

MHO Research Colorado Human Capital Benchmarking Study 2009

Colorado Summary Report

Introduction

In turbulent times, it's best for organizations to focus on that which they can control - the organization's capabilities. Focusing on these capabilities will both help them to get through these tough times, and position them for growth opportunities that will emerge on the other side of this downturn.

The attached customized benchmarking report provides an initial look at the human capital capabilities of **participating organizations in the state of Colorado**, and how they compare with (a) those of the 900+ organizations in the overall McBassi benchmarking database, and (b) the "best practices" organizations in that database.

The summary human capital indicators that are included in this report incorporate multiple specific factors that have been found by McBassi to drive future organizational performance across a wide range of organizations. With additional work, they can be linked to the specific business results an organization needs to achieve, providing actionable insights that enable executives and HR professionals to develop an evidence-based approach to human capital management.

About MHO Research

MHO Research includes McBassi & Company, Harlon Group, and OE international.

McBassi & Company is headquartered in Golden, CO. Its mission is to serve as a catalyst for positive change in organizations by providing world-class, leading-edge measurement tools that help organizations improve their return on people, rigorously identifying the options for simultaneously improving profitability and employee engagement. For more information, please call at 866.345.5730, visit at www.mcbassi.com, or email info@mcbassi.com.

Harlon Group is headquartered in downtown Denver and provides support to clients worldwide. The Group is a compensation consultancy focused on improving compensation planning in publicly and privately held companies as well as not-for-profit organizations. The Group's expertise is in matching performance metrics to the correct balance of cash, deferred cash and equity compensation to optimize performance. For more information, please contact Bill Heck, Managing Principal, at 303.996.5695, visit www.harlongroup.com, or email bill.heck@harlongroup.com.

OE international is headquartered in Littleton, CO. For over 20 years OEi consultants have helped U.S. and International companies achieve maximum workforce performance by addressing three of the most influential drivers of performance – leadership skills, performance management processes and work climate. OEi's highly skilled consultants have worked with organizations facing a variety of performance management challenges and operating in a broad range of industries, including: Healthcare, Financial Services, Hospitality, Food Service and Manufacturing – often in Union environments. We are well prepared to begin building the foundation of peak performance for your organization today. More information is available at www.oeintl.com.

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Identifying the Key Human Drivers of Business Outcomes for Colorado Organizations

A total of 111 organizations responded to the Colorado benchmarking questionnaire, providing information on their organizations' capabilities in 23 different human capital areas, as well as their organizations' relative performance on a variety of different outcomes. McBassi analyzed the data from all respondents to determine which of the specific human capital items assessed in the questionnaire were most closely associated with positive results in each of the outcome areas.

The table on the following page shows the results of this analysis. For each outcome area in the table, we have listed (in order) the three human capital items that had the strongest statistical relationship with the outcome¹ (in addition, the larger human capital category for each specific human capital item listed is included in parentheses).

For example, item #3 in the table shows that the human capital item that is most closely associated with ability to retain key employees (relative to competitors) is *Managerial Inclusiveness* (which is in the general Leadership Practices category).

This means that those organizations that reported higher capability on *Managerial Inclusiveness* also are more likely to report a greater ability to retain key employees relative to that of their competitors (and also that those with lower capability on *Managerial Inclusiveness* report more difficulty in retaining key employees). *Managerial Inclusiveness* is the first item listed for "Retaining Key Employees," indicating that the relationship between that item and ability to retain key employees is stronger than the relationship of any of the other human capital items with ability to retain key employees.

The next two most important human capital items for ability to retain key employees are the following: *Executive Skills* (also in Leadership Practices) and *Conditions* (in the Workforce Optimization category).

Full definitions of the human capital items (and category groups) are available in the following section.

¹ We used Pearson correlation coefficients to determine which human capital categories are most closely associated with positive responses in each of the four outcome areas. For each of the four areas, we found multiple human capital categories with statistically significant correlations.

**Analysis Results: Human Capital Items Most Closely Related to
Four Different Organization-Level Outcomes,
as Reported in Questionnaire Responses**

1. PROFITABILITY

(My organization is consistently more profitable than our competitors.)

Most closely related: Training (Learning Capacity)
Information Sharing (Knowledge Accessibility)
Commitment to Employees (Employee Engagement)

NOTE: Non-profits and public sector organizations were NOT included in analysis of profitability.

2. ATTRACTING TALENTED EMPLOYEES

(My organization is more successful in attracting talented employees than our competitors.)

Most closely related: Executives' Inclusiveness (Leadership Practices)
Commitment to Employees (Employee Engagement)
Information Sharing (Knowledge Accessibility)

3. RETAINING KEY EMPLOYEES

(My organization is more successful in retaining key employees than our competitors.)

Most closely related: Managers' Inclusiveness (Leadership Practices)
Executive Skills (Leadership Practices)
Conditions (Workforce Optimization)

4. CUSTOMER SATISFACTION

(My organization consistently has higher rates of customer satisfaction than our competitors.)

