The 7 Deadly Sins of People Management Practices:
Exposing the Hidden Cost

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“Colin Beames is a global thought leader in SWP. His content is more advanced than typically what has existed on this subject.”

Mike Haffenden, CEO, Corporate Research Forum, UK
The Hidden Problem

- Many organisations are investing unintelligently in their people (Deadly Sin No 1).
- They are typically under investing in some roles and over investing in others.
- Additionally these organisations are likely to be unknowingly committing six other associated people management Deadly Sins or transgressions.
- The end result is a waste of resources, performance deficits or elevated turnover costs with the ROI in people investments being sub-optimal.

The Underlying Cause of the Problem

- The underlying cause of the above seven Deadly Sins is a flawed approach to workforce segmentation, either by roles or people.
- Segmentation is a fundamental concept in business in relation to strategy. Applied to the workforce, it is the key to treating the workforce assets as a portfolio that can be analysed and managed.
- Typically organisations segment their workforce jobs/roles either by hierarchy (e.g., job level based on job evaluation methodologies), or by job families/job clusters.
- Either way, both approaches flunk the best practice test by failing to differentiate between “make” versus “buy” roles (which have vastly different EVPs, levels of investment and cost of turnover implications), and by failing to explain how roles create value and impact on strategy.

Note. This role differentiation constitutes the essence of developing a workforce strategy.

- Notwithstanding, hierarchical models are diminishing in their relevance with the emergence of network organisations where greater flexibility is required. Hence the need for an alternative segmentation model so the question arises as to which model is now appropriate?

A Solution

- A skills-based workforce segmentation model, adapted from the work of Lepak and Snell (1999), offers an alternative model that overcomes these limitations and which has universal application. This model is based on analyzing roles according to two dimensions of skills: (1) skills value and (2) skills uniqueness.
- This model serves as a basis for identifying various role types (critical roles, “make” roles, “buy” roles, roles suitable for outsourcing), determining EVPs and levels of investment in roles, calculating the cost of turnover, and reporting HR data.

Conclusion

- Some traditional mindsets and models (e.g., job evaluation, hierarchical models of workforce segmentation, segmentation by job families or job clusters) have now exceeded their use by date. They are limited in addressing the complexities and challenges of people management in the 21st century workplace.
- As a consequence, there is a hidden cost incurred through the inefficient use of resources from flawed people investment strategies as well as potential performance deficits and turnover costs.
- To that end, the effective application of the AWS Skills-Based Workforce Segmentation Model is central to the need for some fresh thinking and concepts in developing an effective workforce strategy and maximizing the ROI in people.
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Note. This white paper follows on from the previous white paper entitled “How to Avoid the 12 Deadly Traps of Strategic Workforce Planning.” Whilst there is some overlap between the two white papers (e.g., use of case studies), the emphasis is on the fundamental concept of segmentation in this latest white paper. More specifically, how typical approaches to workforce segmentation (of roles) leads to flawed investment strategies in people, along with a host of other deficits.
The Seven Deadly Sins of People Management Practices

Is your organisation investing intelligently in its workforce? Typically many organisations are underinvesting in some roles and over investing in others (Deadly Sin No 1). This investment includes consideration of selection and recruitment, remuneration and benefits, learning and development, etc.

Furthermore these organisations are also likely to be guilty (unknowingly) of committing an additional six related deadly people management sins or transgressions:

3. Lack of differentiation between “make” versus “buy” roles.
4. Misrepresentation or inaccuracy in profiling the Employment Value Proposition or the “deal” for various roles, both the tangibles and the intangibles.
5. Applying a “one size fits all” approach to HR policies and practices (e.g., paying all people at the same market mid-point).
6. Miscalculating the cost of turnover for various roles.
7. Muddled or confused reporting of HR data, including HR analytics.

The end result is a waste of resources with the ROI in people being sub-optimal.

The Fatal Hidden Flaw in People Management Practices

So what is the fatal hidden flaw in people management practices that underlies the above sins or deficiencies? We contend that there are two fundamental deficits:

- A lack of understanding of the deeper characteristics of roles and how roles create value and contribute to strategic impact; and
- Flawed workforce segmentation models/approaches, including segmentation by hierarchy (or job level), and segmentation by job clusters or job families.

Differentiation/Segmentation: A Fundamental Concept

Just as a marketer segments or stratifies their clients, products and services according to their value, the same principle should apply to segmenting the workforce. Segmentation is the key to treating an organisation’s workforce assets like a portfolio that can be effectively analyzed and managed. It lies at the heart of role differentiation and Strategic Workforce Planning (SWP).

Roles come first before people without diminishing the importance of the latter. A role exists, as part of the organisational structure, to perform a function that ultimately contributes to the provision of products and services that the organisation provides. Not all roles are of or create equal value so it follows that the people in those roles are also not of equal value in terms of their contribution to business outcomes.

Note. Irrespective of the value of people, they still need to be treated with respect, honesty and fairness.

Typically segmentation categories are selected because such categories have differences including a different value to a business. For example, a marketer may segment their clients according to their purchasing history and sales volume (e.g., large clients, medium size clients and smaller clients). So those large clients will constitute a somewhat homogeneous grouping within certain purchasing parameters.

