Using HR Analytics to Brief Your Leadership Team and Positively Impact Your Business Strategy



Presented to SHRM-GT

July 10, 2012

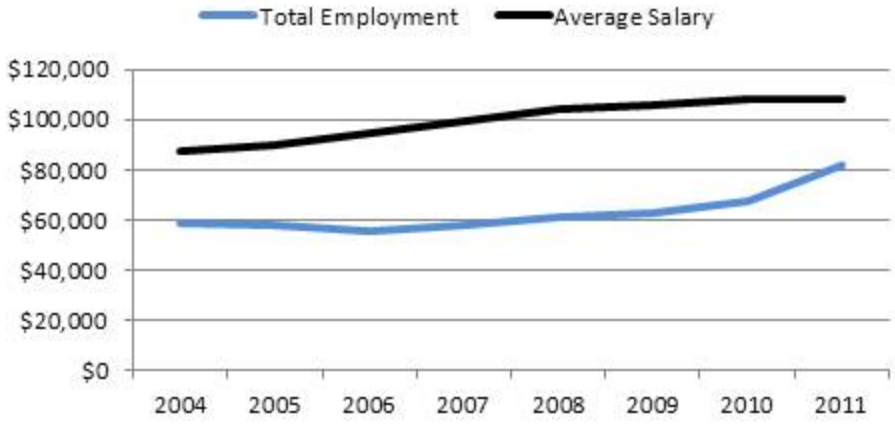
Copyright 2012 Kais E Systems Inc.

AGENDA

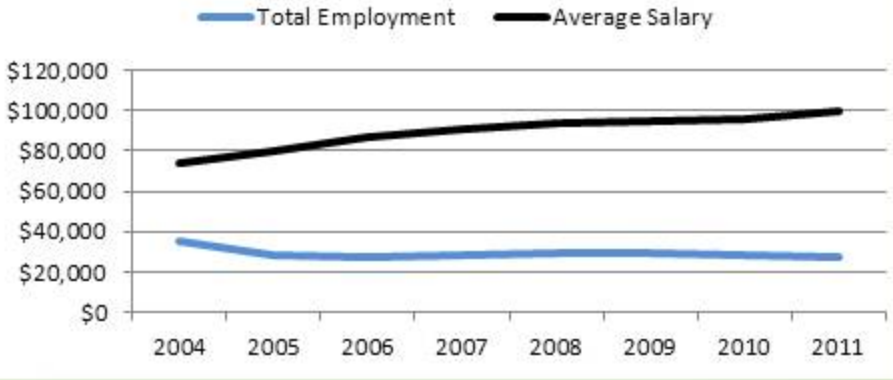
- Trends in Workforce Management Positions
- Assumptions of Measurement
- Getting Started
- Hucametrics
  - The CEO Success Formula
- Strategic Workforce Planning
- Employee Engagement
- Employee Turnover
- Making an Impact

