THE IMPACT OF VALUING EMPLOYEE EFFORT

sapience

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1 INTRODUCTION

The way we work has changed. Today, we live in a knowledge economy, where the majority of work is performed by knowledge workers, using computers. The Wall Street Journal reports that about 48% of U.S. employees can be classified as “knowledge workers,” according to data from 2016. These highly skilled and educated people use their creativity, insights and knowledge to solve problems, and leverage information and technology in their daily work.

A report from Forrester Research found that 82% of employees use a desktop computer at work, and 66% use two or more devices, including laptops, smartphones and tablets.

Because most employees are now online, they are free to work from home, or even across the globe. Gallup’s 2018 State of the American Workplace report noted that from 2012 to 2016, the number of employees working remotely rose by four percentage points, from 39% to 43%. This connectivity and freedom has increased opportunities for collaboration, with the ability to conduct meetings and phone calls, and send e-mails from anywhere, at any time.

However, the “always on” culture can cause problems, too. A 2018 Pew Report found that 26% of American adults said they are online “almost constantly,” up from 21% in 2015. Because employees spend so much of their time online, they are never more than a phone call or email away, and it’s easy for work life to eat into family life, causing stress and dissatisfaction with their work, and leading to a lack of engagement. The American Psychological Association’s 2017 Stress in America survey reported that 61% of Americans say work is a “somewhat” or “very significant” source of stress.

Yet in spite of high stress and important technological advances, employee engagement is still low. This may be partially due to the fact that the Internet and the devices connected to it aren’t just sources of productivity. They are also our greatest sources of distraction. A 2018 Workplace Distraction Report by Udemy found that nearly three out of four workers (70 percent) say they feel distracted when they're on the job. 36% of millennials admitted to spending two or more hours per work day using their phones for activities that were not related to work.

We cannot halt the advance of technology. However, employers and employees can seek balance in the way they use it, to create better results at work, define boundaries between professional and personal technology use, and improve productivity, career satisfaction and engagement.

Employers are trying their best to manage these challenges, but they lack the data needed to analyze effort and effect change. To succeed in today’s knowledge economy, information is key—starting with reliable, accurate data about how employees spend their time at work. Instead of relying on anecdotal information and gut feelings, employers need need real data to set goals, measure progress, understand the value of employee effort, and improve engagement as well as productivity.

It's amazing how much an employee can accomplish during a short break from work. In just minutes, it's easy to look up a stock quote, track an Amazon shipment, check the children's school site, reset the temperature of the Nest thermostat, browse for a vacation destination, research a job opening, or order an Uber ride. It's also very easy to lose track of time while performing these enjoyable and engaging activities.

Every website and app where people congregate is like a magnet, competing for our attention. Many platforms are built with automatic notifications to advise us of new developments, take activities on our behalf, or invite us to return for an important task. Alerts intuit what we may be interested in: a discounted airline ticket for a favorite getaway, a stock price target, a competitor's press release. In a life constantly filled with interruptions, it is a wonder that we get any effective work done at all.

Almost every workplace is now punctuated by these new influences, which have become integral to our lives—and companies that employ knowledge workers, who are on digital devices all day, are especially affected. Every interruption costs each person an average of 23 minutes and 15 seconds to get back to work, according to UC Irvine. As a result, nearly 2.1 hours is lost in digital distractions every single day.

Distractions can lead to lost productivity, which can cause stress. Employees may then take work home, causing even greater stress, which also affects productivity. The American Psychological Association (APA) estimates that U.S. businesses incur $300 billion losses in productivity due to stress-related factors each year.

It is clear that our digital lives have a major impact on the time we spend at work, and in meeting our obligations to our jobs. But, just how far does that impact reach—and what can we do about it?

WEAPONS OF MASS DISTRACTION

Every interruption costs each person an average of 23 minutes and 15 seconds to get back to work, according to UC Irvine. As a result, nearly 2.1 hours is lost in digital distractions every single day.

2 ABSTRACT / BUSINESS CASE

The goal of this white paper is to initiate a discussion on the lack of visibility into how employees spend their time at work, and how much value they produce relative to their efforts. Employers need this information to create workplaces that strike a balance between reduced stress and increased productivity for each individual employee.

3 THREE QUESTIONS

a. Do your employees' efforts measure up to your company's expectations?

The question above cannot be answered if employers cannot measuring effort, or the value it produces.