However if large and small clients are bundled into the same segment, then confusion
The reporting of HR data for that segment becomes virtually uninterpretable. For example, if reporting on the number of lost customers in a particular segment, it would be unclear as to the significance of this loss. The number of lost customers may all be smaller purchasers, as opposed to larger purchasers, if they are both inadvertently lumped into the same segment.

Applied to the workforce, the choice of segmentation model (i.e., of like roles or roles that have similar characteristics) is therefore fundamental to developing a comprehensive, rational and consistent approach to effective people management. It should underpin the management of the workforce/talent, and hence the development of a workforce or human capital strategy, including decisions involving:

- The relative strategic importance of roles (i.e., understanding how and where they create value including their line of sight to the achievement of the business strategy);
- Determining critical roles;
- Outsourcing roles, buying people ready-made (i.e., “buy” roles) or developing people from within (i.e., “make” roles);
- Differentiated approaches to attraction, engagement and retention for various role types — including different Employment Value Propositions (EVPs);
- Differentiated levels of investment in employees in various roles, including L & D and associated resources;
- Calculating the cost of turnover for various roles; and
- The reporting of human capital data.

However, many organisations do not have a fundamental understanding about the deeper characteristics of roles (e.g., how they create value). These organisations are locked into obsolete mindsets and models that have exceeded their “use by” date (e.g., typical job evaluation models). Yet as mentioned previously, such an understanding is fundamental to developing an effective workforce strategy.

### Why the Hierarchical Workforce Segmentation Model is Flawed

The conventional approach to job evaluation is static, inflexible and primarily focused on internal equity. There is a need to move away from conventional approaches to determining job importance and job-worth to a model that focuses on future value creation, strategic job worth and competitive advantage. (Becker, Huselid & Beatty, 2009)

Most organisations adopt a hierarchical model of segmenting their workforce based on an organisation chart level or salary/job evaluation considerations. Whilst this model may be suitable for defining reporting arrangements and determining limits of authority it:

- Doesn’t explain how roles create value and are linked to the business strategy and business outcomes.
- Doesn’t determine attraction, engagement and retention strategies for various roles; and
- Doesn’t determine the cost of turnover for various roles.
- Doesn’t determine optimum levels of investment in various roles to maximize the ROI in people.
To a certain extent, salary levels are a reflection of market forces and internal equity considerations, and may not necessarily reflect the true value of a role’s contribution to the business (i.e., value creation, competitive advantage).

Put another way, it is nonsense to think that jobs at the same level in an organisation contribute equally to the achievement of the business strategy and outcomes, or have the same cost of turnover. Some roles may be “make” roles and some may be “buy” roles thus resulting in a “mixed bag” segmentation outcome of confusion.

By continuing to invest in talent/roles by hierarchical level, and not by value creation and strategic impact, the danger is that over time, this results in an underinvestment in some roles and an overinvestment in other roles.

Note. Organisational level segmentation and reporting may still be useful for the purposes of assessing leadership capabilities of managers (e.g., based on 360 degree feedback of subordinates) or engagement levels and retention risk of subordinates reporting to various managers (e.g., based on survey data).

Other useful secondary workforce segmentation approaches include segmentation by: business unit or section, age, gender, length of time in the job, length of time in the organisation, location, function, etc.

Furthermore, given that we are moving towards more networked organisations and away from hierarchy, the hierarchical segmentation model is becoming less relevant anyway. This being the case, the question arises as to what workforce segmentation model is now appropriate?

Segmentation by Job Clusters and Job Families Also Fail the Best Practice Test

Some organisations segment their workforce by job families or job clusters (e.g., finance, engineering, sales). However it is contended that this, like the above hierarchical model, also constitutes a simplistic and “blunt” approach. It fails to address the deeper characteristics of roles, both the strategic value of the role and the costs (e.g., investment in L&D, turnover) associated with the role.

For example, often “make” and “buy” roles exist within the one job family or cluster. Combining “make” and “buy” roles with respect to HR policies and HR data reporting is akin to combining apples with oranges. Whilst they both belong to the fruit family, they are significantly different. As such this segmentation model also results in the same “mixed bag” of confusion and does not constitute best practice in SWP.

Segmentation by Perceived Generational Differences: A Double Error

Whilst we have said roles come first before people, some organisations segment their workforce and determine their workforce strategies based on perceived generational differences (i.e., Gen Y, Gen X, Baby Boomers, etc.). Apart from violating the principle of roles coming first, the research indicates that these purported generational differences are exaggerated. These generations have much more in common than they have differences. Notwithstanding these generational cohorts are not homogeneous groups in that they don’t necessarily have the same needs or desires. Such a generational workforce segmentation approach is simplistic and non-strategic.
A Skills-Based Workforce Segmentation Model

The most prominent conceptual model remains Lepak and Snell’s 1999 architectural theory of HRM (Cappelli & Keller, 2014).

Employees and roles now come in all shapes and sizes. Dealing with the challenges and complexities of people management in the 21st Century workplace requires a more sophisticated and hence differentiated approach. To that end, the Lepak and Snell (1999) HRM architectural model provides a framework for classifying and differentiating roles. Advanced Workforce Strategies has adapted this model as illustrated in the diagram below.