Most closely related: Time (Employee Engagement)
Processes (Workforce Optimization)
Contribution (Employee Engagement)

About the Participating Organizations

A total of 111 organizations across Colorado participated in the Human Capital Benchmarking Study.

Colorado Location: 56 percent of the participants were from the Denver area, with another 19 percent from High Country and 13 percent from the Boulder area. The remaining 12 percent are from elsewhere in Colorado.

Industry: The largest percentage of respondents (23 percent) reported that their organization is in the Services industry. Another 14 percent are in Technology.

Organizational Ownership: 49 percent of all participating organizations are privately-owned. 23 percent are publicly-traded, 12 percent are non-profit, 9 percent are public sector/government, and 7 percent are family-owned.

Geographic Scope: 21 percent of the participants reported their business was Local in scope; 25 percent reported Regional, 28 percent reported National, and 26 percent reported Global.

Number of Employees: The median number of employees among participating organizations is 171 (half of all participants had more than 171 employees, and half had fewer). The number of employees ranged from 2 to over 50,000. One-quarter of all participants had fewer than 70 employees, and another one-quarter had more than 500.

Unionization: 87 percent of all participating organizations reported that their workforce was entirely non-unionized.

Structure of HR Function: 85 percent of participants have a centralized HR function; the remaining 15 percent report their HR function is decentralized.

Layoffs: 48 percent of all participating organizations reported that they had already laid off employees in the current economic downturn. Another 4 percent expect to lay off employees in the future, and the remaining 48 percent report that they will do all that they can to avoid layoffs.

Shortages of Skilled Employees: 30 percent of all participants "strongly agreed" or "agreed" that shortages of skilled employees pose a significant threat to their organization. 47 percent "disagreed" or "strongly disagreed." The remaining 23 percent were neutral.

International Competition: 9 percent "strongly agreed" or "agreed" that international competition poses a significant threat to their organization. 66 percent "disagreed" or "strongly disagreed." The remaining 25 percent were neutral.

Management and Development of People as Strategic Imperative: 68 percent of all participants "strongly agreed" or "agreed" that the management and development of people is perceived as a strategic imperative by the organization's senior executives. 13 percent "disagreed" or "strongly disagreed." The remaining 19 percent were neutral.

Respondent Job Role: 82 percent of all respondents identified themselves as "senior HR executives." 4 percent were CEO's, and the remaining 14 percent were identified as an "other member of the senior executive team."

How to Interpret the Report

The summary results and details contained in the following pages may suggest areas where participating organizations can make material advances that will drive improvements in their bottom line and other key outcomes.

The pages that follow provide a preliminary assessment on where participating organizations stand on five specific categories of human capital management (leadership practices, workforce optimization, knowledge accessibility, learning capacity, and employee engagement) that drive business results.

For each of the five categories, a chart shows the average score reported for the individual items included in that category on the questionnaire. Scores are provided for each category overall, and are followed by separate sections containing the individual factors in each category.

Each chart provides two comparisons for the participating organizations in Colorado:

(a) the average score of all 900+ organizations worldwide in the McBassi overall benchmarking database (each of them completed the benchmarking questionnaire) (labeled "Overall Average"), and

(b) the average "best practices" score for the entire benchmarking database, which (labeled "Overall Best Practices"). "Best practices" organizations are those that scored in the top 20 percent of all respondents in our database for that specific category or factor group.

Each item was scored on a 1-to-5 scale, based on questionnaire responses. A score of 5 represents a particularly high level of maturity ("strong agreement" that the item description characterizes the state of affairs in an organization); a score of 3 is neutral; and a score of 1 indicates a particularly low level of maturity ("strong disagreement").

Definitions and a description of the strategic importance of each category are also provided in the separate category sections.

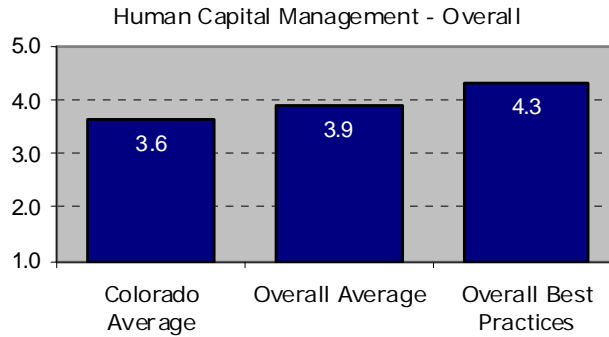
Please note that it is entirely possible that the participating organizations from Colorado may not be representative of the organizations the state as a whole.

It should also be noted that most respondents to the questionnaire occupy leadership positions. We have consistently seen that leaders tend to report higher scores to most items than do most other employees in an organization. (Score comparisons across categories or factor groups should be unaffected by this.)

Summary Results

Overall Average Summary Score

Based on the responses to McBassi's online benchmarking questionnaire, the average overall Human Capital Management score for organizations in Colorado is shown below. Full definitions of the categories and items are provided in the following sections.



