Champions for Social Good Podcast

Engaging Employees by Advancing the Value of Human Capital with Steph Sharma, Human Value Institute

Jamie: Hello and welcome to the Champions for Social Good Podcast, the podcast for people dedicated to social impact. I'm Jamie Serino, Director of Marketing with the MicroEdge division of Blackbaud. I'm here today with Steph Sharma, Managing Director of the Human Value Institute and Lead the Difference. Welcome, Steph.

Steph: Hi, Jamie. Nice to be with you today.

Jamie: Yeah, it's great to have you. Can you start off just by telling us a little bit about yourself and a little bit about the Human Value Institute?

Steph: Right, yeah. Sure, thanks. I am a management consultant, and I have a real passion for research related to human capital. And I also have a passion related to thinking strategically and how we really approach work differently. As part of that passion and research, my business partner, Corey Johnson, out of San Diego, and I started researching human capital valuation a few years ago. And so the Human Value Institute is really the house or the holding place for thought leadership related to how we think about human capital and the asset that it truly is, both financially, and then from an intangible value perspective.

Jamie: That's great. What led you to start doing that type of research?

Steph: Well, as part of Lead the Difference, the umbrella organization that we both do consulting with, we were doing research as it related to the workplace and engagement. And both of us have a background in healthcare and both of us have a background in really looking at how to maximize human potential. While we were doing normal consulting things, like reading industry practices and thought leaders in those areas, we ran across an article from a gentleman named Paul Herman, who is the founder of the HIP Investor. And he wrote an article, I think in 2012, that said, "It's time we bring financial statements into the 21st century and recognize people as real assets." That got us both excited. And so we started down this, what I'll say, behind the scenes, internal path of curiosity and learning. We're both very passionate about learning. And it took us up to now, where we really have, what I'll call a structure and a framework that can help leaders, and we've actually got some case studies too around this, think about this differently. It's still a niche spot, but that's really where... That's really what the catalyst was and why we started thinking about this differently.

Jamie: Yeah, that's great. I have encountered some organizations that have actually changed their human resources department to human assets. So I think it's starting to reflect that notion there.

Steph: That is great, I'd love to know... That's great, because they're exactly honoring the fact that CEOs run around and say, "You're our greatest asset." So what does that mean? Our big question is, "What does that mean? Do you make decisions differently? Do you treat them differently? Do you recognize your accounting statements differently? What does that mean?"

Jamie: Yeah, that's a great question. I wonder if you could talk a little bit about organizations that you've encountered that say those things and organizations that actually do those things.

Steph: They all say it and they all have been saying it. And I would say there are elements or aspects of this shift happening all across business. So it is a shift that's happening, four years ago I'm not sure I would've said that. The companies that we found really early on that were thinking dramatically different were companies like Zappos, which is widely referred to with their holacracy and just shared leadership, and you know, "No one person is the manager on a team." And then Next Jump, which is doing amazing things. And Next Jump has a no fire policy. Basically they take it very seriously that if you are brought into the organization, it's their job and your partnership with them to figure out how to make that work.

Steph: And then I'll say that when the financial crisis happened, a really big, long-standing organization called Honeywell, which has thousands of employees all over the world, was pushed to make some really big changes with their dividend price, and those changes were to include layoffs. And the CEO said, "I'm not just gonna layoff people only to hire new people to fill those positions and not have all that knowledge and intelligence ever again. I'm gonna request furloughs where it's legal." And this article was featured in Harvard Business Review. And so that's a really good resource as well. And then, I'll mention REI, because I'm in Seattle. They're a cooperative and so that gets us into the whole notion that there are different business structures and different ways of thinking about humans as being owners. So those are some companies.

Jamie: Well, what did Honeywell end up doing there?

Steph: They, where possible, were able to request furloughs of their employees around the world. In some places it wasn't possible. And so they said to employees, "Are you able to take three weeks to six weeks off while we get through this tough time?" The big news headline, though, was that the CEO said, "I will not cater to that short-term dividend." And that's the pressure that organizations face when you're publicly traded, is that you meet that dividend expectation. And so they missed their dividend expectation, but they retained thousands of great workers.

