HR Metrics & Analytics Workshop: Agenda

- Welcome & Introductions
- Getting Started with Metrics
- Emerging Trends in Analytics
- Client Examples
- Center of Expertise Discussion
- Q&A
GETTING STARTED WITH METRICS AND ANALYTICS
DOGBERT CONSULTS

YOU NEED A DASHBOARD APPLICATION TO TRACK YOUR KEY METRICS.

THAT WAY YOU'LL HAVE MORE DATA TO IGNORE WHEN YOU MAKE YOUR DECISIONS BASED ON COMPANY POLITICS.

WILL THE DATA BE ACCURATE?

OKAY, LET'S PRETEND THAT MATTERS.
Traditional HR Metrics: Quantitative Indicators About the Human Resources Function

- Vary along several dimensions:
  - Static vs. Dynamic
  - Hard vs. Soft
  - Whole Function vs. Sub-function
  - Helpful vs. Unhelpful

- Several are easily benchmarked, most are not
- Benchmarking alternatives: trends, targets
Examples of HR Metrics That a Company Might Track

- Function size and costs as indicators of efficiency
  - Ratio of HR employees to non-HR employees
- Component costs
  - Training expenditures per employee
- Process indicators of efficiency or productivity
  - Time to fill an open position
- Management Structure
  - Spans of Control
Examples of metrics benchmarks - Brazil

Breakdown of voluntary separations, by function as a % of total voluntary separation:
- 44% Manufacturing
- 23% Sales
- 10% Finance
- 6% Information technology
- 5% Human resources
- 5% Logistics
- 4% Marketing
- 2% Occupational health and safety

Average voluntary turnover rate, by function, as a % of total FTE:
- Manufacturing: 3.8%
- Sales: 1.8%
- Information technology: 1.0%
- Logistics: 0.6%
- Finance: 0.6%
- Marketing: 0.4%
- Human resources: 0.2%
- Occupational health & safety: 0.1%
Examples of metrics benchmarks - Brazil

Breakdown of involuntary separations, by career level, as a % of total involuntary separations

- 44% Blue collar
- 20% Staff
- 17% Professional – non-sales
- 10% Professional – sales
- 6% Middle managers
- 3% Senior managers

Average involuntary turnover rate, by career level, as a % of total FTE

- Blue collar: 10.0
- Professional – non-sales: 2.2
- Staff: 2.1
- Professional – sales: 1.9
- Middle managers: 0.6
- Senior managers: 0.4
Invest
With evidence-based decisions

Facts + Evidence = Effective Investment Decisions

And reap the returns....
Human Capital Metrics on the Other Hand…

- Human capital metrics are about the business…not the HR function

Examples of HC metrics that some companies might track:
- # of FTEs
- Total turnover rate
- Employee engagement (survey scores)
## What is the Difference?

<table>
<thead>
<tr>
<th>HR Metrics</th>
<th>HC Metrics</th>
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</thead>
<tbody>
<tr>
<td><strong>“The basics”</strong></td>
<td><strong>“Advanced HR”</strong></td>
</tr>
<tr>
<td>Foundational for managing the HR function effectively</td>
<td>Foundational for managing a <em>business</em> effectively</td>
</tr>
<tr>
<td>Guide the attainment of function goals such as efficiency, speed, and low cost</td>
<td>Guide the attainment of workforce objectives</td>
</tr>
<tr>
<td>Useful for getting the function right</td>
<td>Useful for business planning and problem solving</td>
</tr>
<tr>
<td>Focused on operational control</td>
<td>Focused on strategic control</td>
</tr>
<tr>
<td>Tend to be “upstream” from business strategy</td>
<td>Ideally, closely linked to business strategy and outcomes</td>
</tr>
<tr>
<td>Cost</td>
<td>Value</td>
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</tbody>
</table>
Effective Human Capital Planning requires data and experience in evidence-based analysis and planning

<table>
<thead>
<tr>
<th>Old Way - Reactive</th>
<th>New Way - Proactive</th>
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<tbody>
<tr>
<td><strong>Dashboards for monitoring</strong></td>
<td><strong>Deep-dive analytics</strong></td>
</tr>
<tr>
<td>Counts, rates and tabulations</td>
<td>Proven inferences about cause-and-effect relationships</td>
</tr>
<tr>
<td><strong>WHAT is happening:</strong></td>
<td><strong>HOW to respond:</strong></td>
</tr>
<tr>
<td>– What is our turnover rate?</td>
<td>– Why do people quit?</td>
</tr>
<tr>
<td>– How many promotions did we make?</td>
<td>– Do lateral moves make employees promotable?</td>
</tr>
<tr>
<td>– What are our spans of control?</td>
<td>– What experiences drive employee engagement?</td>
</tr>
<tr>
<td><strong>Uses</strong></td>
<td><strong>Uses</strong></td>
</tr>
<tr>
<td>– Reporting (internal and external)</td>
<td>– Strategy-making</td>
</tr>
<tr>
<td>– Tracking progress toward goals</td>
<td>– Forecasting</td>
</tr>
<tr>
<td>– Monitoring trends</td>
<td>– Problem-solving</td>
</tr>
<tr>
<td><strong>Tools</strong></td>
<td><strong>Tools</strong></td>
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<tr>
<td>Business intelligence tools</td>
<td>Statistical modeling techniques</td>
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Different levels of organizational maturity
Where do you stand?