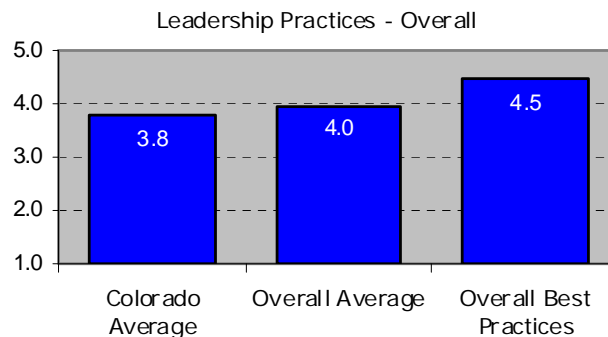
Summary Scores for Five Key Human Capital Management Categories

Leadership Practices

What It Is: Leadership practices include managers' and leaders' communications and inclusiveness, performance feedback, supervisory skills, demonstration of key organizational values, and ability to instill confidence.

Leadership is the foundation for ensuring that human capital is developed, sustained, and deployed successfully. Leadership practices thus lay the foundation for the achievement of all organizational goals. Many researchers have concluded that this category is the most important driver of an organization's ability to retain its top performing people.

Why It Matters: Low scores in leadership practices are associated with difficulties in motivating employees and problems in retaining top performing employees.

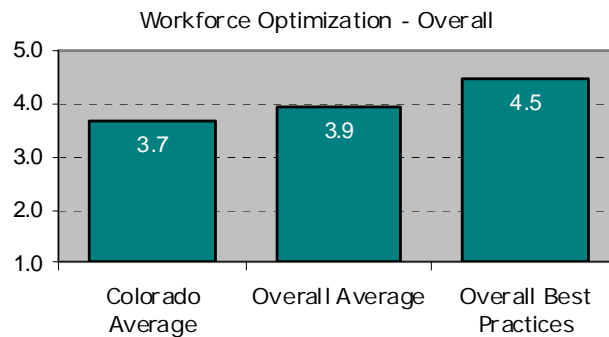


Workforce Optimization

What It Is: Workforce optimization is the organization's success in optimizing the performance of its employees by establishing essential processes for getting work done, providing good working conditions, establishing accountability, and making good hiring choices.

Since human capital represents a major portion of most organizations' total operating costs, the quality of the practices, systems, and processes for ensuring that employees are effective is a foundational determinant of business results.

Why It Matters: Low scores in workforce optimization reflect inefficiencies and unnecessarily high costs.

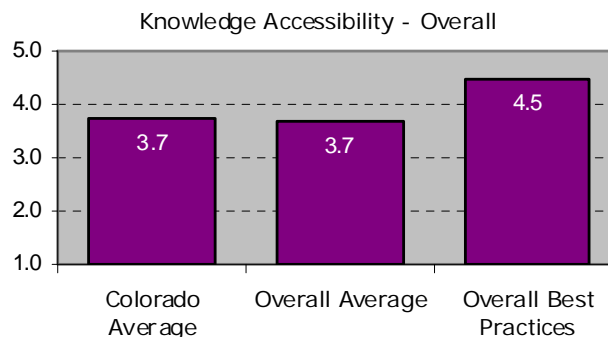


Knowledge Accessibility

What It Is: Knowledge accessibility is the extent of an organization's "collaborativeness" and its capacity for making knowledge and ideas widely available to employees.

Organizations that capture, apply, and re-use knowledge and best practices among departments and divisions and have successful, collaborative team structures are best able to leverage their knowledge and talent for business results.

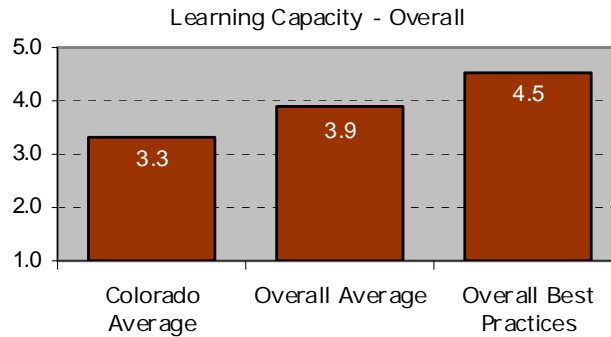
Why It Matters: Low scores in knowledge accessibility are associated with redundancies within and across departments and reflect factors that cause difficulties in getting cross-functional work completed in a timely and effective manner.



Learning Capacity

What It Is: Learning capacity is an organization's overall ability to learn and innovate - and ultimately, to achieve a continual level of improvement. Hence, training, development, and innovation must be valued and supported in order for an organization to have the capacity to respond to changing conditions and consistently achieve strategic goals.

Why It Matters: Low scores in learning capacity reflect an organization that has failed to take the steps necessary to enable learning and innovation. Such organizations are poorly equipped to respond effectively to constantly (and inevitably) changing conditions in the market and the economy.

