

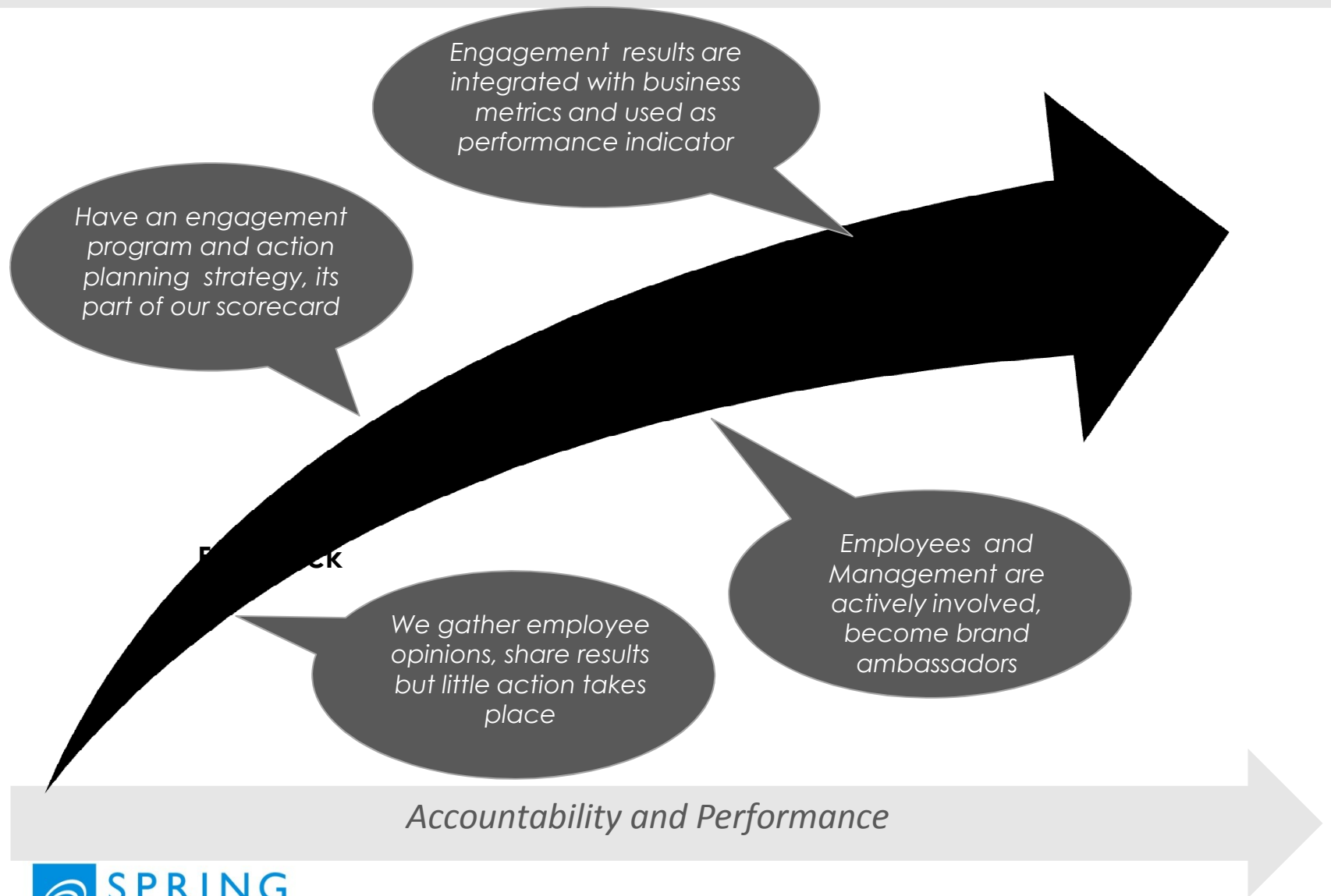
Enterprise Engagement Alliance People Value Linkage™: A Case Study



A Journey From Perceptions To Dollars

- **Methodology for connecting employee attitude data to the bottom line**
 1. Quality People Metrics
 2. Establishing Buy-In
 3. Blueprinting
 4. Data Collection
 5. Modeling
 6. Reporting
 7. Story Telling

