Analytics Use Case in Organization

Webinair Series

Week 12

APRIL 10TH 2019

- Besides Reporting , monitoring perfomance and regulatory compliance what are the other applications of organizational analytics?

- Budgeting, What if, Forecasting

✓ 1 Can we accurately forecast our workforce needs in the future?

✓ 2 What percent of our workforce is customer-facing or revenue-generating? What is the trend?

✓ 3 Can we model our workforce to optimize cost, profit and productivity?

✓ 4 What is our workforce productivity? Is it higher than peers?

✓ 5 What is the marginal return of one dollar invested in workforce?

✓ 6 Is the ROI on Human Capital higher than other investments?

✓ 7 Is workforce productivity increasing, decreasing or static? How are we performing versus peers?

✓ 8 What is the average time-to-full-productivity for new hires? For new hires in critical roles?

✓ 9 What are predictive indicators of turnover? What percentage of employees are at risk?

✓ 10 Are leaders effectively managing human capital? Do leaders correlate to employee engagement, retention and performance?

✓ 11 What business areas/positions/managers have the highest voluntary turnover? How do we compare to peers?

✓ 12 Where does our best talent come from? Which managers are the best talent scouts and coaches?

✓ 13 What is the cost of turnover to our business?

✓ 14 Are we losing the right people(low performers) or the wrong people(high performers or critical roles/skills)?

✓ 15 Do we know the leading drivers of employee turnover? Do we know the leading drivers of retention?

✓ 16 What is our quality of new hires? Can we measure it?

✓ 17 What recruiting source yields the most high performers? What recruiting source yields the best cultural fits?

✓ 18 Is there a link between employee performance and total rewards? If so, do we know the optimal pay/performance mix?

✓ 19 What is the total pay/rewards differential between high performers and average employees?

✓ 20 Could we offer compensation and benefits that both cost less and engage/retain employees better?

✓ 21 What is our Total Cost of Workforce as a percent of revenue? As a percent of expenses? How do we compare to peers?

✓ 22 What is the ROI of training to the firm? Where could training investments improve productivity and profitability?

✓ 23 Is internal mobility a source of value or turnover and cost? What percent of the workforce moves internally each year?

✓ 24 What percent of the workforce has a defined career path?

✓ 25 What is the link between employee engagement, customer satisfaction, revenue and profits? What are the drivers?

COMPUTERS

SMARTPHONES
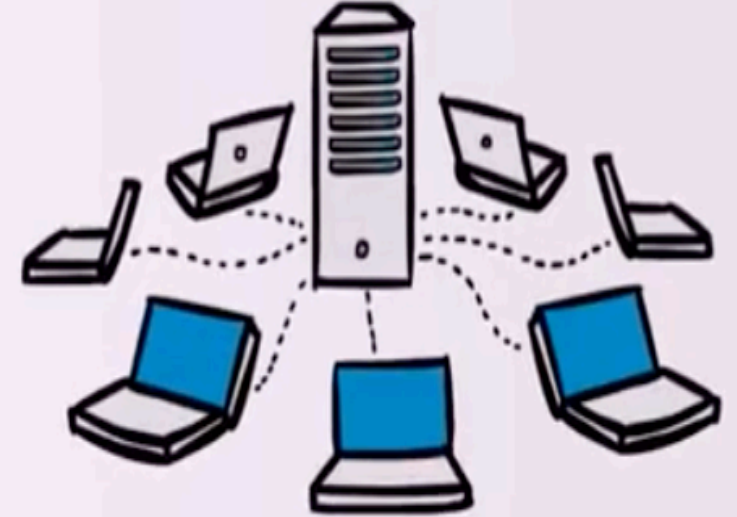
CONNECTED DEVICES

NEW CHALLENGES

TO PROCESS & ANALYZE

AT LESS COST

COMPLEX DATA SETS

PROCESS, STORE & ANALYZE

PREDICTIVE ANALYSIS

ANALYSE **THE PAST.**

TO FORECAST **THE FUTURE**

Large **VOLUME** of data

High **VELOCITY** data

Wide **VARIETY** of data

Reporting in Today's Market Place
Traditional Financial Statements

CEO's often State "Our People Are Our Most Valuable Asset

Financial Statements as used by existing stakeholders

Stakeholder	Use
Company Leadership	Tool for business decision making that may affect an organization's continued operations and annual report to stockholders
Prospective Investors	Assess the success and viability of investing in a business
Financial Institutions (banks and other lending companies)	Decision to lend to a company or extend debt securities
Government Entities (tax authorities)	Verify information accuracy for legal, tax and audit purposes
Vendors who extend credit	Assess business creditworthiness
Media and the **General Public**	Measuring success, branding, other reasons

