People Equity: A New Paradigm for Measuring and Managing Human Capital

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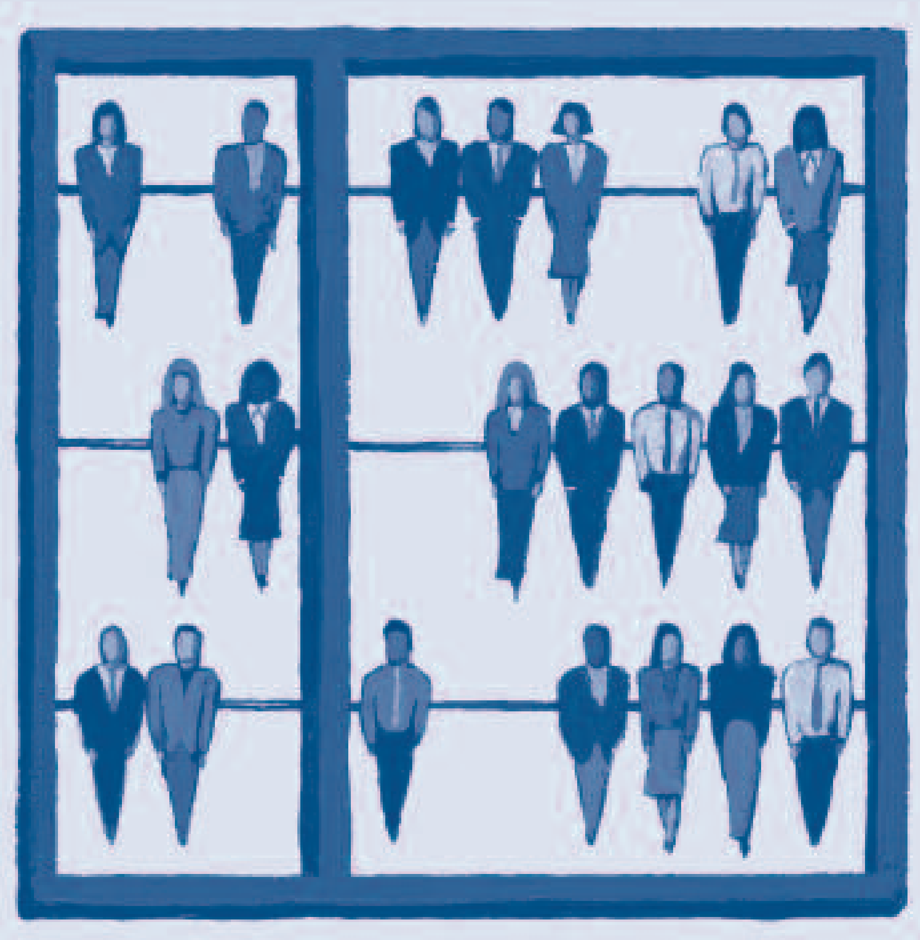


One of the largest investments most organizations make is in human capital. How do you ensure that the investments you have made in human capital—your "people equity"—move performance to peak levels? Put differently, how do you measure, and maximize, your return on human capital?

The concept of people equity is introduced as an integrative way to measure and manage human capital. People equity consists of three core elements: *alignment*, the extent to which the workforce is connected with the business strategy; *capabilities*, the talent, information, and resources

required to execute that strategy; and *engagement*, the degree to which workers are committed to the organization.

The article provides a framework for line and HR managers to use people equity to evaluate human-capital gaps; to forecast future operating, financial, and customer outcomes; to prioritize scarce resources more effectively across the organization; and to measure the impact of human-capital investments on organizational performance.

For most firms, human capital is one of the largest investments, and it represents one of the most difficult management challenges: How do you maximize return on investment in human capital?

For many years, organizations have struggled to find a way to assess how well they have deployed their human capital. Much debate rages on the subject (Boudreau & Ramstad, 2005, 2006), but just about everyone agrees on one fact: For most firms, human capital is one of the largest investments, and it represents one of the most difficult management challenges: How do you maximize return on investment in human capital? More specifically, how do you ensure that the human resources in whom you have invested—employees, partners, and other suppliers of labor—are giving you the best performance for the resources you have committed? Most importantly, does their performance measure up to strategic objectives—market share, growth rate, return on capital, brand-building—the achievement of which is essential for competitive success?

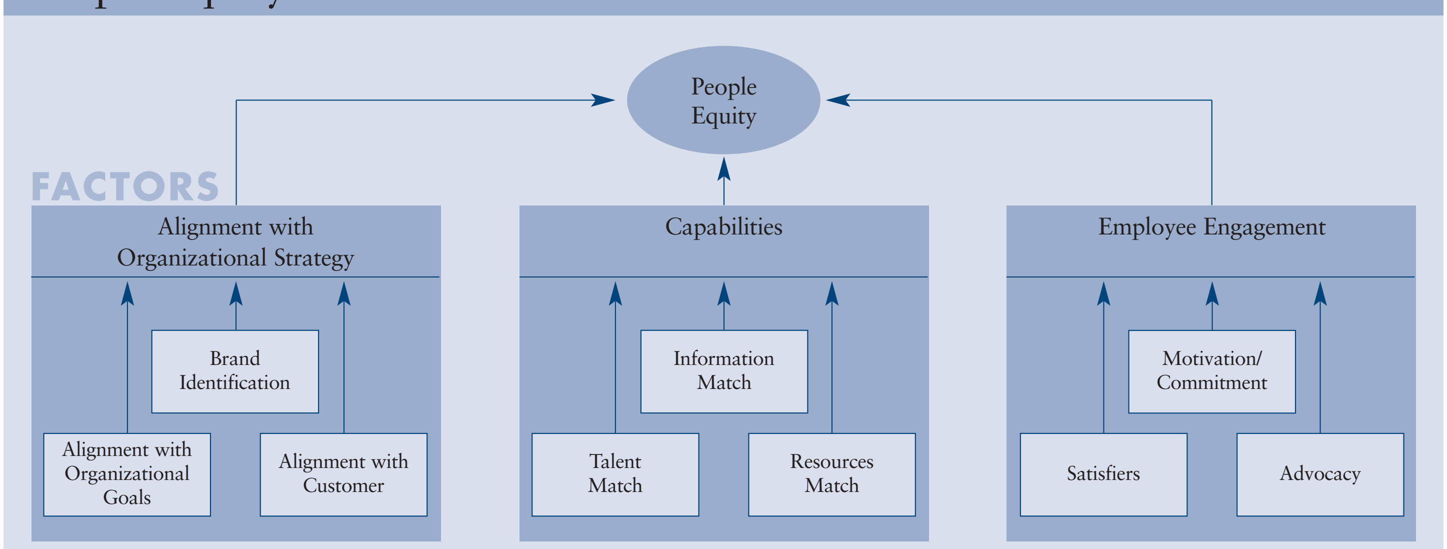
"People equity" is a fresh approach to help organizations measure—and substantially increase—their return on investment in human capital. We prefer the term "people equity" rather than "human capital" for several reasons. The word "capital" is too often thought of as a cost or resource to be constrained. On the other hand, investors, board members, and senior executives are conditioned to think of financial and market "equity," and, more recently, customer "equity," as *positive* factors that are central to their interests. Also, in many early uses of the term "human capital," a disproportionate emphasis was placed on competencies, thereby neglecting other important elements that make up the overall value of people to the organization and its shareholders.