Jamie: Yeah, that's a good case study there. And I recently heard a pharmaceutical company taking the approach where, because they're so large, when they let people go, they give them 60 to 90 days to find another position within the company, so they let everyone in the company know this person's floating around for a little bit. And then they find that they, they're able to... 'Cause they have to, unfortunately, maybe make some cuts, but the person is good, and like you're saying, has so much knowledge, keep them in the organization. And the organization is so large that you probably hear a lot of organizations saying, "Wow, you let 10 people go, I needed 10 people. I should have known about it." And that's another approach that I think we're starting to see here.

Steph: I think that's great. I think that takes time to develop trust in the process where if I'm a division and you're a division in, let's say, South America, that I trust your approach for giving me your 10, is that they're a still good 10. So organizational culture has to really uphold that, "This is the talent and I've done a good job of managing performance and there's just not a fit here." Because I think that's an awesome way to keep that knowledge about the organization and retain some of that intelligence.

Jamie: Great. What other approaches have you seen companies take to really, truly invest in their people or have that mindset?

Steph: Yeah. So the companies I mentioned before were part of our, what I'll call, our investigative research. We actually also went into five companies and talked to their leaders and talked to their employees. One that comes to the top of my mind, and there's some others that I'll mention, is Infusionsoft, out of Arizona. And Infusionsoft actually has a Dream Manager. And we met Infusionsoft because their Chief People Officer was at a conference and said, "Our people are our greatest asset and we treat them like that." And so we said, "Hey, we wanna talk to you." And we went in and we spent a day at Infusionsoft. The Dream Manager's job is actually to help you, as an individual, realize your dreams, and that is oftentimes not being at Infusionsoft forever. But their belief is that if they help you exercise your dreams while you're at work, not only will you be more creative on the job and provide better service to their customers, which are small businesses, but you'll be happier and when you leave, maybe you'll become a client. So they really have that deep appreciation.

Steph: Another organization that's been a leader in this, and really, sustainability has been a partner to our research more so than I'll say traditional human resources, and this organization is Interface Carpet, and they're an international, publicly traded organization. Their former CEO, late CEO, Ray Anderson, has written about employee engagement and how important it is to driving sustainability efforts. Their sustainability efforts have actually created employee engagement. But they have been a strengths-based organization. They have been very focused on employees having input, creativity, trust, and some of those attributes that we studied early on.

Jamie: That's great. You mentioned sustainability and employee engagement, and do you do any work with companies in helping their employees to volunteer or find charities to work with or causes to support, anything like that?

Steph: Yeah. We've been on the research side of it for the last couple of years, Jamie. I really believe that having a good foundation of what's happening and why it's happening from a consulting perspective, is really important, so that's been our emphasis. What's been an interesting twist from our approach with organizations is that organizations have been very focused on, "Let's create engaged employees so they'll drive our sustainability efforts." And as we learned with Interface, it's really the sustainability efforts that the company takes at the executive level, that actually creates engagement for the employees.

Steph: And so that shifted our consulting to be focused on the inputs of engagement, versus engagement as an imperative or an initiative in and of itself. And what I mean by that is if we think of engagement like getting on a scale, that means once you get on the scale you've either lost weight or gained weight or stayed the same, it's not getting on the scale that changed you. If we think of engagement like that, then we have to think about, "What are the inputs that went in to make me happier or to detract from my ability to be more committed?"

Jamie: That's an interesting way of looking at it. Do you have any advice for companies that are looking to, or they're having trouble mobilizing their people around a cause or...

Steph: Yeah. It takes a long time to build trust that you actually wanna know why individuals can be engaged and you wanna leave that ownership with them. So the first step is really taking a step back and saying, "Do employees have the opportunity to have free dialogue on a regular basis?" Without an agenda, without someone saying, "Is it tied to your performance?" Etcetera. So creating that freedom of dialogue is number one. Number two, then, is understanding that it's about how they approach their work individually, not about the score they might give on a survey.

