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WORKFORCE & ANALYTICS: UNDERSTANDING & LEVERAGING METRICS IN HUMAN RESOURCES

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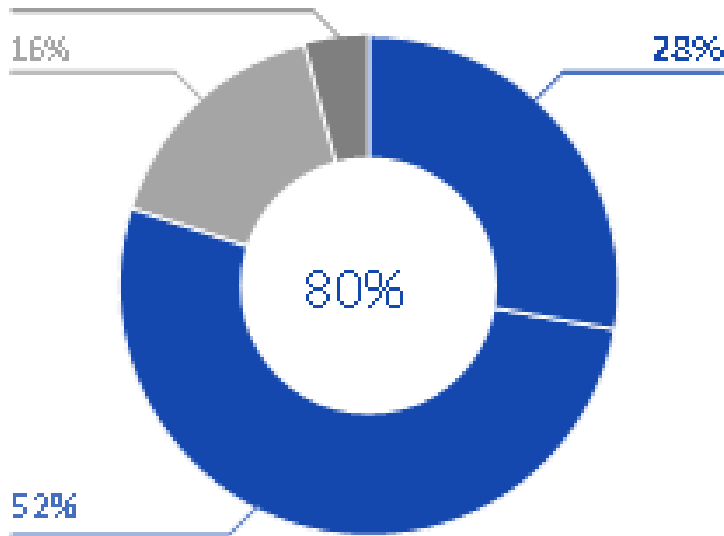
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HR SHOULD UNDERSTAND THE RISKS AND REWARDS OF USING DATA ANALYTICS

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RA-0SFJUV1UJGW6XKZYHOFM](https://youtu.be/JFGGX22BBIQ?list=PLJQBMODB5VRA-0SFJUV1UJGW6XKZYHOFM)

Big data is changing the employment landscape, and HR professionals who embrace data analytics as they examine employee behaviors and preferences have a great opportunity to improve productivity in the workplace, as long as they do it with an understanding of the risks. Read the full story: <https://www.shrm.org/hr-today/news/hr-news/conference-today/Pages/HR-Should-Understand-the-Risks-and-Rewards-of-Using-Data-Analytics-.aspx>

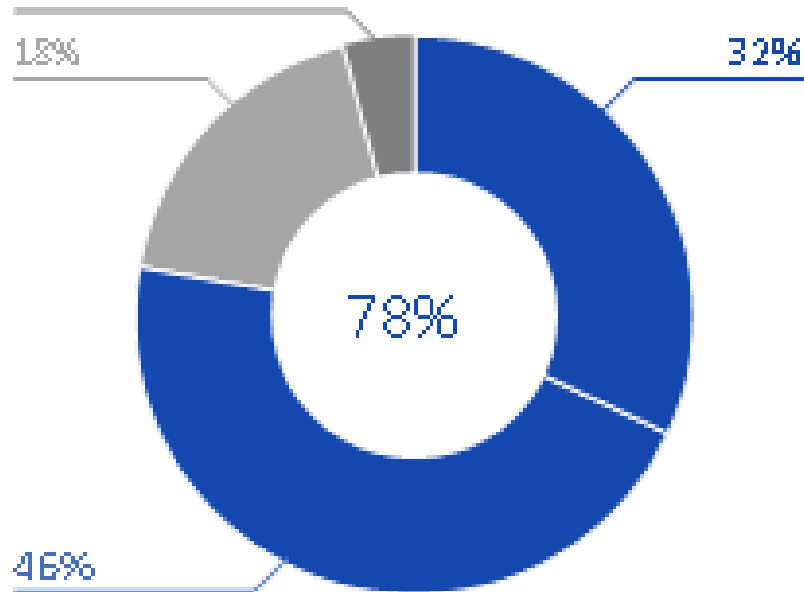
The “datafication of HR” is accelerating, driven by the critical need to create better business outcomes using evidence-based workforce decisions. In 2015, Harris Poll (on behalf of Visier) surveyed 301 corporate executives across America, asking them for their view on the changing role of HR leadership.



