Elsdon Organizational Renewal

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In This Issue

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Welcome

Welcome to the latest quarterly issue of Bringing Work to Life. Our most recent book, *How to Build a Nontraditional Career Path: Embracing Economic Disruption*, (Praeger, 2014), describes why, when, and how to create an inspiring and practical entrepreneurial, nontraditional career path from more than one source of income: http://www.abc-clio.com/product.aspx?isbn=9781440831584

It complements our three existing books:

Business Behaving Well: Social Responsibility, from Learning to Doing, (Potomac Books, Inc., 2013), which provides a rationale and roadmap for organizations to incorporate socially responsible practices, building on principles of social justice:

http://www.nebraskapress.unl.edu/product/Business-Behaving-Well,676586.aspx

Building Workforce Strength: Creating Value through Workforce and Career Development (Praeger, 2010), which describes the application of workforce and career development principles and practices to strengthen organizations:

http://www.abc-clio.com/ABC-CLIOCorporate/product.aspx?pc=C3236C

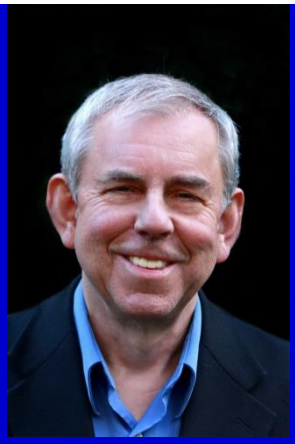
and *Affiliation in the Workplace: Value Creation in the New Organization* (Praeger, 2003), which describes leadership approaches to integrate individual needs with organizational needs for the benefit of both:

http://www.abc-clio.com/product.aspx?isbn=9781567204360

This newsletter contains two articles: *Modeling the Future*, and *Workforce and Social Trends*.

Modeling the Future

There is a story recounted by Max DePree in *Leadership Jazz* about one of the



Ron Elsdon, Ph.D., is founder of *Elsdon Organizational Renewal,* which focuses on supporting organizations enhance effectiveness through revitalized workforce relationships and leadership practices. Prior to establishing his practice, Ron held senior leadership positions at diverse organizations. Ron is also co-founder of New Beginnings Career and College Guidance, which provides caring and personalized support to individuals in career guidance and coaching.

Ron is author of *How to Build a Nontraditional Career Path: Embracing Economic Disruption,* which describes why, when and how to create an inspiring and practical entrepreneurial, nontraditional career path from more than one source of income; editor of *Business Behaving Well: Social Responsibility, from Learning to Doing*, which provides a rationale and roadmap for organizations

colleges at a long-established university in England. A committee had been formed to discuss the renovation of one of the beautiful halls in the university. The roof of the hall was deteriorating. As the committee debated its task it became concerned about its ability to find wooden beams long enough to replace those that were in need of repair. The architect hired for the renovation project and the committee representatives understood that their predecessors had made provision for this situation. They visited a nearby wood, finding the grove of oak trees planted a century earlier from which the replacement beams could be hewn. Gary Hamel in *Leading the Revolution* quotes the French novelist Antoine de Saint-Exupéry as saying, "We do not inherit the land from our forefathers, we borrow it from our children." Our focus in this article is on exploring approaches that help us look forward and anticipate the influence of today's decisions and situations on future outcomes, approaches that help us model the future. We have heard much of the terminology "big data" in recent years. It is not surprising since we are drowning in data. Here we will look at how to swim by discerning meaning.

What does the word model mean, for it is used in many contexts? Here we mean mathematically describing a situation and making predictions from it. Being able to answer questions such as "That is concerning, we have high attrition rates for people who have only been with the organization two to three years. I see also that about half of our employees have been with us less than two years. What will happen to our employee losses in the next two to three years? We are facing a major crisis." Here is another HR leader: "We looked at the ages of our employees. There are quite a few people who have been with us less than three years, and a large number who may retire in the next five years. What if they do retire, what will our workforce look like and how will we conduct our business? We may soon have a major problem, what can we do to understand the issues more clearly?"

