

PwC Saratoga

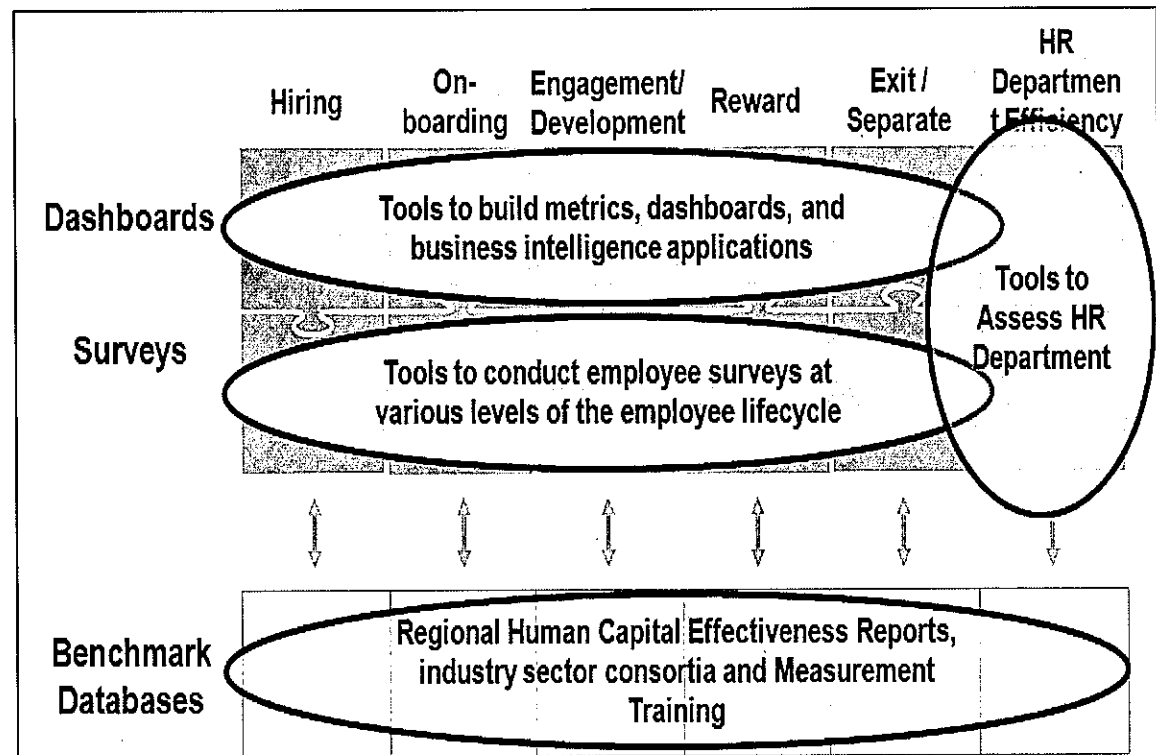
Workforce Measurement

Selecting the RIGHT metrics and answering the SO WHAT

PwC Saratoga Overview

PwC Saratoga teams with executives and HR Departments that wish to maximize the value of their workforce and make a significant impact to corporate value. We help clients apply a more rigorous, evidence-based approach to decision making. PwC Saratoga provides:

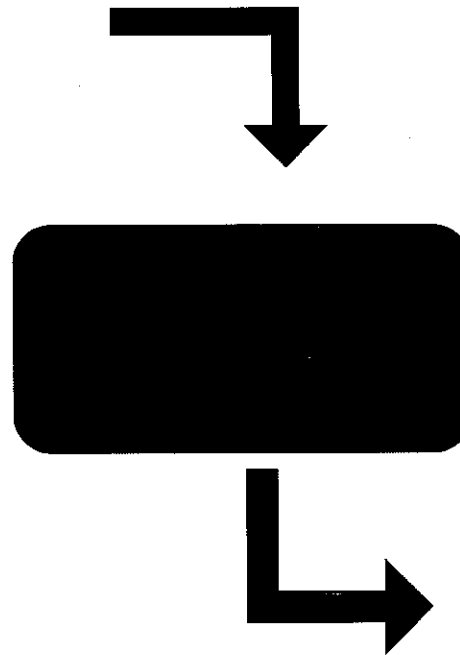
- Dedicated team of workforce research consultants
- Series of tools and methodologies for assessing workforce and HR effectiveness
- Unique Intellectual Property and databases to support metrics and employee surveys, and to take action on it
- Stand-alone services and bundled services with PwC People- and HR-related service offerings



Why should your HR organization invest time and resources in measuring?

On average, it takes \$26 in labor cost to generate \$100 in revenue =
Return on workforce investment (ROWI)

The \$26 mentioned above accounts for cash compensation and benefits. Annual labor investments can be defined specifically for your organization.



