Interpreting and utilizing Stakeholder Value reports

Dr Nick Fisher
Executive Summary

The term ‘Stakeholder Value Management’ refers to a generic process for continuously improving the relationship between an enterprise and a stakeholder group, such as its Customers, its People, or the wider Community.

A key element of the process relates to studying the results of analysing stakeholder survey data with two overall purposes in mind:

1. to calibrate the overall survey metric by linking it to key business drivers
2. on an ongoing basis, to provide a sound quantitative basis for selecting the most important improvement activities in terms of their likely impact on this metric

This document describes how to interpret and utilize such results using, as an example, the case of managing People Value. The methods described here are applicable to any stakeholder group.
Table of Contents

1. Introduction.................................................................................................................. 4

2. How the results are presented and interpreted .................................................. 5
   2.1 Tables of Ratings and Impact weights................................................................. 6
   2.2 Interpreting the information in the table ............................................................... 7
   2.3 Connecting the survey results to business drivers.............................................. 7

3. How to use the results to select priorities for improvement ............ 8
   3.1 Setting an improvement goal .................................................................................. 8
   3.2 Selecting priorities for improvement activities................................................... 9
1. Introduction

The term ‘Stakeholder Value Management’ refers to a generic process for continuously improving the relationship between an enterprise and a stakeholder group, such as its Customers, its People, or the wider Community. It is based on a best-practice approach to managing Customer Value\(^1\) that was subsequently adapted to any stakeholder group\(^2\). The latter reference (hereafter denoted Afl) should be consulted for anything not made explicit in this document.

At the heart of Stakeholder Value Management is the notion of defining a concept of Value for the stakeholder in terms of key drivers and attributes. This is generally represented as a so-called Value Tree. For example, Figure 1 shows a model\(^3\) for Value when studying the stakeholder group People:

![Value Tree Diagram](image)

Figure 1: A People Value tree. The key drivers of Value ("Worth Working Here") are Work, Image and Remuneration. Work and Remuneration themselves have lower-level drivers. Each of the 8 drivers in the second and third columns has a set of attributes that form the basis for questions in the People Value survey.

There are a number of points to note:

- The overall concept of Value is captured here by the term **Worth Working Here**.
- The basic structure, down to the level of attributes, is fixed.

---

3. Numerous case studies have demonstrated that this model is effective in capturing actionable data that can be used to select improvement priorities.
• Attributes are determined from Focus Groups, in which people are asked to describe the characteristics of their ideal working life. There should be at most 6 – 7 Attributes per branch.

This tree forms the basis for a People Value survey. In the survey, people are asked to rate the enterprise on each of the attributes in the Value Tree, on the drivers, and finally, on overall Value. Statistical analysis of the resulting set of ratings then provides results that can be used to address goals (1) and (2) in the previous section.

A key element of the process relates to studying the results of analysing stakeholder survey data in order to identify the priorities for improving the relationship that likely to have the most beneficial impact on the business. This is discussed in the following sections, and is a critical component (Step 3) of the continuous improvement process depicted in Figure 2:

![Figure 2 The People Value Management continuous improvement process.](image)

In Step 4, the changes are not only made, but (crucially) communicated, as a prelude to asking the people once again (via re-surveying), “What should we improve on next?” Thus, the process facilitates an ongoing dialog about improvement between the people and the leadership.
2. How the results are presented and interpreted

2.1 Tables of Ratings and Impact weights

It is helpful to think of the Value Tree in Figure 1 as being composed of several simple trees. Figure 3 illustrates the simple hierarchical structure of the trees:

![Figure 3: Examples of simple trees](image)

Figure 3(a) shows the top-level tree relating Value (Worth Working Here) to its drivers of Work, Image and Remuneration. Work and Remuneration themselves have lower-level drivers; the simple tree for Work is shown in Figure (b). Finally, there are 6 simple trees relating drivers to their attributes, as exemplified in (c) for Work itself.

In each of these trees, the higher-level variable (e.g. Work in 3(b)) can be thought of as a response that we are seeking to explain in terms of some lower-level explanatory variables (Work itself, Work environment, and Workplace culture, in Figure 3(b)).

