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Featured Article

# Report Confirms: Bottom Line for Firms Aiming to Prosper Is to Be the Tops at People Management

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Although some organizations have cut corners when it comes to investing in talent, a survey of top-performing companies has found that's not the best way to boost the bottom line.

Companies with stronger people-management capabilities consistently record remarkably stronger financial performance, the report, "From Capability to Profitability: Realizing the Value of People Management," by the Boston Consulting Group and World Federation of People Management Associations, has found.

Revenue growth was 3.5 times higher and profit margins were 2.1 times higher that those of companies with poor people management skills, the report found. An emphasis on leadership development, talent management, recruiting, onboarding and retention, employer branding, and performance management and rewards were particularly important.

"What we're seeing in companies that are higher performers is that they take their people investment much more seriously," says Roselinde Torres, a senior partner and managing director at Boston Consulting Group.

The report, released in August, examined more than 100 countries worldwide and surveyed almost 4,300 managers from human resources and other fields, who were asked to rate their company on 22 HR practices.

While corporate managers rated their organization's people-management capabilities, Boston Consulting Group conducted an independent review of the companies' financial performance.

As part of that review, Boston Consulting reviewed *Fortune*'s list of the "100 Best Companies to Work For." Those that consistently landed on the list outperformed the S&P 500 eight of 10 years. One company that has landed on the *Fortune* list year in and year out is the software company SAS Institute Inc., based in Cary, North Carolina.

SAS has repeatedly received recognition for its people-management skills. Because its products are developed through the creativity of its employees, "we could not do what we do without our people," says Jenn Mann, vice president of HR.

The company has grown organically for 35 years, providing plenty of opportunities for advancement. And SAS is sensitive to the interests and talents of its employees, Mann says.

"There are lots of different tracks," Mann says. "Someone might not want to be in a people-leading role. They could be a subject-matter expert or a critical-skills expert."

The company has more than 13,000 employees and a turnover rate of just 3.3 percent. Turnover is so low, Mann says, because the company's growth provides opportunities for advancement. The company also provides countless extra services, such as an in-house health clinic, day care and fitness center, and focuses on employees' work-life balance.

All employees are eligible for bonuses, which are a certain percentage of their base salary, regardless of their position in the company. So if the bonus amount is 3 percent, a manager and her employee could see a 3 percent increase in their base salaries.

SAS also freely gives out recognition and rewards for top performers, including the CEO Award of Excellence and divisional awards.

In 2011, SAS had revenue of $2.725 billion, up from $2.43 billion the previous year.

Another company perennially on the *Fortune* list is Publix Super Markets Inc., based in Lakeland, Florida. Last year it had retail sales of $27 billion, compared with $25.1 billion in 2010. The company has more than 152,000 employees.

Maria Brous, director of media and community relations at the company, says managers are expected to know the goals and ambitions of their employees, and up-and-coming workers are paired with mentors.

"How do we get our emerging leaders ready for the next step" is one of the company's key concerns, she says. To develop employees' skills, Publix offers workshops on a wide range of topics, including enhancing communication skills and diversity training.

Retaining employees also is critical, and the company offers rewards and recognition for every five years of service someone puts in. Retention is so valued the average tenure of a Publix store manager is 25 years.

Awards also are given for community service, customer service, sustainability initiatives and more. "We're always looking for ways to recognize our people," Brous says.

Over its 82-year history, Publix has found, "happy associates make happy customers and happy customers make raving and loyal fans," Brous says.

When companies focus on their employees, they need to be sure their efforts are tied to their strategic agenda, says Torres of Boston Consulting Group.

Some may be hesitant to spend money on training, but in many cases organizations can improve how their spending is allocated, she says. "We're seeing companies looking as if they can be more efficient in the spending they direct."

Organizations also need to be prepared to reinforce team rather than just individual performance, and keep in mind that what motivates a millennial isn't necessarily the same as what motivates a baby boomer. Many younger employees desire to learn, have autonomy and feel passionate about their work.

They're looking for "intangible and psychic rewards," Torres says.

"Companies that are more complacent are going to find themselves without the best top-tier talent," she says. "They'll be good, but they won't be great."

Susan Ladika is a writer based in Tampa, Florida. Comment below or email editors@workforce.com.

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