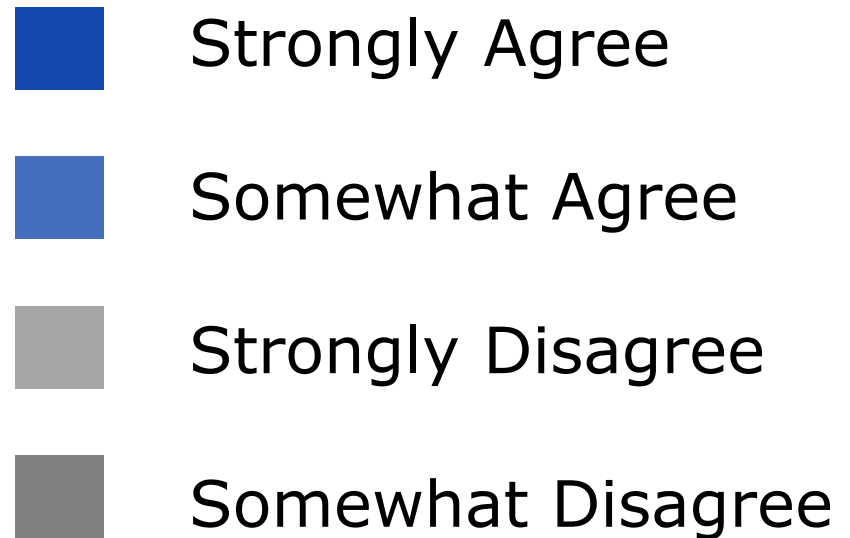
- Strongly Agree
- Somewhat Agree
- Strongly Disagree
- Somewhat Disagree

80% said their company could not succeed without an assertive, data-driven CHRO, who takes a strong stance on talent issues and uses relevant facts to deliver an informed point of view.

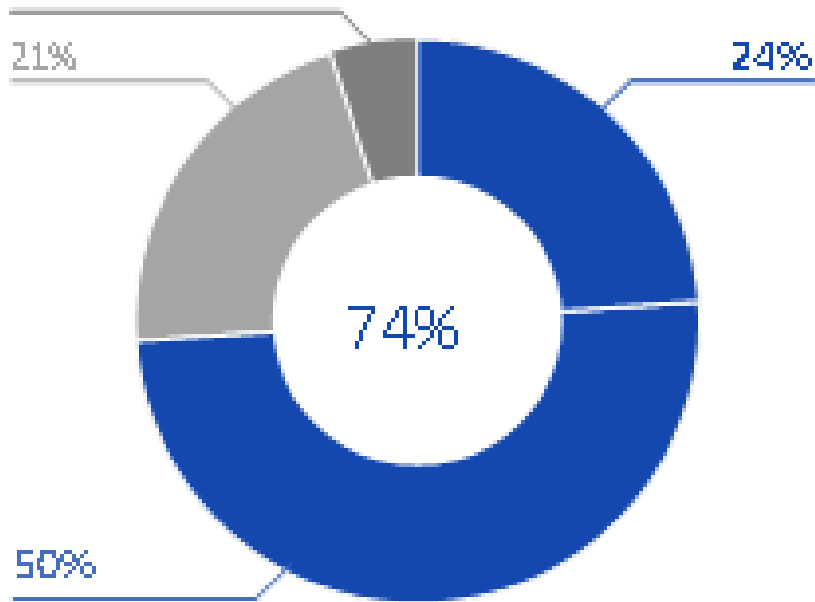
The “datafication of HR” continued



78% said their company could not succeed without a CHRO who takes on responsibility for contributing directly to business performance.



The “datafication of HR” continued



74% said their company’s HR organization needed to be more data-driven (i.e., fact-based) in workforce decision-making.

- Strongly Agree
- Somewhat Agree
- Strongly Disagree
- Somewhat Disagree

DRIVING RESULTS IN TALENT ANALYTICS

- Step 1: Ask the Right Questions
- Step 2: Identify the Right Method to Answer That Question
- Step 3: Locating of Generating the Data to Answer the Question
- Step 4: Effectively and Appropriately Analyzing the Data
- Step 5: Developing Insight Based on the Analysis
- Step 6: Taking Action Based on That Insight
- Step 7: Measuring Results to Determine Whether Your Action Was Effective

Source: *Getting Results with Talent Analytics*, People + Strategy, Volume 40 | Issue 3 | Summer 2017

KEY STRATEGY: ASSIGN METRICS TO ENSURE ACCOUNTABILITY

You may get CEO buy-in at the outset, but your program will be short-lived if you can't show with hard, quantifiable numbers that your program improves the business.

"HR, with its understanding of human capital dynamics, is uniquely positioned in the organization to ensure the workforce is aligned with the needs of the business at the optimal cost. However, HR's journey to workforce analytics has been a costly, time-consuming, and highly technical undertaking - causing many organizations to become stuck in neutral." – Josh Bersin, Bersin by Deloitte

THINK & SPEAK LIKE AN EXECUTIVE

Address C-level priorities when making your case. Your CEO is already juggling numerous concerns: customers, company performance, strategy, changing regulations, compliance—ultimately, business outcomes. Think about what results would make your talent management initiatives worth the risk to implement. What would they need to see to convince them of the value of your program? More revenue? Reduced costs? Increased productivity?

