

New Horizons in Rural Living

**NORTH DAKOTA**  
**Rural Water**  
 SYSTEMS ASSOCIATION

HUMAN RESOURCES ISSUES  
 FOR  
 NOT-FOR-PROFIT WATER UTILITIES

**2025 Leadership Conference**

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## My Perspective

- ▶ Bachelors Degree in Psychology & Human Resources Management
- ▶ Masters Degree in Industrial / Organizational Psychology
- ▶ 37 Years Management & Consulting Experience public, private and non-profit organizations
  - ▶ Started during the Reagan administration
- ▶ Previously certified Senior Professional in Human Resources by Society for Human Resources Management
- ▶ Full time consultant since 1998
- ▶ Working primarily in the Not-for-Profit Utility market since 2001
- ▶ Entities served
  - ▶ Water & Sewer Cooperatives
  - ▶ Electric Cooperatives
  - ▶ Municipal Utilities
  - ▶ County Governments
  - ▶ Township Governments
- ▶ Personally served over 200 utilities nationwide
- ▶ Working with organizations in 37 States

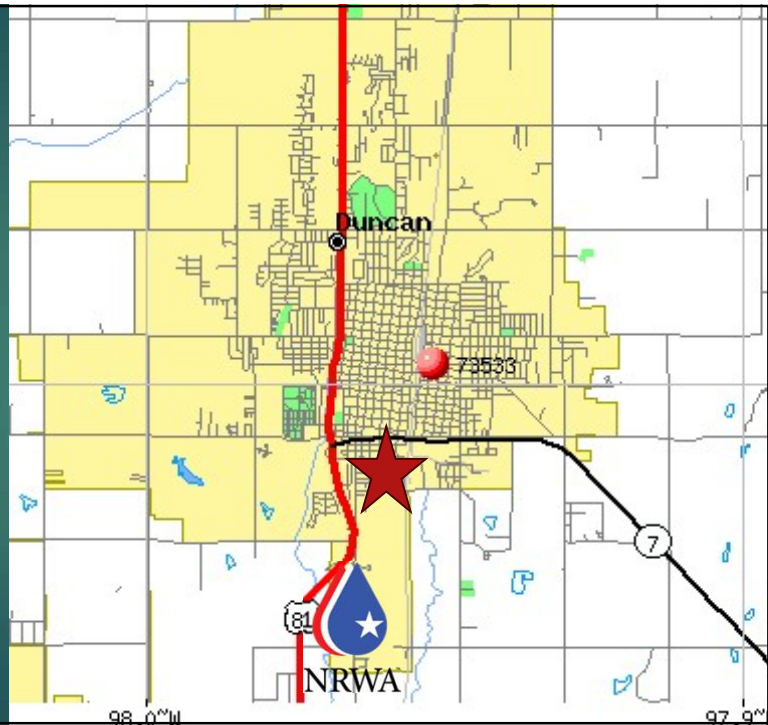
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## Geographic background

- ▶ I grew up Rural water adjacent
- ▶ Here is Duncan, Oklahoma
  - ▶ HQ of NRWA
- ▶ My childhood home

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## Utility Perspective



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## Disclaimer

- ▶ I am not an Attorney, and do not represent myself as one.
- ▶ None of this presentation is intended to be legal advice.
- ▶ When in doubt, consult your legal counsel.

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## Major Topics

- Human Resources Management for Non-HR Managers
- Succession Management
- Compensation & Benefit Tips and Trends
- Workforce Recruitment and Retention

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# HR for Non HR Manager Topics

- ▶ Regulatory Environment
- ▶ Recruiting
- ▶ Hiring
- ▶ Interviewing
- ▶ Onboarding
- ▶ Training
- ▶ Performance Management
- ▶ Rewarding
- ▶ Discipline
- ▶ Retention

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## Regulatory Environment

- ▶ Fair Labor Standards Act 1939
- ▶ Civil Rights Act 1964
- ▶ Equal Pay Act 1963
- ▶ Sherman Anti-Trust 1890



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## Fair Labor Standards Act 1939

- ▶ Determines Federal minimum wage \$7.25
  - ▶ ND minimum wage matches Federal
  - ▶ Proscribes which positions must be paid overtime
  - ▶ Duties test
  - ▶ Salary Test
- ▶ Creates complications on bonuses for hourly employees
- ▶ Violations can result in fines and incarceration in federal institutions

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## Civil Rights Act 1964

- ▶ Prohibits discrimination in employment on the basis of
  - ▶ Race
  - ▶ Color
  - ▶ Religion
  - ▶ Sex
  - ▶ National Origin



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## Equal Pay Act 1963

- ▶ Prohibits significant pay differences between men and women for similar positions without legitimate reason
  - ▶ Seniority
  - ▶ Performance
  - ▶ Productivity
  - ▶ Experience
- ▶ Lilly Ledbetter act extends statute of limitations

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## Sherman Anti Trust 1890

- ▶ Prohibits collusion between employers regarding
  - ▶ Compensation
  - ▶ Benefits
  - ▶ Employment Relationships
- ▶ Severe civil and criminal penalties for violation



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## HR For Non HR Manager Topics

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## Recruiting Metrics

- ▶ Cost
- ▶ Speed
- ▶ Diversity
- ▶ Efficiency

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## Cost

- ▶ Calculating Cost Per Hire
  - ▶  $\text{Total Recruiting Expense} / \text{Number of Hires} = \text{CPH}$
- ▶ Normal cost 10-20% of base salary

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## Speed

- ▶ Cycle time from:
  - ▶ Job Opening to Candidate starting
- ▶ Normally the higher the starting pay, longer cycle times

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## Diversity

- ▶ Are your recruiting methods yielding
  - ▶ A work force that resembles the diversity of your labor pool
  - ▶ Are you taking "Affirmative Action" toward this
    - ▶ Good idea, even if you are not bound by an AAP

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## Efficiency

- ▶ Are your recruiting methods resulting in a favorable yield ratio

Yield Ratio=

$$\frac{\text{Number of "hirable" Applicants recruited through a given method}}{\text{Total Number of Applicants Recruited through a given Method}}$$

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# Recruiting Methods

- ▶ Print Advertising & Internet
- ▶ Campus Recruiting and Search Firms
- ▶ Internal Job Posting
- ▶ Employee Referrals
- ▶ Former Employees

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# Print Ads and Internet Based

- ▶ Not the primary method any more
  - ▶ People still read the want adds
- ▶ Job Boards
  - ▶ Monster.com
  - ▶ Indeed.com
  - ▶ Job Board on your website?
- ▶ Social Media
  - ▶ LinkedIn
  - ▶ Facebook

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## Campus Recruiting and Search Firms

- ▶ Developing a relationship with educational institutions in your service area can be invaluable
- ▶ For Operations Folks
  - ▶ Concentrate on the in the Agriculture programs and Vo-Tech
- ▶ Local colleges also a great resource
- ▶ Search Firms
  - ▶ Can be expensive
  - ▶ Good option if you don't have resources in house

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## Internal Job Postings

- ▶ Your existing employees are a great resource
- ▶ Avoid
  - ▶ Using as the only method
  - ▶ Posting internally first before advertising outside
  - ▶ May result in unintended discrimination

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## Employee Referrals

- ▶ Hopefully you have great people working for you
  - ▶ Chances are they know great people
- ▶ Consider incentives for employees to refer candidates

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## Former Employees

- ▶ Former employees
  - ▶ Already know your culture
  - ▶ Have the skills you need
- ▶ Maybe the grass was not greener where they went
- ▶ Maybe the conditions that led them to separate are no longer an issue

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# HR for Non HR Manager Topics

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- ▶ Retention

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## Hiring

- ▶ The process to actually select an employee and get them on board
- ▶ Must be
  - ▶ Legal
  - ▶ Reliable
  - ▶ Valid
- ▶ Common methods
  - ▶ Interview
  - ▶ Testing
    - ▶ Work Sample
    - ▶ Aptitude
    - ▶ Cognitive
    - ▶ Personality
    - ▶ Integrity



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## Legal

- ▶ Hiring process is free from
  - ▶ Unlawful Discrimination
  - ▶ Anti-Trust



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## Types of Discrimination

- ▶ Disparate Treatment
  - ▶ Intentional discrimination against a protected class
- ▶ Disparate Impact
  - ▶ Methods yield lower amounts of protected classes
  - ▶ Exact parity not required
  - ▶ 4/5ths rule is the generally accepted standard

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## Reliable and Valid

- ▶ Reliable
  - ▶ Process is successful in placing candidates
- ▶ Valid
  - ▶ Process consistently results in successful candidates



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## HR for Non HR Manager Topics

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# Interviewing

- ▶ Most used hiring method
  - ▶ Unstructured Interview
- ▶ Least valid hiring method
  - ▶ Unstructured interview