Models can be divided into three primary categories based on intended outcomes: descriptive, predictive, and prescriptive.

- Descriptive models characterize observed behavior
- Predictive models estimate the result of a new course of action
- Prescriptive models suggest a preferred course of action

There are two principal model constructs that are used: statistical and deterministic. Statistical approaches describe observed relationships without attempting to explain underlying mechanisms. They are most effective in the descriptive area and they become progressively less effective in moving to predictive and prescriptive approaches. One of the dangers of this technique is an implied causality where none exists. Box, Hunter and Hunter in *Statistics for Experimenters* show an example where there is a strong correlation between the population in the town of Oldenburg and the number of storks observed. While few would suggest that the increase in the stork population caused the increase in the human population, we can sometimes fall into such traps with statistical models. In spite of such pitfalls statistical models can be an effective means of characterizing observations.

Econometric models are an example of the statistical category. They are based on statistical correlations of economic factors, for example the influence of the number of housing starts on demand for a given building material. This does not explain the

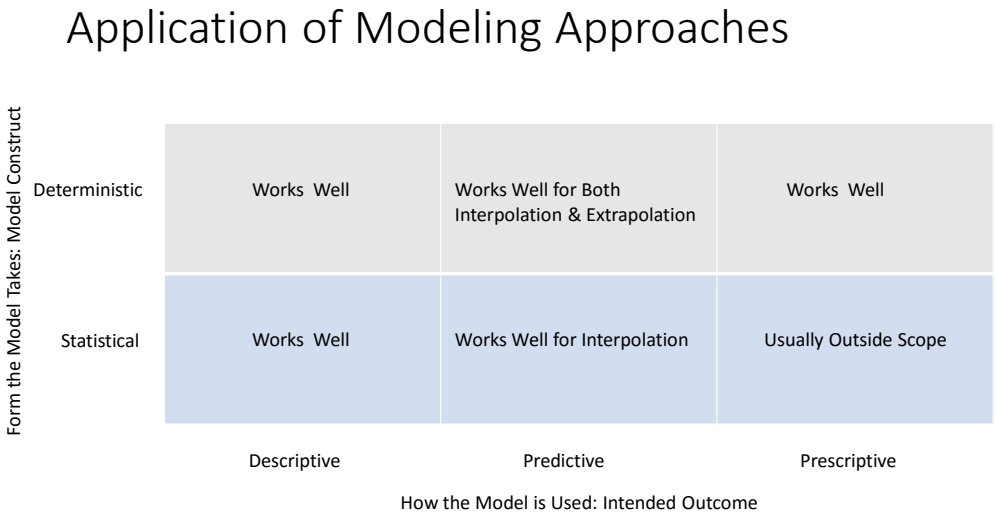
to incorporate socially responsible practices, building on real-world examples from contributing authors, and principles of social justice; editor of *Building Workforce Strength: Creating Value through Workforce and Career Development*, a book that describes the application of workforce and career development principles and practices to strengthen organizations; and author of *Affiliation in the Workplace: Value Creation in the New Organization*, a book describing leadership approaches to integrate the needs of the individual with the needs of the organization for the benefit of both. Ron holds a Ph.D. from Cambridge University in chemical engineering, an M.A. from John F. Kennedy University in career development and a first class honors degree from Leeds University in chemical engineering. With his co-author he was awarded the Walker Prize by the Human Resource Planning Society for the paper that best advances state-of-the-art thinking or practices in human resources.

underlying cause-and-effect mechanisms; instead it describes historically what happened to product demand as the number of houses built changed. Whether product demand changes due to change in demand for window frames, flooring, or other items may not be captured. A statistical correlation, such as this, is the most basic approach. It provides primarily a descriptive capability and the ability to estimate outcomes that fall within the range of the original data (interpolate). For example, what would happen to demand for a given building material if the number of housing starts fell to a level between that of the last two years?