Trends in Workforce Management

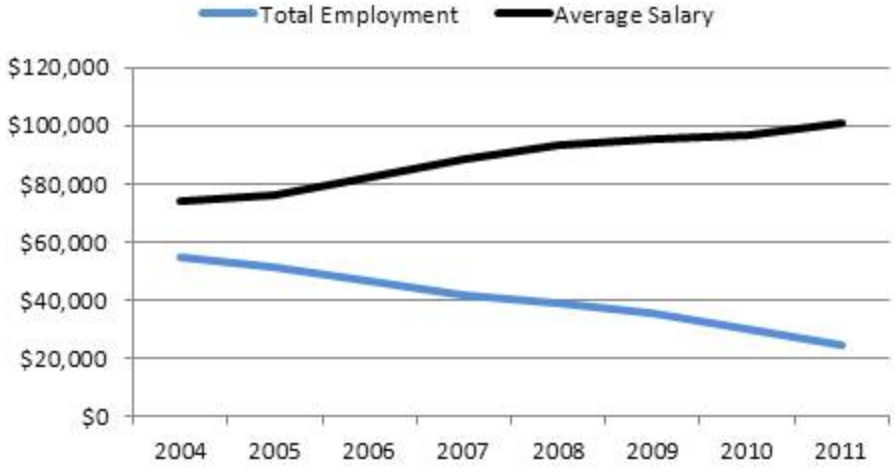
Human Resource Managers



Training and Development Managers



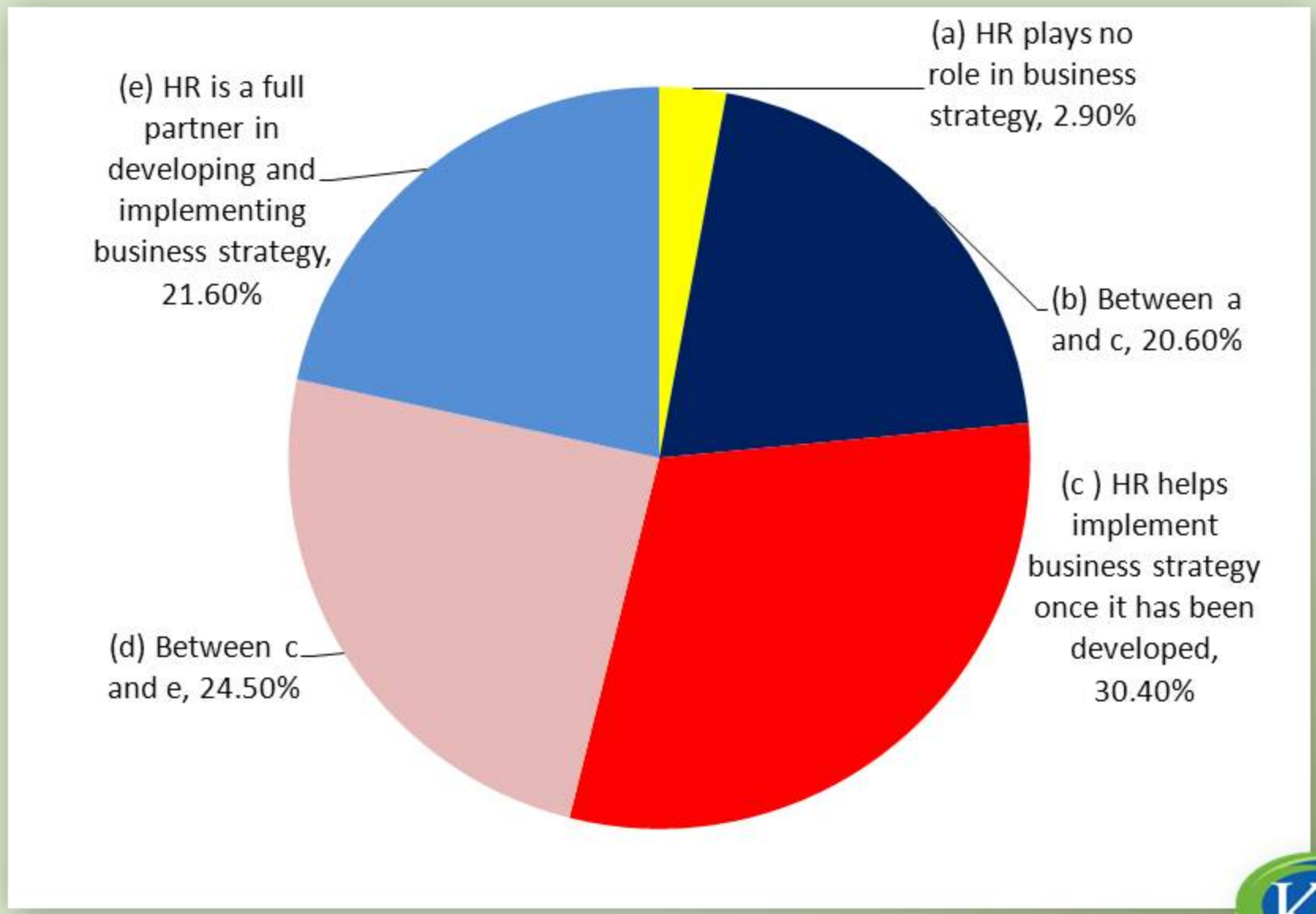
Compensation/Benefits Managers



Salaries for all three categories of managers have shown a slow but steady increase. The number of HRMs has risen steadily. Total employment for T & D has stayed flat while the Compensation and Benefit Managers dropped by more than half.