The Power of ACE

Each year, organizations spend billions of dollars on initiatives: quality programs; advanced IT platforms; leadership, communications, and diversity training; team-building exercises; rewards and

EXHIBIT 1

People Equity: The ACE Model



recognition; and other *ad hoc* attempts to improve performance. Unfortunately, much of the focus of these initiatives is on fixing short-term "pain points": symptoms rather than root causes of performance gaps.

Scores, even hundreds, of factors influence human performance and, ultimately, business performance. But only a few factors have a significant impact. Our survey research involving thousands of employees in hundreds of organizations, over the past 20 years, along with significant consulting projects aimed at increasing people equity, convinces us that three elements drive overall workforce performance:

1. **A**lignment
2. **C**apabilities
3. **E**ngagement

or ACE.

Focusing on these three elements enables organizations to identify the major factors that inhibit business performance and allows them, through a chain of drivers and enablers, to invest their resources wisely—targeting only those areas that have a decisive impact on performance.

Let's briefly examine the three factors that comprise people equity:

1. *Alignment* is the extent to which employees are connected to or have a line of sight to the business strategy. It includes the connectedness of employees' goals or accountabilities with unit, department, and overall organizational goals, along with employees' level of brand identification. It also includes horizontal alignment: the extent to which work units are effectively aligned with each other to deliver high-value products or services to customers.
2. *Capabilities* capture the extent to which the organization effectively matches talent, information, and resources with business strategy and customer requirements.
3. *Engagement* is a more recent evolution of earlier employee satisfaction and commitment research. In general, the literature has evolved from job satisfaction and morale to employee commitment to workforce engagement, which implies the highest level of connectedness to the organization. The acid test of engagement is the extent to which employees advocate their organization as a great place in which to work or invest.

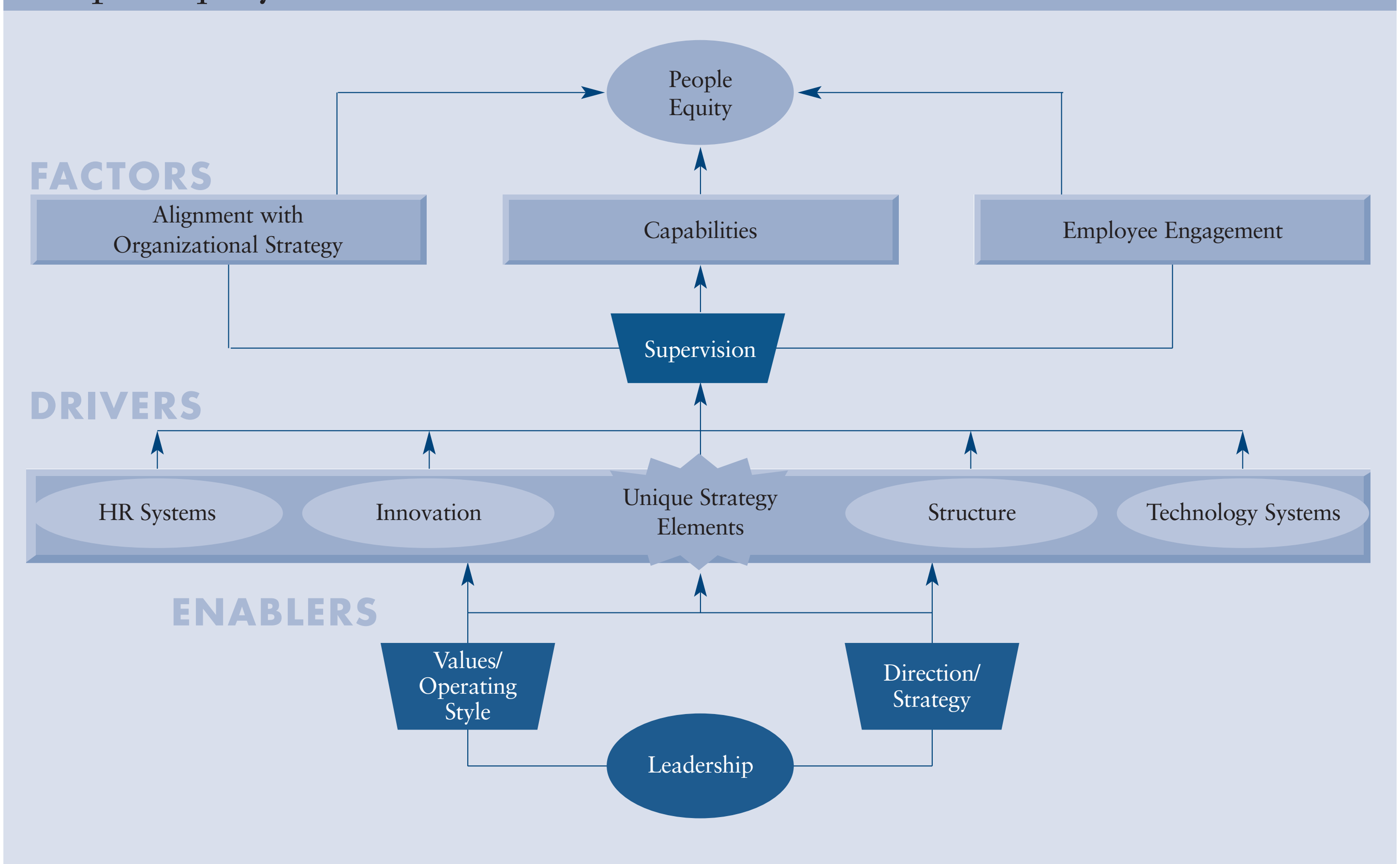
The three key elements of people equity are depicted in Exhibit 1.