Note. Unfortunately there is a gap between research and practice in the HR domain, as is often the case in other fields. This skills’ based model has not necessarily made its way into the mainstream HR space despite its prominence in the academic field. Many HR professionals are not necessarily au fait with journal articles, research and what some of the HR gurus are advocating and have adopted or contrived other models that are less rigorous and of lesser utility.

The AWS Skills-Based Workforce Segmentation Model (below)

This segmentation model of roles is based on two dimensions of skills: (1) skills value, and (2) skills uniqueness, relating to the delivery of products and services.

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<thead>
<tr>
<th>Quadrant 4</th>
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<td>“Specialists”</td>
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<td>PC</td>
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<td>E.g. Train drivers, air traffic controllers, casino dealers, etc. Associated with firm specific systems, procedures, equipment, or products.</td>
<td>E.g. managers, designers, etc. Have tacit knowledge which may be path / supply chain dependent.</td>
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<th>Quadrant 3</th>
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<td>“Doers”</td>
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<td>Short/long term (Transactional)</td>
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<td>0.3–0.5</td>
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<td>E.g. Manual labour, admin.</td>
<td>E.g. Nurses, CPA’s, project engineers, etc. Generic skills, influence costs, efficiency, customer benefits and services, etc.</td>
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Skills Uniqueness

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Skills Value

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Note: Psychological Contract Type |

$ | Investment in Training & Development |

T | Turnover Multiple of the Salary of the Job |

7 Part 2: The Solution
Valuable Skills

Valuable skills either create lower costs, increase revenue, contribute to innovation, or enhance internal organisational efficiency. These skills comprise up to nine value drivers: (1) revenue/sales, (2) stakeholder relations, (3) cost and efficiency, (4) quality, (5) innovation, (6) organisational capability, (7) reputation/risk management, (8) financial, and (9) processes/systems. Thus it is these nine drivers that contribute to the achievement of the business strategy.

Some of these value drivers may be more important than others to the achievement of the business strategy at a particular point in time. For example, it may be that a key business strategy is to improve the quality of products and services. Roles that are associated with quality therefore have greater strategic impact.

Note. The business strategy must precede the workforce strategy otherwise the latter will exist in isolation – it will be disconnected from the needs of the business. Many organisations are delusional about their workforce strategy claims. Having bundles of HR policies and undertaking ad hoc HR initiatives (e.g., leadership development, talent development, succession planning) falls well short of having developed a whole of workforce strategy. For further information, access the AWS white paper entitled “How to Avoid the 12 Deadly Traps of Strategic Workforce Planning”.

“Hard to Fill” Roles

Some people equate uniqueness with “hard to fill” and segment their workforce on the basis of two dimensions of (1) valuable or strategic roles and (2) hard to fill roles. Hard to fill is a de facto component part of uniqueness but uniqueness is a more fundamental and broader concept. Hard to fill adds to uniqueness in that most likely the role is vacant for a longer than normal period (i.e., compared to other roles) when the incumbent leaves. However, it is more a reflection of a shortage of supply (i.e., external factors) rather than internal organisational factors including role characteristics.

There is a higher cost tag associated with such roles, including the additional effort and cost incurred in sourcing candidates. However hard to fill doesn’t get to the heart of total cost which the concept of uniqueness constitutes. This total cost includes the hard to fill cost plus the time to acquire adequate performance in the role, and/or the initial investment in training required before the person is able to undertake and/or perform adequately in the role.

Four Role Types

With the AWS Model, various jobs within an organisation can be analysed and classified according to four possible employment roles or skills quadrants:

1. Criticals – high skills value and high skills uniqueness;
2. Professionals, Skilled or Semi-Skilled – high skills value and low skills uniqueness;
3. Doers – low skills value and low skills uniqueness; and
4. Specialists – low skills value and high skills uniqueness.

As indicated in the diagram on the previous page, each segment has a different
Part 2: The Solution

psychological contract, different levels of investment, and a different turnover multiple as elaborated upon below.

Intelligent Investment: Overcoming Deadly Sin 1

Given that there is a finite limit for organisations as to what and where they should invest in their people (and roles) to maximize the ROI in their people, the question arises as to how should such investments be allocated. Again the AWS Skills-Based Workforce Segmentation Model provides a framework for determining intelligent investments with “make” roles obviously requiring higher levels of investment in learning and development.

Similarly levels of investment in recruitment and selection should also vary with “make” roles attracting a more intensive process. The cost of making a mistake in a poor selection and recruitment decision (i.e., risk) becomes much greater for “make” roles (i.e., higher cost of turnover – see example below).

A Critical Role Mentality: Overcoming Deadly Sin 2

The identification of critical roles should be a key focus for organisations in their intelligent investment and the development of a Strategic Workforce Plan. By investing disproportionally in the people and resources associated with such roles, this will have maximum leverage on enhancing organisational performance.

Whilst various opinions may abound as to what constitutes a critical role, the AWS Skills-Based Workforce Segmentation Model offers a sound framework for defining such roles. Without such a framework, opinion and politics fills the gap. Hence the potential for an under and over investment in various roles is likely to emerge.