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# Improving Interview

- ▶ Use a structured interview
  - ▶ Same questions for all applicants
- ▶ Stick to job related questions
  - ▶ Hypothetical problem solving
  - ▶ What would you do in this case
  - ▶ Have you encountered this issue in the past, how did you handle it
- ▶ Avoid inappropriate questions
  - ▶ How old are you
  - ▶ Do you have children
  - ▶ When did you graduate high school
  - ▶ Have you ever been arrested

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# HR for Non HR Manager Topics

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## Onboarding

- ▶ Two primary Goals
  - ▶ Communications
  - ▶ Establishing Relationships



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# Communications

- ▶ Explaining benefits and enrolling
- ▶ Facilities Tour
- ▶ Introduction to workspace

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# Establishing Relationships

- ▶ Formal introduction to co-workers
- ▶ Meeting management
  - ▶ Have them explain role, and how it interacts with new employee
- ▶ Reinforce culture

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## Training

- ▶ Constantly changing work environment requires continuous training
- ▶ Accomplished through
  - ▶ In house resources
  - ▶ Contractors
  - ▶ Local educational establishment
  - ▶ On Line courses

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# Instructional Principles

- ▶ All training should follow key instructional principals
- ▶ Information
  - ▶ Provide concepts and fact the trainee needs to know
- ▶ Demonstration
  - ▶ Shows the application of this information
- ▶ Practice
  - ▶ Trainees given the opportunity to practice skill just learned
- ▶ Feedback
  - ▶ Timely and meaningful feedback, along with the opportunity to make corrections

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# HR for Non HR Manager Topics

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## Performance Management

- ▶ Does this describe your performance appraisal system
  - ▶ Non existent
  - ▶ Overly complicated
  - ▶ Does not reinforce desired behavior
  - ▶ Seen as a must do instead of a value adding management tool



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## HR for Non HR Manager Topics

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## Base Pay

- ▶ Should be based on two principles
  - ▶ Internal Equity
    - ▶ Are jobs priced according to the relative value in the organization
  - ▶ External equity
    - ▶ Are pay packages competitive in your labor market
- ▶ Rule of thumb for competitive
  - ▶ It is unlikely, but not impossible, for employees to obtain significantly higher pay for a similar position.

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## Short Term Incentives Annual Review

- ▶ Is there a clear relationship between pay and performance?
- ▶ Does everyone get the same increase?
- ▶ Is the difference between meets expectations and a high performer enough to reward behavior?



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# Long Term Incentives

- ▶ Multi year bonus programs
  - ▶ Small but significant payout at the end of each year
  - ▶ Larger payout at the end
- ▶ Should be based on measurable goals
  - ▶ Achievement benefits the company
  - ▶ Value outweighs the cost
  - ▶ Balanced scorecard



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## EMPLOYEE BENEFITS



- ▶ Obamacare
  - ▶ Defines baseline health benefits required by law
- ▶ Retirement
  - ▶ Pensions
  - ▶ Tax deferred savings
- ▶ Paid Time Off
- ▶ Uniforms
- ▶ Tools
- ▶ Vehicles

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## Effectiveness of Programs

| Comp Type             | Attracting | Motivating | Retaining |
|-----------------------|------------|------------|-----------|
| Base Pay              | High       | Low        | High      |
| Short Term Incentives | High       | High       | Moderate  |
| Long Term Incentives  | Moderate   | Moderate   | High      |
| Benefits              | High       | Low        | High      |

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## Strategic Recruiting

- ▶ Competitive compensation supports strategic recruiting and succession management
- ▶ We don't hire warm bodies
- ▶ To fill an entry level position we want
  - ▶ Quality candidate who can learn the job in the expected time frame
  - ▶ Has the aptitude and skills to move up in the organization
- ▶ For every non entry level opening
  - ▶ Ideally we want qualified internal candidates
  - ▶ We have an investment in them



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## Discipline

- ▶ Violation of company rules should have consequences



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## Step Discipline Process

- ▶ Verbal warning
  - ▶ Should be documented by manager
- ▶ Written Warning
  - ▶ Employee acknowledges in writing they have been warned
  - ▶ Employee advised of consequences of failure to correct behavior
- ▶ Written Reprimand / Final Warning
  - ▶ Employee advised that failure to correct will result suspension or termination
  - ▶ Document specific time frame for action
- ▶ Suspension without Pay
  - ▶ Be mindful of FLSA requirements
- ▶ Termination
  - ▶ Employee advised employment is terminated
  - ▶ Document specific reasons for the termination

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## HR for Non HR Manager Topics

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# Retention

- ▶ Economic value in retention
- ▶ Cheaper to keep an employee than to get a new one
- ▶ Replacement costs run 30-60% of base salary
  - ▶ Recruitment cost
  - ▶ Loss of productivity while vacant
  - ▶ Unproductive period while employee in training

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## Keeping them on the Farm

- ▶ Primary objective of HR Program is to
  - ▶ Create Stickiness
  - ▶ You want your employees to "Adhere" to the Cooperative



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## What Pulls them Away

- ▶ The strength of the adherence should be stronger than forces pulling them away
  - ▶ Other Employers
  - ▶ Early retirement
  - ▶ Family Issues



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## What pushes them away



- ▶ Unstable benefits
- ▶ Increases slower than market growth
- ▶ Work Stress
- ▶ Organizational uncertainty
- ▶ Bad Managers

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## What Keeps them Here

- ▶ Safe work environment
- ▶ Respectful management
- ▶ Stable and predictable benefits
- ▶ Incentive Plans
- ▶ Base Compensation



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## Resources for More Information

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## Organizational Resources for HR Information

- ▶ Society for Human Resources Management
  - ▶ SHRM.org
  - ▶ Large library of informative articles
  - ▶ Templates and Toolkits
  - ▶ Local chapters scattered across the nation
- ▶ World at Work Total Rewards Association
  - ▶ WorldAtWork.org
  - ▶ Online and In Person training

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## Suggested Reading

- ▶ The Essential HR Handbook
  - ▶ Sharon Armstrong & Barbara Mitchell
- ▶ Human Resources for the Non-HR Manager
  - ▶ Carol T. Kulik & Elissa L. Perry
- ▶ Human Resources Kit for Dummies
  - ▶ Andrea Butcher

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# Questions?

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# BREAK 1

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## Major Topics

- Human Resources Management for Non-HR Managers
- **Succession Management**
- Compensation & Benefit Tips and Trends
- Workforce Recruitment and Retention

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## Replenishing the Pool Practical Succession Planning

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## suc·ces·sion *n*

- a. The act or process of succeeding to the rights or duties of another.

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## What is Succession Management?

*A dynamic, ongoing process of systematically identifying, assessing, and developing talent for future critical leadership roles to ensure continuity and effective organizational performance.*

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## What it isn't ...

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- ▶ The creation of a simple list of most likely successors
- ▶ A top down approach of hand picking successors, which will most likely produce clones, i.e. puppets in waiting
- ▶ A process done every now and then, especially after or in anticipation of a crisis

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## What it is ...

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- ▶ A comprehensive look at the needs of the future
- ▶ A systems-oriented review and strengthening of all organizational systems which affect the recruitment, development and retention of key leadership talent.
- ▶ An often repeated process that continuously recalibrates what needs to be done to develop leadership talent to meet the needs of the future
- ▶ Challenges leaders at all levels to develop a broad range of leadership attributes.

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## Why Plan for Succession?

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- ▶ Ensures a smooth transition in anticipation of the departure of a key leader and/or stakeholder
- ▶ Activates financial tools (typically life and disability insurance) to help fund the transition. (Similar to an estate plan)
- ▶ Identifies a successor and announces a plan. Stepping aside of current incumbent
- ▶ Helps retain key talent
- ▶ Ensures continuity of management culture
- ▶ Monitors and helps attain diversity goals

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## Impact on the Business...

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### Effective succession management includes:

- Identifying and developing the right high potentials
- Stretching skills to build competencies for higher-level leadership
- Ensuring bench strength
- Retaining top talent
- Reducing recruitment costs
- Preventing premature promotions
- Fostering knowledge transfer

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## Why It's Not Done

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- ▶ Executives like to promote who they want without justification
- ▶ No apparent return on investment
- ▶ Leaders are born, not made. There is nothing you can do to develop them
- ▶ Developing is a waste of money because employees end up leaving before reaching senior management
- ▶ A major aversion to bad fortune telling!

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## Do You Need Succession Management?

