

When your voice really counts

Proving the link between employee survey data and key performance indicators

A Hay Group case study: Rentokil Initial plc | October 2011



“In times when every penny counts, to have something which empirically links engagement and enablement with performance is very powerful. It takes away the guesswork and shows where to focus to maximise business performance.”

MALCOLM PADLEY
Director of Corporate Communications | Rentokil Initial plc

**Rentokil
Initial**

Rentokil Initial plc engaged Hay Group to find the connections between employee survey results and KPIs. The results revealed clear links between engagement, enablement and factors such as gross margin, colleague retention and health and safety, pointing the way to the most effective action plans.

Key take-aways

- High enablement has a direct impact on gross margin.
- High engagement and enablement together result in higher levels of colleague retention.
- Colleague confidence in products and services, along with strong customer focus, has a direct impact on revenue growth.
- Customer needs are better met when communication and recognition are strong.
- Teams with high engagement and enablement and positively rated managers have the best health and safety records.

Executive summary

As a people-based service organisation, Rentokil Initial's service and business results depend heavily on how engaged its employees feel. Determined to extract more value from the company's annual employee survey, Director of Corporate Communications, Malcolm Padley, asked Hay Group to find the links between survey outcomes and business results.

A combination of correlation and gap analysis, based on 15 months of data, revealed a direct link between 'enablement' (feeling able to 'get the job done'), retention and gross margin. It also showed the importance of engagement in health and safety outcomes and retention of colleagues throughout the company, particularly for staff in sales roles.

Looking for the most efficient people investment

Rentokil Initial is three years into a five year turnaround plan. Having 'fixed the holes in the roof', this £2.5bn-turnover, 66,000-employee group – with services ranging from pest control to parcel delivery – is now looking for growth, and to develop a reputation for excellence in customer care.

Engagement is particularly important for Rentokil Initial, a people-based service organisation with a largely remote workforce. Rentokil Initial's employee survey, run by Hay Group for five years, is called Your Voice Counts. It had traditionally given a measure of employee engagement and helped pinpoint areas for improvement, generating up to 2,200 local action plans from branch to divisional level. Moving forward the company wanted to find clear connections between survey responses and business performance.

To uncover these connections, Hay Group undertook linkage research that looked for relationships between the Your Voice Counts survey data and three sets of Rentokil Initial's KPIs: financial (including gross margin and revenue growth), employee data (specifically retention statistics for sales and service people), and customer data around service quality and customer retention.

Linkage study finds the answers

- The Hay Group team linked the 2009 survey data to 15 months of KPIs (through to February 2011), using a two-phase approach to analyse the data.
- Firstly, they used statistical analysis to find correlations between the survey responses and KPIs, finding many strong correlations above the range typical for these studies. Evidence from these correlations indicated a minimum six month lag in the causal relationship between survey results and KPIs.
- They then used a gap analysis, looking at survey results from the top and bottom performing business units to pinpoint the biggest opinion gaps.
- Together, these analyses have given Rentokil Initial the means to quantify the financial impact of changes in survey scores.

Results

More enablement = more margin

So where can Rentokil Initial get the most return on its investment? Enabling people – removing the barriers to getting the job done – was clearly linked to retention, gross margin and health and safety. In fact, analysis showed that teams with top quartile gross margin have higher levels of enablement (more than eight per cent) than the bottom quartile teams. Engagement was five per cent higher.

While employee engagement is crucial, it fades over time and can lead to a frustrated workforce if people feel unable to translate their enthusiasm into action. Enablement is a stronger predictor of performance.

At Rentokil Initial, it accounted for eight per cent of variance in gross margin results. So for every percentage point more that employees feel enabled, gross margin will rise by 0.5 per cent.

What's more, enablement was also closely linked to retention, particularly for service employees, where a one percentage point improvement in enablement improves retention by 0.45 per cent. With the cost of replacing an employee estimated at 1.5-2x annual salary, plus opportunity costs, there is a quantifiable impact here too.

The study also showed that engagement is crucial at Rentokil Initial, and in particular plays a key role in the retention of sales colleagues (a critical employee segment in an organisation focused on profitable growth). The table below presents all of the causal relationships between survey measures and business outcomes identified in the research.

Whilst not a financial KPI, health and safety is also measured and reported, and if poor can result in a significant increase in indirect costs through lost time and high insurance rates. The study revealed that both engagement and enablement have a direct impact on health and safety levels. Crucially, business units with good safety records were significantly more engaged (+4) and enabled (+7) than those with poorer safety records.

Clear levers of control

Because engagement and, particularly, enablement are largely within the business's control, Rentokil Initial has clear levers for achieving higher margins, lower employee turnover costs and better health and safety performance. Hay Group's linkage study has enabled Rentokil Initial to prioritise where it can achieve the best return on its investment in people - whilst at the same time confirming for its leaders the ongoing value and impact of the Your Voice Counts survey programme.



	If this survey category improves by one percentage point...	...then the respective KPI...	... will improve by this amount (per cent)
WHERE TO FOCUS	Products and services	Revenue growth	0.28
	Engagement	Sales colleague retention	0.39
	Enablement	Gross margin	0.50
		Service colleague retention	0.45
	Respect and recognition	State of service	0.18
	Developing colleagues	Net gain	0.28
		Gross sales	0.36

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About Hay Group

Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organise people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organisations realise their potential.