What the organization gets out of the workforce is “work.” How to measure this output varies from organization to organization (e.g., revenue, operating income, widgets, customers managed, etc)

Understanding how HR influences both elements of ROWI is critical to demonstrating HR’s impact to the organization

The Big Question.... Which ones matter the most?

Consultant answer: It Depends. There isn't a "magical" set that works for all organizations

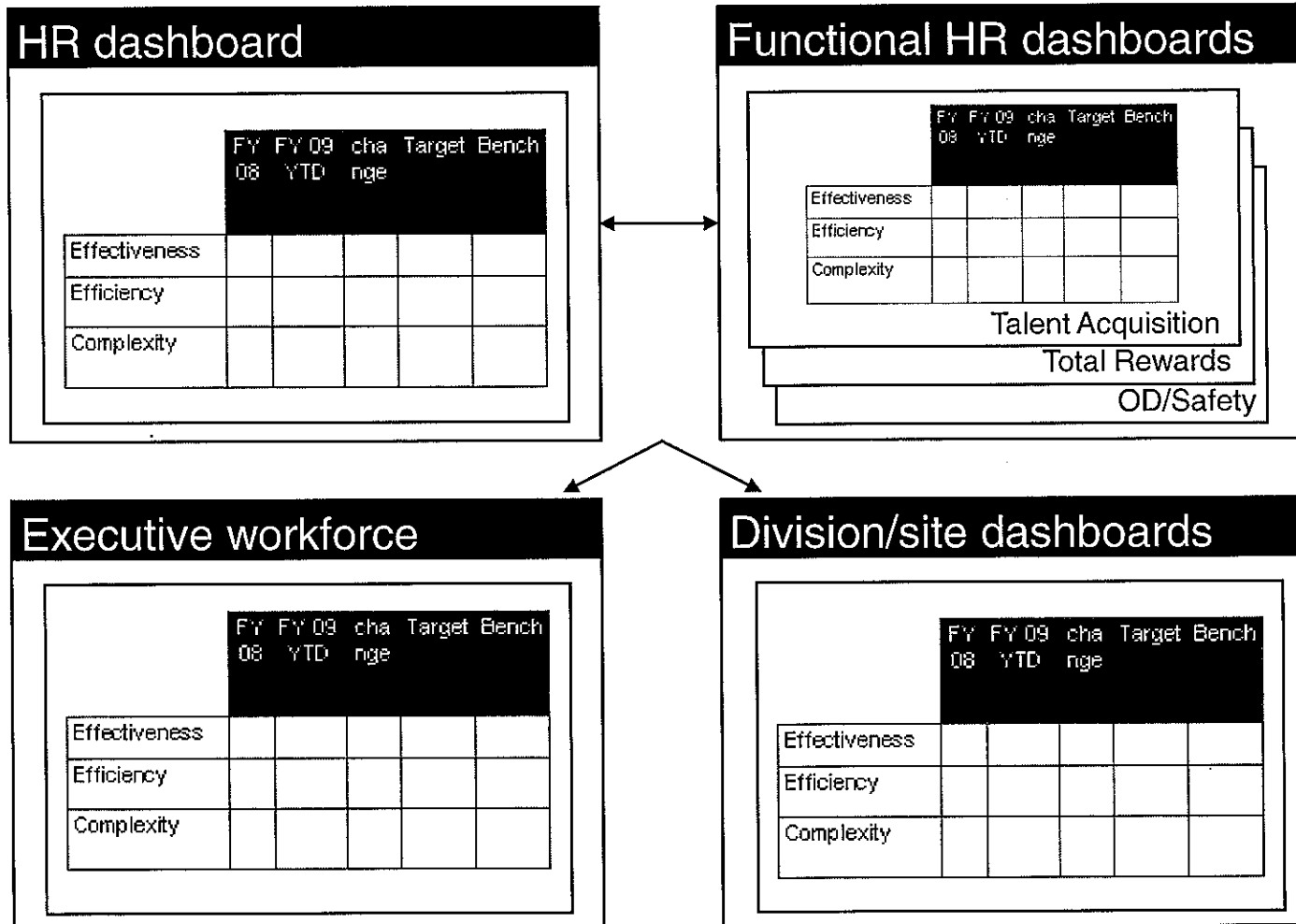
Productivity	Leadership	Compensation	Turnover	Workforce Quality
<ul style="list-style-type: none">• Revenue per FTE• Profit per FTE• Human Capital ROI• Labor Cost as a Percent of Revenue• Percent of Employees Eligible for Retirement• Organizational Layers• Sick Days per FTE	<ul style="list-style-type: none">• Succession Pipeline Depth• Key Roles with 1 or More Successors• Pipeline Utilization• Management Span of Control• Executive Span of Control• Average Tenure in Current Management Position	<ul style="list-style-type: none">• Labor Cost per FTE• Compensation Costs per FTE• Performance Pay as a Percent of Compensation• Benefit Cost per Employee• Benefits costs as a percent of Compensation• Health Care Costs per Employee• Retirement Costs per Employee• Compa Ratio	<ul style="list-style-type: none">• Separation Rate• Voluntary Separation Rate• Separation Rate by Length of Service• Separation Rate by Staff Class – Exempt vs. Non-Exempt• Severance Pay per Employee	<ul style="list-style-type: none">• High Performer Separation Rate• Low Performer Separation Rate• 90 Day Separation Rate• First Year Turnover Rate

How should your organization select metrics?