The Drivers and Enablers of ACE

During the course of our organizational research and consulting, we have found that five drivers and four enablers

EXHIBIT 2

People Equity: Drivers and Enablers



underlie people equity. When these drivers and enablers are effectively managed, then alignment, capabilities, and engagement inevitably increase. As a result, human and organizational performance improve substantially and measurably.

How can organizations maximize the three components of people equity? The answer: by managing the drivers and enablers of these elements, which are outlined in Exhibit 2.

The drivers of alignment, capabilities, and engagement fall into five categories:

1. *Human resource systems,* which includes selection and recruiting of qualified talent, rewards and recognition, talent development, and performance management.
2. *Technology systems,* which includes information, knowledge, tools, and processes.
3. *Innovation,* including the ability to develop and implement new ideas, creativity leading to better products and services, and the ability to adapt to changing environments or competitive landscapes.
4. *Structure* encompasses the organization of the company, function, or unit.
5. *Unique strategic elements* are those aspects of an organization or function that are important in differentiating it from its competitors, including competitive advantage, brand identity, strategic project portfolio management, and business processes.

The enablers of people equity include four crucial elements: an effective supervisor or manager, strong senior leadership, a clearly understood business strategy, and compelling organizational values. Direct supervision is separated from the other three in Exhibit 2 because it enables in a somewhat different way. Senior leadership, the business strategy, and the values set the overall context and typically influence the architecture of the drivers, such as structure or HR systems. For example, an organization like Nordstroms that embodies a high customer intimacy strategy and set of values will typically have a senior leadership team whose behaviors and decisions create a reward architecture that drives employee behaviors to create high customer loyalty. The supervisor, then, is dealt a set of drivers—rewards, structure, technology—within which he or she must work to maximize people equity. Thus, the supervisor enables by using the drivers in the optimal way to create the highest level of alignment, capabilities, and engagement. In the example of rewards, the supervisor may dole out rewards differentially across employees by addressing developmental needs for certain employees, financial needs for others, and work life balance for still others, while staying within the boundaries of the overall rewards architecture.

These four elements combine with the drivers, as depicted in Exhibit 2, to create high people equity. One key barrier to enhancing the value of people equity is the omnipresent "should/actual" gap between strategy and values, and operations. This gap must be closed quickly and effectively. For example, if there are weaknesses in values, such as low trust, poor communication, or low teamwork, that are hindering effective overall performance, resources can be directed to training programs, leadership communications and actions, or rewards to close the gap that is inhibiting workforce performance.

EXHIBIT 3

Low Alignment, Capabilities, and Engagement: The Business Consequences

Low Alignment	Low Capabilities	Low Engagement
■ Confusing brand promise ■ Many urgent but not important activities ■ Non-competitive costs due to misdirected energy, talent ■ Burnout or talent loss—working hard, but not smart ■ Overstaffing ■ Low teamwork; high conflict across units	■ Unable to meet customer requirements ■ High rework ■ High warranty or guarantee claims ■ Overstaffing to meet standards or customer requirements ■ Low customer relationship scores; lower customer retention ■ Employee/supervisory burnout, turnover	■ Low customer satisfaction with direct internal or external customers ■ Low productivity, lower margins ■ Talent loss when market conditions permit ■ Dead wood: Employees retired in place ■ Low referrals of top talent ■ Cynical culture

The Impact of Low People Equity

Research confirms the proposition that when an organization's workforce is misaligned strategically, is capability deficient, and is disengaged, there are substantial, measurable negative consequences.

For example, individuals or units that score low on engagement often have lower performance scores when compared to units with higher engagement scores. Using a measure of workforce commitment, Feuss, et al. (2004), found that, among Veterans' Administration employees, higher engagement scores translated to higher numbers of claims being processed and millions of dollars in increased productivity. In the alignment arena, our research across numerous industries suggests that customer focus and congruence with organizational goals is typically correlated with improved customer outcomes, such as increased loyalty or retention.

Bottom line: Poor alignment, capabilities, or engagement leads to diminished people equity. Operating costs increase, with underutilized resources, lower productivity, and turnover of high performers.

Low alignment, capabilities, and engagement also have a negative impact on customer relations. When employees lack any one of the critical ACE elements, this can result in disgruntled customers who buy less and drive others away.

Exhibit 3 summarizes, from our research and case studies, the impact of low alignment, capabilities, and engagement on important organizational outcomes. There is some overlap in consequences of deficiencies in each of the three areas, but there are also unique outcomes attributable to low scores on individual ACE dimensions.

Just about every organization has a people equity improvement opportunity of at least 20 percent. For most, it is over 50 percent! These numbers are based on our research across the industrial landscape, which suggests that few organizations demonstrate broad alignment of their business units, departments, and teams with the business strategy. In polling middle and senior managers in many organizations, less than 15 percent report that employees understand their role in supporting the business strategy. Although many can point to blips in which some units report high people equity, these units tend to be the exception that proves the rule.

By improving "ACE" performance, most organizations are better positioned either to manage the same processes, customers, and volume with fewer resources or to redirect existing ones to capitalize on new opportunities.

In the many organizations in which we have documented that between 20 and 25 percent of time is spent on low- or no-value-added activities, increased people equity would provide an opportunity to redirect a significant amount of time to new, better-aligned initiatives. This would enable leaders to focus resources on developing products and services that satisfy the next-generation demand.

The Criticality of Measurement

Based on the preceding summary and earlier literature (Schiemann, 1996; Wiley, 1996), people equity and its underlying elements have the potential to tell us a lot about how we can maximize our business results through people, and about how well we are utilizing this important investment.