Workforce Configuration: Overcoming Deadly Sin 3

The AWS Skills-Based Workforce Segmentation Model is also a more than useful framework for configuring the workforce. “Buy” roles are quadrant 2 or 3 roles, whereas as “make” roles are either quadrant 1 or 4 roles. Roles suitable for outsourcing would typically be more “buy” roles but any such outsourcing decisions must take into account a range of other factors.

Note. Outsourcing is a means of growth. There has been a significant increase in outsourcing in the last couple of decades or so as many organisations strive to become “lighter” and focus more on their core activities. Outsourcing decisions should be based on two criteria – economic and strategic.

The Psychological Contract: Overcoming Deadly Sin 4

The Psychological Contract (PC) constitutes the nature and essence of the employer/employee relationship. PCs vary from longer term (i.e., Relational) to medium or shorter term (i.e., Transactional). The PC includes a mix of tangibles (e.g., pay) and intangibles (e.g., autonomy) and consists of 15 items. We can substitute the terms the Employment Value Proposition (EVP) or the “deal” for the content of the PC. Different quadrants will have different relationships or PCs – different mixes or combinations of these items. Typical EVP profiles for the four quadrants are illustrated in the diagram below.
Note. Advanced Workforce Strategies has developed the Employment Value Proposition (EVP) Profiling tool consisting of 15 items – both tangibles and intangibles – to profile roles. These 15 items are grouped under four categories as follows:

Rewards and Recognition:
- competitive salary
- % performance based pay
- other benefits (financial & non financial)
- recognition

Safety and Security:
- job security
- safe & secure work environment

Career Development:
- job challenge
- autonomy
- career growth
- training
- promotion or advancement

Social and Support:
- flexible work arrangements
- supportive management
- supportive work environment
- adequate resources

Further information can be sourced from Advanced Workforce Strategies web site at www.advancedworkforcestrategies.com

One Size Doesn’t Fit All to HR Policies: Overcoming Deadly Sin 5

Given that not all people are of equal value, differentiated HR policies and practices should apply. It is proposed that they should vary by segment with respect to the following:

- Appraisal systems;
- Career advancement;
- Compensation/reward systems; and
- Training and development.
### Part 2: The Solution

#### Skills Uniqueness

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- **Recruitment Investment (AP)**
- **Assessment Processes (O/IH)**
- **Person Fit to Job or Organisation (F)**

### Calculating the Cost of Turnover: Overcoming Deadly Sin 6

The turnover multiple can vary from 0.5 to 2.5 times the salary of the role in question (Cascio, 1991).

The cost of turnover can be defined as the turnover multiple for the role in question by its salary level. As in the case for PCs varying by quadrant, so will the cost of turnover or more specifically the turnover multiple vary.

Consider the following example where for a critical role (quadrant 1), say the turnover multiple is 2.5 and the salary level is $200k per annum. The cost of turnover for this role is therefore $500k.

Consider now 20 Doers leaving (quadrant 3) where the turnover multiple is 0.5 and the salary level is $50k per annum. The cost of turnover for these 20 people leaving is also $500k, which
is equivalent to one person leaving in a critical role! This fine grained calculation of the cost of turnover underpins an accurate assessment of a potential key people risk to the business.

This is why reporting turnover for the organisation as a whole (or any other metric for that matter), is an exercise in futility! It fails to identify the true cost and associated risk.

**Reporting HR Data: Overcoming Deadly Sin 7**

Reporting of the three categories of data can be structured according to the AWS Skills-Based Workforce Segmentation model:

1. Demographics, length of service, etc.
2. Organisational process data such as performance and potential ratings, investment in L & D, turnover
3. Predictive data such as engagement, competencies, etc.

Also succession planning development for critical roles (e.g., numbers ready now, likely to be ready in the next 1-3 years) and recruitment data can be reported according to the model providing a clinical framework for validating what is working well and identifying “hot spots”. In the case of the latter, targeted interventions can be crafted based on minimum cost and maximum impact.

**External Focus of the AWS Skills-Based Workforce Segmentation Model**

The focus of this AWS Skills-Based Workforce Segmentation Model is external, as opposed to the internal relativity focus of typical job evaluation models. The AWS Model provides a basis for:

- Understanding the deeper characteristics of roles (including classification of role types);
- How and where roles create value; and
- Linking the importance of, and impact on, the delivery of products and services.

In the case of the latter point, this after all is the reason as to why the organisation exists in the first place.

**Note.** Advanced Workforce Strategies has developed the Skills Segmentation Questionnaire (SSQ) consisting of 52 items, which enables jobs to be analysed and plotted according to these two dimensions of skills. There is also provision in this model to weight the relative importance of the nine skills value drivers to the business strategy, thus linking roles to that strategy. Investments in talent/roles can then be optimized to ensure the maximum ROI in people. Refer to Appendix A for further details.
Part 3: Case Studies

About these Case Studies

A series of case studies follow that demonstrate flawed workforce segmentation or role classification approaches including the adverse consequences. They include examples of:

- Exaggeration of and failure to accurately classify a Doer role resulting in high turnover (case study 1); and
- Underestimating and failure to classify a Critical Role resulting in high turnover (case study 2) and performance deficits (case study 3).