Engagement Maturity Model™



1. Quality People Metrics



Building the foundation

Quality People Metrics

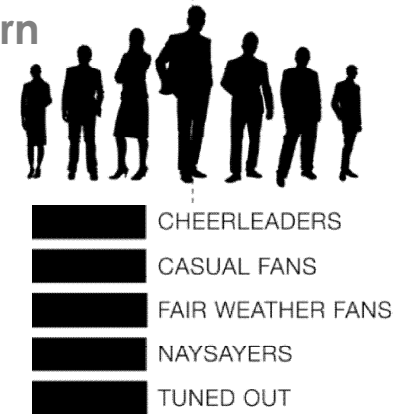
- **More than just an engagement survey**
 - Measurement tool for alignment with key initiatives:
 - Engagement at all levels
 - Vulnerability (ER)
 - Leadership success ratio (Talent Mgt/Succession)
 - Professional development index (T&D)
 - Diversity index (Inclusion)
 - Work life balance index (Work Environment)
 - Rewards (Benefits/Comp)
- **Aligned with desired business outcomes (i.e., retention, customer satisfaction, profitability)**
- **Rigorous process to develop survey**
- **Broad scale to allow for advanced analytics**



Building a Foundation

- **Advanced analytics**

- Beyond the mean score and top 2 box %
- Using segmentation to find groups of people that think alike
 - Based on cluster analysis
 - Applying customer approach and voting pattern techniques
 - Identifying segment profiles to determine how attitudes affect behaviors
 - Utilize segments to identify priorities
- Using regression to determine identify drivers for engagement
- Building block for metrics modeling



2. Establish Buy-In For People Value Linkage Analysis™



Start in Finance end in HR

The Importance Of Leadership

- **Highly dependent on 2 levels of leadership**
 1. Senior leader champion
 - Executive decision-maker
 - Sponsorship drives cross-departmental cooperation
 2. Collaborator
 - Authority to shepherd process
 - Facilitator who can broker meetings
 - Collaborator with people and teaming skills
 - Make departments feel comfortable with the process and create a win-win environment

Working Within & Breaking Down Silos

- In-person facilitated meetings by HR and neutral analytical team
 - Goals
 - Sharing
 - W.I.I.F.M
 - Expectation
 - Discovery
 - Hypothesis
 - Collaboration
 - Ownership
- Snowballing the information and creating the feedback loop

“Making the model useful and accessible to all”

Important Information From Meetings

- **Confidentiality – priority number 1**
- **Information about the metrics shared by the data holders**
 - Timing matched to Employee Attitude Survey schedule
 - Standardize data where necessary
 - Eliminate anomalies (i.e., flood stores, hurricane locations, renovations)
 - Flatten the playing field (i.e., age of location, competitive landscape, size of location, seasonality)