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### **Consider:**

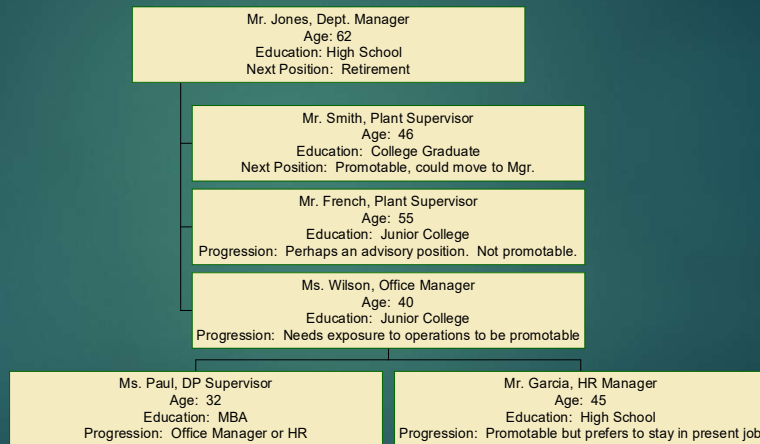
- Unwanted turnover...particularly with top talent
- Demand for leadership...growth, projected retirement, globalization, competition, etc.
- Current culture and performance data
- Benchmarking data on your industry

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## Typical Replacement Chart

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## What if your CEO comes to you and suggests:

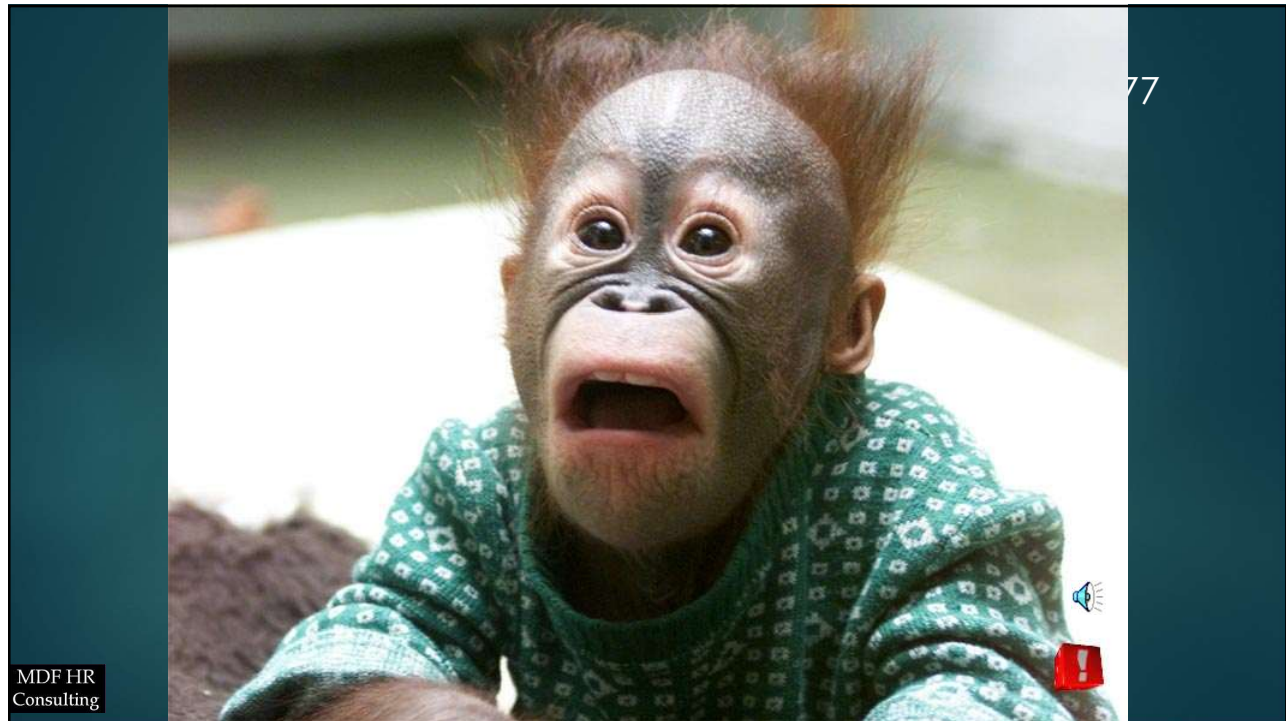
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“WE’VE HAD A TOUGH YEAR. AS A COST CUTTING EFFORT THERE WILL BE NO SALARY INCREASES FOR THIS YEAR... THERE WILL BE NO CHRISTMAS PARTY, AND HALF OF THE SENIOR STAFF HAS ANNOUNCED THEIR RETIREMENT WITHIN 6 MONTHS”

WHAT SHOULD WE DO FIRST?

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## Be Brave! Go Ahead and Ask.

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- ▶ Do you have plans to leave in the next 5 years?  
If yes, estimate the year.
- ▶ What factors most influence your decision to remain?
  - ▶ Career, telecommuting, pay, child care, benefits, work flexibility, etc.
- ▶ Are you interested in working part-time prior to or after leaving the company?

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## Knowledge Loss/Erosion: A Bigger Challenge than Retirements

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- ▶ Sources of Knowledge Erosion
  - ▶ Retirements
  - ▶ Terminations
  - ▶ Promotions
  - ▶ Departures (upcoming vacancies)
  - ▶ Raiders
  - ▶ Rising competency bar to meet current competitive environment
  - ▶ Increasing levels of turnover

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## Tools to Manage Knowledge Erosion

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- ▶ Strategic recruiting
  - ▶ Don't substitute training for selection
- ▶ Talent management program
  - ▶ Performance appraisal/development
  - ▶ Learning management system
- ▶ Knowledgebase Inventory
- ▶ Traditional Succession Planning
  - ▶ (only one aspect of the picture)

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## Managing Your Side of the Equation

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- ▶ Create an “Engaged” environment
- ▶ Review Retention Drivers
  - ▶ Positive Culture & Work Environment
  - ▶ Compensation
  - ▶ Medical Benefits
  - ▶ Flexible Work Scheduling
  - ▶ Retirement
  - ▶ Ability to telecommute
  - ▶ Manager/Supervisor relationship
- ▶ Establish a talent management initiative
  - ▶ Shift focus toward motivation and retention of “B” players
  - ▶ Create a learning and development environment

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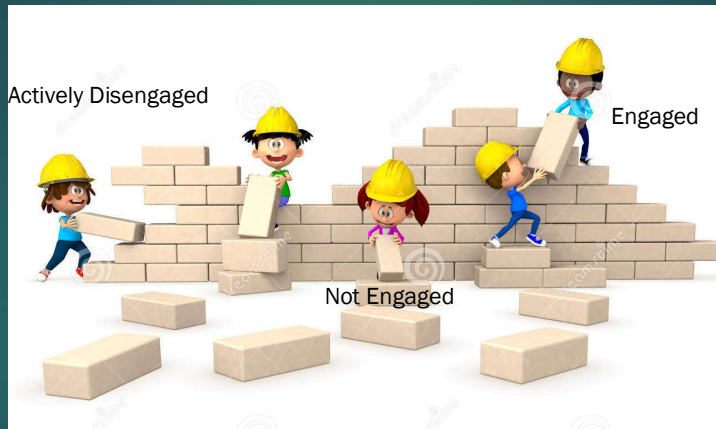
## Survey Says.....

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- ▶ A Gallup Survey found the following:
- ▶ 26% of U.S. working population employees are engaged (loyal and productive)
  - ▶ Everyone of your employees ☺
- ▶ 55% are not engaged (just putting in time)
  - ▶ ROAD Warrior
- ▶ 19% are disengaged (unhappy and spreading their discontent)

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## Gallup's Q12 Engaged Workers Test

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- ▶ I know what is expected of me at work.
- ▶ I have the materials and equipment I need to do my job right.
- ▶ At work, I have the opportunity to do what I do best every day.
- ▶ In the last 7 days, I have received recognition or praise for doing good work.
- ▶ My supervisor, or someone at work, seems to care about me as a person.
- ▶ There is someone at work who encourages my development.

