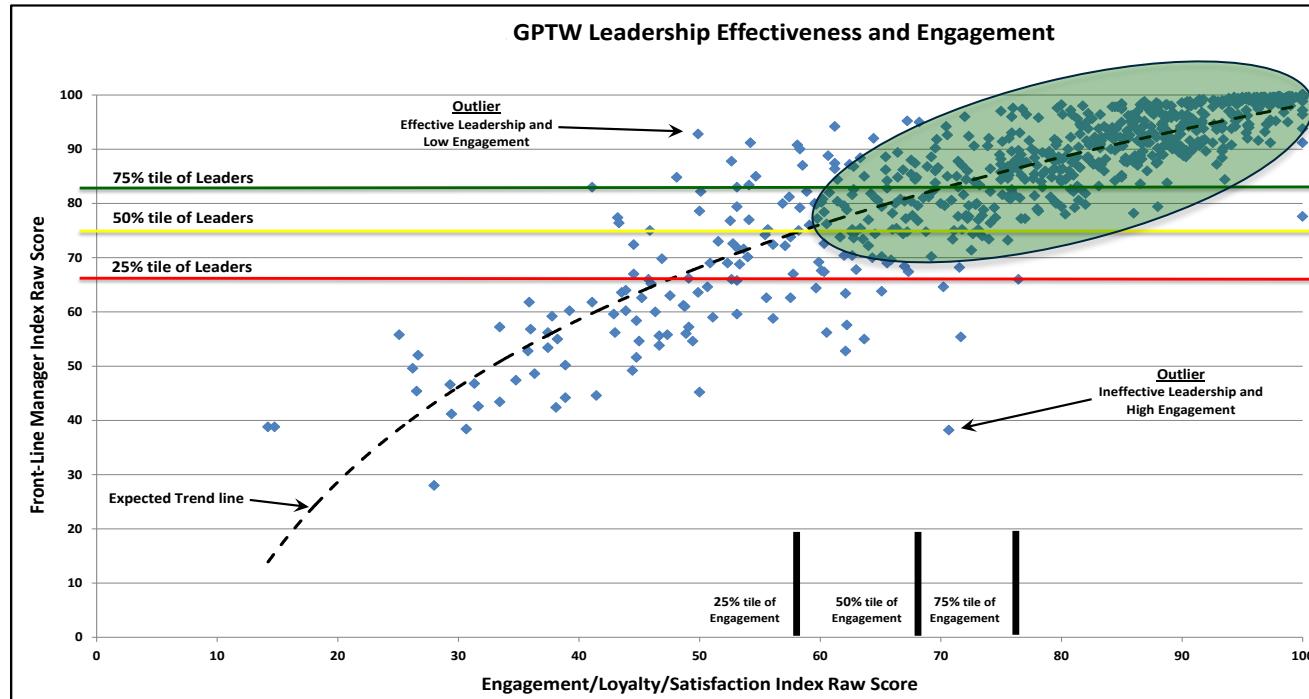


A Six-Year Turnaround

- Net operating margin **grew to 5-8% range with EBITDA at 12-14%**
- Days cash on hand **grew to 150 plus**. Bond rating improved to AA - stable
- **Quality recognized in national rankings**, generally moving into the **75th percentile**
- **Customer experience moving to the 70th percentile**
- **Staff satisfaction moved to 90%** with a range of 60% to 90% or 30 point variation
- **Engagement moved to 80th percentile** and unions eliminated

Leadership Effectiveness and Employee Engagement

Ten years into the process, the organization's leadership/management effectiveness was one standard deviation above the norm. B level leaders would be considered A level leaders at the average comparable organization.



2017 to 2020

- Bond rating **AA Stable** 244 days cash on hand
Consistent net margins
- Top 15 Health Systems - top 5 in large systems, **2017- 2020 top decile outcomes**
- Patient Experience **75th percentile**
- Staff satisfaction ranked their company **a Top 100 employer in ALL industries for 11 straight years**
- Premium labor costs, including outside labor, decreased from 17% of a \$600 million dollar payroll to 3 - 4% on a \$1.5 billion dollar payroll 15 years later
- Top decile on all other key performance metrics

Eye Charts™: Performance Management Insights

Visual display of quantitative information: employee engagement data



What does it take to be successful in today's market?

- Willingness to measure, learn and act on improving performance in the most vital roles
- All-in commitment of **C-suite** leaders to take ownership with the process and a CEO who is willing to invest time in creating an annual leadership academy
- **CHRO** who is a business person first, an industry executive second and a CHRO third

Key Take-aways

- Several industries are in their infancy with respect to measuring and understanding how to use advanced analytics to improve performance.
- Leadership and management effectiveness is the ultimate driver of performance by virtually every measure (accounting for **70%** of the variance in observed performance).
- It can take several years of effort to adopt, institutionalize and refine the business practices and disciplines associated with human capital performance measures.
- We overestimate that we can improve performance of managers who are struggling. We don't consider their ultimate odds of success or return on investment (ROI) with coaching.
- We tend to discount the bias and subjectivity involved in our selection and appointment practices.
- We tend to consider all roles to be important and thus are somewhat blind to the concept of disproportionate impact.

Conclusions

- The next decade will produce significant experimentation, understanding and advances in human capital analytics, performance measurement and talent management
- What will begin as a competitive advantage for early adopter organizations will evolve into common business practices that are universally accepted and adopted by every industry
- Organizations that are late adopters will continually struggle to be competitive, will face significant recruitment/hiring headwinds and struggle financially
- People choosing a career in leadership and management potentially will gain much greater clarity and guidance with respect to their natural hard-wired talent, their developed skills and career path advancement

Contact us to talk about how Gallagher can support your talent management strategy.

Mitchell Gold, Ph.D.

Managing Director and Senior Advisor

Engagement Surveys & Leadership Advisory

mitch_gold@ajg.com

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