Two further case studies are presented illustrating the appropriate application of the AWS Skills-Based Model relating to:

- Workforce reconfiguration and labour cost reduction (case study 4); and
- Reporting HR data, identifying workforce risk and people investment priorities (case study 5).

1 Case Study: Rhetoric Not Backed by Substance: High Turnover

Deadly Sin 3: Failure to Identify a Doer Role

Scenario

- The Australian Operations of a global recruitment company.
- High turnover of Administrators (33%) was being experienced.

- Survey findings confirmed insufficient job challenge (low job satisfaction), but nevertheless high affective (organisational) commitment.

Note. In other words new Administrator recruits liked working for the organisation but did not like their job.

- The company was recruiting University Graduates in Administration roles and overselling the role as an enticement to join.
- Also the step up from Administrator to Recruitment Consultant was too big.

Segmentation and Role Characteristics Plot

- The Administrator role was actually a “Doer” role but it was being promoted (i.e. implied) as a “Professional” role as illustrated in the role analysis and plot below.

Skills Workforce Segmentation Plots

Solution (negligible cost)

- The company changed its recruitment policies and practices and recruited a mix of people, some of whom were prepared to stay as Administrators (i.e., non-graduates), as well as continuing to recruit some graduates.
- The company also made an organisational
structural change (see next page) by creating the intermediate role of Associate so Administrators could articulate to this role in the first instance, and then ultimately to a Recruitment Consultant.

- Turnover of Administrators was halved to 17% with annual savings of +$1m.

**Note.** Sometimes there may be a relatively “quick fix” turnover intervention, whilst at other times, a slower and more expensive fix may be required.

**New Organisational Structure (Simplified)**

| Administrator | Recruitment Associate | Recruitment Consultant |

**Note.** It is somewhat ironic that a recruitment company that offers advice to its clients regarding people management issues should not have its own house in order!

Typically many recruitment firms experience high staff turnover (+ 25% per annum) because they employ recruitment consultants on a more “transactional” psychological contract basis.

They pay a lower fixed salary component and a high bonus or success fee that encourages shorter-term thinking, despite the fact that the recruitment firm is endeavouring to build longer-term client relationships.

This is a prime example of a “disconnect” between workforce and business strategies, with the consequences being high turnover!
Case Study: Mistaken (Role) Identity: High Cost of Turnover

Deadly Sin 2: Under investment in a Critical Role

Scenario

- A global IT Company providing business intelligence software solutions to clients (“blue chips”).
- IT Professionals were working on site at clients’ offices installing software packages.
- There was a lack of training of these IT Professionals in these software packages.
- These IT Professionals were floundering and leaving (turnover 35%) because they felt frustrated and inadequate.
- Clients were also becoming dissatisfied as a result of the IT professionals’ performance difficulties.

Note. The above was also confirmed by a combination of interviews and survey findings.

Segmentation and Role Characteristics Plot

- The role was being treated as a Professional role but it was actually a Critical role, because of the necessity to acquire unique knowledge associated with the products, as illustrated in the role analysis and plot below.

Skills Workforce Segmentation Plots

- This is an example of a role being under misrepresented (i.e., the opposite of the previous case study), although the consequences of high turnover were the same in both cases.

Solution

- There was an increased focus on improving the training and development of IT Professionals, both at the initial employment stage and ongoing.
- Also a key manager (who some of these IT Professionals reported to) was transferred to a more strategic and technical role, to which he was better suited.
- Turnover was reduced to 20% in the first 12 months with annual savings of $4.1m.
Case Study: Not Seeing the Wood from the Trees: Role Importance and Performance Issues

Deadly Sin 2: Under investment in a Critical Role

Scenario

- A global coal mining company was suffering from a shortage of Mine Planners and experiencing production inefficiencies at a number of their mines.

**Note.** These were large mining operations (e.g. 1,000 people working at various mine sites, operating 24/7).

There are a number of activities involved in open cut coal mining including: overburden removal, drilling and blasting, loading and hauling, blending, processing, stockpiling, and loading out.

Within a mine site there are a number of pits over large area (e.g. 70km long). Variations in coal quality exist between these pits with various types of coal blended and produced for client requirements.

- Integration of the various mining activities is critical to mine operating efficiency (i.e., a Critical capability).
- The role that impacts most on integration is that of Mine Planner.
- The company employed junior (inexperienced) engineers in Mine Planning roles as part of their career development.
- The company also employed contract Mine Planners who were unfamiliar with the mine operations.

- Consequently mistakes were being frequently made resulting in production inefficiencies, and also short-term decisions made that were not in the best interests of the longer-term economic development of the mine.
- The company hadn’t recognised the impact and importance of the Mine Planning role.

Segmentation and Role Characteristics Plot

- The role was being treated as a Professional role but it was actually a Critical role because of the necessity to acquire unique knowledge associated with the operations and characteristics of the mines, as illustrated in the role analysis and plot below.

**Note.** This Mine Planning role importance issue was identified as a peripheral issue to a larger consulting assignment. The obvious solution was to direct greater effort towards the management, training and development of Mine Planners.
Case Study: Labour Cost Reduction: A “Softly Softly” Approach!