How do you Stack Up?
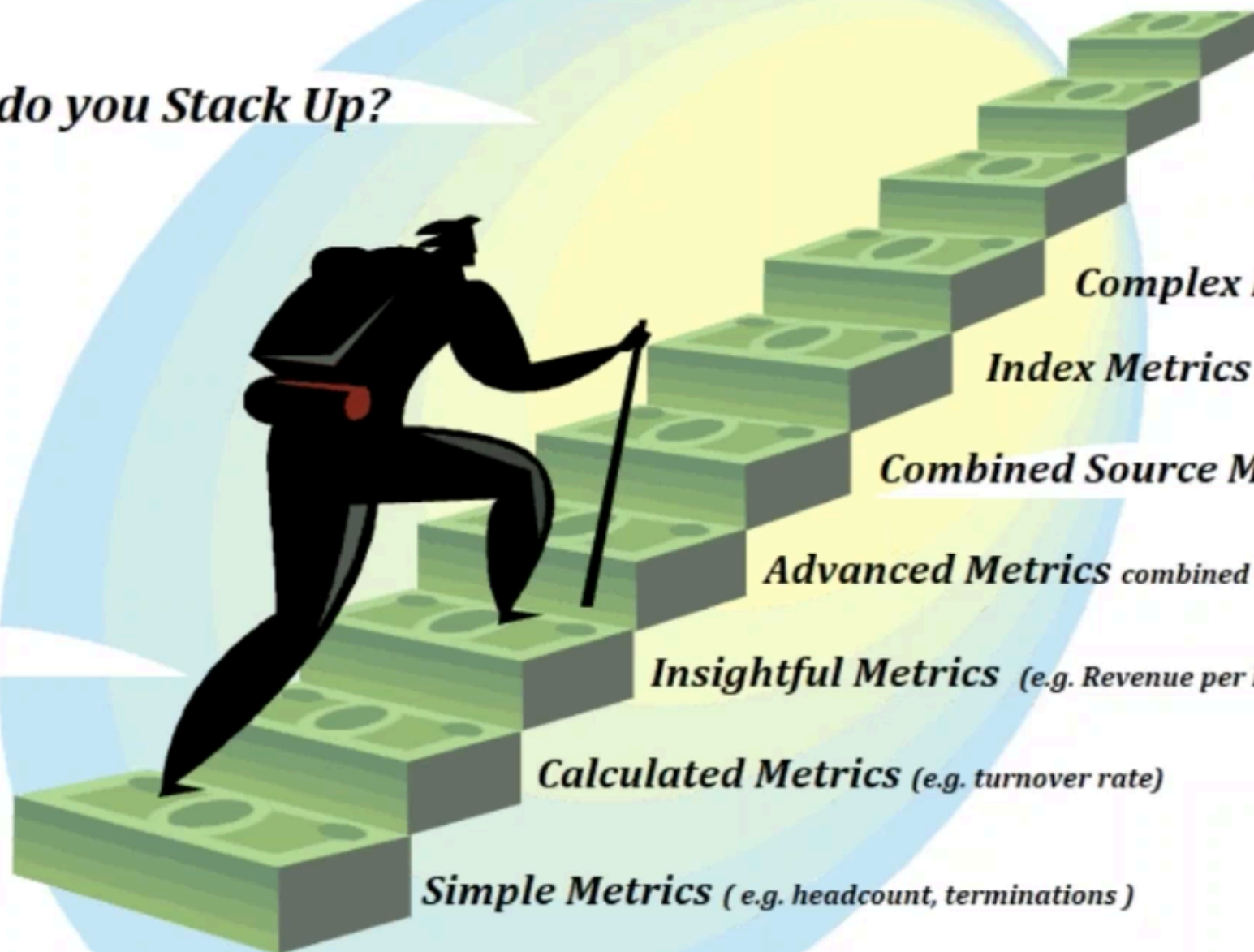
Complex Index Metrics (e.g. Quality of Hire)

Index Metrics (e.g. New hire success rate)

Combined Source Metrics (e.g. Time to profitability)

Advanced Metrics combined calculated metrics (e.g. Career path ratio)

Insightful Metrics (e.g. Revenue per FTE)

Calculated Metrics (e.g. turnover rate)