UNDERSTANDING DATA ANALYTICS & METRICS

Predict stuff—such as what is the likelihood an employee will quit in the next six months?

Classify stuff—including which groups of employees are likely to innovate or collaborate effectively.

Identify patterns—such as whether there is evidence to suggest that wage and hour data have been tampered with?

TRANSLATE HR TALK INTO NUMBERS

A 25-page proposal explaining, in HR lingo, every facet of your great new talent programs isn't going to cut it. Any proposal must be compelling but also streamlined enough to keep your CEO's attention.

Lead with business value. Go beyond anecdotal data and communicate the concrete business benefits of your program. For example, clearly show how your engagement initiatives will result in higher retention, or however else they'll improve the bottom line.

DEFINE THE TALENT YOU'LL NEED TO MAKE THE BUSINESS STRATEGY SUCCESSFUL

What are the key goals for your organization over the next three to five years? Growing revenue, increasing margins, entering new markets, creating new services? Map out what positions—and how many and at what cost—will be needed to execute your organizations goals successfully.

IDENTIFY THE CHALLENGES YOU EXPECT IN FINDING THE TALENT

You know what talent you're going to need. What's going to stand in the way of finding it? Is your company launching a new product that requires training for your employees? Use your deep talent management expertise to identify all potential building stumbling blocks.

QUANTIFY HOW YOU'LL MEET THOSE CHALLENGES

How are you going to ensure you have skilled, available workforce? Are you recruiting? Moving internal talent? Will you need development programs to train employees moving to the new area? Be specific and tangible in how you'll conquer those challenges.

Let's review some examples

SAVINGS FROM IMPROVING EMPLOYEE RETENTION

- Calculate your expected savings achieved by reducing voluntary turnover – broken out by non-exempt and exempt labor, using industry standard cost factors that include recruitment, training, loss of productivity, and new hire costs.

SAVINGS AND GAINS FROM CONNECTING EMPLOYEE ENGAGEMENT TO BUSINESS RESULTS

- Show how engagement relates to revenue
- Know what workforce levers to pull to increase engagement, which in turn will improve profits
- Be able to measure the results of your workforce initiative in terms of business outcomes, such as customer satisfaction
- To get a more tangible number for savings, you can consider absenteeism, which is a leading indicator of employee engagement issues.

GAINS FROM HIRING MORE TOP TALENT

Bad hires are expensive. A study by the Society of Human Resource Management (SHRM) estimates that the cost of a bad hire can be as high as 5x the salary. McKinsey & Co has found that a top performer can deliver 40-67% more to the business than an average performer.

- Show how much more does a high performer generate annually than an average performer?

SAVINGS FROM AVOIDING THE COSTS OF BUSINESS INTELLIGENCE (BI) TOOLS

A traditional approach to analytics has been to invest in business intelligence (BI) toolsets to implement a custom-built solution for workforce analytics. However, this approach has number of shortfalls related to costs, complexity, and constrained capabilities. According to Gartner, 70-80% of corporate BI projects fail, and over 50% of data warehousing projects fail.

- Does the solution come pre-built with all metrics, analytics, and capabilities where no development is required on your part?
- Does the solution include unlimited, turnkey data onboarding and management done for you and throughout the contract, at no additional cost?
- Is the solution proven to be up and running with your data in a short timeframe, to allow for quick time value?

SAVINGS AND GAINS FROM IMPROVING THE EFFECTIVENESS OF YOUR ANALYTICS TEAM

- Does your solution reduce or eliminate data management responsibilities so your HR team can focus on high-value analysis rather than the lower-value activities of data searching and entry?
- Does your solution let analysts quickly slice and dice data, filter analysis populations, and perform advanced analysis with limited or no manual data crunching?
- Does your solution let you easily create and securely share online reports and dashboards, which are auto-updated with the latest data, allowing you to scale your internal client base?

WORKFORCE ANALYTICS



Mitigates collecting volumes of data or “analysis paralysis”



Improves vital decisions about talent and helps address workforce challenges



HR METRICS: DAYS TO FILL

Number of days from opening of job requisition to acceptance of offer

- Helps HR determine a realistic amount of time for hiring new employees
- Helps managers plan how to best redistribute work
- Supports resource and budget planning

Emphasizing speed may
increase recruitment costs
and
decrease quality of hire.