Steph: And so what happens when you focus on the score is then everybody works towards that score or that weight on a scale. When you focus on what goes in to yield that score, what goes into that, whether it's the dialogue, or what do you need to do your job better, or what do you need support-wise, or where does your creativity come from, then that score becomes the outcome. Does that make sense?

Jamie: Yeah. I kinda like that. We work with companies and we find that when they're trying to start up these programs or improve them, and they're trying to get their engagement scores up and they're trying to get more people involved, and they have a problem. Their issue is that they can't get everyone on the same page. And so I think that starting with listening and finding out why or what drives people is really good. And one technique a customer passed over to us was to let everyone use a common platform to record their volunteering and giving, and they just watched what they did, and they just gravitated towards what they were just all doing. So I think that those types of measures, I think, can help.

Steph: I agree. I would say, and I would build on that, Jamie and just say, sometimes there's so much prescribing around getting on the same page or alignment that we stifle human creativity. And sometimes, if organizations just focus on where they're headed and why. So let's say an organization says, "We believe in sustainability and these are the principles that we uphold," and allow individuals to get there in their own unique way, then the return is two to three to 10 times greater than if they said, "Let's all get on the same page with being green. Everybody turn in your computers next weekend. Everybody recycle here," etcetera. So that prescription approach and the desire to be aligned sometimes takes out the human spirit.

Steph: One really awesome story we ran across was Caesar's Entertainment, the large gambling organization that also likes to be known for entertainment and quality experiences. And during the financial crisis, again, the employees, and this is also well written about, as is the Interface story. The employees, there was an upswell as they saw some of their friends and colleagues getting the feeling that they might need to be laid off, they started creating green initiatives on their own. And that wasn't the amazing part, the amazing part was the CEO caught sight of it and said, "How do we build an initiative around this and allow them to keep up with these creative ideas and empower them?" And so, when you unleash that creativity and allow employees to work in a trusted situation or environment and then reward them for that, then some really amazing things can happen.

Jamie: Yeah. That sounds really cool. So certain articles have been pointing to employee engagement overall being, I think, a little bit on the low side. What have you been seeing in your research? And granted, you've been speaking with some sort of 'ahead of the curve' type companies, which is encouraging, but overall on your research, what would you say that you've been seeing?

Steph: I agree. I think there's a couple things going on. And I think we wrote about it either on a blog or maybe it was part of our research a couple of years ago. I was with the Gallup organization for many years and it's just a phenomenal research organization around employee engagement, as well as strengths, etcetera. And the data has shown really stagnant engagement globally. I think on one hand, we've got the financial crisis we're coming after and we've got some other challenges in the workplace. I also think we're trying to do less with more, and again back to that stifling of human creativity.

Steph: But there's another piece that I think we're missing, that I think is really easy to fix. And I think we've made the whole effort to measure engagement as part of that weighing on the scale, as part of that outcomes orientation. And so we've taken our eyes off the why and off that individual path that I mentioned earlier, and we're now just looking at the scale, kinda like we did with profitability, 15 or 20 years ago. I was recently with a partner that I work with, a partner consultant in behavioral health, and she was talking to me personally, and she said, "We decided it was best that we save the relationship and not worry as much about the marriage, that the relationship was more important than the marriage."

Steph: And then separately, we had a conversation about one of the behavioral health sites, focusing on goals that really meant a lot to them and not the score, not their employee experience score that we were measuring, and she was surprised by that. And I said, "Here again, we're really helping that site. And they're doing it organically, to focus on the relationship they have together, not the marriage contract." So I think that's a nice metaphor for saying what's happened with engagement is we've started to focus on that contract, and how we might move that data instead of the things that organically create that data in the first place.

Jamie: Yeah, that's a good way of looking at it. With the various companies that you might work with, when they are stretched thin or resource constrained or challenged by the economy, is there any advice you could offer them in the face of those challenges to keep morale up, keep engagement up, and keep people happy?