Simple Metrics (e.g. headcount, terminations)

Base Data - No Metrics

Different Ways to Start Analytics

1. Driven by Crisis, Change, or Need
   - A major company crisis occurs, mergers, acquisitions, and/or reorganization

2. Data Driven
   - What data is currently available

3. Pilot program
   - Select a test group

4. Strategically Driven
   - Align workforce strategies with business strategies

How do we go from **Human Capital** to **Financials** with actionable data?
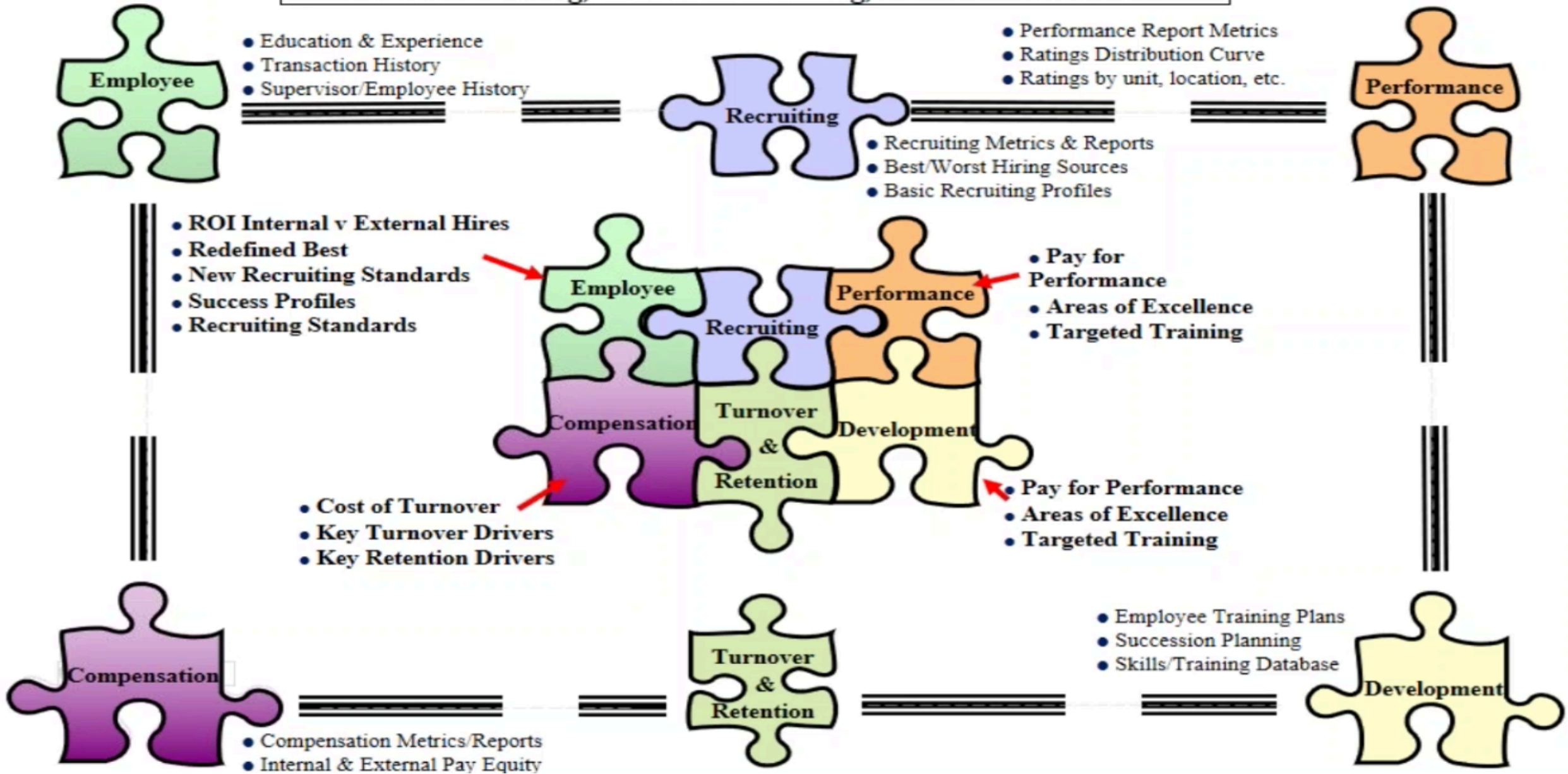
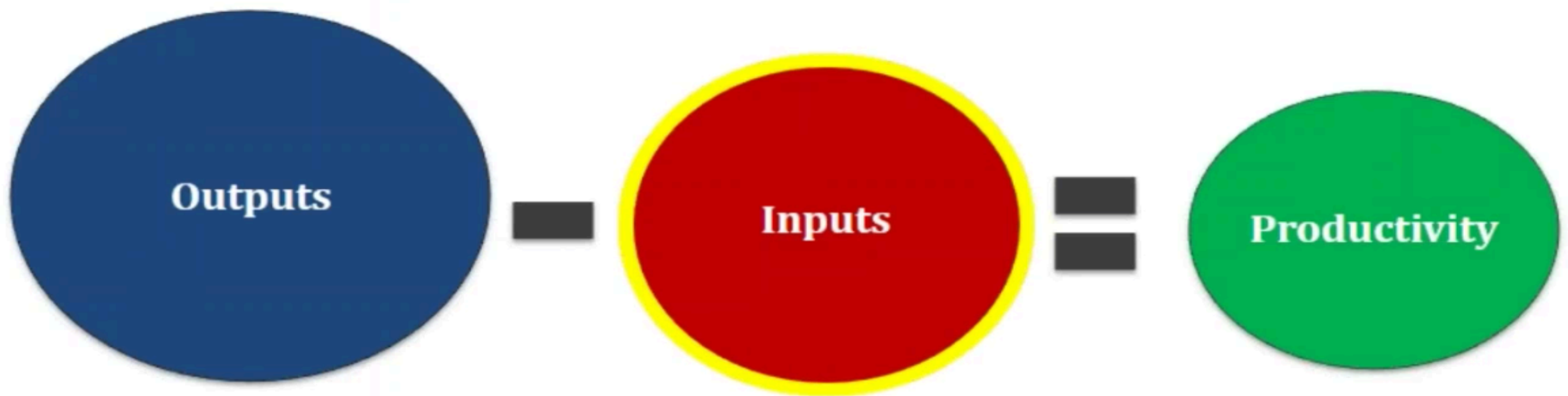# Position Profiling, Predictive Modeling, Fact Based Decisions