Source: U.S. Bureau of Labor Statistics

HR's Role in Strategy Formulation



Source: HR Analytics, Jack Fitz-Enz

What we know….

- Average HR salaries are increasing
- Number of HRMs and TDMs are increasing while Comp/Benefit Managers are decreasing in number
- Only 22% of the respondents are full partners in developing and implementing business strategy in their organizations
- Less than half of the respondents claim that they do more than simply help implement business strategy after it has been developed
- We are being asked to do tasks of increasing complexity and partner in strategic and tactical analytics

Where we go….

HCM, human capital management, the framework of logic that is used to gather, organize, and interpret data, and subsequently also knowledge, for the purpose of assessing the probability of upcoming events.

Assumptions of Measurement

"Everything that can be counted does not necessarily count and everything that counts cannot necessarily be counted."

-Albert Einstein

- ✓Measure what is important.
- ✓Make sure the measure provides added value.
- ✓Be consistent. It should mean the same thing throughout the organization.
- ✓Align with the organization's strategic plan.
- ✓Focus on a few measures.

Hucametrics

The science of tracking and applying human capital data to predict employee and business performance and cause and effect.

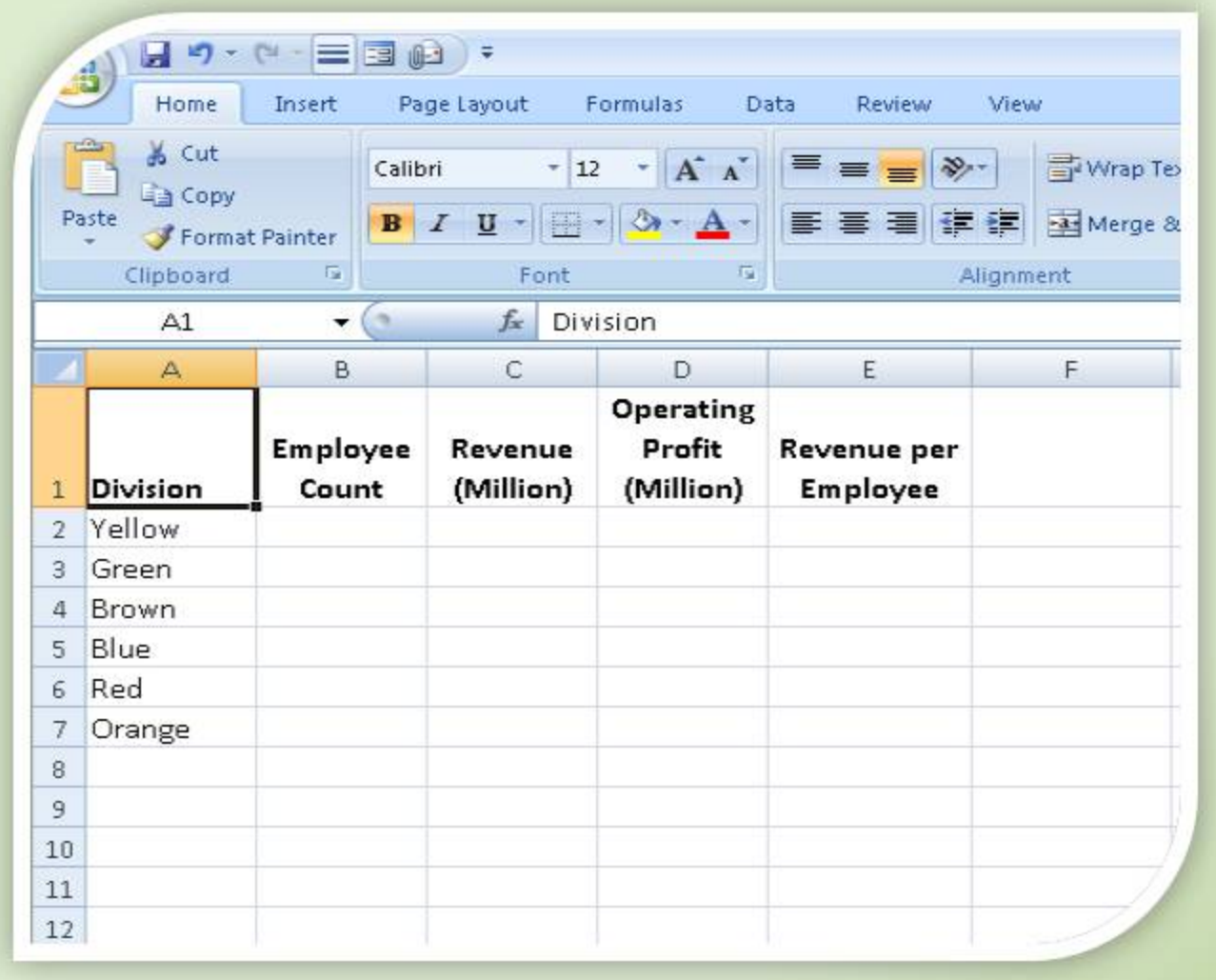
The CEO Success Formula:

Competence X engagement X organizational opportunity =

Return on human capital

Source: HR Analytics, Jack Fitz-Enz

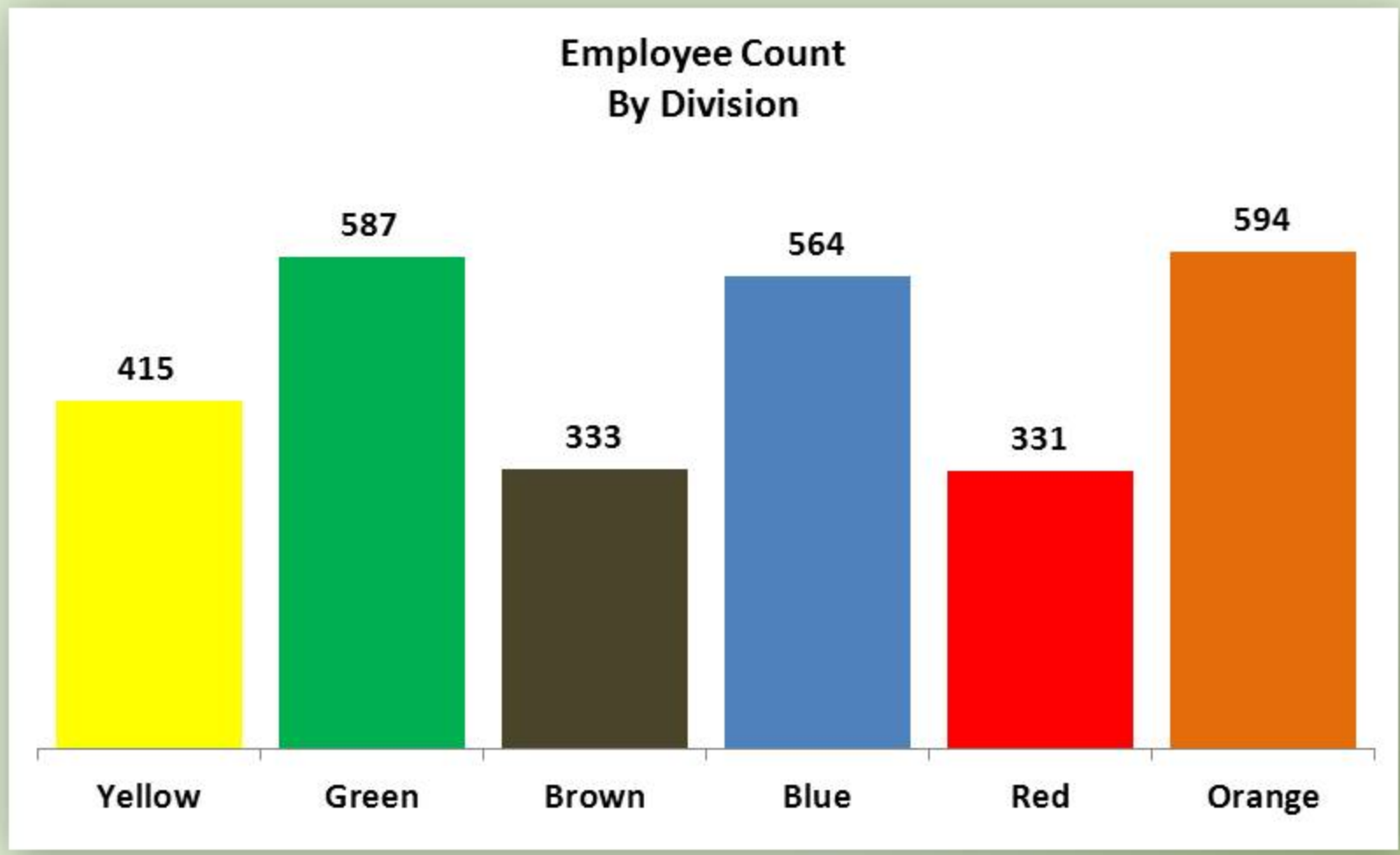
Strategic Workforce Planning



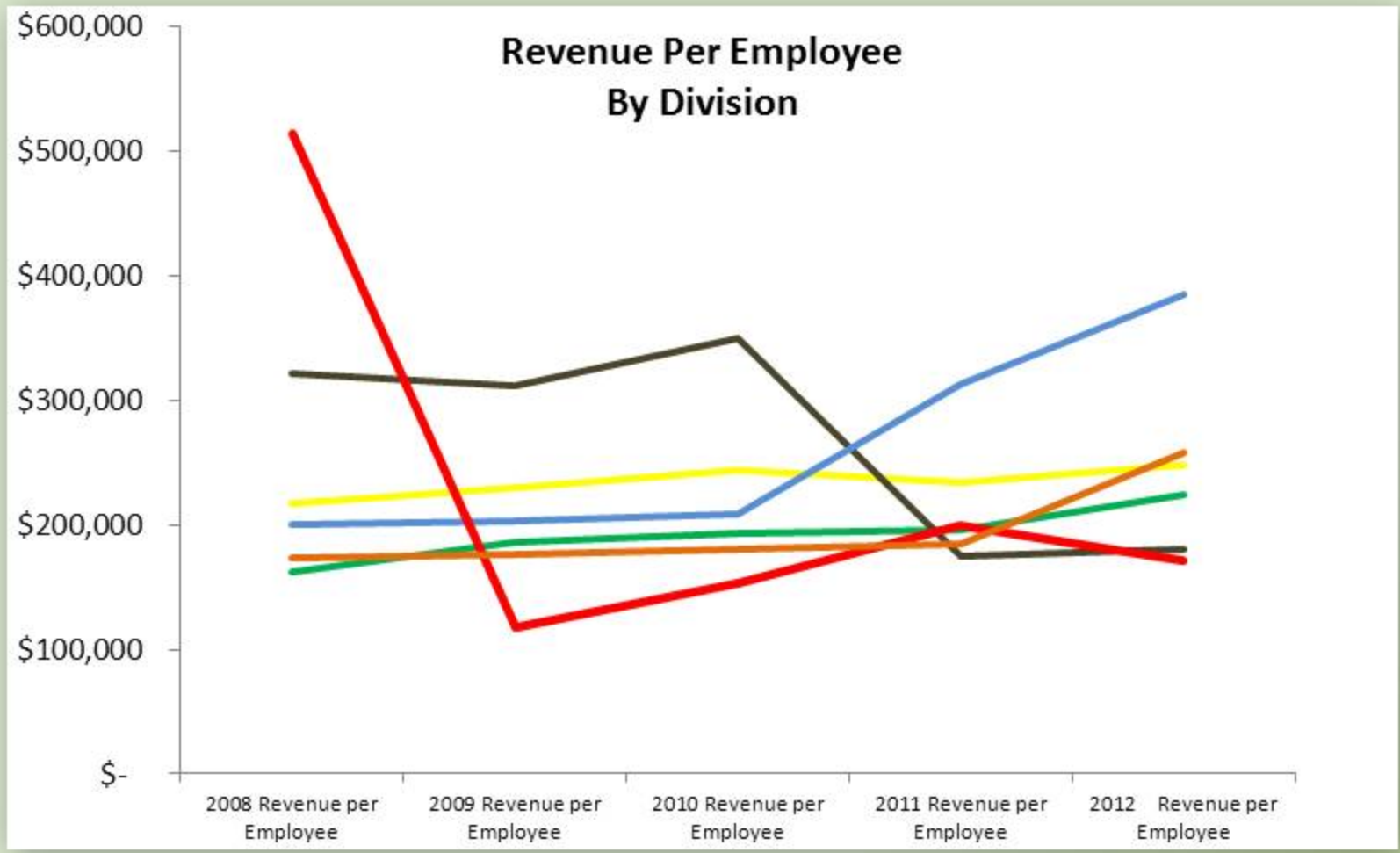
	A	B	C	D	E	F
1	**Division**	**Employee Count**	**Revenue (Million)**	**Operating Profit (Million)**	**Revenue per Employee**	
2	Yellow					
3	Green					
4	Brown					
5	Blue					
6	Red					
7	Orange					
8						
9						
10						
11						
12						