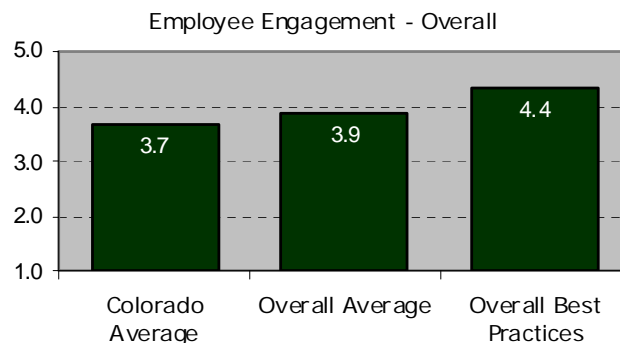


Employee Engagement

What It Is: Employee engagement is an organization's capacity to engage, retain, and optimize the value of its employees. It hinges on how well jobs are designed, how employees' time is used, and the commitment shown to employees.

The most successful organizations are those proactively managing talent retention by creating desirable work environments, including designing jobs purposefully, ensuring that employees' time is well used, recognizing and valuing employees and their work, and providing opportunities for employee advancement.

Why It Matters: Low scores in employee engagement reflect an environment where employees are unlikely to contribute their best efforts, causing problems in the important area of customer satisfaction and loyalty.

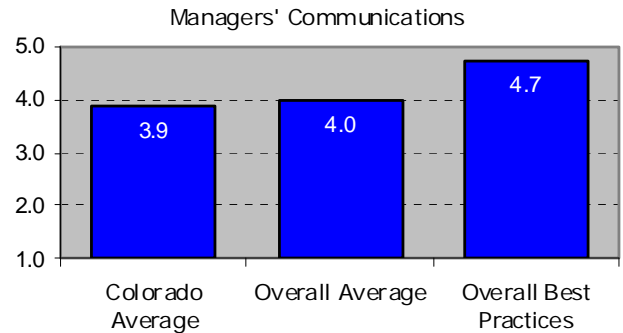


Scores for Individual Items

Leadership Practices – Individual Items

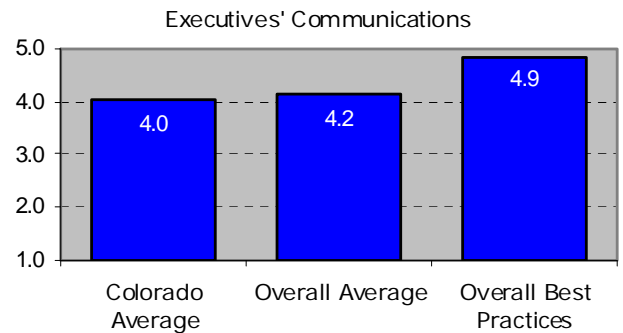
Managers' Communications

Managers are open and honest in their communications; have an effective process in place for communicating news, strategies and goals to employees; and do a good job of letting employees know what is expected of them.



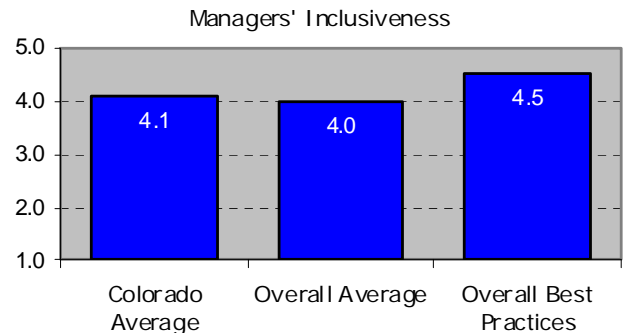
Executives' Communications

Senior executives are open and honest in their communications; have an effective process in place for communicating news, strategies and goals to employees; and do a good job of letting employees know what is expected of them.



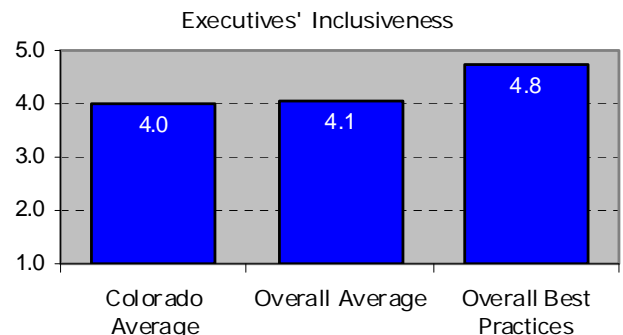
Managers' Inclusiveness

Managers seek and use employee input, work in partnership with employees, and treat them with respect.