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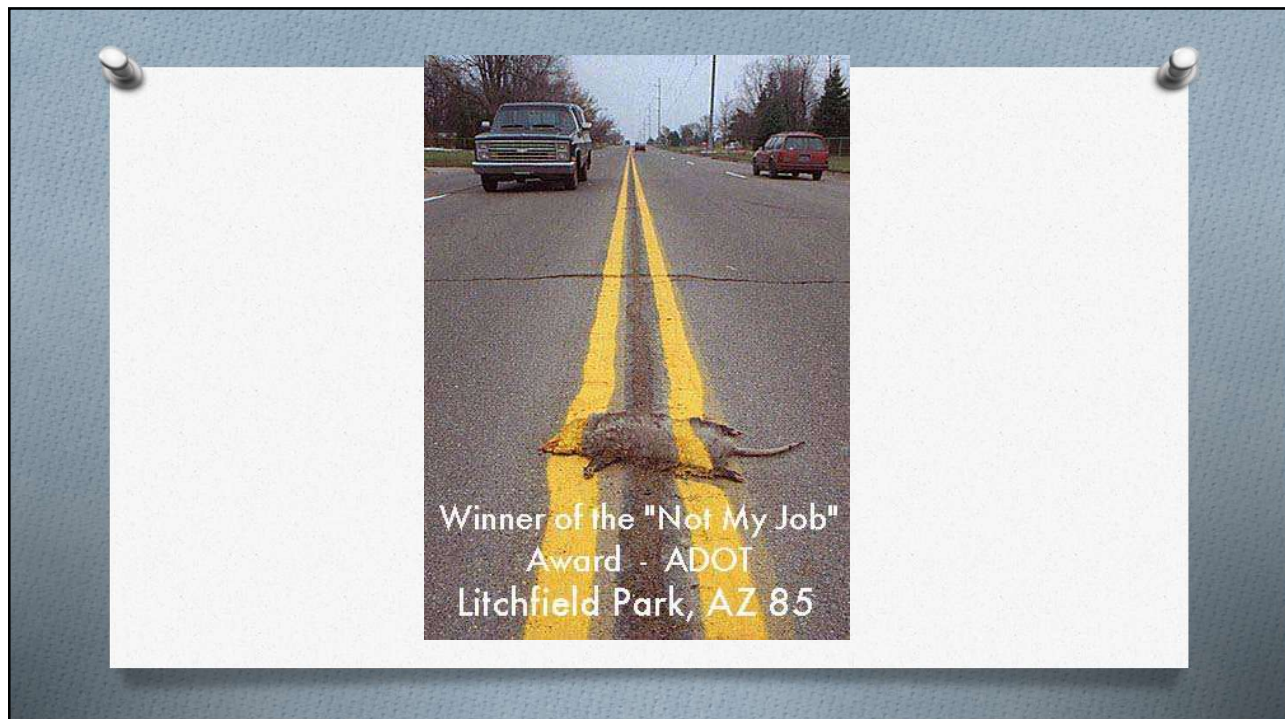
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## Gallup's Q12 Engaged Workers Test (cont.) 85

- ▶ At work, my opinions seem to count.
- ▶ The mission/purpose of my company makes me feel my job is important
- ▶ My associates are committed to doing quality work.
- ▶ I have a best friend at work.
- ▶ In the last 6 months, someone at work has talked to me about my progress.
- ▶ This last year, I have had opportunities at work to learn and grow.

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## Talent Development Approaches

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- ▶ Coaching
  - ▶ Direct training by immediate supervisor
- ▶ Job rotation
  - ▶ Shifting employees from position to position (GE rotates trainees through 5 areas; contractor sales, retail sales, credit, advertising, & product training)
  - ▶ Can be expensive. Loss of productivity and additional management time
- ▶ Committee/project assignments
  - ▶ Broadens the experience base and exposure

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## Talent Development Approaches

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- ▶ “Assistant-to” positions
  - ▶ “Heir apparent” approach to ensure transition
- ▶ Corporate Mentoring
  - ▶ Informal approach, cross departmental
- ▶ Off-the-Job training (beyond skills training)
  - ▶ Classroom courses, certifications and degrees. Partnerships with colleges & local vendors
  - ▶ Beware of encapsulated development: occurs when an employee learns new methods and returns to a work unit that is still bound by old attitudes and methods!
  - ▶ Marketing, Accounting, Ethics, IT, HR (MBA curriculum)

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## Checklist for successful development programs

- ▶ Gain executive support
- ▶ Involve management
- ▶ Relate it to performance management
- ▶ Assess and adjust workloads
- ▶ Look for skill adjacencies
- ▶ Understand what the employee values
- ▶ Know the desired outcome

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## Gain executive support

- ▶ Does the CEO understand the importance of employee development?
- ▶ Do you have training tied to a Succession Management plan?

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## Involve management

- ▶ If the CEO is on board
  - ▶ Management should make it a priority
- ▶ Front line Management support is the key to bridge the gap between
  - ▶ Strategy development
  - ▶ Real world implementation

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## Relate it to performance management

- ▶ Do you have performance management in place?
- ▶ Does it emphasize personal development?
- ▶ Does it address both short term and long-term learning needs?
  - ▶ Short term: Skills gap effecting performance
  - ▶ Long Term: Positioning the employee for advancement

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## Assess and adjust workloads

- ▶ Be realistic about employee workloads
- ▶ Balance the competing demands
  - ▶ Need to get the work done
  - ▶ Need to learn how to do the work



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## Look for skill adjacencies

- ▶ Do you have employees or potential labor pool with adjacent skills?
- ▶ Real world example
  - ▶ NC Electric Cooperative hires Dispatchers almost exclusively from students in Computer Art and Design programs.
  - ▶ Existing skills
    - ▶ Fluent in computer operation
    - ▶ Like working in the dark, watching a screen all day
    - ▶ Attention to detail makes them excellent aptitude for dispatcher and system monitor duties
  - ▶ Technical skills taught within a few months

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## Understand what the employee values

- ▶ Many in this generation value meaningful work more than anything else.
- ▶ They want to:
  - ▶ Make a difference.
  - ▶ Contribute to Cooperative and Community success
- ▶ Do your programs reinforce those values

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## Know the desired outcome

- ▶ If you don't know where your headed
  - ▶ You don't know how to get there
- ▶ Continually gauge effectiveness
  - ▶ Make changes as needed



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## What is a Knowledgebase Inventory? 98

- ▶ A centralized location to inventory, identify and prioritize key current and future “at risk” knowledgebase components
- ▶ To identify key strategies to address skill set/talent liabilities

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## Definition of an “At-Risk” element

99

- ▶ A specific skill, task or function which is resident in two or fewer locations and/or incumbents
- ▶ A specific skill, task or function which is forecasted to be critical in the near future (talent gap)
- ▶ A specific skill, task or function which can be accomplished more cost-effectively externally than internally

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## Knowledgebase Inventory Approach

100

- ▶ Inventory and identify “at risk” elements
  - ▶ Interviews
  - ▶ Review of job information
  - ▶ Review current procedures
- ▶ Identify current talent gaps (What should we be doing that we aren’t?)
- ▶ Forecast future requirements/skills
- ▶ Review of internal vs. contractual resources
- ▶ Prioritize; index and score organizational exposure to elements
  - ▶ Effect
  - ▶ Learning curve
  - ▶ Outsourcing opportunities
  - ▶ Prevalence
- ▶ Identify resultant strategies

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# Resultant Strategies

101

► Function

► Skill

► Task

Process Re-engineering

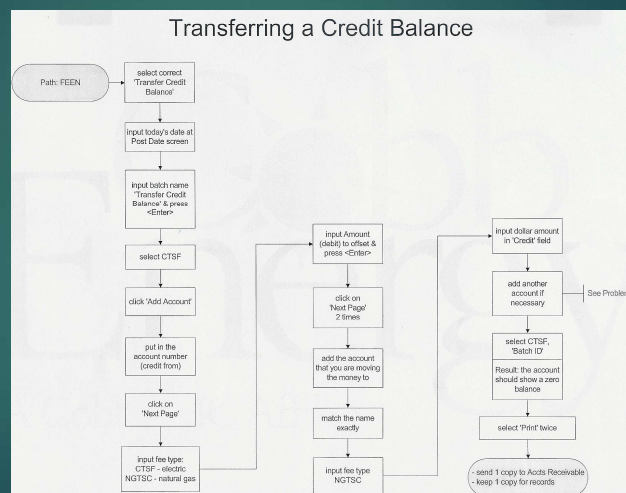
Staffing levels  
Develop Outsourcing Vendors  
Re-deploy resources or responsibilities  
Internal training  
Strategic Recruiting  
Cross train/job rotation  
Team assignments  
Regional alliances  
Document procedures  
Process mapping

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# Process Mapping

102



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## Contrasting Assumptions

103

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>▶ Knowledgebase Approach           <ul style="list-style-type: none"> <li>▶ Can fit into a fluid organizational structure</li> <li>▶ Fluid jobs</li> <li>▶ People move vertically and horizontally</li> <li>▶ Training is based on skills that can be used immediately on the job</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>▶ Replacement-Planning Approach           <ul style="list-style-type: none"> <li>▶ Assumes stable organizational structure</li> <li>▶ Fixed jobs</li> <li>▶ People move vertically</li> <li>▶ Training is a “rite of passage”</li> </ul> </li> </ul> |
|---|---|

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## Outcomes of Knowledgebase Management

104

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>▶ Provides business case for HR requirements</li> <li>▶ Ability to forecast impact of turnover on business processes</li> <li>▶ Ability to identify lead times to replace specific positions</li> </ul> | <ul style="list-style-type: none"> <li>▶ Identifies potential knowledge erosion issues</li> <li>▶ Provides insights for retention management</li> <li>▶ Ability to forecast impact of turnover on workforce diversity</li> </ul> |
|--|--|