Employee
- Education & Experience
- Transaction History
- Supervisor/Employee History

Recruiting
- Recruiting Metrics & Reports
- Best/Worst Hiring Sources
- Basic Recruiting Profiles

Performance
- Performance Report Metrics
- Ratings Distribution Curve
- Ratings by unit, location, etc.

- **ROI Internal v External Hires**
- **Redefined Best**
- **New Recruiting Standards**
- **Success Profiles**
- **Recruiting Standards**

Employee / Recruiting / Performance

- **Pay for Performance**
- **Areas of Excellence**
- **Targeted Training**

Compensation / Turnover & Retention / Development

- **Cost of Turnover**
- **Key Turnover Drivers**
- **Key Retention Drivers**

- **Pay for Performance**
- **Areas of Excellence**
- **Targeted Training**

Compensation
- Compensation Metrics/Reports
- Internal & External Pay Equity

Turnover & Retention

Development
- Employee Training Plans
- Succession Planning
- Skills/Training Database

Outputs − **Inputs** = **Productivity**

Outputs	Inputs	Productivity
• **Revenue (Budget)**	• **Labor Costs (Workforce)**	• **Profit**
• Units of Production	• Material Costs	• Quality
• New Products	• Time/Speed	• Efficiency
• Inventions/IP	• Overhead (Labor/Other)	• Satisfaction
• Technology/Assets	• Technology, Process & Tools	

Workforce productivity is the amount of goods, services, production or work units produced in a given amount of time with a given amount of inputs.