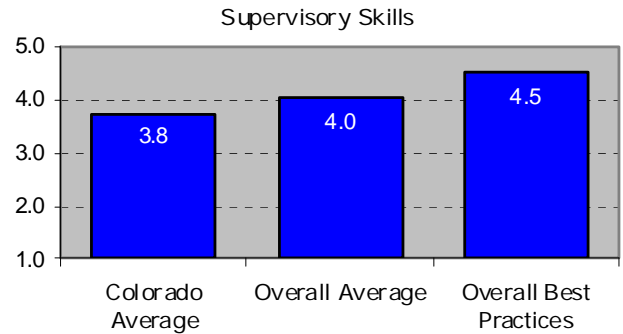
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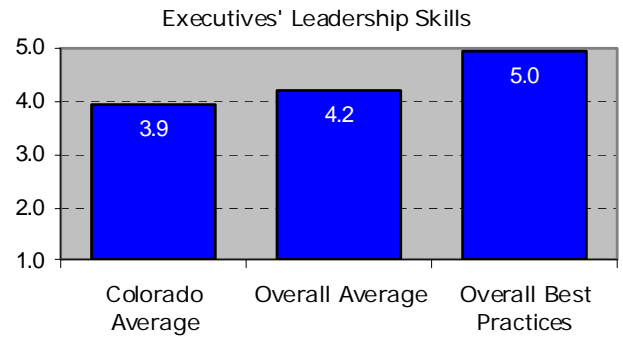
Supervisory Skills

Managers demonstrate organizational values, eliminate unnecessary barriers to getting work done, provide constructive feedback, provide employees with performance appraisals, and inspire confidence.



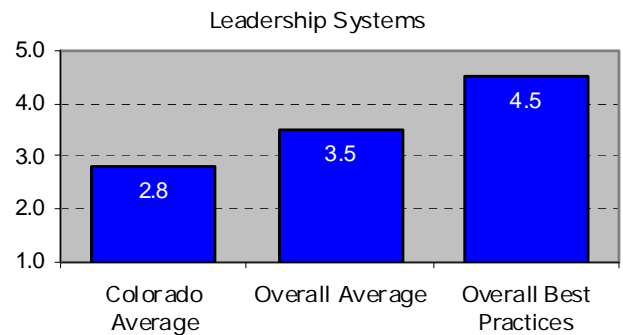
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Leadership Systems

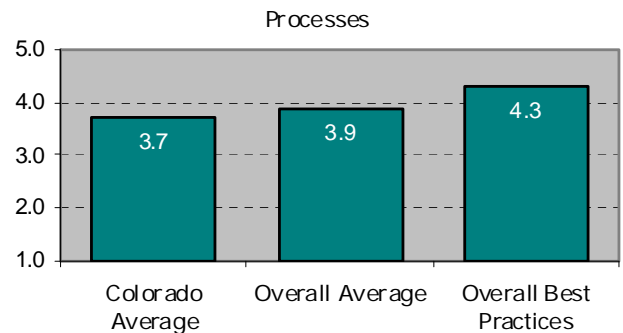
We have highly effective systems and processes in place for identifying and developing our next generation of leaders and ensuring smooth leadership transitions.



Workforce Optimization – Individual Items

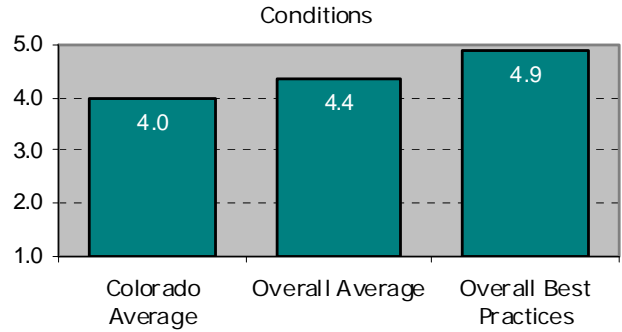
Processes

We have well-defined processes that we use to get work done, we continually seek to improve these processes, and employees are well-trained on those processes.



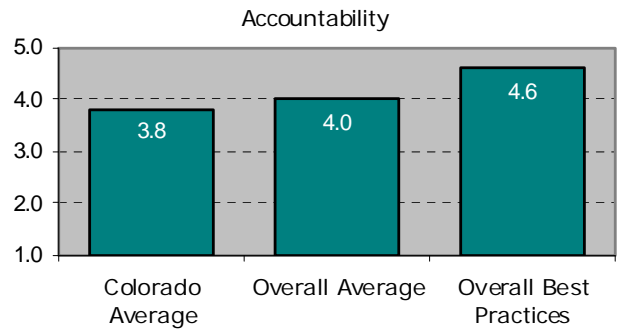
Conditions

Employees have access to the materials and technologies they need to be effective and working conditions contribute to good performance.



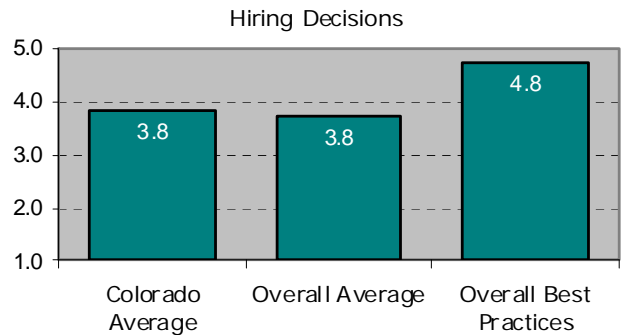
Accountability

Employees are held accountable for producing quality work, promotion is based on competence, poor performers are terminated, and employees trust their co-workers to get the job done.