Deadly Sin 1 Avoided: Workforce Segmentation

The Scenario

- A major Telecommunications (Telco) firm in South East Asia with 4,500 employees.
- The ratio of labour costs to revenue was outside industry benchmarks (i.e., too high).
- The firm needed to reduce its labour costs but political sensitivities existing around terminating people meant that a “softly softly” approach was required!

Workforce Segmentation: Initial Analysis of Numbers of Employees

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialists</td>
<td>500 employees</td>
</tr>
<tr>
<td>Criticals</td>
<td>250 employees</td>
</tr>
<tr>
<td>Doers</td>
<td>3,000 employees</td>
</tr>
<tr>
<td>Professionals, Skilled</td>
<td>750 employees</td>
</tr>
</tbody>
</table>

The labour cost reduction focus was then directed to the 3,000 Doers.

Workforce Segmentation: Further Analysis of 3,000 Doers

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doers</td>
<td>900 revenue generating employees</td>
</tr>
<tr>
<td>Doers</td>
<td>300 revenue protecting employees</td>
</tr>
<tr>
<td>Doers</td>
<td>750 revenue generating and revenue protecting support employees (i.e. the above 900 and 300 employees)</td>
</tr>
<tr>
<td>Doers</td>
<td>1,050 general support employees to other parts of the business</td>
</tr>
</tbody>
</table>

- After consideration of a range of factors, the further labour cost reduction focus was then directed to the 750 and 1,050 support Doers.
- An age profile revealed that approximately 600 of the above 1,800 support employees were + 50 years.

Solution Stage 1: (Target reduction in 600 support Doers + 50 years)

- An early voluntary retirement scheme was offered (at the discretion of the firm) with a pay out based on number of years of service for +50 year old employees.
- This offer was taken up by 50% of the target group (i.e., 300 people), with annual savings of $6m AUD with an ROI of 1.5 years.
Part 3: Case Studies

Other initiatives implemented included:
- An increased performance management emphasis to target and manage out non-performers;
- A recruitment freeze on support roles;
- Part-time options offered for support roles.

Solution Stage 2: Organisational Restructure

Some organisational restructuring is envisaged given there will be less people.

Note. This case study is still in progress.
Part 3: Case Studies

5 Case Study: Putting it All Together – Identifying Workforce Risk and People Investment Priorities

Deadly Sin 7 Avoided: Identifying workforce risk and people investment priorities

Scenario

- A fast growing local council (+8% per annum).
- The council needed to take a step back and have a fresh look at managing their workforce, including their key risks and how best to allocate investments in people, given their limited resources.

Note. In this case study, a snapshot of some of the key analysis and findings has been provided, including interventions to address perceived risks.

The AWS Skills-Based Workforce Segmentation Model also forms a basis for analysing and reporting human capital data as illustrated below.

Workforce Segmentation and Demographics

<table>
<thead>
<tr>
<th></th>
<th>Criticals</th>
<th>Profess.</th>
<th>Doers</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of staff</td>
<td>48</td>
<td>175</td>
<td>149</td>
</tr>
<tr>
<td>Average age</td>
<td>47</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td>Gender composition</td>
<td>32 M : 16 F</td>
<td>45 M : 130 F</td>
<td>65 M : 84 F</td>
</tr>
<tr>
<td>No. in part time</td>
<td>2</td>
<td>65</td>
<td>76</td>
</tr>
<tr>
<td>Ave. time in job (yrs)</td>
<td>4.5</td>
<td>3.5</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Note. There were no Specialist roles at this organisation.

- The risk of Critical baby boomers retiring (i.e., loss of key talent) was minimal.
- Criticals were reasonably experienced in their roles (i.e., length of time in the job of 4.5 years is a de facto indication of experience).
- There was a reasonably high % of female Professionals part-time, thus providing the organisation with maximum flexibility and minimum risk.
- This employment arrangement also suited these females, some of who had family responsibilities (i.e., a “win-win” scenario for both employer and employees).

Note. There is no ideal composition/configuration of employees in the various segments as this will depend upon the nature of the business.

Workforce Segmentation and Turnover Analysis

<table>
<thead>
<tr>
<th></th>
<th>Criticals</th>
<th>Profess.</th>
<th>Doers</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of staff</td>
<td>48</td>
<td>175</td>
<td>149</td>
</tr>
<tr>
<td>Annual voluntary T/O</td>
<td>12% (6 left)</td>
<td>15% (26 left)</td>
<td>17% (25 left)</td>
</tr>
<tr>
<td>Ave. salary (AUD)</td>
<td>150k</td>
<td>95k</td>
<td>55k</td>
</tr>
<tr>
<td>T/O multiple</td>
<td>2</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Cost of T/O p.a.</td>
<td>$1.8m</td>
<td>$1.24m</td>
<td>$0.42m</td>
</tr>
</tbody>
</table>

- The biggest risk/cost was the turnover of Criticals ($1.8m for 6 people) based on the previous year’s turnover analysis.
- This cost was more than the combined cost of turnover for the other two segments ($1.66m for 51 people).
- The risk strategy was to focus on Criticals in reducing turnover $ costs, including investigating the extent to which “Push”, “Pull”, or “Personal” reasons may be the cause.
- These Criticals were particularly important to creating a stable management platform for a rapidly expanding organisation.
Part 3: Case Studies

**Note.** Investment $ in retention is the highest ROI of any HR initiative!

The above analysis demonstrates the need for a more “fine grained” approach to reporting turnover to tease out the true risks and associated costs.