Deterministic models, on the other hand, are based on underlying mechanisms and are designed to address predictive and prescriptive outcomes. Deterministic models provide the ability to estimate outcomes that fall outside the original data (extrapolate), in addition to the ability to interpolate. For example, what would happen to demand for a given building material if the number of housing starts increased 20% above the previous high? Deterministic models are the most powerful for predictive purposes. They are built on mathematical approaches that describe underlying mechanisms to account for observations. In doing this they address cause-and-effect relationships from which predictions of the influence of future changes are created. An example would be the projection of changes in the future population based on an understanding of birth rates, death rates and immigration rates. In some cases the statistical approach is combined with a deterministic framework to create a hybrid model.

Predictive models can lead to the next level, the ability to offer insights into preferred paths forward - to be prescriptive. Such a capability is a natural attribute of a deterministic model. It can be further refined by the incorporation of mathematical techniques such as optimization that estimate how to achieve the most desirable outcome. For example, the level of HR spending needed to minimize costs associated with employee attrition.

The following figure summarizes where different modeling approaches fit:



Given that deterministic models are potentially so powerful, why are they not used more broadly in the human resource field? The barrier is largely the difficulty of

creating such models. They require a conceptual and analytical capability that can exceed our current state of knowledge. Examples of some initial steps are described in *Affiliation in the Workplace* with models addressing linkages among individuals, organizations, and communities. Where appropriate the exploration of each modeling area begins with an introduction to descriptive approaches. It proceeds with an examination of predictive models, in some cases from a statistical perspective, in others from a deterministic perspective. Where possible the exploration concludes by examining prescriptive implications. The models vary from a statistical link between two variables to an exploration of the connections between individuals and organizations. An example of the former at the community level is the relationship between changing unemployment rates and economic growth, mentioned in the accompanying article in this newsletter about workforce and social trends. Models linking the individual to the organization address issues such as the linkage between employee fulfillment and organizational value creation, the optimum attrition rate, and the influence of HR expenditures on value. At the organizational level models address issues such as workforce attrition, and hiring needs.

Workforce modeling can help organizations become more effective in their mission, more fulfilling places to work, and strengthen the communities in which they operate. People choose to join and stay with such organizations. Modeling helps us ask the right questions, while providing insights about, and answers to, those questions.

Parts of this article are drawn from *Affiliation in the Workplace: Value Creation in the New Organization* (Praeger, 2003) by Ron Elsdon.

Workforce and Social Trends

The employment situation continues to improve with the unemployment rate trending down, although employment growth slowed recently, as shown in the following figure:

Chart 1. Unemployment rate, seasonally adjusted, May 2014 – May 2016

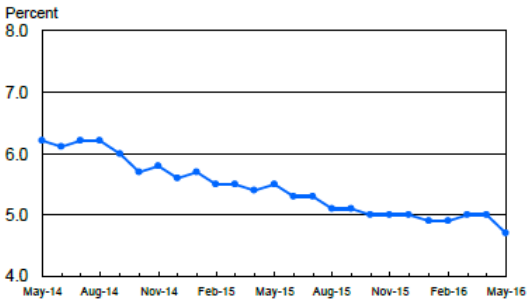
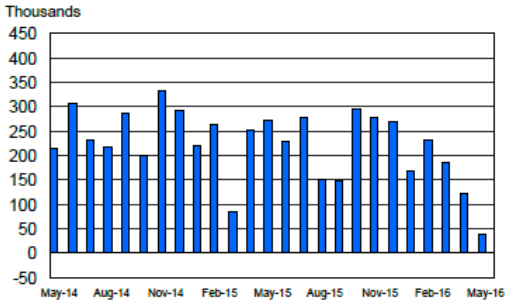
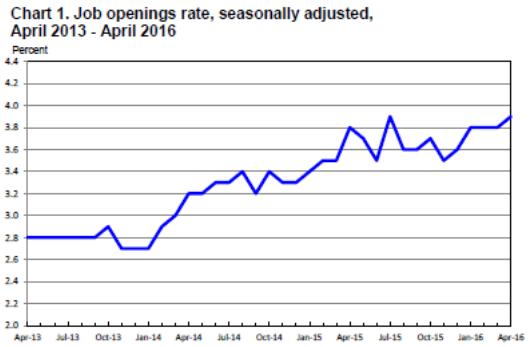