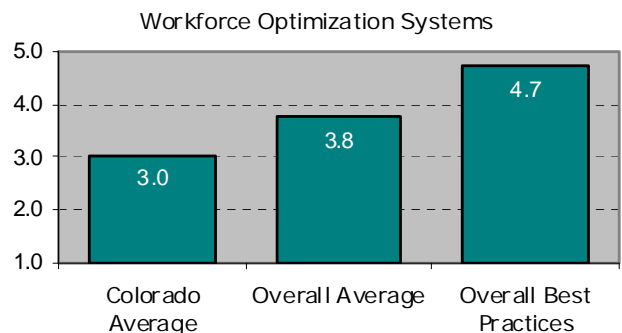
Hiring Decisions

Hiring selections are based on skill requirements; new hires receive adequate orientation, induction, and a description of required skills; and employees provide input into hiring decisions.



Workforce Optimization Systems

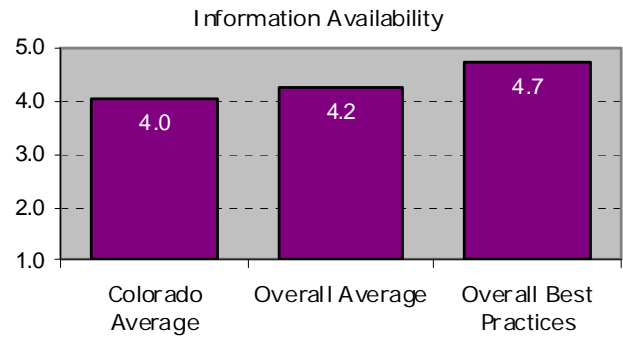
We have highly effective systems and processes in place for managing employees' performance and talents. This system enables us to view the overall proficiency of our workforce, helps employees realize their full performance potential in their current jobs, identifies development opportunities for those experiencing performance difficulties, and prepares motivated employees to progress in their career fields.



Knowledge Accessibility – Individual Items

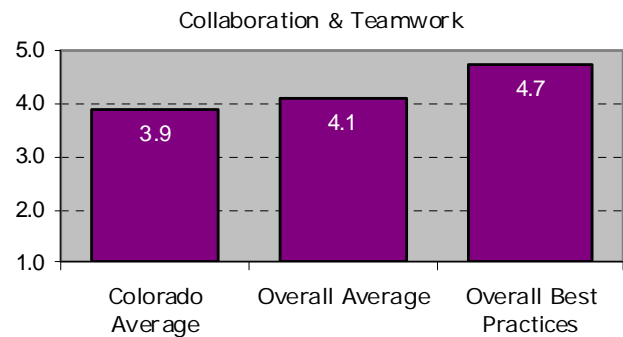
Information Availability

People have the information they need to do their jobs, the necessary manuals and job tools are available, and there are procedures in place that enable employees to access training when they need it.



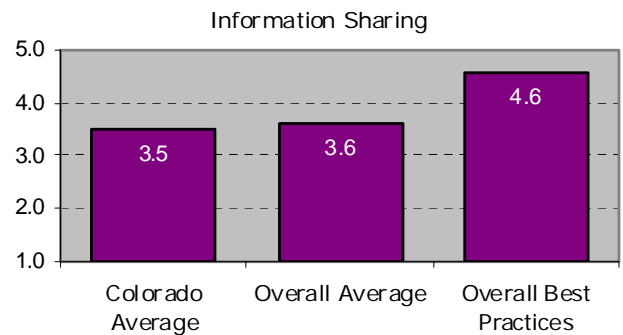
Collaboration & Teamwork

We encourage and enable teamwork, provide places for people to meet informally, and set aside time for people to share with and learn from one another.



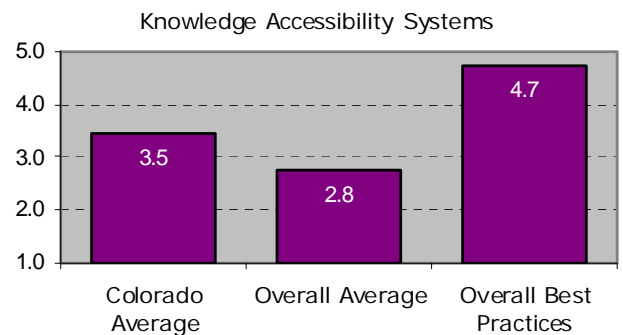
Information Sharing

We share best practices and tips, work to improve them, and circulate them across departments.