**Workforce Segmentation, Succession Planning and Forecast of Recruitment Needs**

<table>
<thead>
<tr>
<th></th>
<th>Criticals</th>
<th>Profess.</th>
<th>Doers</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of staff</td>
<td>48</td>
<td>175</td>
<td>149</td>
</tr>
<tr>
<td>No. of successors now</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of successors in 1–3 yrs</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of no successors</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Est. recruitment needs next year</td>
<td>7</td>
<td>26</td>
<td>32</td>
</tr>
</tbody>
</table>

- There were 12 single point role sensitivity positions (i.e., no successors) for Criticals. The council needed to determine whether to recruit prospects now, or rely on recruiting externally if and when these positions become vacant.

- Forecast recruitment needs for the ensuing 12 months by segment was based on the number of current positions, any changes in these number of positions, voluntary retirements, and estimated turnover.

**Other Key Findings**

- **Workforce configuration:** Executives and HR needed to develop a “Critical role mindset” by investing disproportionately in Criticals (e.g., career development programs for individuals to be formulated).

- **Retention risk:** Turnover of Criticals (previously 12%) was a key risk exacerbated by no current measure of engagement or retention risk. Hence the need to survey Criticals (with an engagement and retention risk survey) to assess this risk.

- **Staff numbers:** There was capacity to absorb some growth in demand for services with existing systems, processes and infrastructure, without necessarily increasing staff numbers.

**Note.** The strategic workforce planning process included a series of Business Unit workshops for gathering information, assessing future skills requirements, gaps and roles.

- **Employment Value Propositions (EVPs):** Not currently defined so EVPs needed to be developed by workforce segment for roles as they become vacant, as part of the recruitment process.

- **Reporting HR data:** Basic reporting of HR data existed in silos with limited ability to interrogate and analyse this data to determine relationships. An integrated HR data base of payroll, and other relevant lag and lead data needed to be developed to improve HR reporting and analytics.
Conclusion

A Model for All Seasons

Segmentation is a fundamental strategy concept. Some traditional ways of thinking and associated segmentation models have limitations in addressing the people management complexities and challenges of the contemporary workplace.

As a consequence, there is a hidden cost incurred through the inefficient use of resources from flawed people investment strategies as well as potential performance deficits and turnover costs. We have demonstrated this though examples and a series of case studies. Furthermore we have introduced the AWS Skills-Based Model and demonstrated how this model serves as a basis for understanding the deeper characteristics of roles including determining role classification, HR policies, EVPs, levels of investment and cost of turnover.

The effective application of the AWS Skills-Based Workforce Segmentation Model is central to the need for some fresh thinking and concepts. This Model overcomes the limitations of more traditional segmentation models. It has universal application (i.e., a model for all seasons) and constitutes best practice in SWP:

- Providing a comprehensive solution to addressing the workforce segmentation issues described earlier in this article;
- Maximizing the ROI in people; and
- Facilitating the development of new workforce insights, and more intelligent levels of investment in talent/roles.


Appendix A: The Skills Segmentation Questionnaire (SSQ) and Plotting of Roles

Advanced Workforce Strategies has developed a questionnaire — the Skills Segmentation Questionnaire (SSQ) — a 52 item questionnaire that enables roles to be analysed, classified and then plotted according to the AWS Skills-Based Workforce Segmentation Model (see example role plots below).

Skills Workforce Segmentation Plots

The Benefits of the SSQ

With this generic tool, various jobs or roles within an organisation can be classified according to four possible employment roles or skills quadrants:

- Criticals (includes the two sub-categories of Criticals and Ultra-Criticals);
- Professionals, Skilled or Semi-Skilled (includes the two sub-categories of Professionals and Ultra-Professionals);
- Doers; and
- Specialists.

Thereafter, appropriate HR strategies can be applied to the various roles.

The Structure of the SSQ

The SSQ comprises four components:

1. Assessing the skills value (includes nine skills value drivers) relative to the role;
2. The impact of these skills on the provision of the products and services to external customers (i.e., localised or widespread);
3. The optional weighting of each of the nine skills value drivers, according to their importance to the business strategy; and
4. Assessing skills uniqueness (includes both specific and generalized unique skills) relative to the role, as reflected in time and/or intensity of training required to acquire these skills.

These drivers are: (1) revenue/sales, (2) stakeholder relations, (3) cost and efficiency, (4) quality, (5) innovation, (6) organisational capability, (7) reputation/risk management, (8) financial, and (9) processes/systems.

An External Orientation

Thus the SSQ has more of an external orientation relating to the provision of products and services to external customers and value creation. After all this is the very basis for the existence of the organisation.

Note. Access to the SSQ and associated plotting of roles is only available in the Advanced Version of the Develop a Workforce Strategic Plan Pack.