What's Available, Realistic, Accepted



3. Blueprinting



Hypotheses & Expectations

Blueprinting

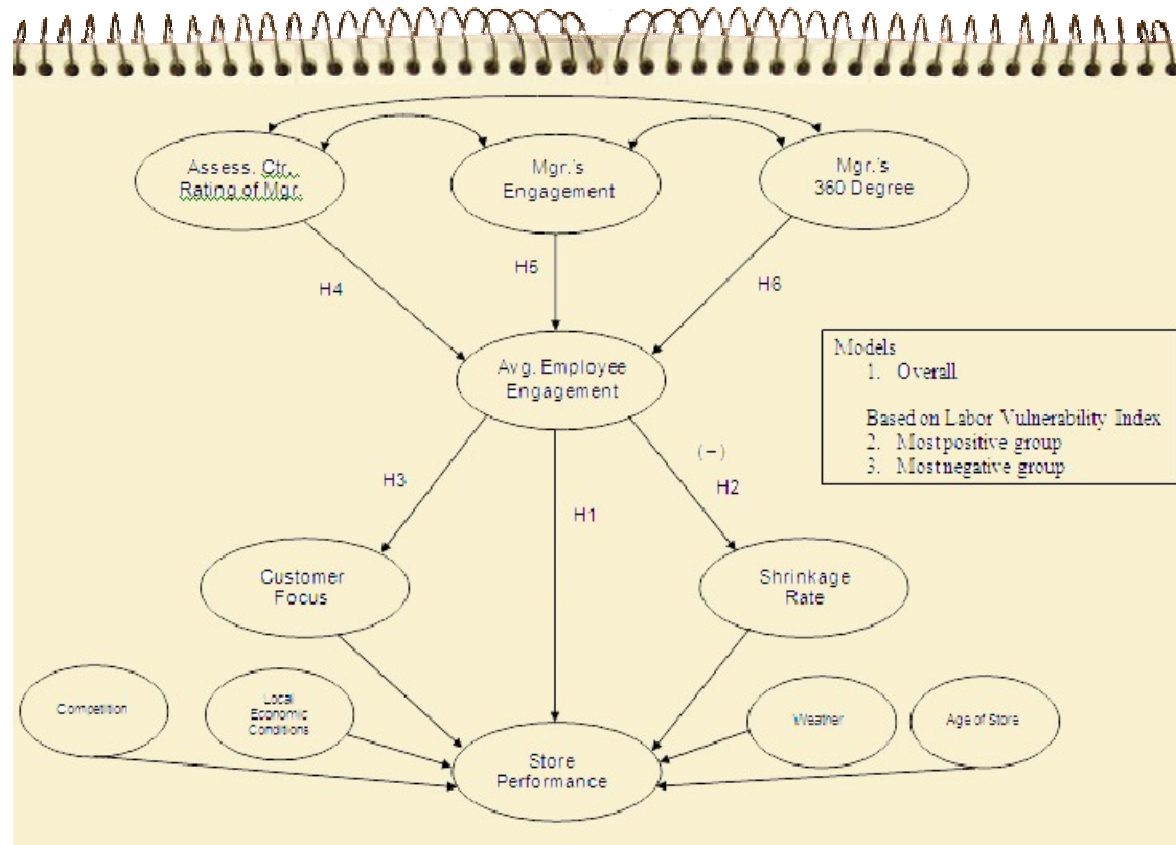
- **Filtering the possibilities**
 - Identifying priorities and what is realistic
 - Level of analysis (i.e., store, DC, team, individual)
- **Finalization of blueprint**
 - Plan of action – distributed to all data owners with timeline

Potential Models

Area	Variables	Hypotheses	Assumptions
FP&A At store level	<ul style="list-style-type: none"> • Total sales • Stock sales • Installed sales • Special order (SOS) sales • CBO sales • Total controllable store profit • Store ROIC • Net income before tax • Store inventory shrinkage (accrual rate) • In-stock % • Inventory turns • Sales tier • Security class • CSR (accident severity rate) percent to goal (to standardize across stores) • CFR (accident frequency rate) percent to goal (to standardize across stores) 	<p>H1 - Higher engagement among employees leads to higher total sales, stock sales, installed sales, special orders sales, CBO sales, total controllable store profit, store ROIC, net income before tax, inventory turns and actual sales vs. budgeted sales.</p> <p>H2 - Higher engaged employees leads to lower inventory shrink, lower accident rates.</p> <p>Research Question For Exploration ✦ How do engagement scores differ among stores with different sales volumes?</p>	<ul style="list-style-type: none"> • Comp stores only (13 months or older) • Using a rolling 12-months by month (October 06 to Sept. 07 in 12 separate files) • Stores that are affected by natural disasters (special events / severe weather will be marked) • New stores will have lower ROICs, may need to control for age • Higher ROIC = better performing store • ROIC is the best metric to compare with HR – execs will like to see it • Hold constant security class, sales tier
Customer Focus At store level	<ul style="list-style-type: none"> • Overall store score (out of 500) • Customer satisfaction overall <ul style="list-style-type: none"> ◦ Individual customer satisfaction items • Installed sales satisfaction <ul style="list-style-type: none"> ◦ Installed sales % • Delivery study 	<p>H3 - Higher engagement among employees leads to greater customer satisfaction</p> <p>Research Questions For Exploration ✦ Does higher satisfaction with installed sales lead to higher percentage of installed sales?</p>	<ul style="list-style-type: none"> • No mystery shop • No phone shop • Data by store • Use items to get pure rating for customer variables • Stores with 3rd party delivery need to be flagged in data file