Knowledge Accessibility Systems

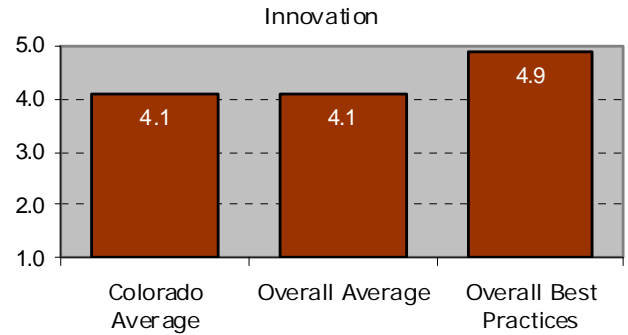
We have effective systems in place that collect and store information and make it available to all employees who might need it.



Learning Capacity – Individual Items

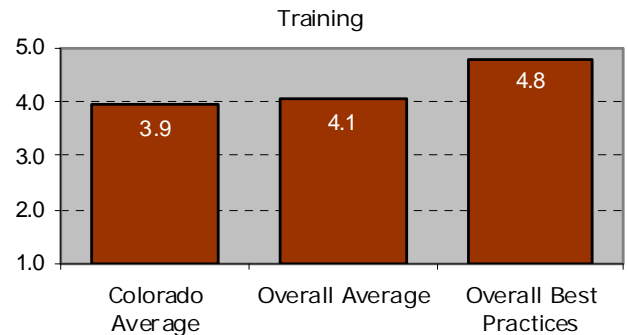
Innovation

New ideas are welcomed, employees are encouraged to find new and better ways to do work, and employees' input is sought in solving problems.



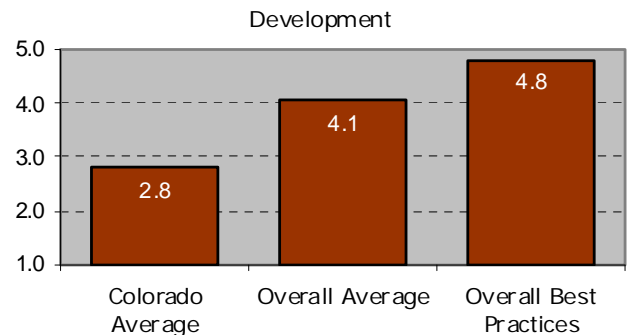
Training

Training is practical and supports organizational goals, and employees receive training on work-related technologies.



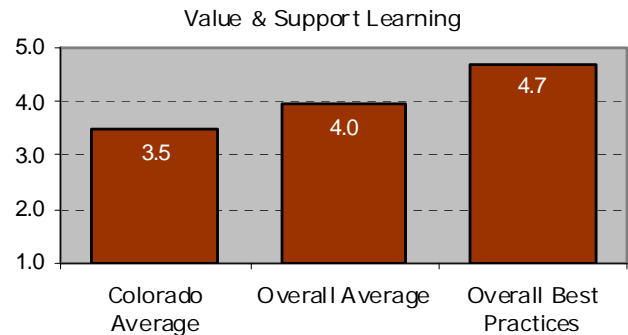
Development

Employees have formal development plans in place, and these plans are used to help them achieve their career goals.



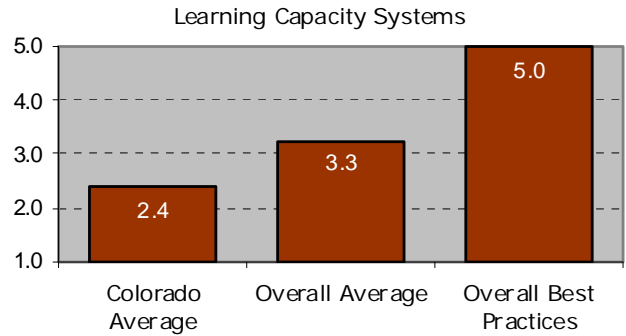
Value & Support Learning

The behavior of our leaders consistently demonstrates that learning is valued in our organization, and managers consistently make learning a priority.



Learning Capacity Systems

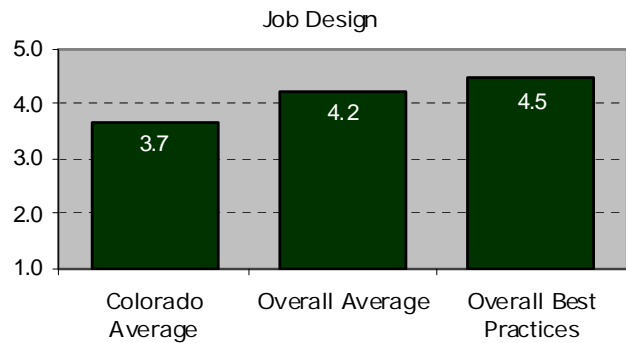
We have a learning management system that automates the administration of all aspects of training/learning events, provides reports to management, and includes features such as content management and skill or competency management.