Advanced Productivity Analysis

Competitive Insights
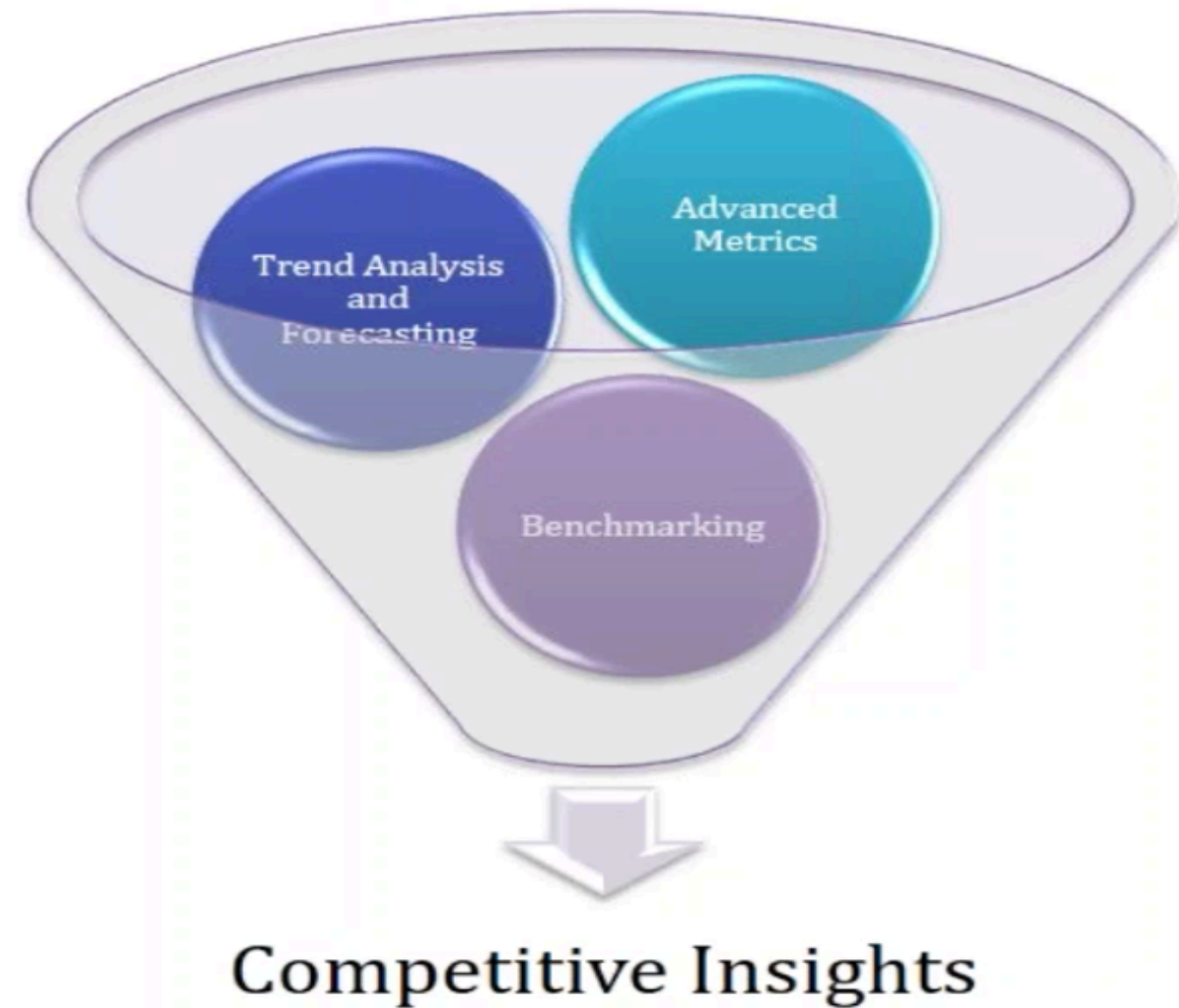
- **Advanced Metrics**
  - What is the ROI of our investment in the workforce?

- **Trend Analysis and Forecasting**
  - Is our productivity increasing, decreasing or remaining static?

- **Benchmarking**
  - Compared to competition, are we leading or lagging?

- **Detailed Workforce Modeling and Hypothesis Testing**
  - Segment workforce into groups
  - Link workforce metrics to ROI
    - Talent management lifecycle
  - Start with top workforce questions

Value Creation in Today's Marketplace

HUMAN CAPITAL
MANAGEMENT INSTITUTE

Are we managing the right things, or just measuring what we know how to measure?