Drafting A Model

- Based on hypotheses about how the data works
- Testing the core goals of the model



4. Data Collection



Timing, Format, Cleaning

Organizing For The Visit

- Collaborator uses the blueprint as a guide
- Works with each data holder to collect the promised metrics
- Puts all data in a workspace for the modeling team
- Prepares equipment and reserves meeting space

5. Behind The Firewall



Modeling

Behind The Firewall

- On-site, company-owned computer, software licensed
- Statistical team – “number geek, finance/market analyst, strategist ”
- No data leaves site
- **6 Step Process**
 1. Cleaning and formatting data
 2. Pulling it all into one, massive dataset
 3. Analyzing each metric
 4. Statistically narrowing down large metrics set into the final variables for the model
 5. Running the model
 6. Interpreting the results and making adjustments

6. Reporting

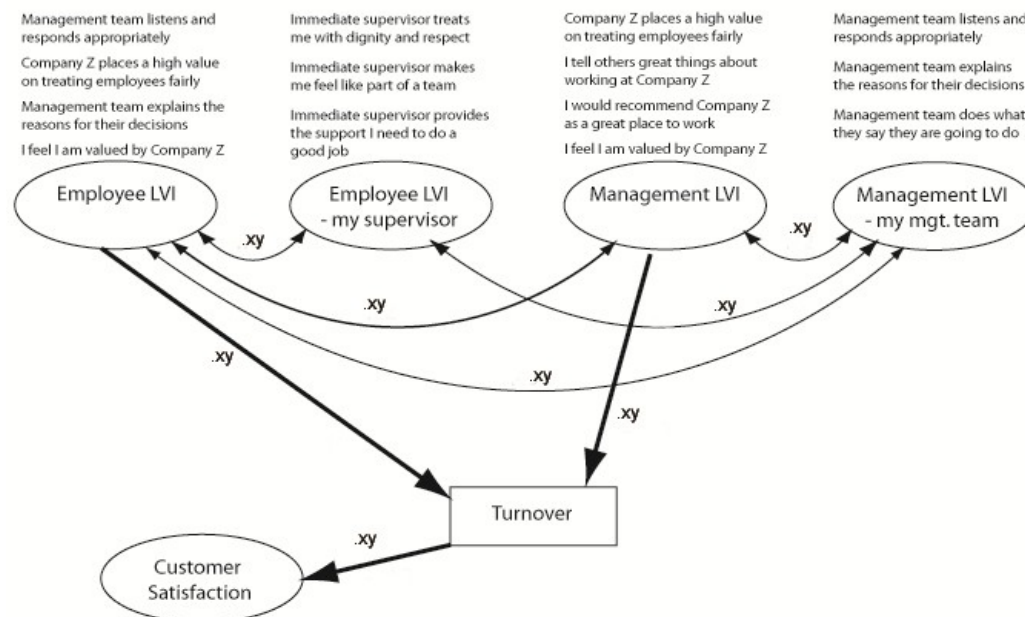


Connecting The Dots

Reporting

- **Satisfying the thirst for numbers**
 - Written report that outlines all key findings
 - Graphical representation of models, relationships and statistical significant