Moving from insights about people equity to results requires adding measurement discipline (Boudreau & Ramstad, 2006). It is a tough challenge, but if we can measure both people equity and its drivers and enablers, then we have an enormous ability to redirect resources and initiatives to maximize not only people equity, but also the elements of customer and market equity that are driven through people.

The Fallacy of One-Dimensional Thinking

Paul Watson, business unit leader for a large financial services organization, knows how important it is to create high engagement in his workforce. His most recent employee survey yielded a score of only 60 percent in the engagement area. Five years ago, the score on engagement was only 50 percent, and Paul succeeded in increasing it to 60 percent two years ago, but there has been no improvement since then.

Furthermore, despite the increases in engagement scores over the five-year period, and a sizable reduction in employee turnover, new problems have surfaced. The unit's productivity has declined, customer defections have increased, and employees are just not living the brand promise. Paul is not getting the maximum value from his workforce, and he does not understand why.

Our research and case studies of hundreds of organizational units across more than a dozen industries, ranging from service to high-tech to hard-core manufacturing, are full of Pauls. Dedicated, intelligent, and determined, they do not know how to go about increasing people equity.

Here's our advice to Paul: First, until he begins to pay attention to all three dimensions of people equity, further gains are unlikely. Alignment of employees with the business strategy drives focus and most often connects to business outcomes such as productivity and customer attraction and retention—two areas woefully low in Paul's unit. Capabilities constitute the third critical leg of the performance-and-results stool. Most often, deficiencies in this area lead to poor customer outcomes, such as lower buying behavior, higher complaints, and greater defection to competitors.

Second, within the engagement area itself, Paul has focused too narrowly on supervisory actions and needs to examine the other factors that influence engagement.

Until he begins to pay attention to all three dimensions of people equity, further gains are unlikely. Alignment of employees with the business strategy drives focus and most often connects to business outcomes such as productivity and customer attraction and retention

Finally, the larger organization has not focused on managing the variance in engagement scores across different units of the organization. Our advice: Look at both the high- and low-scoring units and try to identify best practices on one end and corrective action on the other. In this way, engagement indices can be improved throughout the organization.

Unfortunately, Paul's survey did not provide the strategic people content—the areas of alignment and capabilities—that he needed to understand where the gaps were in areas that related to productivity, brand, and customers. Nor did his survey provide enough detail about engagement to allow him to pinpoint variances in this area and isolate root causes.

Survey Dos and Don'ts

A wide variety of tools is being used to provide at least some understanding of people equity: interviews, focus groups, competency profiles, 360-degree feedback tools, formal assessment centers, exit reviews, and surveys. But most of these fail to capture the holistic people equity concept. For example, exit interview scores may detect gaps in engagement based on supervisory practices, reward systems, or growth opportunities; however, the information is often biased by people who have already decided to leave, and the measure occurs well after corrective action should have been taken.

Based on much trial and error with alternative tools over the past decade, we have found that surveys—despite some of their shortfalls—are one of the most effective and economical tools for obtaining a broad assessment of people equity.

Surveys work well for multiple reasons:

1. People are the key stakeholders we are trying to understand and measure, so their perceptions are crucial.
2. People have a unique vantage point from which to observe the organization's processes, practices, successes, and failures.
3. The information can be captured in a format that readily enables comparisons not only within an organization, but also across functions and organizations.
4. Surveys enable one to estimate not only people equity, but also the drivers and enablers of people equity.
5. Survey information is usually cost-effective to obtain.
6. Survey information differentiates high and low performance. It provides profiles within and across organizations that are correlated with other important business outcomes. Units that are higher or lower in alignment tend to have different gaps in performance outcomes, making the alignment score a leading indicator of other important business outcomes.

Surveys have not always lived up to that promise, for a variety of reasons:

1. Employee surveys have historically placed too strong a focus on the leader's or supervisor's role in creating "satisfied," "committed," or "engaged" employees.
2. Surveys have often included items on clear expectations, coaching, recognition, and feedback, but they do not tell us whether the goals and the feedback are aligned with the business strategy.
3. Few surveys have tapped the capabilities factor, or they have done so in a fragmentary way.

EXHIBIT 4

Sample Survey Questions

ALIGNMENT	CAPABILITIES	ENGAGEMENT
I have clear performance goals and targets that are linked to my unit/department performance targets.	My unit has the people skills it needs to meet our customers' expectations.	I would recommend this organization to a close friend or colleague as a place to work.
My unit has clear performance objectives that are tied to our customers' expectations.	This company does a good job of hiring people with high potential.	I am treated with respect and dignity.
I receive regular feedback on my performance that enables me to improve.	The company does a good job of retaining top-performing employees.	In the last month, I have received recognition for doing good work from someone whose opinion I value.

A New Approach to Measuring People Equity

Despite the shortcomings and widespread skepticism about the utility of surveys, we have experimented with various approaches and found that it is possible to design more strategically oriented surveys that approximate the three components of people equity and its drivers. The secret is to ask the right questions.

At the core of the survey approach we recommend is a short diagnostic questionnaire that captures all three crucial components of people equity. Typically, we also include segments on the drivers and enablers of people equity as well. In total, not including customized strategy questions, most organizations can assess people equity and the drivers and enablers in Exhibit 2 with a survey of 35 to 50 items. Actually, a short form can capture people equity and most of the drivers and enablers with fewer than 25 items.

Frequently, this information is combined with interviews of leaders and managers to understand issues, such as the sources of interdepartmental conflict or the reason for perceived ethics gaps, which are somewhat less accessible from the survey. Sample alignment, capabilities, and engagement questions are listed in Exhibit 4.