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## Signs of a Learning Organization

105

- ▶ Pay for achievement
  - ▶ Certification, degrees
- ▶ Tuition assistance/reimburse
- ▶ Career ladders
  - ▶ Apprentice programs
  - ▶ Customer Service
  - ▶ Field Engineering

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## Perspectives – Old and New

106

### Standard Approach to Succession Planning

- Successors decided in **secret**
- **Subjective** - based on succession planning committee's opinions and biases
- Applies to **top 5%**

### A better Approach to Succession Management

- Successors determined by an **open** process
- **Objective** - based on assessment of competencies and experience
- Applies to **key positions at any level**

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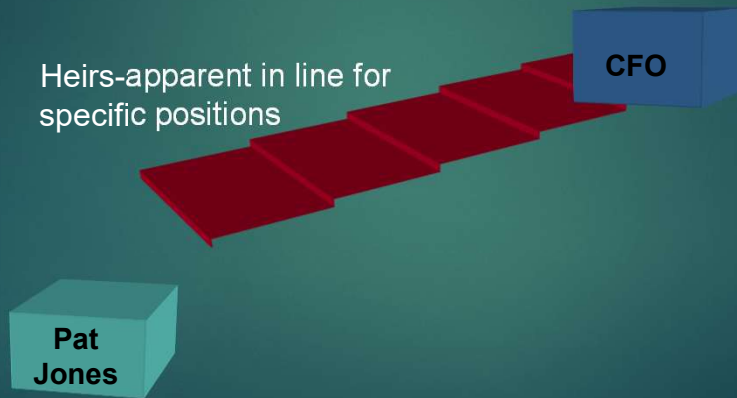
106

## Perspectives – Old and New (cont.)

107

### Standard Approach to Succession Planning

Heirs-apparent in line for  
specific positions

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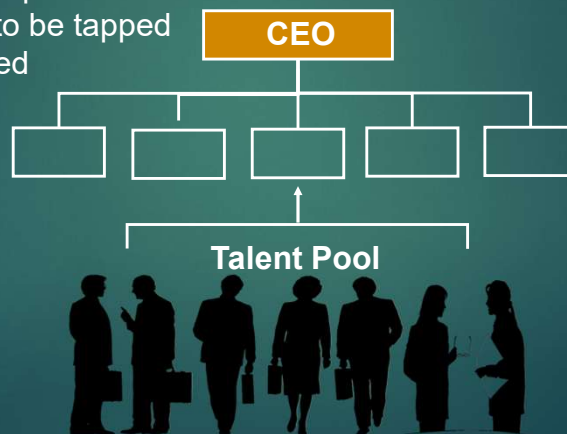
107

## Perspectives – Old and New (cont.)

108

### The Progressive Perspective

A pool of qualified  
leaders to be tapped  
as needed

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# Strategy, Value, Culture

109

## ✓ Successful Succession Management Efforts Are:

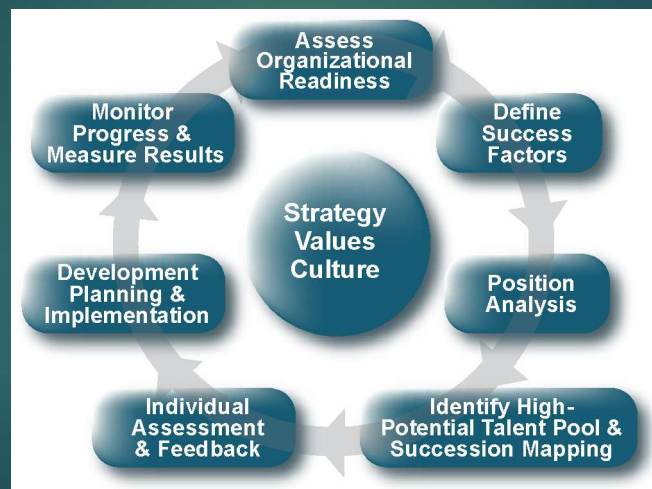
- Aligned with the organization's culture and values, to ensure "fit"
- Designed to support the organization's strategy, to ensure relevance

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# A Model for Succession Management

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## Planning Steps

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- ▶ Identify Organizational Needs and Readiness
- ▶ Identify Human Capital
- ▶ Identify Gaps
- ▶ Develop plan for employee development
- ▶ Identify outside resources
- ▶ Fine Tune

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## Identify Organizational Needs & Readiness

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- ▶ Update Job Descriptions
- ▶ Identify key competencies needed for organizational success
- ▶ Identify “developmental” positions in the organization

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113

## Identify Organizational Needs & Readiness (Cont)

### ✓ **Key Elements of Readiness Include:**

- Defined purpose based on future business strategy, measures of success, a guiding philosophy
- Supportive environment for the objective identification of talent
- Ability and willingness to develop the talent pool
- Willingness to reinforce the process by providing career opportunities for high potentials

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## Identify Organizational Needs & Readiness (Cont)

### ➤ **Success Factors Include:**

- Competencies: key behaviors that define and measure success in a particular job or job family; may include competencies anticipated for success in the future
- Past experience
- Other essential skills: e.g., education, certifications, or capabilities

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## Identify Human Capital

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- ▶ Assess skills and abilities in current workforce
  - ▶ Document your knowledgebase
- ▶ Identify individuals with “potential” to move up in the organization
- ▶ Identify positions that enable upward movement in the organization

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## Identify Human Capital (Continued)

116

- Identification of strategic positions in the organization based on the strategy of the organization and immediate leadership needs
- Identifying critical success factors for strategic positions
- Mapping critical success factors to developmental or staffing efforts

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## Identify Human Capital (Continued)

117

- Current performance management data, including self assessments, managerial assessments, and assessments by others
- Assessment of motivational fit
- Determination of gaps between existing competencies and competencies required for targeted position
- Creation of a talent pool
- Talent review meetings for calibration across the organization

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## Identify Human Capital (Continued)

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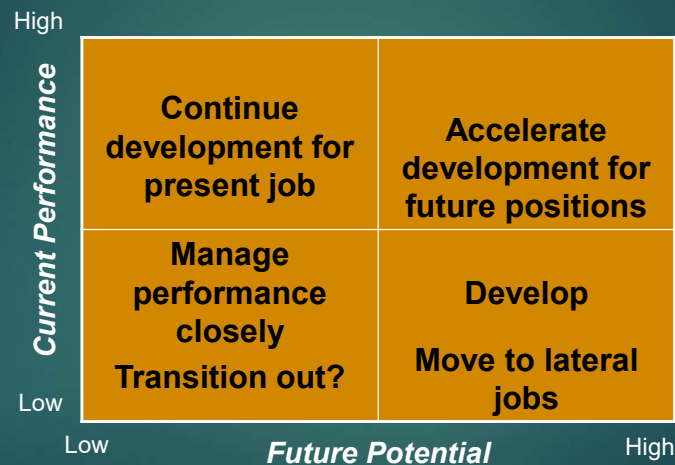
- Conduct in-depth, individual assessments of the talent pool (using Assessment Centers, battery of psychological assessments, 360° feedback, structured interviews, etc.)
- Provide objective data to identify strengths and development needs
- Confirm succession mapping
- Create robust development plans
- Group-level analysis to determine organization-level strengths and issues

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## Sample Talent Review Decision Guide

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## Identify Gaps

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- ▶ Determine skills and abilities to be developed in all employees
- ▶ Determine individual developmental needs

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## Develop plan for employee development

121

- ▶ Determine your Knowledgebase
- ▶ Identify your gaps

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## Individual Developmental Strategies

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- Meaningful on-the-job opportunities
- Rotational assignments
- Project team leadership assignments
- Structured educational experiences
- Coaching
- Mentoring
- eLearning resources

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## Group Developmental Strategies

123

- Address development needs of the group
- Support skill building and engage in between-sessions “real work” activities
- Are developed and delivered in a business context

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## *ROI of Effective Development Plans*

124

- ✓ A one-year assessment and learning process at Dow Chemical resulted in an average 6-month contribution to the bottom line of \$30,000 per individual
- ✓ Executives realize a nearly 600% ROI in coaching through improvements in productivity, employee satisfaction, quality, customer service and shareholder value
- ✓ Research indicates the effect of coaching lasts *seven years*, compared to mere months for standard seminar-based training

1. *Developing Business Leaders for 2010*. The Conference Board. 2002.  
 2. *Case Study on Return on Investment of Executive Coaching*.  
 Matrix Global, LLC. June 2002.  
 3. *CEO Coaches*. Conlin, Michelle. *Business Week Magazine*.  
 November 11, 2002.