Example Model: LVI and Turnover



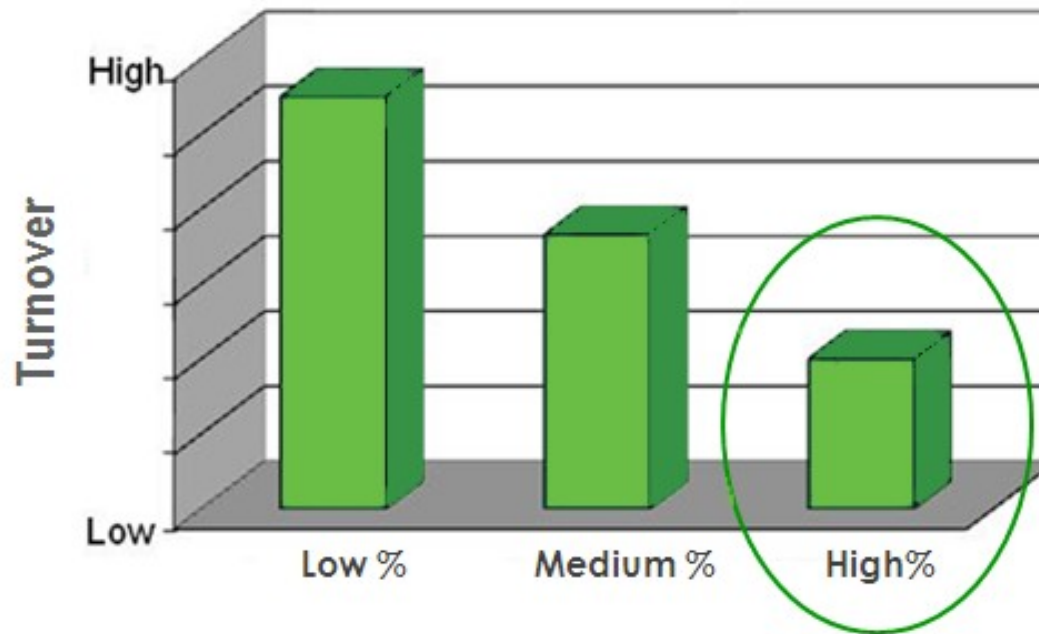
7. Story Telling



Closing The Loop

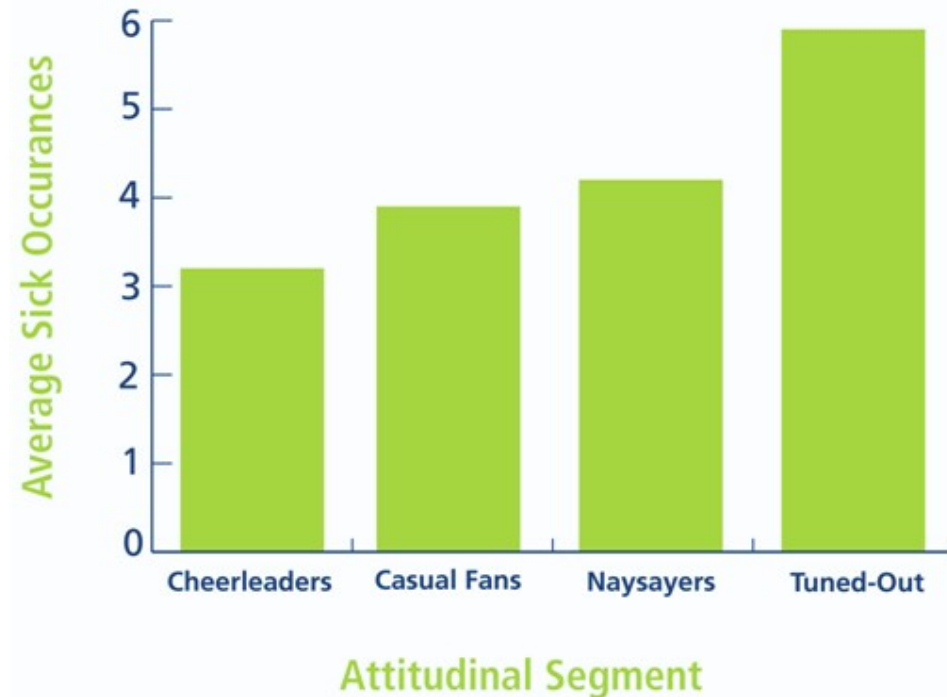
Increasing Cheerleaders

...Saved \$12 Million Each Quarter



Improving Attitude By One Segment

...Saved \$18 Million Annually



Story Telling

Highly engaged stores have a greater average ticket and more sales per square foot that equals about \$1.5 million annually....

Stores with higher engagement exceeded their sales and profitability forecasts more than every other group....

Stores with high customer satisfaction and engagement save \$100k in shrink each year ...

Our highest engaged stores have 20 fewer accidents per year....