Steph: Well, it all comes down to leadership. [chuckle] Which I hate to have that be an easy answer. But it comes down to leadership's willingness, like the Honeywell CEO, to say, "I'm not going to cater to those traditional profitability pressures," Jamie, and so that's really hard. It's really hard to say that, "I'm gonna get more time from taking time," or, "I'm gonna have the long game. I'm gonna play that by the long term game." There's another organization I didn't mention, which is really still in start up phase, called Stoke, out of San Francisco and they're a small company, under 30 employees or right about 30 employees. And the ups and downs of a start up are significant, and yet they are really remaining steadfast on, "What do you need to be happy and productive and purpose-driven in your work every day?" And then, "How can we help our clients?"

Steph: They do consulting for green buildings and retro fit to be more environmentally sustainable at the building real estate level and they're wanting to also help their clients do the same and practice what they preach and say, "It's fine if you create a wonderful place to work, but what are you doing to allow employees to thrive?" And so if a start up can do it with all the pressures there are with revenue against employee cost, etcetera, then I think that's a good model for larger companies if the leadership is willing. And if the leadership sees that return potential as a different return potential and one that I think could have some better traction, but hasn't in decades, so we'll see is that intangible value. How much value do you put on that intangible human capital, that person, not that machine?

Jamie: Yeah. Yeah, I think the challenge is it sometimes does require investment, and then at a senior level a lot of people wanna see, "Well, what's the ROI on that investment?" And sometimes it's tangible, sometimes it's not. There have been a lot of studies that do show increases in productivity when a lot of these measures are taken, but I guess it is still maybe going on faith a little bit. What are your thoughts on that?

Steph: Yeah. It remains to be seen, if we could look at how maybe Next Jump is making decisions for the long term and track these organizations longitudinally. REI, Zappos, Honeywell and some of these others I've mentioned. One thing that we really think could be important is getting organizations to think about those inputs that create engagement or those inputs that actually say an organization is human value oriented. And the reason I think that's important is because it takes us back to that relationship and it says, "We care about the relationship that you're having." And by relationship I mean your ability to thrive, your opportunity to ideate the things that you think about, and some of those attributes that we think are kind of important that are gonna help us with how individuals can perform at their best, are, "Do the employees feel empowered? Are they able to be adaptive when needed?" And that means that there's trust there. "Is there coherence in the workplace where they feel that meaningfulness is measured and it's not just some tie to performance that doesn't tie to the purpose of the organization?" So that coherence is... Both hands are headed in the same direction. And there's some other attributes that we've come up with as well, but I think that could be really important to test.

Jamie: I agree. Where do you see all of this going? It seems like things are moving in the right direction. Do you think that organizations will continue to see things in this way, humans as assets, as opposed to resources? What do you see in the near and long term?

Steph: That's a great question, Jamie. I have a healthy skepticism. [chuckle] The first time that humans as assets was documented was in the '60s, and there's wonderful research papers about it. And it came from an accounting perspective, which has still been something that's been challenged and reviewed and even was part of our research. The problem is that we're not gonna change... The belief is that if we can change humans as an asset on the balance sheet, not just an expense that they are today, that we would drive decision making at the executive level differently, because those assets would be seen at the top of the list, not just this token phrase, but they would actually be seen as an asset, technically.

Steph: We don't see that happening in the near future. We don't see accounting practices changing. What I do think is happening and I do think the Millennials are going to be the largest catalyst of this actually coming into being is that organizations are structuring differently, and even if they remain a traditional incorporated organization, or a traditional LLC private organization, or even non-profit, they're structuring the way that they make decisions a little bit differently.