In a theoretical world, let us presume that executive leadership has a clear vision, executed by employees who have clearly defined job descriptions and follow well-defined processes. Each employee has specific responsibilities that are easily measurable, and must be completed within a specified time frame. In addition, there is a strong company culture, with excellent team dynamics, a reward system for performance and innovation, and engaged, passionate employees.

In an environment like this, it's easy to measure productivity. Employers may simply conduct a performance review using metrics to evaluate each employee's efforts, along with the corresponding results. If you mapped the average employee's results against metrics required by the job description, you would get a clear picture of the value each employee brings to the company.

However, real-life business environments are rarely this simple. HR professionals know how much time and energy is invested in creating reliable systems to set standards and measure performance.

WILL ENABLING TOOLS HELP TO DELIVER ALL RELEVANT DATA?

Gallup's 2017 State of the American Workplace Report estimates that disengaged employees cost U.S. companies between $483 and $605 billion in lost productivity each year.

Investments made in enterprise resource planning (ERP) programs, human resource management systems (HRMS), and shared service centers of excellence are all aimed at creating a lingua franca for understanding and improving productivity.

Significant investments in time and money are made in creating appropriate job descriptions with SMART goals, and benchmarking them against industry standards tied to current and competitive salary structures.

Yet even with extensive HR efforts and sizable budgets, most companies have yet to build consensus and create meaningful value assessments. In a world where information has been democratized and Google can provide any information we need when we need it, it is still not possible to accurately determine whether the salary being paid to an employee is providing commensurate value to the company.

This is, of course, frustrating to employers—and it's also exasperating to employees, who don't know if the work they do truly has value. It is no wonder that 67% of U.S. workers report feeling disengaged from their jobs. If people knew the value of their work, would they become more engaged?

b. Does knowledge of individual performance relate to employee engagement?

Gallup's 2017 State of the American Workplace Report estimates that disengaged employees cost U.S. companies between $483 and $605 billion in lost productivity each year. It's clear that employee disengagement is costly-but what can employers do about it?

In most cases, the HR department strives to clearly define positions, carefully assess candidates, promote the company brand, and on-board new recruits. A sizable investment in time and energy is required to hire employees, ensuring each new recruit is well-matched to their position—but what happens once they settle into the workplace? According to the same Gallup study mentioned above, not much. Only 21% of employees surveyed strongly agree that their performance is managed in a way that motivates them to do outstanding work.

Not surprisingly, employees who are not motivated or engaged do not perform as well as those who are. Gallup found that businesses or business units that score in the top quartile for employee engagement have nearly double the odds of success (based on financial, customer, retention, safety, shrinkage and absenteeism metrics) compared to those in the bottom quartile. This highly-engaged group has 59% lower turnover, 70% fewer safety incidents, 17% higher productivity, and 21% higher profitability than groups ranked in the bottom quartile. Disengaged employees have a major impact on productivity, an issue that every executive team is taking seriously.

"IT SEEMS THE HARDER I WORK, THE MORE LUCK I HAVE." -Thomas Jefferson

While engagement is often measured by the way employees feel about their jobs, the goal of most engagement programs is to improve the way employees perform. To do so, many companies are restructuring performance management systems in order to better measure results and provide more frequent, consistent feedback. These systems give employees benchmarks for success with measurable goals, motivating them to perform at a higher level.

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If an employee knows that the effort they are putting into their job is creating value, they are more likely to feel valued by their employer, leading to deeper engagement and better performance. It's also highly engaging to set goals and accomplish them. There is real emotion associated with doing a job well.

However, if efforts go unnoticed, with little or no feedback, the opposite is true. When motivated employees are hired for positions they are well suited for, but are not recognized for their efforts, the initial excitement associated with the new job quickly becomes diluted, and employees become disengaged.

To combat this problem, leading organizations like Adobe, Microsoft and Netflix have restructured their performance management systems to include more frequent, ongoing conversations about employee performance, rather than the quickly forgotten once-a-year review.

c. What yardsticks are used to measure effort?

THE MOST COMMON MECHANISM USED AS A PROXY FOR MEASURING EFFORT IS TIME ON THE JOB. ANOTHER WIDELY USED TOOL IS THE EMPLOYEE PERFORMANCE REVIEW.

The most common mechanism used to measure effort is time on the job. Time and attendance systems track time in and out to calculate hours for payment through the payroll system. Another widely used tool is the employee performance review.

Linda Linfield, Director of Consulting Services at Decision Wise, a company that specializes in consulting with companies on organization development and employee engagement, writes that it costs a U.S. company, on average, $240 to prepare a single performance review. For a company of 500 employees, the cost would be $120,000—and for 5,000, an astounding $1.2 million.