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## Identify outside resources

125

- ▶ If skills are not present and can't be developed
  - ▶ Outsource function
  - ▶ Recruit new personnel

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## Integrate the Process

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- ▶ Develop appropriate personnel policies
- ▶ Include in strategic planning process

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## Fine Tune

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- ▶ Periodically update and re-assess all aspects
  - ▶ Monitor progress of Talent Pool development
  - ▶ Monitor organizational strategy changes and their impact on succession management
  - ▶ Measure number of leadership positions filled by talent pool
  - ▶ Measure retention of talent pool
  - ▶ Measure employee satisfaction and commitment
  - ▶ Structured review of the process

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## Critical Success Factors

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- Owned by senior management
- Customized to the organization
- Supports the organization's strategy, mission, vision, and values
- Competency-based
- Open and fair process
- Rewards and recognition for managers who both develop and "give up" talented employees for the good of the organization
- Integrated with other HR systems
- Non-linear career paths
- Accountability and opportunity for development

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# Questions?

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## Major Topics

- Human Resources Management for Non-HR Managers
- Succession Management
- Compensation & Benefits Tips and Trends
- Workforce Recruitment and Retention

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## Compensation & Benefits Tips & Trends

- ▶ Key Trends in Compensation & Benefits
- ▶ Labor Market Climate
- ▶ Warning Signs
- ▶ Auditing your Comp Effectiveness
- ▶ Explaining Compensation to Rate Payers

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## Key Trends In Compensation

1. Pay to Retain
2. Pay Transparency
3. Increased Variable Pay
4. Pay growth in targeted areas
5. Compensation Training

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## 1. Pay to Retain

- ▶ It is easier and cheaper to retain an employee rather than find a new one
- ▶ Tight job market makes retention even more important
- ▶ If you have been giving relatively small increases
  - ▶ Your talented employees are fruit ripe for picking

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## 2. Pay Transparency

- ▶ Employees already compare notes on pay
- ▶ Policies that discourage this are now prohibited by law
- ▶ Complete transparency has been mandated for federal contractors
- ▶ Probably will eventually apply to all employers

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### 3. Variable Pay

- ▶ Incentive plans are on the rise
- ▶ Younger employees expect an incentive plan
- ▶ Properly structured they add more value than cost

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### 4. Pay “Hot Spots”

- ▶ 4% has been the norm for increases for most positions
- ▶ Some areas growing faster than normal
- ▶ In our world
  - ▶ Engineers
  - ▶ Information Systems
  - ▶ Web developers

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## 5. Compensation Training

- ▶ Traditionally only the CEO knows how the comp plan is built and implemented
- ▶ In order to link pay and organizational performance
  - ▶ All management needs to be involved
  - ▶ Understand and implement corporate strategy

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Questions?

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## Key Trends in Benefits

1. Improving Healthcare Affordability
2. Total Health and Well-Being
3. Support for Onsite, Hybrid, and Flex Work Environments
4. Upskilling, Reskilling, and Professional Development
5. Personalized Benefits
6. Family-Friendly Benefits
7. Retirement, Debt Payoff, and Financial Security Benefits

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## 1. Improving Healthcare Affordability

- ▶ Organizational support for preventative medicine
- ▶ Healthcare Savings accounts & Flexible spending accounts
  - ▶ Wellness incentives
    - ▶ Extra contributions for gym membership, weight loss, smoking cessation....
- ▶ Employee education regarding reducing healthcare expenses
  - ▶ Generic prescriptions
  - ▶ Mail in pharmacy

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## 2. Total Health and Well-Being

- ▶ Emphasis on balancing
  - ▶ Mental Health
  - ▶ Physical Health
  - ▶ Financial wellness
- ▶ Teletherapy & Virtual counseling
- ▶ Work Life Balance Resources
- ▶ Expanded Employee Assistance Programs (EAP's)

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## 3. Support for Onsite, Hybrid, and Flex Work Environments

- ▶ Remote work where practical
- ▶ Flexible Scheduling
- ▶ Improvements to physical office space

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## 4. Upskilling, Reskilling, and Professional Development

- ▶ Upskilling: Provide training to help employees learn new technologies or improve current skills.
- ▶ Reskilling: Prepare employees for different organizational roles by teaching them new skills to meet evolving business needs.
- ▶ Development programs: Offer learning opportunities such as workshops, certifications, job rotations, and peer coaching.

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## 5. Personalized Benefits

- ▶ True Cafeteria plans
  - ▶ Multiple benefit options
  - ▶ Ability to opt out of programs not needed by the employee
  - ▶ Group rates for additional benefits not paid by the employer
    - ▶ ID theft protection
    - ▶ Accidental injury coverage
    - ▶ Critical illness coverage
    - ▶ Pre-paid legal plans
    - ▶ Transportation benefits
    - ▶ Pet insurance
    - ▶ Homeowners' or renters' insurance
    - ▶ Auto insurance

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## 6. Family-Friendly Benefits

- ▶ Flexible paid leave programs
- ▶ Dependent care flexible spending accounts
- ▶ Reproductive health benefits

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## 7. Retirement, Debt Payoff, and Financial Security Benefits

- ▶ Retirement savings plans with company match
- ▶ Student loan repayment assistance
- ▶ Debt payoff assistance
  - ▶ Financial counseling
  - ▶ Resources for structuring high interest personal debt
- ▶ Financial wellness
  - ▶ Budgeting apps
  - ▶ Financial planning workshops
  - ▶ Access to certified financial planners

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# Questions?

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# BREAK 2

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## Topics

- ▶ Key Trends in Compensation & Benefits
- ▶ Labor Market Climate
- ▶ Warning Signs
- ▶ Auditing your Comp Effectiveness

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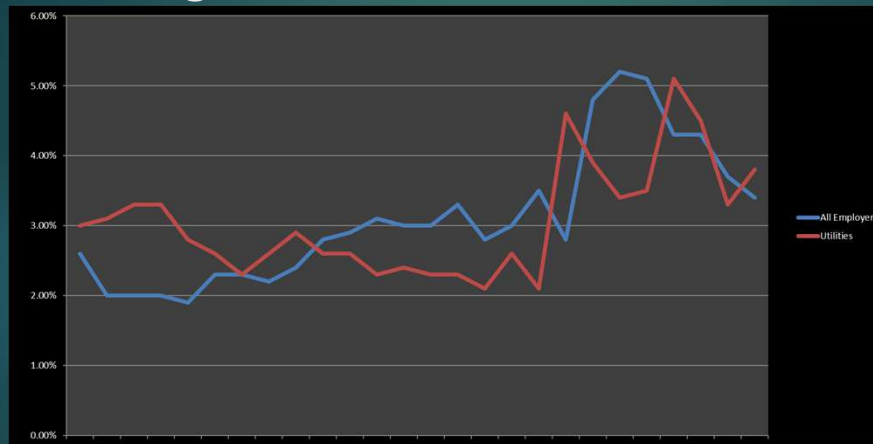
## Unemployment 1964 to Now



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## Wage Growth 2015 to 2025



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Source:  
US Bureau of  
Labor Statistics

151

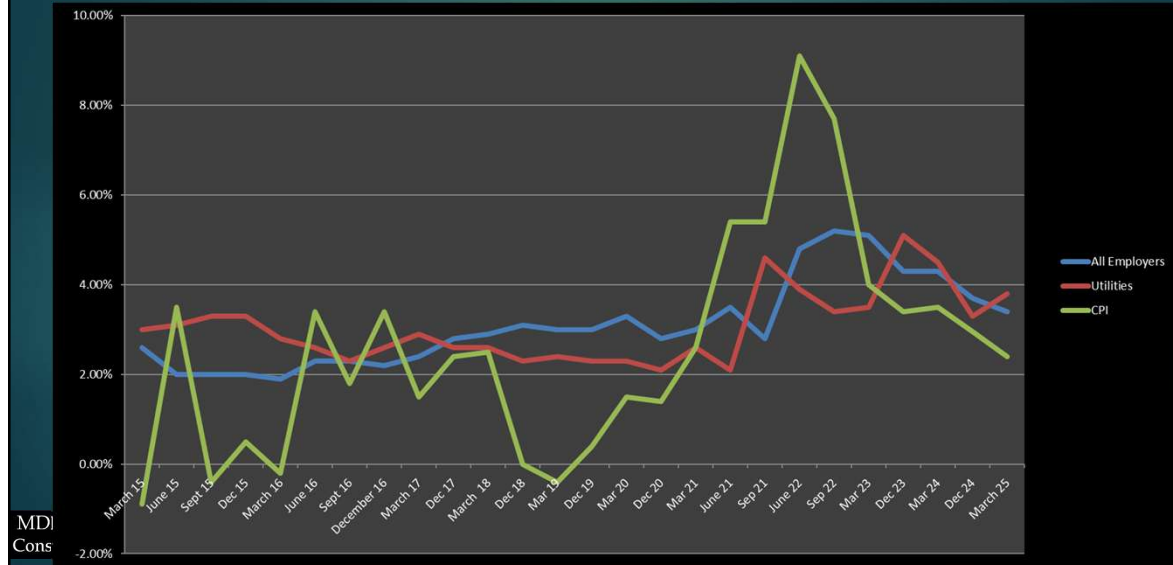
## Using CPI to drive wages?