HR METRICS: ATTRITION

- Loss of employees for reasons other than firing and other employer-initiated events
- Implies that an employer has no direct control over how many personnel are lost to employee attrition

It is important to understand **why** employees leave, not just the fact that they leave.

HR METRICS: WORKFORCE REPORTING

Head count	Indicates the number of people on the organization's payroll at a particular time.
	Calculating average head count over a year provides a representation of the average number of employees the organization requires.
Group and Subgroups	Divides and subdivides employees into categories (e.g., executive, manager, staff, trainees, contractor, status)
	Knowing composition of the workforce helps planning diversity and operational requirements.
Demographics	Provide basic statics and characteristics about employee groups (e.g., age, occupation, income).
	Demographic trends provide important metrics for HR planning and forecasting

HR METRICS: COST PER HIRE

$$\text{Cost per hire (CPH)} = \left[\frac{\sum (\text{External costs}) + \sum (\text{Internal costs})}{\text{Total number of hires in a time period}} \right]$$

SHRM/ANSI standard that addresses problems with variability in the traditional cost-of-hire measure (total costs divided by number of new hires)

Differentiates between internal and comparable CPH metrics:

- Cost per hire, internal (CPHI)
- Cost per hire, comparable (CPHC)



HR METRICS: COST PER HIRE

Recruitment cost ratio (RCR)

$$\frac{\text{External costs} + \text{Internal costs}}{\text{Total first-year compensation of hires in a time period}} \times 100 = \frac{\$200,000}{\$2,000,000} \times 100 = 10\%$$

Yield ratios

$$\frac{\text{Qualified applicants}}{\text{Total applicants}} = \frac{100}{300} = 33\%$$

$$\frac{\text{Offers extended}}{\text{Qualified applicants}} = \frac{5}{15} = 33\%$$

$$\frac{\text{Minority applicants}}{\text{Total applicants}} = \frac{80}{300} = 27\%$$

$$\frac{\text{Offers extended}}{\text{Final interviews}} = \frac{5}{10} = 50\%$$

$$\frac{\text{Female applicants}}{\text{Total applicants}} = \frac{185}{300} = 62\%$$

$$\frac{\text{Offers accepted}}{\text{Offers extended}} = \frac{3}{5} = 60\%$$

HR METRICS: COST PER HIRE EXAMPLE

AVERAGE COST-PER-HIRE FOR COMPANIES IS ABOUT \$4,100, SHRM SURVEY FINDS

The average cost-per-hire is about \$4,100, while the average time it takes to fill a given position is 42 days, according to the Society for Human Resources Management's (SHRM's) new *Human Capital Benchmarking Report*.

In terms of employee retention, the average employee tenure is eight years, the annual turnover rate is 19 percent and the involuntary turnover rate is 8 percent. These statistics remained stable when compared to last year's findings.

The report analyzes data collected from the SHRM Human Capital Benchmarking Survey in 2016. The survey of 2,048 respondents measured employment, retirement, compensation, employer-paid tuition and other people metrics. The data was collected from February to April 2016 and reflect fiscal year 2015. Metrics from this report are useful to organizations as they evaluate their own operations and practices and can be customized to meet specific needs.

METRICS & WORKFORCE ANALYTICS FOR CONSIDERATION



COMMON COMPENSATION METRICS

Metric	Description	Formula
Compensation ratio	Relationship of current salaries to the midpoints of the salary ranges	
Strategic value: Allows managers to consider if employees are being paid appropriately on the basis of their skills, experience, and performance		
Total company compensation expense	All costs associated with employment, including salaries, overtime, benefits, and bonuses	
Strategic value: Helps an organization manage the costs associated with human capital, including evaluating the use of fixed versus variable compensation		

COMMON BENEFITS MATRIX

Metric	Description	Formula
Benefits costs as a percentage of total payroll costs	Reflects the total costs of benefits divided by the total payroll costs for the organization.	
Strategic value: Pay and benefits together make up organizational wage costs. This metric identifies the proportion of benefits costs.		
Health-care expense per employee	Measures the health-care expense per employee for a given fiscal year. Total expenses include employee- and company-paid premiums, stop-loss insurance, and administrative fees	
Strategic value: This measurement can show per-capita cost of employee benefits (e.g., the average per person).		

“A growing number of corporate boards, CEOs, and CHROs understand that by applying data-driven solutions to improve decisions about talent, they can improve revenues and profits.”