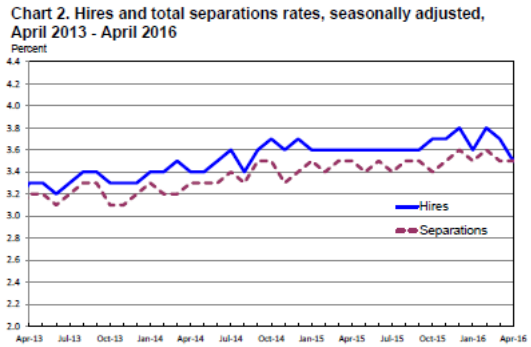
Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, May 2014 – May 2016



Source: Bureau of Labor Statistics, News Release, The Employment Situation - May 2016, June 3, 2016.

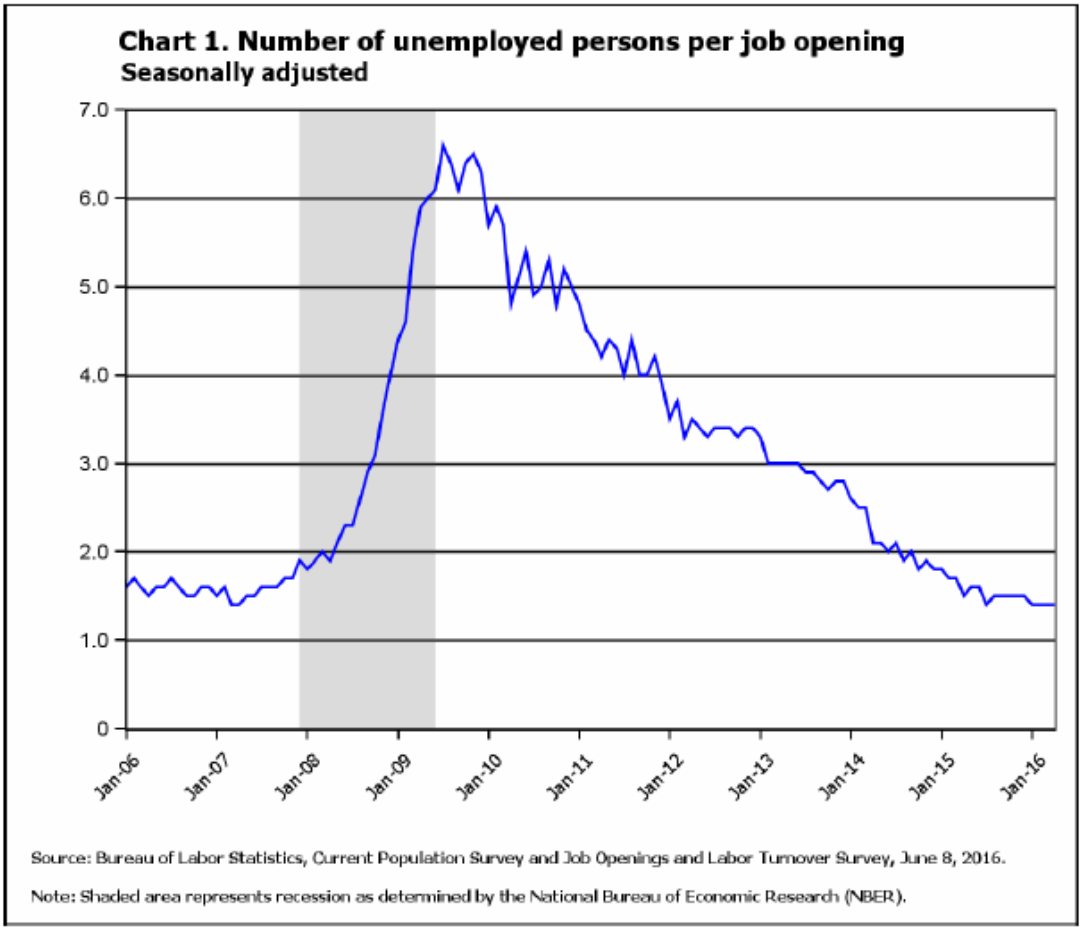
The job openings rate continues to recover from the recession, as shown in the next figure:





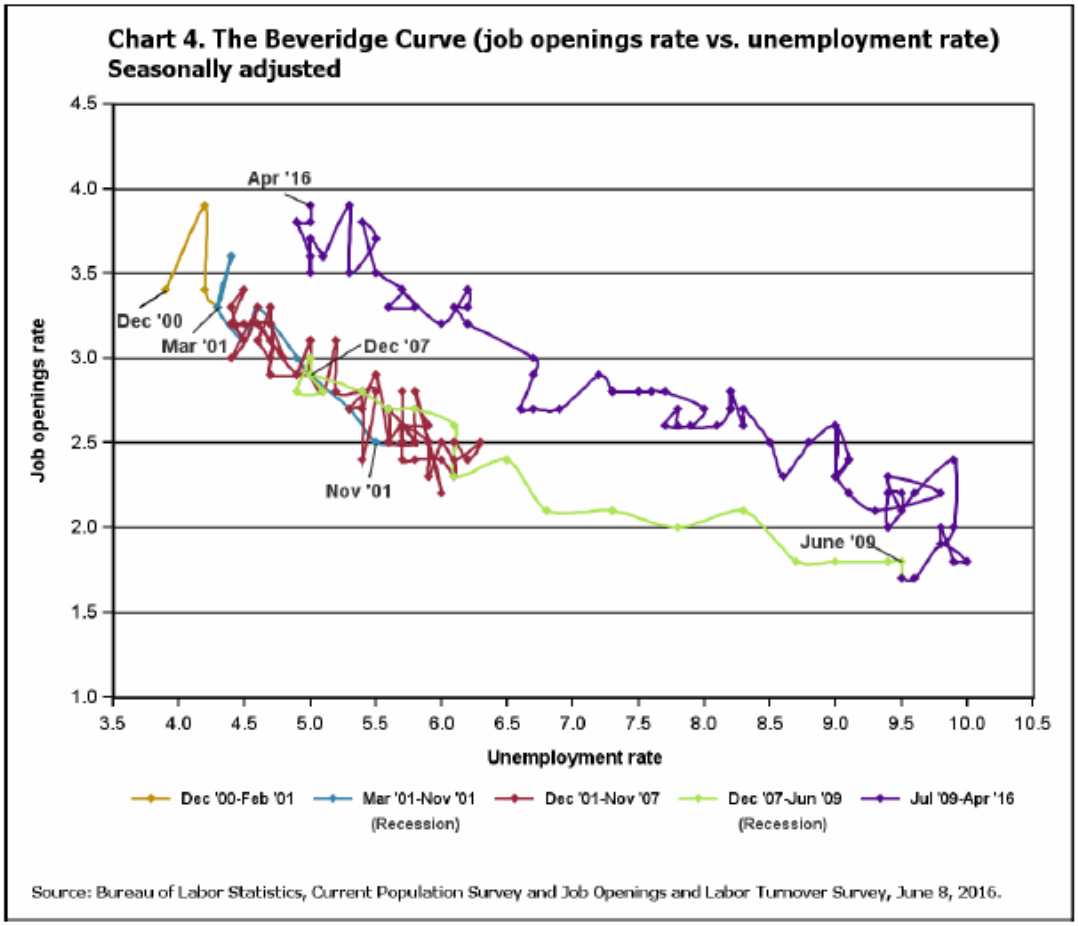
Source: Bureau of Labor Statistics, News Release, Job Openings and Labor Turnover – April 2016, June 8, 2016.