ON AVERAGE, $240 TO PREPARE A SINGLE PERFORMANCE REVIEW. FOR A COMPANY OF 500 EMPLOYEES, THE COST WOULD BE $120,000- AND FOR 5,000, AN ASTOUNDING $1.2 MILLION.

Using a different yardstick, The Bureau of Labor Statistics estimated that 127.34 million people were employed in the U.S. in April of 2018. The national average wage index, as reported by the office of Social Security Administration, is $48,642.15 a year (calculated in 2016, the latest index available at the time of this writing). Using this average salary, with an hourly wage of $24.32, and allowing 6 hours per year for each employee assessment (3 per manager and 3 per employee), the cost to evaluate every employee in the U.S. once a year is 18.5 billion dollars!

When companies invest in effective performance reviews and follow up with continuous feedback, employee engagement does go up. However, there is still no easy way to accurately track the actual effort each employee expends while at work.

Time clock systems verify the time employees are physically present, but how they spend their time is left for supervisors to manage. In manual, low-wage jobs, this oversight may be enough. However, high-wage workers in the knowledge economy are, for the most part, spending a majority of their work time in front of a computer screen, making direct oversight difficult.

Today's employees are fully immersed in a digital life, and it is all but impossible to determine how much time an employee spends working, compared to the amount of time they spend on digital distractions unrelated to work.

Some companies hire consulting firms to study employee work patterns, conduct team interviews and provide recommendations to enhance engagement and productivity. Their findings, which are often based on a small percentage of the company's employees, are then projected across the entire company—yet they rarely lead to success.

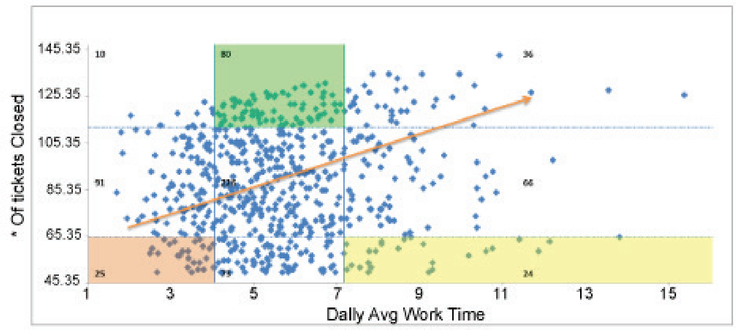
The reason may be that, in most cases, it takes months or years to complete studies, analyze results and implement the findings. By the time the process is finished, the results are no longer timely. Recommendations intended for the specific team that was analyzed may not apply to the entire company—and the same team may not even be in place after the course of many months. Projecting the results of a few, on a statistical basis, to the entire company, is Inaccurate and, ultimately, ineffective.

It seems measuring effort is impossibly expensive for the knowledge worker, and may be a non-starter.

So are we between a rock and a hard place, with employee disengagement a huge drain on businesses, and without an easy way to measure effort and effectively improve engagement?

In a world where technology moves so fast, many of us are struggling to keep up, let us assume there must be a way to measure effort. If this is true, how might a greater understanding of the quantity and quality of employee effort affect companies' performance?

Full view of productivity - output and effort correlation



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Impact of Valuing Effort: Will a company-wide focus on efficiency lead to better engagement, wellness and productivity?

If executive management teams were presented with an accurate way to measure employee effort, backed by inarguable evidentiary data, we expect most would be very interested. If such initiatives could measurably improve organizational effectiveness and productivity, leading to greater success and increased shareholder value, it would be worth disrupting the status quo.

Since we have the luxury of supposition, let us once again presume a perfect world, where the fearless leaders of an organization have the swagger to coalesce middle management and gain their undivided attention.
This organization's leaders genuinely believe that every employee wants to be engaged, and they are excited about the potential for understanding effort data. They believe that, by exposing valueless work and shining a light on value-creating effort, they can start a meaningful discussion that will motivate employees to do less of the former and more of the latter. These leaders also know that, by measuring and acknowledging their employees' efforts, they can help their team to feel more valued and engaged.

With this vision in mind, let us review some possible findings when we map the performance of a group of employees against their efforts in a 9-box grid.

Effort / **Performance**	Low-bottom **20%**	Mid **60%**	High-top **20%**
High-top 20%	3	2	1
Mid 60%	6	5	4
Low-bottom 20%	9	8	7

Boxes 1,4,7 (The column on the right):
These boxes represent the top 20% of employees, who put in a lot of work and are likely to be engaged—and, possibly, stressed.