Surveying the Status Quo

One way to begin increasing people equity is to understand your current organizational people equity profile. Here are a few questions to get the process started:

1. If you are using employee surveys, do they capture the strategic elements of people equity? If not, you need to determine the purpose of existing surveys. Are they for tactical decision making? For supervisory development? Are they aimed primarily at communications issues? Each survey has a valid use; however, they may not capture the essence of people equity.
2. Are your senior executives eager to see their next survey results? If not, why not? This is typically a result of survey content that is not viewed as strategic. Or the survey results have been misused, thereby creating avoidance behaviors.
3. Next, assuming you want to capture information about your organization's current people equity, compare your survey with the content in Exhibit 5 to determine the level of overlap or uniqueness. Does it contain questions in each of these areas? Does it contain questions that do not relate to these aspects of people equity?
4. Once you have determined the purpose and value of various existing surveys by examining their content and their impact, you have two choices: (a) enhance an existing survey to include missing content in people equity, or (b) introduce a separate people equity survey to keep the survey instrument—and the leaders—strategically focused.
5. Consider coupling the survey with interviews and focus groups to provide greater understanding of the effect of drivers and enablers on people equity.

These steps should enable you to capture people equity infor-

EXHIBIT 5

People Equity: Elements, Drivers, and Enablers

Factors of People Equity	
Alignment	■ Employee understanding of brand promise ■ Clarity of customer requirements and commitments ■ Understanding and acceptance of employee/ department role in the business strategy
Capabilities	■ Skills and knowledge to meet customer requirements ■ Resources to meet customer requirements ■ Effective deployment of talent
Engagement	■ Employee commitment and satisfaction ■ Willingness to refer others to the organization ■ Intentions to stay
Drivers of People Equity	
HR Systems	■ Recognition and rewards ■ Talent acquisition and development ■ Performance management
Technology	■ Operations and process drivers ■ Process effectiveness ■ Adequacy of performance tools ■ Effectiveness of knowledge management and information usage
Innovation	■ Idea production and usage ■ Creativity ■ Adaptability
Structure	■ Staffing adequacy ■ Cross-functional information flow ■ Functional silos
Unique Strategy Elements	■ Customized to the organization's strategic priorities
Enablers of People Equity	
Supervisory/ Direct Manager	■ People skills ■ Technical skills ■ Performance management skills ■ Communication
Leadership	■ Direction setting ■ Confidence in leadership capability ■ Walk the talk
Values	■ Core values ■ Custom values
Direction/ Strategy	■ Clarity of strategy ■ Strategic measures

mation that will increase executive attention and meaningful action.

People Equity Profiles

Exhibit 6 shows a summary of people equity profiles into which organizations and their subunits fall. Which one describes your overall organization? Your unit? The profiles are helpful in understanding organizational and managerial strengths and vulnerabilities.

Although labels can be dangerous, they can be a useful shorthand for zeroing in on an issue. For example, the "Pollyannas" may be highly engaged in the success of the organization in the short term but out of touch with critical requirements, such as its brand promise. They may also lack the capabilities required to deliver on committed goals. The "underachiever" knows what needs to be done and has the skills to do it, but lacks the motivation or interest in attacking the issues. The "unfocused talent" is a frequent profile, in which a workforce, unit, or individual is engaged and has the right capabilities, but the organization has not created a clear line of sight to the strategy or brand promise, resulting in wasted resources that will devote far too much time to low- or no-value-added activities. Finally, "talent waste" occurs when the organization has created a strong talent pool that is well matched for its strategy and its customers, but has failed to align or motivate that talent effectively.

People Equity DNA

One of the most useful windows into the organization is through a tool we call the people equity organizational profile. This profile provides a unique graphic picture of how well the organization is managing its people assets at every level. Exhibit 7 illustrates the people equity organizational profile based on an integrated example from several client organizations.

It is readily apparent that the organization depicted in Exhibit 7 is stronger in developing its capabilities than in its alignment or engagement. However, the mediocre alignment scores at the corporate level—the top score being 100—mask sizable differences across business units.