The statistical results provide the following information:

- mean ratings for the response, and for each of the explanatory variables
- impact weights for each explanatory variable, indicating the relative importance of each of these variables in determining the overall response

A prototypical example is provided in Table 1, showing the top-level results for the previous and current surveys (cf. Figure 3(a)).

<table>
<thead>
<tr>
<th>Driver</th>
<th>Impact weight (%)</th>
<th>Rating</th>
<th>95% conf. interval</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previous</td>
<td>Current</td>
<td>Previous</td>
</tr>
<tr>
<td>Work</td>
<td>31</td>
<td>30</td>
<td>7.0</td>
</tr>
<tr>
<td>Image</td>
<td>22</td>
<td>24</td>
<td>7.3</td>
</tr>
<tr>
<td>Remuneration</td>
<td>27</td>
<td>27</td>
<td>6.1</td>
</tr>
<tr>
<td>Value</td>
<td>(R² = 81%)</td>
<td></td>
<td>6.9</td>
</tr>
</tbody>
</table>

Table 1: Impact weights and ratings for Value and its main drivers
2.2 Interpreting the information in the table

Look first at the information in the **Rating** columns.
- This shows that the mean *Value* score from the most recent survey is 6.6, compared with a mean score of 6.9 from the previous survey.
- It also shows that the overall score of 6.6 is based on scores of 7.0, 7.2 and 5.6, for *Work*, *Image* and *Remuneration* respectively.
- Column of confidence intervals shows that these mean ratings have a high degree of precision.

Now look at the information in the **Impact Weight** columns.
- These weights show the influence of each of the three drivers (*Work*, *Image* and *Remuneration*) in determining the overall rating for *Value*. For the current survey, they are approximately in the ratio 3 : 2 : 2. Comparing the current results with the previous results, we can also see that *Work* appears to have increased in importance, relative to the other two drivers.
- Note that the weights have been normalized by the value $R^2$ to add to 100%, as an aid to interpretation. Of course, we cannot totally explain people’s overall *Value* score in terms of just these three drivers. However, the high value of $R^2$ gives us confidence that we are focusing on the right drivers, and that no major factor has been overlooked.

2.3 Connecting the survey results to business drivers

How do we know whether the overall *Value* score of 6.6 (on the scale 1 to 10) in Table 1 is a good score or a bad score? It has no intrinsic merit, unless we can relate it to something more meaningful in business terms. So, we need a way of calibrating the overall *Value* score. There are a number of good ways to do this (we’ve just discussed one already), some of which are currently available to us:

(a) *Compare the enterprise’s overall Value score with that of its competitors.*
    Such data can be difficult to acquire. However, benchmarking mean ratings across Departments or Business Units can provide useful comparisons.

(b) *Study the relationship between Value and a business-critical metric.*
    For People, such a metric might be the rate of *Unplanned Staff Turnover*, a very expensive matter. For Customers, it might be *Churn*.

(c) *Study the relationship between Value and Loyalty or other similar metrics.*
    For example, for People, once can use
    – *Willingness to recommend the enterprise as a place to work*
    – *Ability to do one’s best work*
    – *Comparison of the enterprise with previous employer*
It is possible to use this means of calibrating Value scores, because the relevant data are captured in the same survey. An example of how the relationship is presented is shown in Figure 4.

Figure 4  An example of how to link overall Value to a higher-level business driver, in this case, Willingness to recommend your enterprise as a place to work. An overall Value score of 6.6 would correspond to about 40% of people being very willing to recommend the enterprise to others as a place to work.

Graphs of this type form a starting point for using the survey results to make improvements, as we shall now see.

3. How to use the results to select priorities for improvement

Put very simply, there are two things to do: decide on an improvement goal, and then work out how best to pursue it.

3.1 Setting an improvement goal

A logical place to start is with the graphs relating the overall Value score to business drivers, such as is shown in Figure 4. What score do you think you should be achieving for Willingness to recommend the enterprise as a place to work?