- ▶ CPI Unstable over time
- ▶ Components are politically motivated
- ▶ Not a leading indicator of wage growth
- ▶ Better Statistic
  - ▶ Employment Cost Index
  - ▶ Reported by US Bureau of Labor Statistics
  - ▶ Reflective of actual wage movement

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## Wage Growth Compared to CPI



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## Topics

- ▶ Key Trends in Compensation
- ▶ Labor Market Climate
- ▶ Warning Signs
- ▶ Auditing your Comp Effectiveness

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## 6 Signs Your Comp Plan Needs an Update

- ▶ 1. Poor performance and absenteeism in certain areas.
- ▶ 2. Lower than usual retention rates for mid-level employees
- ▶ 3. Outdated, complicated, or ineffective performance review system.
- ▶ 4. No clear relationship between pay and performance
- ▶ 5. New competition that offers higher starting salaries
- ▶ 6. Negative feedback from employees regarding salary & benefits.

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## 1. Performance & Absenteeism

- ▶ Employees unhappy about any aspect of job
  - ▶ Don't work as hard
  - ▶ Don't care as much about showing up
  - ▶ Resentful about pay
- ▶ Quiet quitting becoming normal



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## 2. Retention

- ▶ Talented employees in this climate
  - ▶ Highly mobile
  - ▶ Sought after by other employers
  - ▶ Having trouble attracting mid level employees
    - ▶ Pay is the first thing to look at
  - ▶ Trouble keeping,
    - ▶ Management and pay are the issues
  - ▶ If you treat your employees like they don't have options
    - ▶ Eventually that's all your left with

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## Top 12 Reasons Employees Leave

1. Rude Behavior
2. Work-Life Imbalance
3. Job Did Not Meet Expectations
4. Employee Misalignment
5. Feeling Undervalued
6. Coaching and feedback are lacking
7. Decision-making is lacking
8. People skill deficit
9. Organizational instability
10. Raises and promotions are frozen
11. Lack of faith in the organization
12. Growth opportunities are unavailable

Source: Peoria  
Magazine

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### 3. Performance Appraisal

- ▶ Does this describe your performance appraisal system
  - ▶ Nonexistent
  - ▶ Overly complicated
  - ▶ Does not reinforce desired behavior
  - ▶ Seen as a must do instead of a value adding management tool



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### Problems with Performance Appraisals

- ▶ Perceived as a negative process
  - ▶ Causes anxiety and distrust
- ▶ Subjective
- ▶ Inconsistent
- ▶ Managers aren't skilled in evaluating performance or giving feedback

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## Most Common Causes of Unsatisfactory Performance

- ▶ Unclear responsibilities
- ▶ Lack of training
- ▶ No standards of excellence
- ▶ Lack of necessary resources
- ▶ Negative attitudes

From “Succeeding as a First-time Manager”

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## 4. Pay For Performance

- ▶ Is there a clear relationship between pay and performance?
- ▶ Does everyone get the same increase?
- ▶ Is the difference between meets expectations and a high performer enough to reward behavior?



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## 5. New Competition

- ▶ Is the oil and gas industry fishing in your labor pool?
- ▶ Are Large Municipalities ramping up hiring?
- ▶ New employer in the area?
- ▶ Trucking Industry?



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## 6. Negative Feedback

- ▶ If employees are complaining about pay
  - ▶ You might actually have a problem

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## Topics

- ▶ Key Trends in Compensation
- ▶ Labor Market Climate
- ▶ Retention Issues
- ▶ Warning Signs
- ▶ Auditing your Comp Effectiveness

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## Auditing your Compensation Plan

1. Competitive Philosophy
2. Pay for Performance
3. Internal Equity
4. Government Compliance
5. Cost Control
6. Communications
7. Turnover
8. Cost Effectiveness
9. Concern for Employees
10. Administrative Ease

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## 1. Competitive Philosophy

- ▶ Where to we want to be in the labor market:
  - ▶ Lag
  - ▶ Lead
  - ▶ Meet

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## Major Consideration

Little Old Lady In Tennis Shoes

- ▶ Every month has to decide
  - ▶ Do I buy my medicine?
  - ▶ Do I pay my utility bill?
- ▶ Are we fair to her when we structure our pay practices.



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## Fallacy of the “The Market”

- ▶ Some consultants will claim
  - ▶ Market values can be calculated to the penny
  - ▶ Don't pay your employees any more or less than this
- ▶ I put these consultants in this category



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## Value Proposition

- ▶ The \$ amount that will attract and retain employees
  - ▶ Varies by each employee
- ▶ Employees expect pay levels commensurate with
  - ▶ Their “perceived” contribution to the organization
- ▶ Compensation systems should be built on ranges
  - ▶ Flexibility within the range
- ▶ Market Objective
  - ▶ Unlikely employees could find similar jobs for significantly more money

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# Managing Expectations

- ▶ Locking jobs into “market values” creates unrealistic expectations
- ▶ Survey data fluctuates
  - ▶ Some job categories have wild swings
  - ▶ Big up swing in one year
    - ▶ Creates the expectation of a similar increase the following year.
  - ▶ Downward swing
    - ▶ Creates resentment over smaller than expected increases

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## 2. Pay for Performance

- ▶ Do you have plan in place to reward those who produce the best results
- ▶ Is link between pay and performance clear to employees
  - ▶ Is it clear to managers
- ▶ Do you as board members support the funding of Pay for performance

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### 3. Internal Equity

- ▶ Can you demonstrate why pay differences between jobs exist
- ▶ Does your hierarchy reflect your corporate values
- ▶ Do you have any unintended discrimination

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### Salary Data Sources

- ▶ Economic Research Institute
- ▶ AWWA National Compensation Survey
- ▶ MDF HR DBCSI
- ▶ 990's
- ▶ Regional Surveys
- ▶ Statewide Generated

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## Salary Survey Information Safe Harbor Rules

- ▶ Must be conducted by a third party
- ▶ Reported data must be at least 3 months old
  - ▶ Reporting only past activity, no future plans
- ▶ Each statistic must have at least 5 organizations reporting
- ▶ No individual organization can represent more than 25% of the sample

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## 5. Cost Control

- ▶ Every job has a maximum value
- ▶ Do you have procedures in place to slow or cap growth
- ▶ Do you have guidelines in place for fairly allocating increase dollars

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## 6. Communications

- ▶ Do your employees understand how pay is calculated
- ▶ Is there a clear relationship between rewards and organizational objectives

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## 7. Turnover

- ▶ Do you have turnover attributable to pay?
- ▶ Are these levels acceptable?

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## 8. Cost Effectiveness

- ▶ Are discretionary rewards resulting the desired outcomes
- ▶ Are jobs structured to get value commensurate with the amount paid?

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## 9. Concern for Employees

- ▶ To take care of your customers, you need to take care of your employees first
- ▶ Are your pay practices aligned with these objectives

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## 10. Administrative Ease

- ▶ Are your rules for salary increases simple enough to be understood
- ▶ What is the administrative burden on your payroll folks
- ▶ Do you have tools in place for budget planning and forecasting

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## Major Topics

- Human Resources Management for Non-HR Managers
- Succession Management
- Compensation & Benefit Tips and Trends
- Workforce Recruitment and Retention

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## Aligning Human Capital with Business Strategy

- ▶ How much does it cost
- ▶ How long does it take
- ▶ How much was accomplished
- ▶ How many errors/defects occurred
- ▶ How did the employees respond

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## Three-Legged Stool



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## Strategic Objectives of HR

- ▶ Attract
  - ▶ Getting them here
- ▶ Retain
  - ▶ Keeping them here
- ▶ Motivate
  - ▶ Keeping them valuable
  - ▶ Keeping them productive

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## Testing your effectiveness

- ▶ Everything you spend time and money on should be subjected to the three tests
- ▶ If it does not support at least one
  - ▶ Why are you still doing it

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## Recognizing the cost of turnover

- ▶ Do your managers recognize the cost or view it as just an inconvenience.
- ▶ Direct Expense
  - ▶ Recruiting
  - ▶ Training replacement
- ▶ Indirect Cost
  - ▶ Workload
  - ▶ Morale
- ▶ Opportunity Cost
  - ▶ Loss of knowledgebase
  - ▶ Managers and HR focused on replacement rather than core work

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## 6 Signs Your Human Resources Programs Need an Update

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## Top Reasons Employees Leave

1. Needing more of a challenge
2. Higher Salary
3. Feeling Uninspired
4. Don't feel valued
5. Seeking better Management relationship
6. Better growth and Advancement
7. Just want something different
8. Conflicted by outdated policies
9. Better work life balance
10. Looking for a more financially secure company

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Source: Indeed.com

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## 3. Performance Appraisal

- ▶ Does this describe your performance appraisal system
  - ▶ Non existent
  - ▶ Overly complicated
  - ▶ Does not reinforce desired behavior
  - ▶ Seen as a must do instead of a value adding management tool



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## 4. Pay For Performance

- ▶ Is there a clear relationship between pay and performance?
- ▶ Does everyone get the same increase?
- ▶ Is the difference between meets expectations and a high performer enough to reward behavior?