Boxes 2,5,8 (The column in the middle):
This group of people has the potential to add significant value to the company if they improve their engagement levels.

Boxes 3,6,9 (The column on the left):
These individuals are not putting in effort, and are most likely to be disengaged.

Now, let's look a little deeper into in each box, to assess what the numbers reveal about each employee group. For this exercise, we will think of each box as a reflection of the performance and effort data collected over a period of time, and with a static status, for an individual employee. In other words, each box defines a different type of employee.

Box 1 (High Effort – High Output - High Energy Leaders)

This group of employees has the highest level of engagement. They put forth a high volume of work effort, and their performance is acknowledged by company leadership. The people in this box are presumably current or future leaders who are seen as the go-to people in their areas of expertise. They have been entrusted with significant work and are rewarded for it. They invite responsibility and work hard to meet it. As a result, they are likely to be highly stressed and subject to burnout.

Box 2 (Mid Effort – Big Recognition - High value employees)

In this group, engagement is high, rewards are high, and employees find it easy to expend the effort necessary to get effective work done. These are people who achieve a lot with average effort levels. Most employees in this scenario are able to balance their personal lives with work and are potentially long-term, high-value employees. This group presents an ideal state, producing superior work with average effort, so it would be very important to know if people in this group are becoming disengaged. If there are many such employees in a company, it represents a strong leadership bench and the potential for great execution. Leaders should be actively involved to ensure this group stays engaged.

Box 3 (Low Effort – High Output - Talent Loss Risk)

This group definitely needs to be watched, and has the greatest potential productivity savings for the company. While performance recognition and rewards may represent an olive branch for this group, it may not be enough to keep them from becoming ex-employees.

These people are capable of a lot, and are simply not engaged. The HR department should consider looking in to see if a personal crisis could be impacting engagement and effort. Doing so could be seen as an extremely powerful statement of caring for these individuals. Ensuring engagement in career development opportunities and challenging these potentially high-performing individuals in a meaningful way could go a long way in keeping great talent and becoming a great company.

Box 4 (High Effort – Moderate Output - High-Stress Employees)

Here is a group that works really hard but has mediocre results to show for it. This group is highly stressed and is well suited for coaching. They could surely benefit from a little Work Yoga. If this group was coached to channel their effort into getting more value out of their work they do, and understanding which parts of their work do not create value, they would become more effective and less stressed, all at the same time. This may also be a phenomenal opportunity for the companies to invest in understanding where inefficiencies exist, so they may automate or change processes in order to reduce the effort connected to valueless tasks. Employees would welcome a business transformation that helps them avoid wasted time and energy—and the results would delight shareholders, too.

Box 5 (Mid Effort – Moderate Output - Will Work for Pay)

This group of employees does not put in great effort and is not acknowledged for great performance. Some employees, either because they are at a certain stage in their lives or because they are temperamentally unattached to work, are not actively engaged or disengaged. They will show up to work and will do an adequate job within the scope of what is expected of them. This group can benefit greatly from proactive communication about career development and process efficiencies.

Another group could land in this box because the culture of the company is, “Do what you are told.” If people do not feel that their voices carry value, then much valuable input gets locked up, the sentiment being, “Why should I expend my energy when someone else who tried did not get anywhere?” Any business transformation initiative centered on employee productivity will differentiate the “will work for pay” employees from the “my input does not matter” employees.

Box 6 (Low Effort – Moderate Output - Actively Disengaged)

After the employees in box 3, these employees need the most attention. Although employees are putting in a minimum of effort, they are still producing moderate output, which indicates there may be some potential. HR should identify any employees with personal problems that may be affecting their work, and offer assistance. They should also mentor managers in increasing the effort level of reporting employees who belong to this group. Managers should clearly articulate what is necessary to be successful, and provide goals and feedback to bring accountability to this group, so they may become more valued employees.

Box 7 (High Effort – Low Output - Re-assign Job)

Here is a group that is working extremely hard and is not achieving the desired results. If the job has been designed correctly, the employee who lands in this box is a bad fit for the position. It makes sense to re-assign these employees to jobs that better suit them. These employees show a strong work ethic and are obviously engaged. Re-assigning sends the message that work ethic matters and people who try hard will be given opportunities where they can shine. HR must examine recruiting practices to ensure a better job fit, for future new hires. If many such employees are concentrated at a particular location, division, or under a specific management team, leadership may wish to look into the situation further to avoid potential losses and turnover.