Suppose, for the sake of argument, that you want at least 75% of employees very willing to recommend the enterprise as a place to work. That corresponds to a Value score (V) of about V = 7.5. Additionally, you may want to boost the score on Ability to do one’s best work from its current level of, say, 25% to over 50%, which might imply that the Value score has to be boosted to V = 7.9.
Even the first of these (7.5) represents a very substantial increase in V from its current value of 6.6, and is probably regarded as a two-year goal. So, you might settle on a provisional one-year goal to increase V to 7.1. We now consider how this might be achieved.

3.2 Selecting priorities for improvement activities

Our goal is to develop a plan (that is, identify improvement priorities) to boost the Value score by 0.5, from 6.6 to 7.1. What is described below is discussed in rather more detail by Kordupleski (op. cit., Chapter 11) in the context of Customers.

**Step 1.** Start at the top of the Value Tree

Table 2 is a simplified version of Table 1 that focuses just on current results.

Generally, the simple principle to be followed using such data is: Look for the Attributes that carry high impact weights and have low ratings.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Impact weight</th>
<th>Mean rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work</td>
<td>30.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Image</td>
<td>24.0</td>
<td>7.2</td>
</tr>
<tr>
<td>Remuneration</td>
<td>26.7</td>
<td>5.6</td>
</tr>
</tbody>
</table>

**Table 2: Impact weights and ratings for Value and its main drivers**

In this table, all Attributes carry significant weight although Work is 50% more important than the other two in terms of impact, and in terms of opportunity to improve, Remuneration clearly affords the potential for the greatest increase.

Consider what might be possible by way of improvement, over 12 months:

- increase the rating of Work by 0.5?
- increase the rating of Image by 0.3?
- increase the rating of Remuneration by 1.0?

Were these to be achieved, the predicted increase in Value would be approximately

\[0.30 \times 0.5 + 0.24 \times 0.3 + 0.27 \times 1.0 = 0.49\]

which is very close to our target of 0.5. So a Value score of 7.1 may be a reasonable target.

**Step 2.** Move to the next level of the Value tree, for Work and Remuneration

Table 3 shows the results for Work and its three drivers, Work itself, Work environment and Workplace culture.
Interpreting and utilizing Stakeholder Value reports

Table 3: Impact weights and ratings for Work and its main drivers

<table>
<thead>
<tr>
<th>Impact weight</th>
<th>Mean rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work itself</td>
<td>33.0</td>
</tr>
<tr>
<td>Work environment</td>
<td>25.9</td>
</tr>
<tr>
<td>Workplace culture</td>
<td>25.6</td>
</tr>
<tr>
<td>Work</td>
<td></td>
</tr>
</tbody>
</table>

The same thinking applies. The target we selected here was to increase the rating of Work from 7.0 to 7.5 in 12 months. The impact weights are somewhat similar, as are the ratings, so we might, once again, go for improvements in each:

- increase the rating of Work itself by 0.6?
- increase the rating of Work environment by 0.7?
- increase the rating of Workplace culture by 0.4?

Were these to be achieved, the predicted increase in Work would be approximately

\[0.33 \times 0.6 + 0.26 \times 0.7 + 0.26 \times 0.4 = 0.48\]

Again, this isn’t quite as much as we wanted, but the increases required in each driver look demanding and, if we can reach the targeted improvements in Image and Remuneration, it will be enough to help us reach our overall goal of 0.5 increase in Value.

Now look at the Impact Weights and ratings for Remuneration in terms of its drivers of Financial benefits and Non-financial benefits in the same way, to establish similar targets.

**Step 3.** Move to the Attribute level

Finally, we get to the Attribute level for each driver. At this stage, the real work begins on identifying specific improvement activities. Kordupleski *(op. cit., Chapter 11)* describes the need to explore root causes. In fact, addressing a root cause associated with, say, Work environment, may well have an impact on the other two drivers of Work, so it is essential to keep a systems perspective in working out what to focus on.

Again, we use the data at this level to provide insight about setting priorities for improvement. The process is exactly as described above, so will not be illustrated further.