The Basic Version of this Pack can be purchased on line from the Advanced Workforce Strategy Web Site.
Appendix B: The Workforce Strategy Audit Survey (WSAS)

Advanced Workforce Strategies has developed a “cutting edge” workforce strategy audit survey comprising 11 sections and 65 items.

This audit survey represents arguably the most comprehensive and advanced approach to assessing the state of development of an organisation’s workforce strategy and people management practices.

Benchmark survey data has been collected from a significant number of organisations across Australia, both in the private and public sectors and also in the UK.

Questions that the Workforce Strategy Audit Report is able to answer include the following:

• How do the workforce management practices in your organisation rate against best practice?
• Do you really have a workforce strategy?
• How aligned is this workforce strategy with your business strategy?
• What are the areas that you need to focus on in further developing your workforce strategy and people management practices?

This comprehensive Report includes the following key nine sections:

1. Alignment between business and workforce strategies
2. The documentation, scope, involvement and process in developing your workforce strategy
3. Workforce segmentation and role differentiation
4. Collection, integration, analysis and interpretation of HR data
5. Acquisition of human capital (i.e., recruitment and selection)
6. Utilisation/engagement and retention of human capital
7. Development of human capital (i.e., learning and development)
8. Deployment of human capital
9. Implementation and outcomes of your strategic workforce planning

Targeted recommendations are then provided to address areas of perceived deficits.

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BA (Hons) Qld, BEng (Hons), MBA, MAPS

Managing Director, Advanced Workforce Strategies

Colin Beames is an author and thought leader in workplace trends and human capital, with a deep and expansive knowledge of these subjects. In his first career life, Colin worked as an engineer in senior management and consulting roles in the mining and resources sectors. Then in the early 90’s, he made a mid-life career change to organisational psychology. The topic of Colin’s psychology honours thesis was mid-life career change. His Master of Business Administration included a dissertation on psychological contracts in the workplace and the development of the Workplace Relationship Development Indicator (WRDI®) diagnostic employee engagement and retention tool.

Colin’s organisational consultancy experience includes assignments in Australia and overseas, both in the private and public sectors, across a wide variety of industries. More specifically, these assignments have included: assessment centres, career development, change management, coaching, development and commercialisation of diagnostic surveys including administering and reporting on the same, employee engagement and retention, high performance teams in alliances and large multi-disciplinary projects, HR, human capital measurement, M/A, OH&S, organisational reviews and development, psychometric testing, selection and recruitment, start-ups, strategic workforce planning and business improvement, talent management, and TNAs.

Apart from developing and commercialising the Workplace Relationship Development Indicator (WRDI®) diagnostic survey tool, Colin has also developed and commercialised a number of other diagnostic survey tools (all based on a model of the psychological contract applied to different contexts), and other HR tools and IP. The latter includes the development of a Strategic Workforce Planning Pack.

Colin has presented workshops on Strategic Workforce Planning, both throughout Australia and overseas, including such illustrious HR bodies as the Corporate Research Forum and the HR Society in the UK.

He has written and published two books:

- “Aligning Workforce and Business Strategies: Mobilising the 21st Century Workforce”.
- “Transforming Organisational Human Capital: Emerging Stronger from the GFC and Beyond” (now in its 3rd edition). In this book, Colin examines emerging trends of management and organisational studies over the past two decades and how these can be harnessed to guide management practice and improve organisational performance.

These books are available for purchase from the Advanced Workforce Strategies web site at: www.advancedworkforcestrategies.com

“Colin Beames is a global thought leader in SWP. The content presented in the recent 1 day SWP workshop, which was one of most successful events being oversubscribed with 170 participants ranging from HR Directors/managers from national and global firms, was more advanced than typically what has existed on this subject.”

— Mike Haffenden, CEO, Corporate Research Forum
Advanced Workforce Strategies (formerly known as the WRDI Institute), is a boutique Australian consultancy firm specialising in the development and provision of a range of “cutting edge” human capital consulting services, products, tools, and resources.

We believe in the adage that if you can’t measure it, then you can’t manage it! Our work is holistic, rigorous and innovative, combining latest empirical research and “best practice” frameworks, models and architecture underpinned with sound methodologies, applied in the form of practical solutions that work.

We are committed to enhancing people management and performance, and raising the importance of the people factor in organisations – arguably the biggest single driver of business success. To that end, we assist organisations, their executives and HR professionals to:

- Adopt better people measures and reporting;
- Align their business strategies with their workforce strategies;
- Address the people challenges and complexities of the 21st century workplace;
- Manage people risk, maximise the ROI in people and make better people decisions; and
- Improve performance and achieve enhanced business outcomes.

Consulting Approach

Our consulting approach is highly collaborative, resource rich, high yield and designed to maximise the transfer of learning and knowledge. We aim to build capability and self-sufficiency in our clients, whilst minimising our consultancy input.

Our client list includes global, national and SME firms including NFPs, both in the private and public sectors.

Workshops

We run public and in-house workshops on strategic workforce planning, workforce segmentation and HR analytics.

Online Resources

Resources available from our web site include the Develop a Workforce Strategic Plan Pack. This comprehensive and resource rich Pack includes a Workbook and Guide, Templates, a Sample Workforce Strategic Plan, Excel Tools, etc.

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