Box 8 (Moderate Effort – Low Output - Put on Plan)

This group of employees needs an improvement plan from HR and their supervisors. Goals need to be identified, and if they do not meet the goals in the time provided, these employees should find another company to work for.

Box 9 (Low Effort – Low Output - What are you doing here?)

Enough said.

In light of the above, it seems clear there is a need for HR and Operations departments to focus on initiatives targeting employee wellness and productivity. Segmenting employee effort charted against productivity helps businesses understand the cost and scale of necessary initiatives, and determine which ones would have maximum impact.

Wellness and productivity go hand in hand for companies that are reaching for greatness. It’s also essential for HR teams to work closely with operations to better leverage the power of their people. Investing in a tool to accurately estimate effort is a great start–and a great way to start a conversation about engagement.

A company that respects and cares about its people and values their efforts will cause the people to care about their company, too. They will pour their energies into their work, making their effort count by delivering more value and increasing innovation, giving the company a competitive edge.

Information is key in the knowledge economy—and valuing employee effort is the first step in becoming a mindful enterprise.

5 Sapience - People Analytics at Work

Founded in 2009, Sapience's mission is to provide companies with accurate data about the effort expended by employees working on digital devices, in order to uncover inefficiencies, increase productivity, elevate employee engagement and facilitate a better work/life balance.

Sapience presents data to employees and managers in two ways: **Sapience Enterprise** aggregates effort data, and **Sapience Buddy** gives each employee information that acts as a mirror, reflecting the effectiveness of their work.

Sapience Enterprise data is presented to managers and executives, and delivers effective metrics that aggregate effort into activities, such as communication, programming, meeting or documentation. The ability to see, for the first time, where effort is going allows managers and leaders to validate what they have surmised from anecdotal data or work results.

Sapience Buddy tracks tasks of individual employees, including the number of breaks taken at work, the quantity of uninterrupted time between breaks, and the number of meetings and interruptions that punctuate each day. This informative tool promotes effective work habits and leads to employee productivity and engagement at the same time. Over time, employees who are able to better manage their time may find they are taking work home less often, resulting in lower stress.

Sapience Analytics has developed a patent--pending software product called **Sapience Enterprise**, which helps companies achieve significant productivity improvement, coupled with greater work-life harmony. Sapience is delivering value to more than 120,000 users in over 18 countries, at over 85 of the world's most recognized enterprises in IT, engineering and financial services, outsourcing, and BPOs. Companies with have a highly paid full time employees have shown significant interest in the platform.

Sapience is the recipient of more than a dozen industry awards for its innovation and fast growth, including the **Deloitte Technology Asia Pacific Fast 500** - ranked **# 98 in APAC** and **# 7 in India** (2014), **TiE50** (Top 50 emerging products at TiEcon, Sunnyvale, California – 2014), **Frost & Sullivan's Outstanding Innovation in Functional Analytics** (2014), **Dunn & Bradstreet** (2013), **IDG Channel World** (2013), and **NASSCOM** (2013).

For more information visit www.sapienceanalytics.com

APPENDICES

Appendix A – Future Scenarios

Let's explore another useful exercise in mapping the effort-to-performance 9-box. If we consider the number of people in each box as a percentage of the whole, it is possible to reveal the current makeup of a company, including the culture of its employees and the types of initiatives necessary to bring it to greatness. Consulting engagements may then be designed around these initiatives.

Initiatives for Consulting Engagements Creating the Effort Performance 9-Box

a) Wellness – improving engagement

- (a) **Introduction to Work Yoga** – How to manage your time to get more value from your work hours, reduce stress from inefficiency, and improve work / life balance.

- (b) **Supervisor Mentorship** – Identify employees with low effort, and train supervisors to help increase effort and gauge engagement.

- (c) **Talent Loss Prevention** – Spend energy and time with employees in Boxes 2 and 3: high performers with low engagement.

b) Productivity – improving processes

- (a) Implement an initiative for leaders to work directly in the positions of employees they supervise. This exercise can help them better understand the reasons why hardworking employees may be ineffective in their work.

- (b) Invest in a program to develop and implement process efficiencies.

- (c) Communicate the efforts of all engagement activities, including implementing Sapience to understand and measure effort.

Appendix B – Terms

SMART Goals: - ***S***pecific, ***M***easurable, ***A***ttainable, ***R***ealistic and ***T***imely

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Shirish Deodhar

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Kannan Ramasamy

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