**Step 1**
“Why is it going on?”
Assess the way things really are

- Hard, quantifiable data &
  external benchmarks

**Step 2**
“What is going on?”
Diagnose the causes of whatever problems exist

- Fact-based analysis approaches
  such as regression, correlation and
  modeling

**Step 3**
“What should be going on?”
Develop forecasting capabilities

- Managerial experience &
  analysis of results

**Step 4**
“What action needs to be taken?”
Develop action plan to solve the problems
### Foundational Analyses: Bringing Together Multiple Data Sources Makes for Powerful Analyses and Dashboards

<table>
<thead>
<tr>
<th>Sample workforce issues</th>
<th>Potential data sources</th>
<th>Sample metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where should we focus recruiting efforts?</td>
<td>External labor market, workforce planning</td>
<td>Gaps between external labor supply and projected demand by key jobs</td>
</tr>
<tr>
<td>Are retention programs having the intended impact?</td>
<td>HRIS, Financial, Operational</td>
<td>Retention rates of high performers &amp; turnover rates of chronic under-performers</td>
</tr>
<tr>
<td>What happens to our critical hires once they join?</td>
<td>Applicant, HRIS</td>
<td>Retention rates and career mobility of critical hires</td>
</tr>
<tr>
<td>How tight is our pay for performance link?</td>
<td>HRIS, Financial, Operational</td>
<td>Merit and incentive distributions by productivity measures</td>
</tr>
<tr>
<td>How can we improve the impact of training?</td>
<td>Training, Customer satisfaction</td>
<td>Customer satisfaction scores by months since employee last took customer training</td>
</tr>
<tr>
<td>How important is it to retain experienced employees?</td>
<td>HRIS, Financial, Operational</td>
<td>Productivity by tenure</td>
</tr>
<tr>
<td>How should we use our employee survey data to drive our business?</td>
<td>HRIS, Employee survey</td>
<td>Turnover rates by intent to quit and productivity by engagement score</td>
</tr>
</tbody>
</table>
CLIENT CASE EXAMPLE #1: FINANCIAL SERVICES ORGANIZATION
Knowing your workforce as well as you know your customers

Case study 1: FinanceCo

Business Challenge

Business design heavily relied on selling additional business to existing customers.

Clients Perceptions/Actions

This company had devoted significant resources to understanding customer needs and expectations.

Little research had been done on the employee side of the equation – effectively, this organization didn’t know what motivated its employees.

Mercer Contribution

Shows the company rewarding newcomers – who did not have strong relationships with existing customers – over incumbents.

This practice was costing the firm $40 million in potential revenue gains per year.

BUSINESS RESULTS

The company shifted human capital practices to develop firm-specific expertise … and build on existing customer relationships. Actions included realignment of pay between new hires and high-performing incumbents, broadbanding to build career milestones and hiring at lower levels to grow from within.
For this organization, years of service was found to be the single biggest driver of financial performance and growth.

- Grow firm-specific human capital (+1 year of service)
- $15M from increased revenue
- 2 percentage points of market share
- $25M from new customers and increased revenue
- Greater market share

...general human capital has no such impact
CLIENT CASE EXAMPLE #2: RETAIL ORGANIZATION
## Using people practices to improve retention and store sales

### Case study 3: RetailCo

<table>
<thead>
<tr>
<th>Business Challenge</th>
<th>Clients Perceptions/Actions</th>
<th>Mercer Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>A regional retail chain recognizes that the company’s store model can be easily copied.</td>
<td>The company is looking to understand and optimize the “people” drivers of store performance -- and do so in a way that competitors cannot copy. With many initiatives and people programs in place: how can they tell which practices really influence sales? How can the company achieve the optimal staffing mix, training level and supervision to maximize sales and reduce employee costs?</td>
<td>Mercer was able to measure the direct impact of various people practices on store performance and retention, after controlling for different influences – such as seasonality, location, inventory, and staffing. By fine-tuning existing staffing practices, the company discovered how it could increase gross sales by over 5%</td>
</tr>
<tr>
<td>If competitors are to successfully mimic elements of their strategy, it could affect the firm’s financial performance. Competition is expected to intensify as the company enters more markets and builds more stores.</td>
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### BUSINESS RESULTS

Instead of “shaking things up” and hoping for the best, the company applies store-specific performance enhancers to reduce waste in staffing and improve sales . . . opening up funds to hire people with critical competencies . . . and encouraging the development of strong store managers.
Statistical analyses focused on three broad categories of drivers of both turnover and sales

**External influences**
- Local unemployment rates
- Distance to work
- Local labor pool (diversity, education, age, income)

**Organizational practices**
- Store attributes
  - Size
  - Supervisor spans of control
  - Promotion rates
  - Turnover rates
  - Age
  - Tenure
  - Diversity
  - Prior year’s sales trends
  - Supervisor promotion rates, turnover rates, age, tenure
  - Non-supervisor promotion rates, turnover rates, age, tenure

**Individual attributes**
- Age
- Gender
- Ethnicity
- Tenure
- Performance ratings
- Compensation (base, variable)
- Job status (exempt / non-exempt, part-time / full-time, supervisor / non-supervisor)
- Participation in training
- Internal mobility (promotions, career level changes)
- Employment status (active, terminated, on leave)
- Hire source (new hire, rehire)
- Location (work, home)
Many factors play a role in retention including pay, overtime, and training.