Employee Engagement – Individual Items

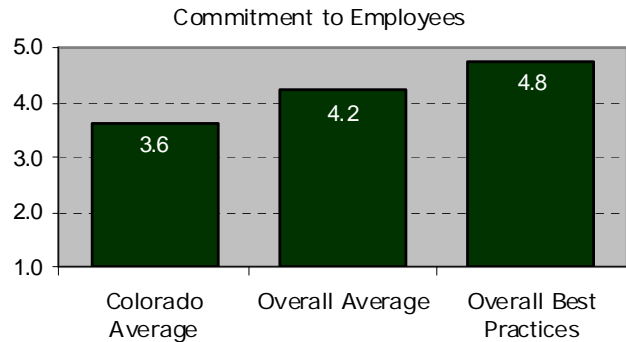
Job Design

Work is effectively organized, makes good use of employees’ talents and skills, and is interesting and meaningful. Employees have appropriate responsibility to determine how best to do their work, and creative job design is used to help make jobs “fit” employees’ needs.



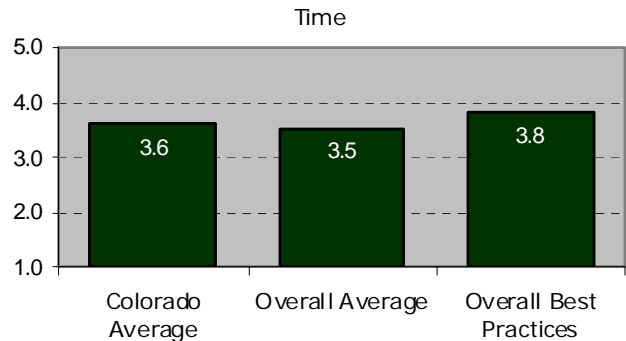
Commitment to Employees

Employees’ jobs are secure, employees are recognized for their accomplishments, and employees are provided with opportunities for advancement.



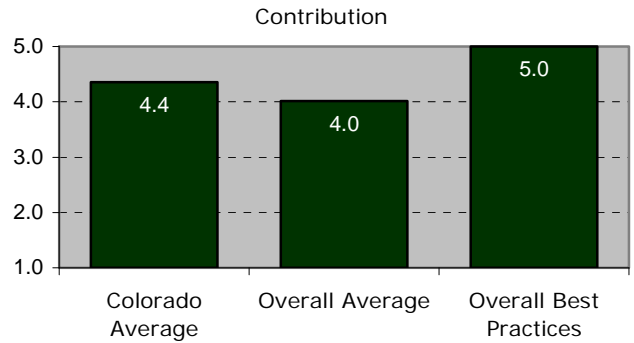
Time

The work load allows employees to do their jobs right, make thoughtful decisions, and achieve an appropriate balance between work and home.



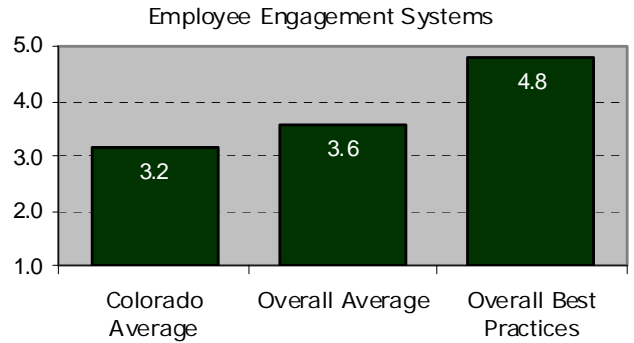
Contribution

My organization contributes to the community, creates great value for clients, and provides meaningful work.



Employee Engagement Systems

We have systems in place that help us retain good performers by continually evaluating trends in employee engagement. We use the information from these systems to determine the key drivers of productivity and customer satisfaction.

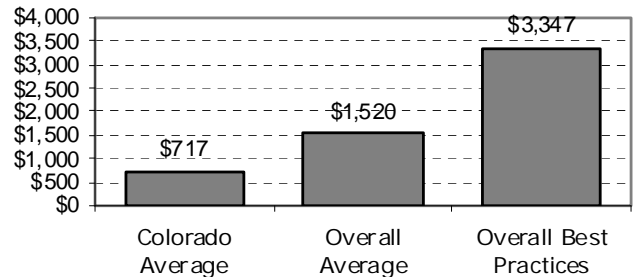


Other Human Capital Information

Training Expenditures

Best estimate of total expenditures on employee development (see bottom for definition) for all employees for the most recent year.

Formal Training Expenditures Per Employee (in US dollars)



NOTE: The American Society for Training & Development definition of formal training expenditures was used for this question. It includes the following four categories of expenditures:

- Wages and salaries of training personnel* (employees who spend all of their work time on training-related activities, including training and administrative support). Does NOT include benefit costs.
- Payments to outside trainers* (training companies that provided training or training-related services to employees).
- Tuition for courses at educational institutions* (either paid to the institutions directly or reimbursed to employees).
- Other training-related expenses* (including training facilities expenses; payments to parent organization or subsidiary for training; internally-produced course materials, catalogs, and/or marketing; and training administration costs).



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