Tangible Assets/Value

Measures are well established for modern Finance as a Decision Support Science
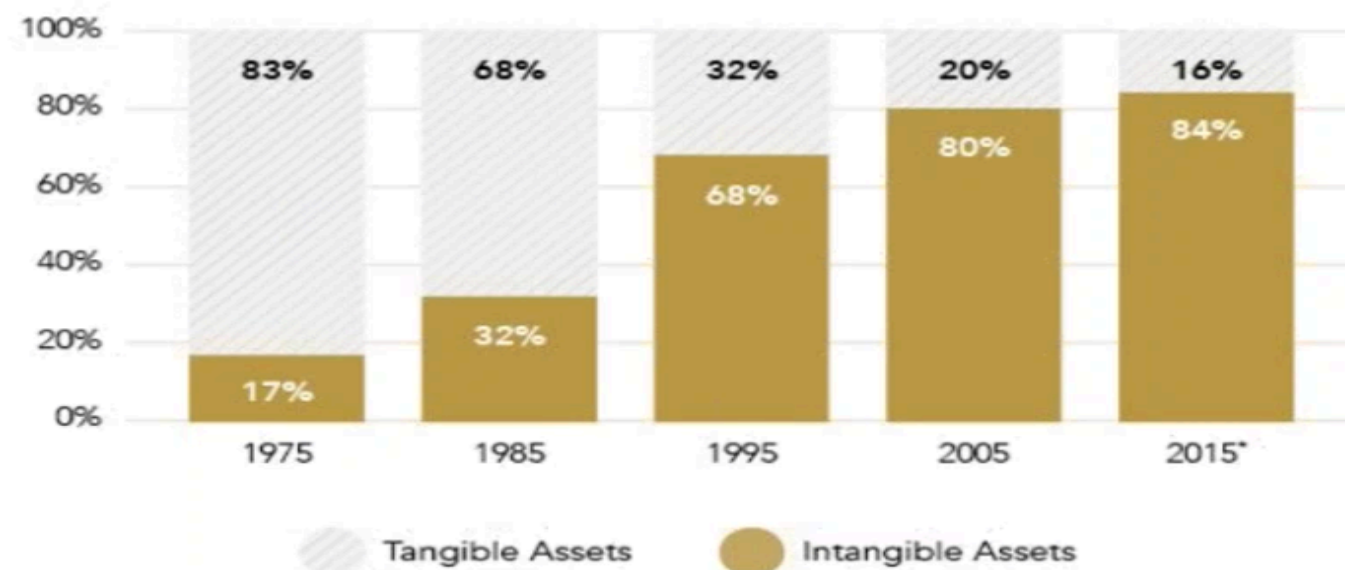
⬆ **Easy to Measure**

VS.

⬇ **Hard to Measure**

Intangible Capital Value

Market value driven by factors not on a balance sheet

"Intellectual or Human Capital"

COMPONENTS *of* S&P 500 MARKET VALUE

Year	Tangible Assets	Intangible Assets
1975	83%	17%
1985	68%	32%
1995	32%	68%
2005	20%	80%
2015*	16%	84%

Tangible Assets — Intangible Assets

SOURCE: OCEAN TOMO, LLC
*JANUARY 1, 2015

• *Human Capital = employee knowledge, training, productivity, experience, culture, leadership, development, performance, creativity, etc.*

Total Cost of Workforce (TCOW)

Total workforce direct business costs + HR, including:

Total Cost of Workforce	**=**

+ **Employee compensation** (salaries/wages, incentives, overtime, equity & other pay)

+ **Contingent temporary/contract labor** (costs)

+ **Employee benefits and perks** (costs)

+ **HR function** (costs e.g., recruiting, training & support)

+ **Retiree or inactive workforce costs*** (costs)

Why is it important?

■ Revenue ■ TCOW

- **1% TCOW savings at a Fortune 500™ co. = $30 million**
- Workforce costs are the largest cost (average 70% of operating expenses)
- What gets poorly measured gets poorly managed

The Bottom Line: Controlling Workforce Costs = Controlling Productivity

What is Human Capital Analytics?
Human Capital Analytics = Workforce Analytics

1. **Identify Top Workforce Trends and Questions** Identify company pain points, key questions, and strategy.

2. **Develop Hypotheses** About critical workforce issues and potential root causes.

3. **Assess and collect data** Identify data availability to test hypotheses. Merge data from multiple sources including HR, financial, customer and operational data.

4. **Data Consolidation, Preparation, and Analysis** Utilize simple and complex metrics. Apply descriptive statistics, trend analyses, visualization, financial and statistical modeling.

5. **Link to Business Outcomes** Including revenue, profits, and costs. Calculate ROI and workforce productivity.

The Analytics and Planning Journey

Roadblocks and Pitfalls on the Path

- Data Gaps, Inconsistent Data
- Executive Support
- Standards/Governance
- Job Framework/Mapping
- Resources and Analytic Skills
- Data Integration
- System/Tool Limitations
- ROI and Success Stories

World Class Analytics Data Driven Decisions!

Avoid Analytics Journey Pitfalls

Start

■	Analytics journey steps
■	Pitfalls along the way
▭	Journey path and goal