- 3% pay raise vs 1.5% raise
- 10 hrs of OT vs zero
- First-time hire that month
- Took 3 versus 0 training classes
- Younger (19 vs. 24 years old)
- Younger neighborhood
- Employee is a rehire
- Short (4-6 mo.) vs. long (>1yr) tenure

Employees who get overtime are less likely to leave. A change from zero to ten hours of OT per month decreases an employee's likelihood of leaving by over 60%.
What internal factors drove the sales of goods at RetailCo?

<table>
<thead>
<tr>
<th>Increases store sales</th>
<th>Decreases store sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lots of new hires</td>
<td>• A greater percentage of fulltime employees</td>
</tr>
<tr>
<td>• Pay increases to salespeople</td>
<td>• Store has two floors vs. one</td>
</tr>
<tr>
<td>• Experienced manager</td>
<td>• Location: Southern, Mid-Atlantic or Mid-West vs. Northeast</td>
</tr>
<tr>
<td>• Store is in a mall vs. free standing or in a strip mall</td>
<td>• Higher local unemployment rate</td>
</tr>
<tr>
<td>• More retail employees</td>
<td></td>
</tr>
<tr>
<td>• Higher average employee tenure</td>
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</tbody>
</table>

The models on which these results are based control for individual attributes, organizational factors, and external influences.
How much do external and internal factors influence sales?

- Stores employing 10% more fulltime FTEs than average reduce sales by 1% a month. They would be better served by hiring more part-time FTEs.

The models on which these results are based control for individual attributes, organizational factors, and external influences.
SOME CLOSING THOUGHTS
Some Key Takeaways

- Where is your organization today?
  - HR Metrics vs. HC Metrics
  - Journey vs. Project

- What are your pressing business issues?
  - What metrics should you track?

- Change is hard
  - This will take some time

- Success is out there
  - Lots of shared learnings to leverage
THANK YOU

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SUPPLEMENTARY MATERIALS
CREATING AN ANALYTICS AND PLANNING CENTER OF EXPERTISE
Ownership
Who owns or should own the workforce planning process?

There is no formal ownership or visibility: 7%
Operational HR Manager: 18%
Staffing and Recruiting: 27%
Business HR Leader: 46%
Corporate HR: 54%
Business-Unit Leader: 60%

Bersin & Associates, 2009
Ownership
Shared ownership of the process is good practice

Strategic guidance
- Give strategic guidance and context
- Business scenarios and related workforce solutions
- Manage implementation & communication

Process facilitation
- Facilitate workforce planning process with business managers
- Ensure results, validation & implementation

Process & quality guidelines
- Define workforce planning process, provide guidance & templates
- An objective, single-source of data in workforce planning
- Ensure communication and training of all stakeholders (HR & line)
**Analytics and Planning Center of Expertise**

- Set strategy for workforce analytics and planning programs
- Design common solutions applied across organizational boundaries
- Design specific business unit solutions
- Develop global policies with input from Business Partners
- *Primary customer is Business Partner*
# Analytics COE Competencies

<table>
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<tr>
<th>Leadership Competencies</th>
<th>Partnering Competencies</th>
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<tbody>
<tr>
<td>- Business acumen</td>
<td>- Customer focus</td>
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<tr>
<td>- Visionary leadership</td>
<td>- Relationship building</td>
</tr>
<tr>
<td>- Drive for results</td>
<td>- Negotiation/consensus building</td>
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<tr>
<td>- Delivering functional performance</td>
<td>- Consulting</td>
</tr>
<tr>
<td>- Developing talent</td>
<td>- Committed partner/personal credibility</td>
</tr>
<tr>
<td>- Innovation</td>
<td>- Solutions delivery</td>
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<tr>
<td>- Strategy development</td>
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<tr>
<td>- Global focus</td>
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<table>
<thead>
<tr>
<th>Work-Enabling Competencies</th>
<th>Functional Technical Competencies</th>
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<tbody>
<tr>
<td>- Planning</td>
<td>- Comfort with data analysis</td>
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<tr>
<td>- Analytical thinking</td>
<td>- Knowledge of internal client systems</td>
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<tr>
<td>- Process management</td>
<td>- Grasp of business intelligence concepts</td>
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<tr>
<td>- Communication</td>
<td>- Understanding of SaaS-related systems</td>
</tr>
<tr>
<td>- Adaptability</td>
<td>- Ability to integrate data from multiple systems</td>
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<tr>
<td>- Measurement, assessment, and evaluation</td>
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<tr>
<td>- HR technology utilization</td>
<td></td>
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<tr>
<td>- Flawless execution</td>
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