Source: *HR Joins the Analytics Revolution*, The Harvard Business Review



Elements	Sample Elements ("What do we mean when we say...")	
Leadership	<ul style="list-style-type: none"> • Strategy contribution • Role in innovation • Role in talent • Enterprise thinking • Developing teams 	<ul style="list-style-type: none"> • Leading teams • Being an effective team member • Setting priorities • Decision-making
Management	<ul style="list-style-type: none"> • Accountability vs. micromanagement • Resource allocation • Meeting effectiveness • Time management 	<ul style="list-style-type: none"> • People development • Leading teams • Being an effective team member
Operational	<ul style="list-style-type: none"> • Capital allocation • Success metrics for innovation • Compensation and performance management 	<ul style="list-style-type: none"> • Innovation at the core or on the periphery • Talent sourcing • Responses to failures

ADDITIONAL RESOURCES

- 1 Gary Beach, "Talentism Is the New Capitalism". Wall Street Journal July 17, 2014 Accessed March 31, 2015 at <http://blogs.esj.com/cio/2014/07/17talentism-is-the-new-capitalizm>.
- 2 Deshpande, Anissa "Building The Case for Talent Management" ERE Media. Webinar date: March 19, 2015 <https://vimeo.com/122802916>
- 3 Building Your Business Case for Workforce Intelligence. Visier
- 4 Compliance Metrics Handbook. Convercent© 2016



FERNÁN'S RECOMMENDED LIST OF METRICS

- Number of times and how often Code and policies are reviewed and/or updated
- Number & nature of Code and policy violations
- Culture surveys & knowledge assessments results
- Training reach, medium frequency & completion rates
- Reach, medium, frequency & engagement rates of compliance communications
- Training program update rates
- Post-training test results
- Number and nature of incidents by employees who have completed training
- Reporting rates, known and anonymous/1,000 employees by reporting channel
- Retaliation report trends, including the number of reports of retaliation

FERNÁN'S RECOMMENDED LIST OF METRICS

- Trends by location or department, or specific employees generating higher than average reports of retaliation
- Incident categories, including emerging risk areas
- Trends following policies updates or releases
- Training or communication campaigns
- Categories driving top risks
- Source of hotline awareness
- Knowledge assessments
- Q&A's forums and/or focus groups
- # of investigations (active and closed)
- Length of time to investigate and resolve issues
- Disposition of cases and fees associated with any settlements, litigation or penalties

FERNÁN'S RECOMMENDED LIST OF METRICS

- The risk areas and compliance initiatives to each case
- Background check rates by seniority level, business unit, department or geographic location
- Conflict of interest disclosures rates by seniority levels, business unit, dept or geographic location
- The number, type and amount of gifts and entertainment given, received and offered by or to employees
- # and type of misconduct reports relate to conflicts of interest or improper gifts
- # of Surveys; when/how often they are distributed (monthly, annually, etc.)
- Employee retention
- Anonymous online reviews (positive and negative)
- Company and leadership reputation (internally and externally)

RESEARCH & RESOURCES

- 1 Gary Beach, "Talentism Is the New Capitalism". Wall Street Journal July 17, 2014 <http://blogs.esj.com/cio/2014/07/17talentism-is-the-new-capitalizm>.**
- 2 Deshpande, Anissa "Building The Case for Talent Management" ERE Media. Webinar date: March 19, 2015 <https://vimeo.com/122802916>**
- 3 Building Your Business Case for Workforce Intelligence. Visier**
- 4 Future Proof Your Organization with These 8 Manager Effectiveness Metrics, Jan Cook, Visier, 2017**
- 5 Compliance Metrics Handbook. Convercent© 2016**
- 6 HR Analytics: It's Not A Fad It's The Future, Thomas Rasmussen & Dave Ulrich**
- 7 The Time to Fill Fact Book, Icims**
- 8 The Promising State of Human Capital Analytics, The Institute for Corporate Productivity (i4cp)**
- 9 Using People Analytics to Drive Business Performance, Carla Arellano, et al, McKinsey & Company 2017**
- 10 A Metric Other Than Time by Andrew McIlvaine, LRP Publications, 2017**
- 11 4 Powerful Applications of Big Data in HR, TLNT, 2017**

You can tie engagement to a variety of metrics, tracked at a location, department, or employee level. Here are a few examples:

- ✓ **Turnover**
- ✓ **Sales**
- ✓ **Customer Satisfaction**
- ✓ **Workplace Safety**
- ✓ **Financial or Operating Performance**
- ✓ **Health Outcomes**
- ✓ **Absenteeism**
- ✓ **R&D Spend**
- ✓ **Bonuses**
- ✓ **Product Quality**

QUESTIONS



THANK YOU