This recovery is also reflected in a continued reduction in the number of unemployed persons per job opening, as shown in the next figure:



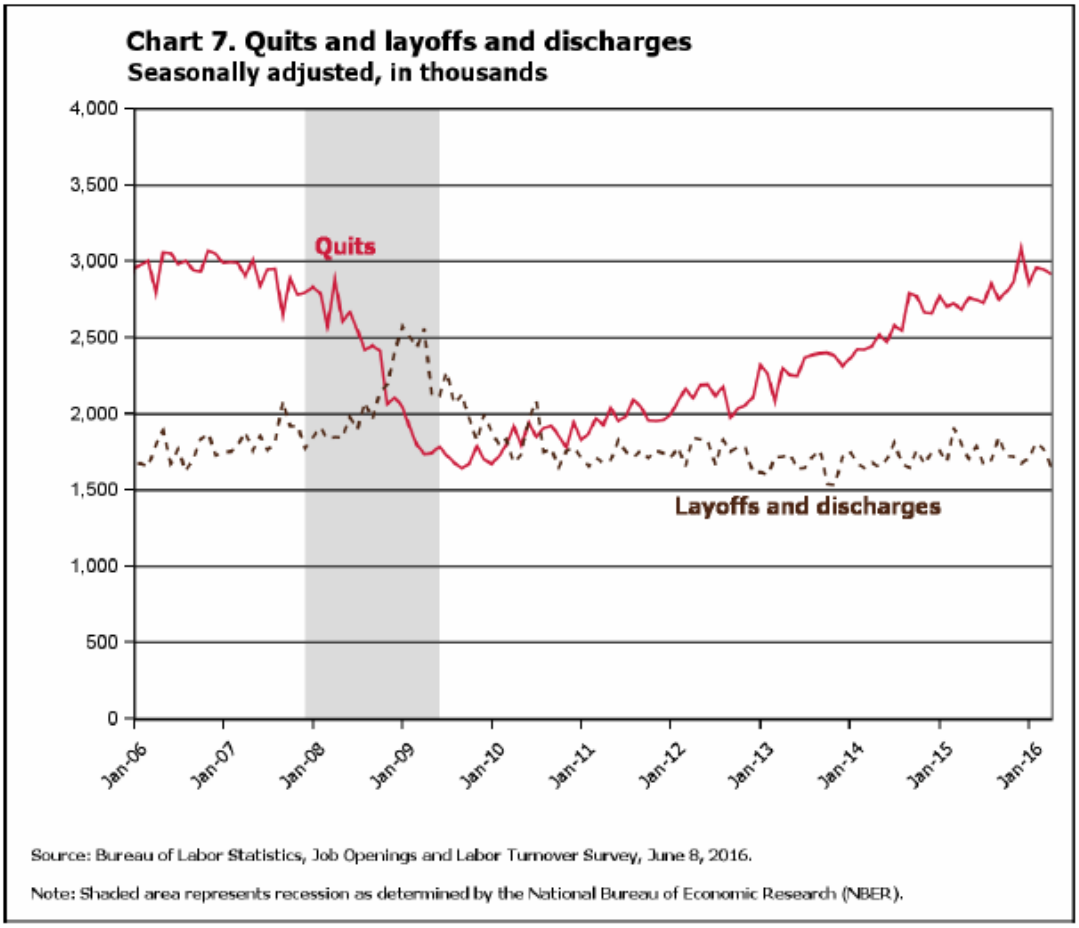
Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey Highlights, April 2016, June 8, 2016.

The next figure suggests there may have been structural changes to employment. The current unemployment rate near 5% is higher than would be expected for the current job openings rate. An unemployment rate of about 4% would reflect past job openings rate history:



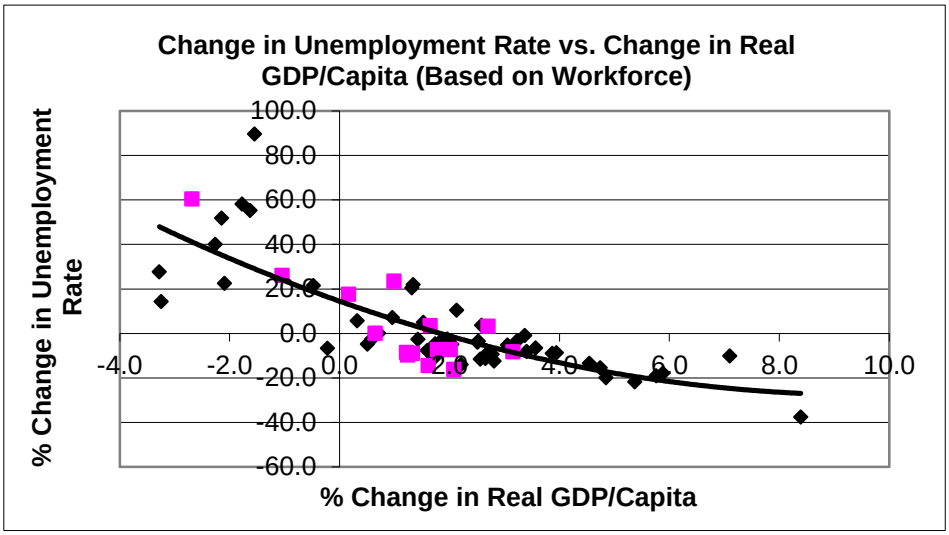
Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey Highlights, April 2016, June 8, 2016.

The level of dissatisfaction that people feel with conventional employment is reflected in the growing, high level of quits (which are self initiated) as shown in the next figure:



Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey Highlights, April 2016, June 8, 2016.

The relationship between changing unemployment rate and changes in gross domestic product (GDP) per capita, which we first observed in *Affiliation in the Workplace* for the period from 1947 to 2000 in the United States, has continued to hold. The following figure shows that more recent 2001 to 2015 data (the square, purple data points using real GDP expressed in 2009 dollars) follow the same trend as the original 1947 to 2000 data (the diamond, black data points with the associated trend line, also using real GDP expressed in 2009 dollars).



Unfortunately our social and economic structure in the United States, with a weak safety net and economic segregation that has increased substantially over the past thirty years, is leading to growing economic inequality with many people disenfranchised. This is a major concern. We are placed eighteenth out of twenty-one countries on a number of social and economic measures as shown in the following table:

TABLE 4. Rankings for 21 Countries

Country	Labor Markets	Poverty	Safety Net	Income Inequality	Overall
Australia (AU)	10	6	18	11	13
Canada (CA)	6	8	15	9	9 (tie)
Czech Republic (CZ)	7	11	16	6	11
Denmark (DK)	13	5	4	5	4
Estonia (EE)	16	20	21	15	20
Finland (FI)	15	7	6	8	8
France (FR)	5	12	2	14	7
Germany (DE)	1	15	3	12	6
Greece (GR)	20	18	14	21	21
Iceland (IS)	3	1	19	1	2 (tie)
Ireland (IE)	21	16	1	19	15 (tie)
Italy (IT)	18	17	9	16	17
Luxembourg (LU)	4	2	11	13	5
Netherlands (NL)	2	3	5	4	1
Norway (NO)	9	4	8	3	2 (tie)
Poland (PL)	14	21	12	10	15 (tie)
Slovak Republic (SK)	8	14	17	2	12
Slovenia (SI)	11	13	7	7	9 (tie)
Spain (ES)	19	19	13	17	19
United Kingdom (UK)	12	10	10	18	14
United States (US)	17	9	20	20	18

Note: The ranks presented here were secured by (a) converting the scores on the indicators in Table 3 to country rankings, (b) averaging across the rankings comprising each domain and converting these averages to domain-specific rankings, and (c) averaging across these domain-specific rankings to produce an overall country ranking.

Source: Stanford Center on Poverty and Inequality, Pathways A Magazine on Poverty, Inequality and Social Policy, Special Issue 2016, State of the Union: The Poverty and Inequality Report 2016.

It is a reminder about the importance of supporting those candidates in our upcoming elections who advocate for all in our society, not just the rich and powerful.

Quote

"And we shall, I am confident, if we maintain the pace, in due season reap the kind of world we deserve and deserve the kind of world we will have."

John F. Kennedy, remarks upon receiving Annual Family of Man Award, New York, November 8, 1963.