Steph: And it's no longer black and white across the board to say that a company's success is defined by how much they return to shareholders, or their gross margin, or their revenue earned. And so success is now being driven by community impacts, social impacts. Engagement is starting to bubble up in some meaningful ways. This is small, this is a small percentage, but when you see the growth of different governance types, so the B Corp, the Social Purpose Corp, the Co-op, these organizational structures are getting more and more and more popular. And so that means that we no longer define success as the traditional corporation. So I think that could be a way that it moves forward. I do have some skepticism, though. And I'm a capitalist at heart, with the belief that the economy drives decision making as well and consumers drive decision making, so it does get a little messy; it's not certainly black and white anymore, though, which makes me optimistic.

Jamie: Yeah, yeah. I think you really hit upon something there, that if we change the notion of success, and I think we are seeing that a little bit, and then you tied that into the structure of organizations. We're seeing a lot of talk around aligning profit and purpose and that it doesn't have to be one or the other, and there are organizations out there that are able to do both and they're defining their success around that. And then you hear about also the triple bottom line and people referring to that as also making sure that that's how we look at success. I think that's great to bring up and to look at it that way. In your work, are you finding that people are at least using those terms or just kinda chasing those notions like aligning profit and purpose, triple bottom line, are you finding that?

Steph: Absolutely, Jamie, great points, and I hadn't mentioned those. In fact, there are publicly traded companies that I know who aren't wasting as much time on mission, vision, and values and they're just saying, "Our purpose statement is X." And that really creates great focus. And then there's also some that will challenge that it's about the quadruple bottom line. So where the triple bottom line is people, planet, profit, they're adding that fourth P, which is purpose. Some kind of chuckle that it's all encompassing with the triple bottom line, but that is definitely a shift and there's certainly... When you look at some of the movements around sustainable brands, there's certainly a desire for organizations to do more than just green washing or social washing and check a box that they're doing it. They actually are seeing returns, and so kind of full circle back to Paul Herman, who was the catalyst for this research for us, they're actually seeing more significant returns by focusing on the social impacts internally within their organization, and externally within their community. And that's gonna return dividends to shareholders, where shareholders can say, "Hey, I feel good about this company. I feel good about investing." So I think that's gonna drive change fast as well.

Jamie: Yeah. I think maybe as a bunch of different things converge here, it could lead to some progress. And something that you had said made me think too of some of our customers that are breaking down the silos between their CSR department and their maybe grant making organization and people that do look at employee engagement. And it's sort of... It's moving a little slowly, but it’s happening and more of those people are talking and they're trying to use maybe common technology and measurement platforms and stuff for that. And what that means is that the whole thing just begins to blend into the organization, into the brand, into the culture. So I think that's another encouraging thing to look at. Have you been seeing anything like that?

Steph: Yeah, and I teach as an adjunct and strategy at Presidio Graduate School, which has a San Francisco campus, and now the Seattle campus with the merger with Pinchot University. So I will say to the students, I will say that, "Do we need to say sustainability anymore? Do we need to say sustainable strategy?" And so there is this shift happening that it is business, that business is the triple bottom line, that we shouldn't have to say, "Is that company doing this or that?" That eventually everyone will be doing business that is sustainable or business that is acknowledging social impact and that that's how business will be redefined.

Jamie: Right, right. You had mentioned Millennials and I had wanted to ask you about that, if they feature prominently in your research, and you read two things about them. They're either the lazy generation, sitting on the couch in their parents' basement, or they are the ones leading the charge to get everyone to be socially responsible and sustainable and they're bringing up all these notions of profit and purpose and things like that. So are they one or the other? What are you seeing in your research?

Steph: I love this topic. One of the things that we started out doing was thinking about being that intergenerational consulting organization that really looked at how we were acknowledging four generations in the workplace. And some of the research that we did with nurses, we talked to all four generations, the Silent Generation to the Boomers to the Millennials, which is my generation, or sorry, the Gen X, which is my generation, to the Millennials. And so it's phenomenal to think that you've got Silents and Millennials in hospital hallways. Maybe not today, but a few years ago you did. And so every generation that's just coming into the workplace, and I know Warren Wright who works with Neil Howe at the organization that wrote the book, "Generations," has talked about this and so that's where I get my information. Every generation that just comes into the workplace gets that lazy work ethic as low rap.