The Central Region has major alignment gaps; the Western

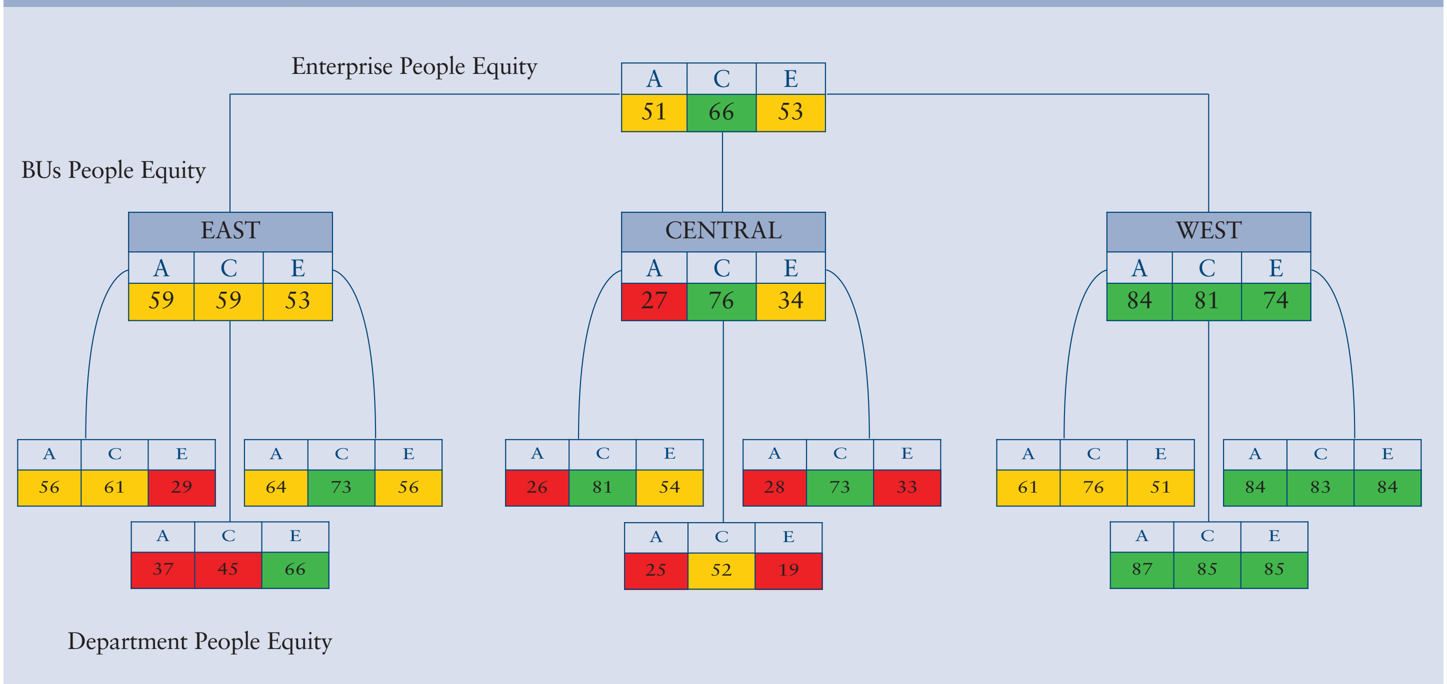
EXHIBIT 6

People Equity Profiles

Alignment	Capabilities	Engagement	Profile
H	H	H	Performance Leader
H	H	L	Underachiever
H	L	H	Under-equipped
H	L	L	Indifferent
L	H	H	Strategic Disconnect
L	H	L	Talent Waste
L	L	H	Pollyanna
L	L	L	Performance Laggard

EXHIBIT 7

The People Equity Organizational Profile



Region contains many alignment best practices. Engagement, on the other hand, although displaying rather mediocre numbers at the corporate level, varies widely across different departments, indicating both best practice and coaching opportunities.

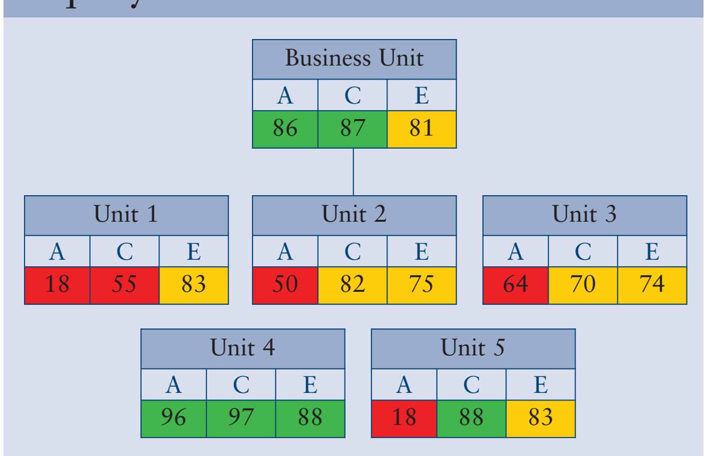
This people equity organizational profile helps the leadership team see where to direct corrective action. Organization-wide, broad alignment or engagement initiatives would not be the best use of resources, given the wide variances across organizational units. Instead, spot treatments for lower-scoring units are more in order, saving enormous resources that are typically devoted to overused organization-wide fixes.

At the department level, we typically see varying scores on all three elements. In fact, by looking at the variance within a unit, the supervisor can easily see where he or she needs to focus attention for greatest impact. Although smart supervisors use different approaches to motivate, align, and develop people, they all want to arrive at the same goal: individuals within their units who have high scores on all three elements. These are the building blocks of high performance.

A similar process was deployed at a major retail organization recently, resulting in a set of people equity alignment, capabilities, and engagement scores depicted in Exhibit 8. The scores at the business unit level are quite respectable, but there are wide differences across retail operating units. In fact, scores at the local level vary from 24 to 96 on engagement, 37 to 97 on alignment, and 35 to 97 on capabilities, requiring different kinds of priorities and actions. As a customer, you might well think that you were going into different businesses at the local level in terms of the engagement of the employees, their capabilities, and their alignment with you, the customer. These scores also reflect widely different management capabilities within those units, which in turn has significant implications for succession planning and leadership development, given this organization's policy of promoting most of its leadership team from the ranks.

EXHIBIT 8

Example: Major Retail Organization People Equity Scores



The Value of Organizational Profiles

People equity profiles have immense value. They enable an organization to make investment decisions aimed directly at bringing its human assets to the highest competitive levels. People equity profiles replace scatter-shooting with the rifle-shot approach to finding cause and taking corrective action.