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## 5. New Competition

- ▶ Is the oil and gas industry fishing in your labor pool?
- ▶ Are the Municipals ramping up hiring?
- ▶ Are you lagging behind other water systems?
- ▶ New employer in the area?
- ▶ Trucking Industry



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## 6. Negative Feedback

- ▶ If employees are complaining about work environment
  - ▶ You might actually have a problem

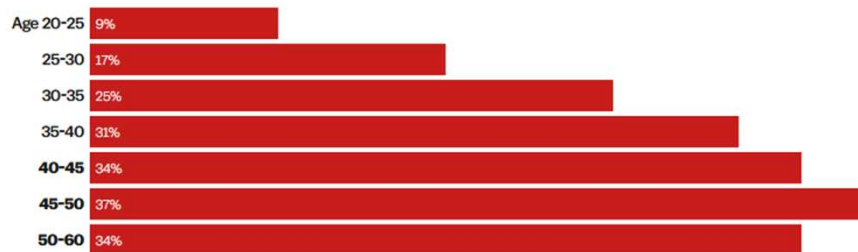
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## The “Great Resignation”

### Growth in resignation rate by age

Annualized change from Q1 2021 to Q1 2022



Source: Visier

recode BY Vox

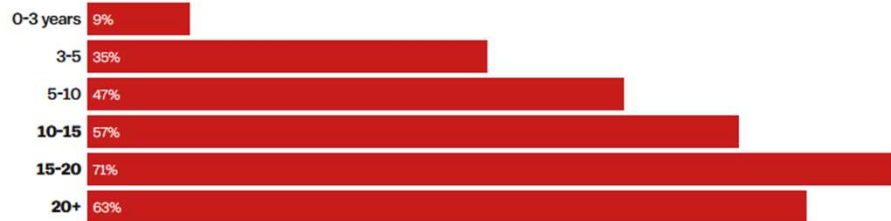
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# Resignations by Tenure

## Growth in resignation rate by tenure

Annualized change from Q1 2021 to Q1 2022



Source: Visier

recode BY Vox

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## Keeping them on the Farm

- ▶ Primary objective of HR Program is to
  - ▶ Create Stickiness
  - ▶ You want your employees to "Adhere" to the Cooperative



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## What Pulls them Away

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- ▶ The strength of the adherence should be stronger than forces pulling them away
  - ▶ Other Employers
  - ▶ Early retirement
  - ▶ Family Issues

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## Other Employers

- ▶ Do you have other employers in your area offering
  - ▶ Higher pay
  - ▶ Better Benefits
  - ▶ Better growth opportunity

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## Early Retirement

- ▶ Our generous pension programs
  - ▶ Do a good job helping retention
  - ▶ Also make it much easier to retire early for long term employees
- ▶ COVID
  - ▶ Changed the perspective of many employees

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## Family Issues

- ▶ As employers we can't solve these issues
- ▶ We can remove unnecessary barriers for the employee
- ▶ Do you allow:
  - ▶ Telecommuting
  - ▶ Intermittent leave (May be required under FMLA)
  - ▶ Flexible Hours
  - ▶ Part time

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## What pushes them away

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- ▶ Bad Managers
- ▶ Unstable benefits
- ▶ Increases slower than market growth
- ▶ Work Stress
- ▶ Organizational uncertainty

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## Bad Managers

- ▶ Employees quit their boss
  - ▶ Not their job
- ▶ Pay may be the reason they leave
  - ▶ Their boss is probably the reason they started looking



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## Unstable Benefits

- ▶ Are you constantly “optimizing” your benefit package
- ▶ Can you employees count consistency year over year

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## Slow Increases

- ▶ When you grant salary increases
  - ▶ Are they keeping up with market conditions?
  - ▶ Is there a relationship between employee contribution and the amount of the increase?

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## Work Stress

- ▶ Some stress is necessary
- ▶ Are you creating unnecessary stress
  - ▶ Outdated labor-intensive processes
  - ▶ Blurred chain of command
  - ▶ Inconsistent application of policy

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## Organizational Uncertainty

- ▶ Are employees confident that their job will exist in the near future
- ▶ Do they have confidence in the financial health of the organization?
- ▶ Do you have a succession management plan?

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## What Keeps them Here

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- ▶ Safe work environment
- ▶ Respectful management
- ▶ Stable and predictable benefits
- ▶ Incentive Plans
- ▶ Base Compensation

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## Safe Work Environment

- ▶ Do we walk the talk on safety culture
- ▶ Is safety a priority for both office and operations employees

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## Respectful management

- ▶ Do the employees feel appreciated by management?

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## Stable and predictable benefits

- ▶ If you have a retirement plan
  - ▶ Are employees confident it will be there when they retire?
- ▶ Do you have big swings in
  - ▶ Premium costs
  - ▶ Deductibles
  - ▶ Co-pays

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## Incentive Plans

- ▶ Do you have one?
- ▶ Younger employees expect one
- ▶ If designed thoughtfully
  - ▶ Supports organizational improvement
  - ▶ Value outweighs cost

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## Base Compensation

- ▶ Are you competitive with other employers?
- ▶ Do you maintain the plan to be market sensitive?

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## Three Levels of Compensation

- ▶ Paper Clip
- ▶ Krazy Glue
- ▶ Post It Note

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## Paper Clip Compensation



- ▶ Just strong enough to hold your employees for the moment
- ▶ Easy to break free if something better comes along.

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## Where Paper Clip Makes Sense

- ▶ Low skill workforce
- ▶ Labor pool is plentiful
  - ▶ Excess of qualified applicants for all openings
- ▶ Short learning curve for most jobs
  - ▶ 6 Months or less

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## Krazy Glue



- ▶ Pay so high it binds your employees you “permanently”
- ▶ They stick to you even when the other forces pulling them away are strong

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## Where to put the glue

- ▶ High Skill workforce
- ▶ Very tight labor pool
  - ▶ Jobs may go unfilled regardless of compensation level
- ▶ Long learning curve
  - ▶ Ten years or more

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## Post it Note



- ▶ Stuck to you as long as they are still valuable to you.
- ▶ Does not tear them or the organization apart when they separate.

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## Using the notes

- ▶ Moderately skilled workforce
- ▶ Reasonable labor pool
  - ▶ Jobs do not go unfilled because of lack of candidates
- ▶ Average learning curve 5 to 10 years

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## Strategic Recruiting

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- ▶ Competitive compensation supports strategic recruiting and succession management
- ▶ We don't hire warm bodies
- ▶ To fill an entry level position we want
  - ▶ Quality candidate who can learn the job in the expected time frame
  - ▶ Has the aptitude and skills to move up in the organization
- ▶ For every non entry level opening
  - ▶ Ideally we want qualified internal candidates
  - ▶ We have an investment in them

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# Equipment Analogy for Explaining Costs

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## Typical Utility Equipment Inventory

- ▶ 100 Units of Rolling Stock
  - ▶ Jet Cleaners
  - ▶ Digger Derrick
  - ▶ Trenchers
  - ▶ Etc.....



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## Investment

- ▶ Specialized Equipment
- ▶ Limited number of suppliers
- ▶ Market Driven pricing
- ▶ Acquisition Cost
  - ▶ ~\$20 Million
- ▶ Retains Asset value if properly maintained

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## Requires Preventative Maintenance & Repairs

- ▶ Average Annual Cost
  - ▶ \$250,000
- ▶ If we reduce the amount of Preventative maintenance by 20%
  - ▶ Results in a savings of \$50,000

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- ▶ What would the effect be?
- ▶ If we reduced maintenance by this amount, how long could we sustain it?

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## Utility Work Force

- ▶ ~100 Units of Human Capital
  - ▶ Limited Supply
  - ▶ Specialized “suppliers”
  - ▶ Drives market value
- ▶ Acquisition Cost ~\$1.5 Million
- ▶ Annual Base Salary Cost \$6 Million
- ▶ Asset Value if a unit leaves our employ

▶ \$0

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## Workforce Requires Maintenance

- ▶ Competitive Pay & Benefits
- ▶ Safe Work Environment
- ▶ Employee Development
- ▶ Respectful Management

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Thank you

Michael D. Frizzell

Michael@MDFHRConsulting.com

**MDF HR  
Consulting**

www.MDFHRConsulting.com  
(336) 406-4075

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