Jamie: Right, right, that's funny.

Steph: And so we have to acknowledge that even Gen X when I was in my 20s, it was like, "Oh, you guys don't have the work ethic that we did."

Jamie: You're right, you're right.

Steph: And so, that aside, this generation, based on research that I... We did a lot of research to maybe go down this path and now we just incorporate it into all that we do, really noted that the Millennials are... 75% of Millennials believe that it is their responsibility to make a difference in the world, and that that is unprecedented by any generation prior. A lot of the great research that we refer to was done by Rainer and Rainer, the father-son duo called, 'The Millennials'. And it's really fascinating to think about the responsibility that goes with that. And this is a generation who saw their parents lose all of their money in the financial crisis or lose a chunk of their retirement, I should say. And so buying cars and buying houses and getting married and having 2.2 kids is all into question right now.

Steph: And so I think we should pay attention and I think we should create a forum and a dialogue, and with every generation before there should be accountability. If they have ideas they wanna implement and they're not getting implemented, then we create some accountability and opportunity at the same time. So I am seeing more optimism and I have more hope, but with that comes a really high standard that I set for any Millennials in my classes, because, "If you feel that way, if you feel that it's your responsibility to change the world, how are you gonna do it? How are you gonna remove the barriers that are maybe the Gen X'ers and the Boomers and change the world?"

Jamie: Yeah, yeah, that's all really cool. Yeah, to me, they have more of a DIY attitude than anyone else I find. And so like you're saying... You're saying 75% feel like it's their responsibility and I could see that, 'cause I just feel like when you're working with Millennials... And I also just hate to do this blanket thing, Millennial this and that, but if you are gonna categorize groups of people, I just find that... Well, let's just say a lot of people younger than me are always just about, "Hey, there's a problem, how can I fix it?" As opposed to, "Hey, there's a problem, who's gonna fix that?" And I think that that's a powerful notion, that if they stick to that, they can carry that through their lives and bring people along with that.

Steph: I love that, how's it gonna get fixed, versus who's gonna fix it? I'm gonna use that, that's great.

[chuckle]

Jamie: Is there anything else you'd like to add or anything you feel like we didn't get to touch upon?

Steph: Well, related to that last question, there is some really good work, you can tell we're fairly collaborative as well by my mentioning a lot of these partnerships. There's some really good work by Bob Willard out of Canada called, "The Future Fit Benchmark." And I wanna mention it, because if there's something I think we can contribute to related to SDGs or different metrics that we look at or how we value what I'll call intangibles or the capital that is human, I think we could have some great input into his model, and he's very open to that once we get a little bit more research under our belt.

Steph: And what that means is that if you have indicators with respect to natural capital or if you have indicators with respect to the environment, then you can look at how you're doing on those indicators, correct? And so if we can add to that future fit model with some of these human capital input indicators, such as, "How societal is the organization? How visionary is the organization? How pioneering are they?" Then maybe those organizations can calibrate against other organizations within their industry to see how they're maybe valuing that internal, what I'll call social capital internally, which is human capital. So that would be all I would add there to that question of how we might be inputting into a bigger picture change effort. We've got work to do, I guess. [chuckle]

Jamie: Yeah, that sounds very cool, though. And this whole conversation was fascinating for me, so I wanna thank you very much for joining us today, Steph.

Steph: Thank you, Jamie, for having me, and it's always great to talk about this stuff. And hopefully, if anybody's interested, that we'd love to hear from them, we wanna create a consortium of thought leadership on this.

Jamie: Great. Well, for our listeners, hope you enjoyed this episode, and you can learn more about the Human Value Institute and Lead the Difference at humanvalueinstitute.org. You can follow them on Twitter @Leadthediff. You can also look up #humanvalue and see a conversation there about that. You can also find them on LinkedIn and Facebook. Make sure to subscribe to this podcast, so you don't miss an episode and you can keep up with the conversation between episodes by following us on Twitter @JamieSerino, @MicroEdge LLC, and @Blackbaud. Thank you for listening.

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