Create an Excel Spreadsheet

Strategic Workforce Planning



Strategic Workforce Planning



Examples of Metrics for Workforce Planning

Descriptive Analytics:
Employee Count by Year
Percent increase/decrease in employee count
Revenue per Employee
Operating Profit per Employee
Percent of change in Revenue per employee by year
Percent of change in Operating Profit per employee by year
Average number of employees by division
Average revenue per employee by division

Prescriptive Analytics:
Forecast number of employees needed to meet projected growth
Forecast number of employees needed to meet projected decline
Forecast Revenue based on employee count
Calculate Operating Profit

Employee Engagement

Engagement is an individual's degree of positive or negative emotional attachment to his or her organization, job, and colleagues.



- Fully Engaged
- Engaged
- Neither Engaged nor Disengaged
- Disengaged
- Hostile

Employee Engagement Factors

Hygiene Factors

- Benefits
- Communications
- Company Pride
- Compensation
- Fellow Associates
- Image
- Management
- Supervision
- Treatment
- Work Conditions
- Work Objectives

Motivation Factors

- Advancement
- Freedom
- Job Assignment
- Personal Growth
- Recognition
- Work Objectives

Source: Scarlett Surveys International, 2008

Steps in the disengagement-to-departure process

Start new job with enthusiasm

Question the decision to accept the job

Think seriously about quitting

Try to change things

Resolve to quit

Consider the cost of quitting

Passively seeks another job

Prepare to actively seek

Actively seek

Get new job offer

Quit to accept new job, or

Quit without a job, or

Stay and disengage



Source: HR Analytics 2010

Examples of Metrics for Employee Engagement

Descriptive Analytics:
Average employee engagement score by survey question

Percent of employees who are fully engaged or engaged

Index of questions to demonstrate:

- Employee Engagement,
- Managerial Effectiveness,
- Employee Involvement,
- Leadership, and
- Employee Relation Index

Prescriptive Analytics:

- Correlate employee engagement and revenue per employee
- Correlate employee engagement and employee count

Employee Turnover Analysis

Why is this important?

- It costs money to hire new employees
- It takes time to hire new employees
- Quality hires are critical to the success of the organization
- Hire turnover rates do not reflect well on an organization

Cost per Hire

$$CPH = \frac{AC + AF + RB + TC + RE + RC + NC}{H} + 10\%$$

AC = Advertising Costs
AF = Agency Fees
RB = Referral Bonus
TC = Travel Costs
RE = Relocation
RC = Recruiter Costs
NC = Unsolicited no-cost resumes

Employee Turnover Analysis

What can we measure?

- Percent by function
- Percent of Mature Workforce
- Percent of Voluntary Turnover
- Percent of Involuntary Turnover
- Total Turnover to Employee Count

What does it tell us?

- How many people do we need to replace?
- What skills set are we losing through turnover?
- Is it voluntary or involuntary turnover?
- What is our retirement projection?

Examples of Metrics for Employee Turnover

Descriptive Analytics:
Average tenure of current employees
Voluntary separations by length of service
Percent terminating at each performance level

Prescriptive Analytics:
Determine the termination costs
Identify the replacement costs
Forecast the vacancy costs
Calculate lost productivity or opportunity costs

Summary

- Strategic positioning to impact your business strategy
- Measurement of business results is not as precise as laboratory research
- You have a great deal of data at your fingertips; just get started
- There is no “exact number of metrics”

Summary

- Predictive analytics is the key to the kingdom;
drive workforce analytics into meaningful and tactical insights

- Attract, retain, and motivate your workforce;
keep your fingers on the pulse of engagement

- Monitor and report turnover;
drill down to function and type of turnover to be predictive

- Link your information to business strategy