If survey data reveal that an entire organization is low on

EXHIBIT 9

Example: People Equity Drivers and Enablers

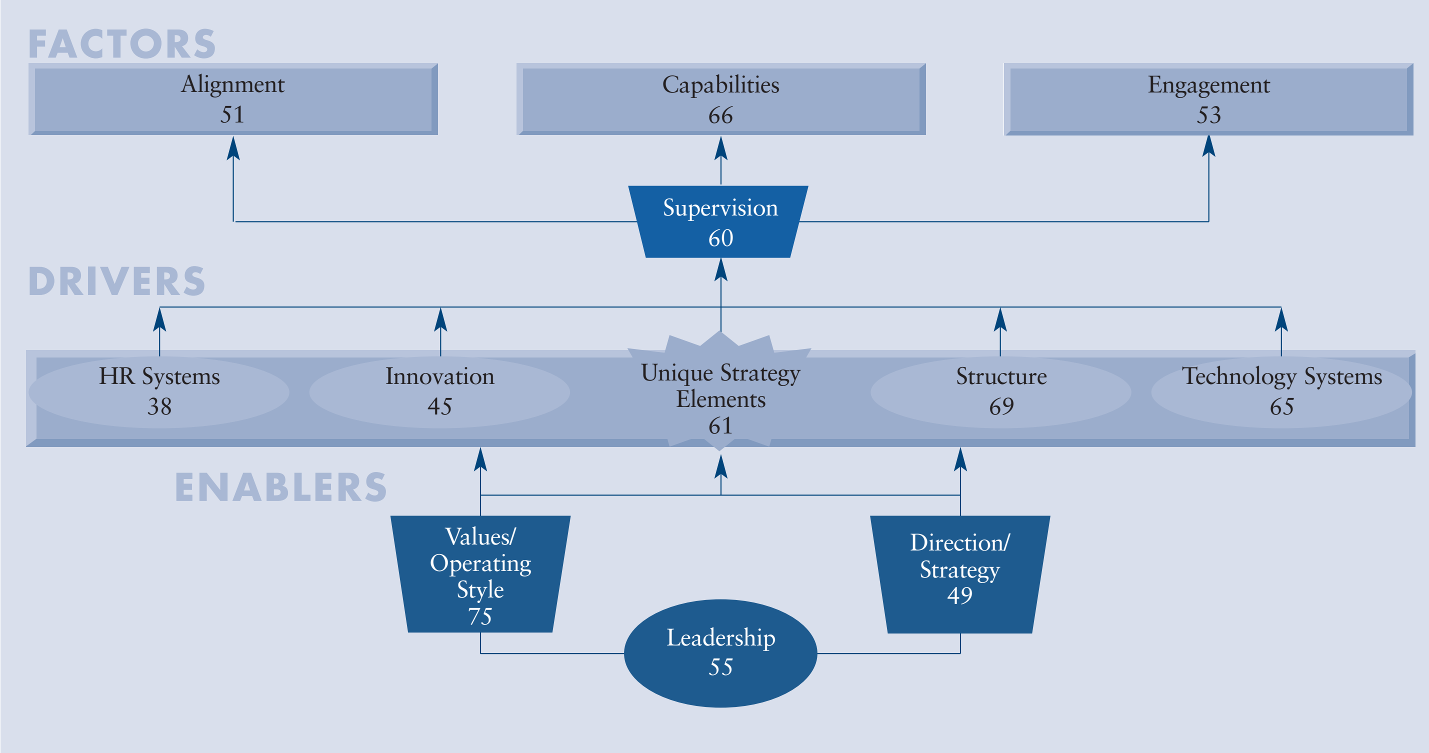
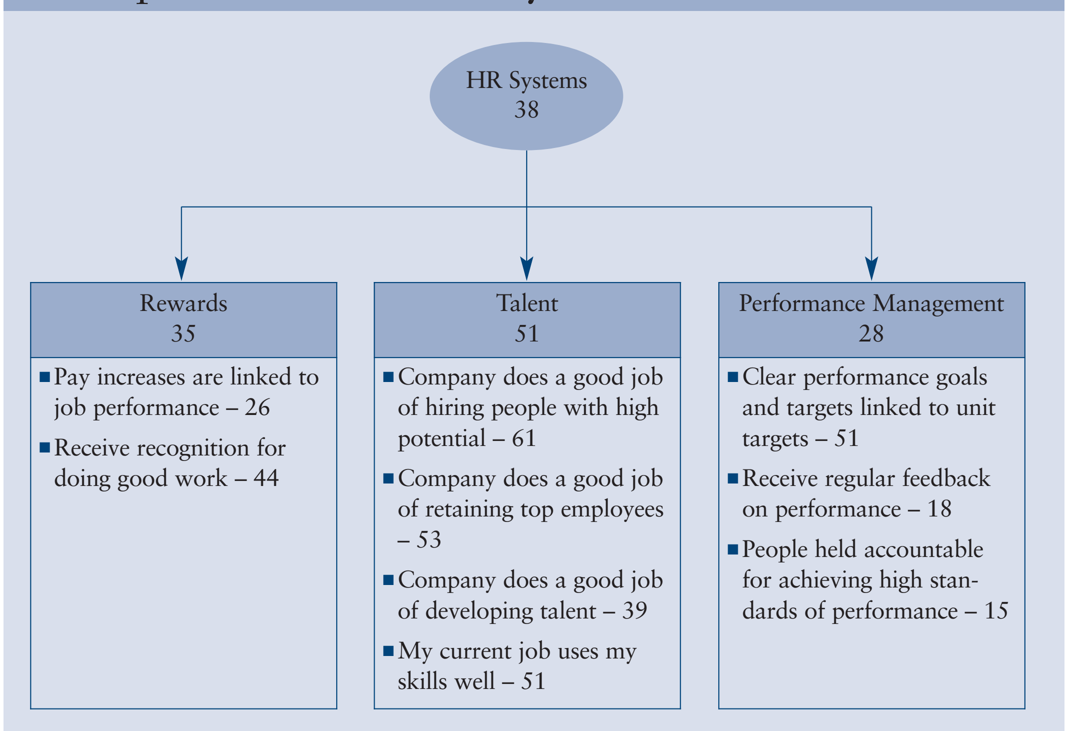


EXHIBIT 10

Example: Drivers of HR Systems Performance



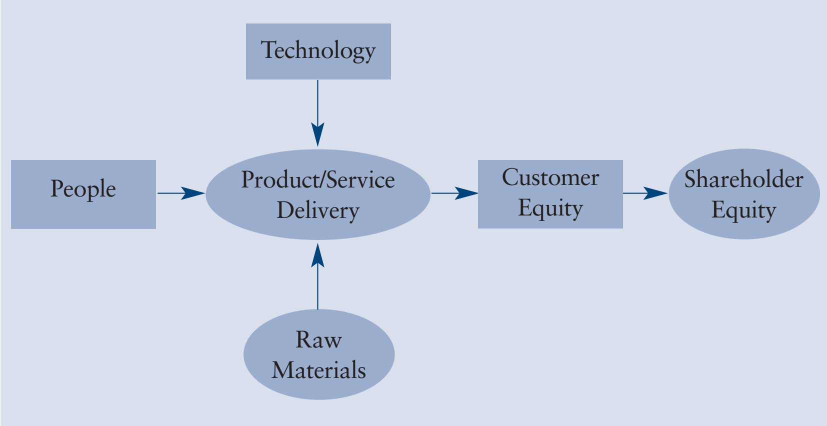
alignment, something is amiss in the line of sight from strategy to unit goals to individual accountabilities to performance rewards. Perhaps it is a lack of a clear strategy, or a lack of adequate measures to define the strategy sufficiently to set clear goals. On the other hand, the strategy and scorecard might be excellent, but either the translation process down the organization is faulty, or the performance management and goal-setting process is weak. The survey data will point management toward the root cause and solution, and enable it to make organization-wide investments with confidence of impact.

Zeroing in on Root Causes

Exhibit 9 unlocks some of the issues underlying our profile in Exhibit 7. By looking at the

EXHIBIT 11

The People-Results Connection



survey scores for the drivers and enablers of people equity, the exhibit highlights those ACE drivers and enablers on which it may be most fruitful to focus to save time, money, and effort. Notice that HR systems, innovation, and strategy are, overall, the weakest drivers and enablers of people equity, with HR systems scoring only 38 (out of 100), innovation 45, and strategy 49—lots of room for improvement.

Drilling down further into the HR systems in this example, Exhibit 10 clearly shows that rewards and performance management are the weakest subsystems. There is a low pay-for-performance linkage, along with weak recognition.

Within the performance management area, it is safe to conclude that initiating a program to improve goal-setting would not succeed, given the weak feedback system and lack of accountability.

Finally, looking at the talent management subsystem, the data reveals that the organization is far better at attracting and retaining talent than it is at developing it.

Referring back to Exhibit 7, this organization's people equity organizational profile, it becomes clear that the biggest gains are most likely to come from focused improvements in the Central and East Units. Clearly there are opportunities for improving elements of the overall HR systems—most notably issues within rewards and performance management—that will provide a strong boost to overall people equity.

The great advantage of the ACE model is that it focuses on the drivers and enablers of each of the elements of people equity and allows an organization to home in, directly and decisively, on the leverage points for improvement.

Connecting the Dots

People equity and the dimensions captured in the surveys we have discussed are part of a network of interrelated business constructs that fit together in a cause-effect manner that drives overall business performance and shareholder equity, as illustrated in Exhibit 11.

Once information is available for the people equity elements, they can be connected to operating metrics (speed of response to customers, cycle time, quality metrics), supplier metrics (partnering, quality), regulatory metrics, customer drivers (reputation, service quality, price) and outcomes (loyalty, client retention), and financial outcomes (productivity, SG&A, revenue growth, margins).

This type of analysis provides an organization with its unique profile of drivers and results, thereby enabling it to pinpoint gaps in its value chain and direct resources in a precise fashion to enhance its overall equity.

Exhibit 12 illustrates the results of one such analysis, which we conducted for an energy company that was looking for a connection between the way it managed its people and customer outcomes. The exhibit shows which people dimensions were the best predictors of customer satisfaction for this particular organization. The use of statistical analysis enabled us to predict increases in customer satisfaction that could be gained by initiating improvements in specific drivers and enablers of employee capabilities.

Summary

Organizations that seek to increase their shareholder or stakeholder equity must focus on their employees or other sources of labor, and maximize the equity of this investment. Investments in labor are maximized when they are focused or aligned with the business strategy and its targeted markets, when they are directed at motivating or energizing employees to excel, and when they provide the requisite capabilities and resources to flourish.

Human resources, technology, innovation, and structure must be determined by senior management and effectively deployed by managers at every level to maximize the drivers and enablers of people equity.

From our research and experience, few organizations are holistically measuring all ACE drivers and enablers in order to determine which areas of human capital are limiting people equity, and, consequently, market equity. Those who do so enjoy a powerful and sustainable competitive advantage.

NOTE

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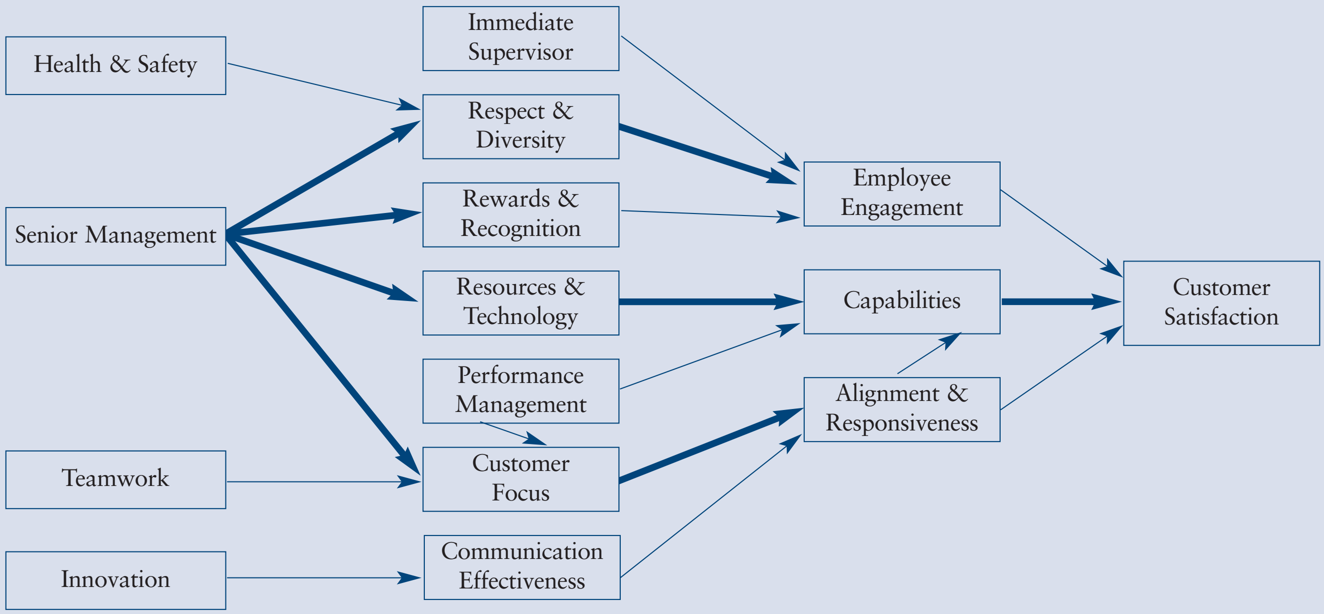
BIOGRAPHICAL SKETCH

William Schiemann, Ph.D., is CEO of Metrus Group (*www.metrus.com*), a Somerville, NJ, research and advisory firm specializing in the development and implementation of business strategies, assessments, alignment, productivity and quality improvement, and mergers and acquisitions. Metrus Group is a pioneer in establishing linkages between employee, customer, and

EXHIBIT 12

Connecting Customer Satisfaction with People Equity Drivers and Enablers



All other things being equal:

- For every 10-point increase in the Capabilities driver of Training & Development, you get a 3-point increase in Overall Customer Satisfaction
- For every 10-point increase in Resources & Technology (a Capabilities driver), you get a 7-point increase in Training & Development
- For every 10-point increase in Senior Management (a Capabilities enabler), you get a 5-point increase in Resources & Technology

financial measures. Dr. Schiemann is co-author of *Bullseye! Hitting Your Strategic Targets Through High-Impact Measurement*, and author of many articles in management and professional journals.

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