Important Questions to Consider

1. Is this a “one- off” report? Or is the goal to build a dashboard?
2. Who is the intended audience?
3. How many metrics does this audience intend to review? And how often?
4. Are our metrics linked to our core HR and organizational strategies?
5. Are we collecting too many metrics?
6. Are our metrics actionable? Are they predictive in any way?
7. Do we follow consistent standards for all of our metrics?
8. How reliable is our data?

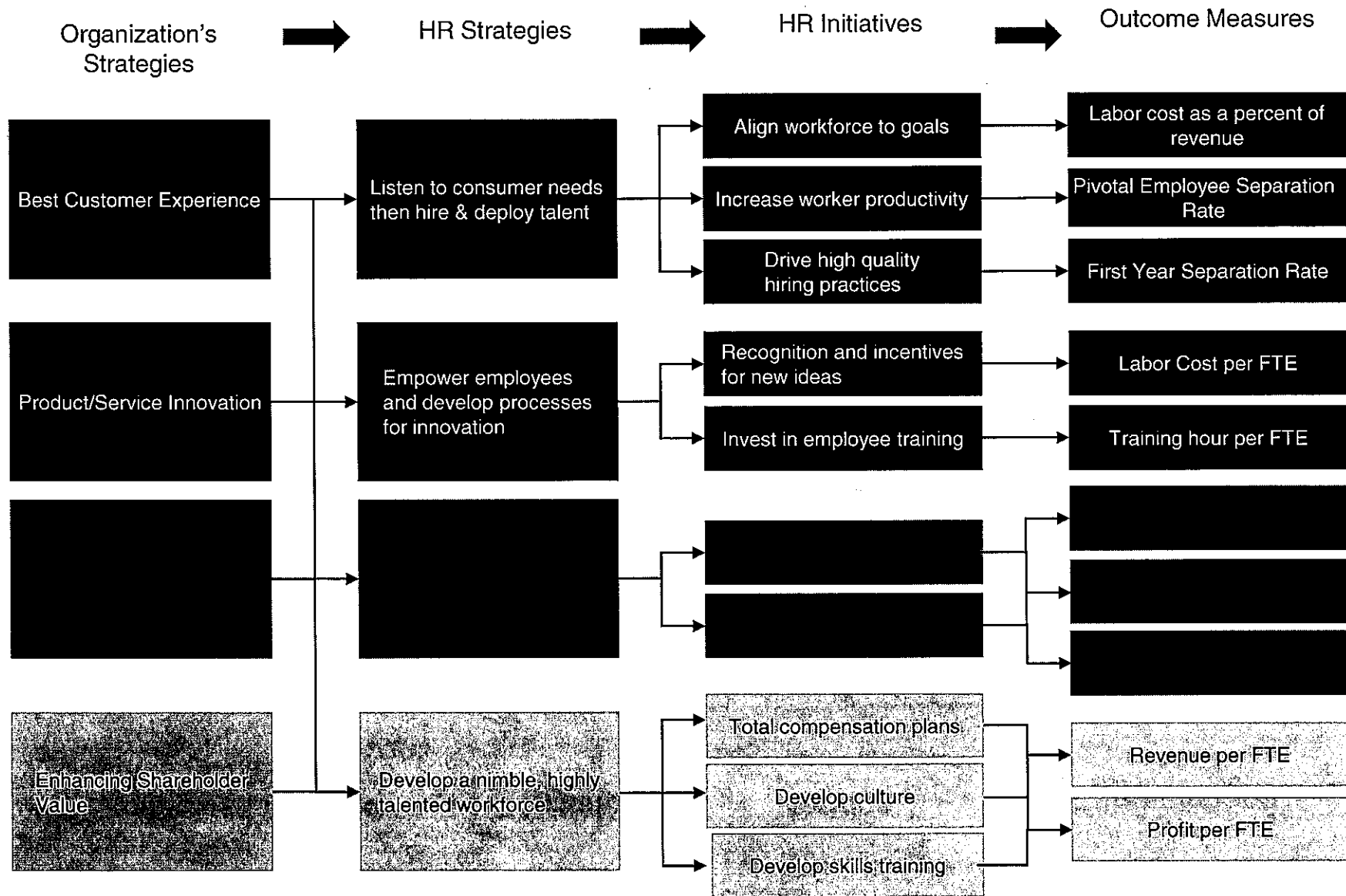
Thinking through your dashboard requirements



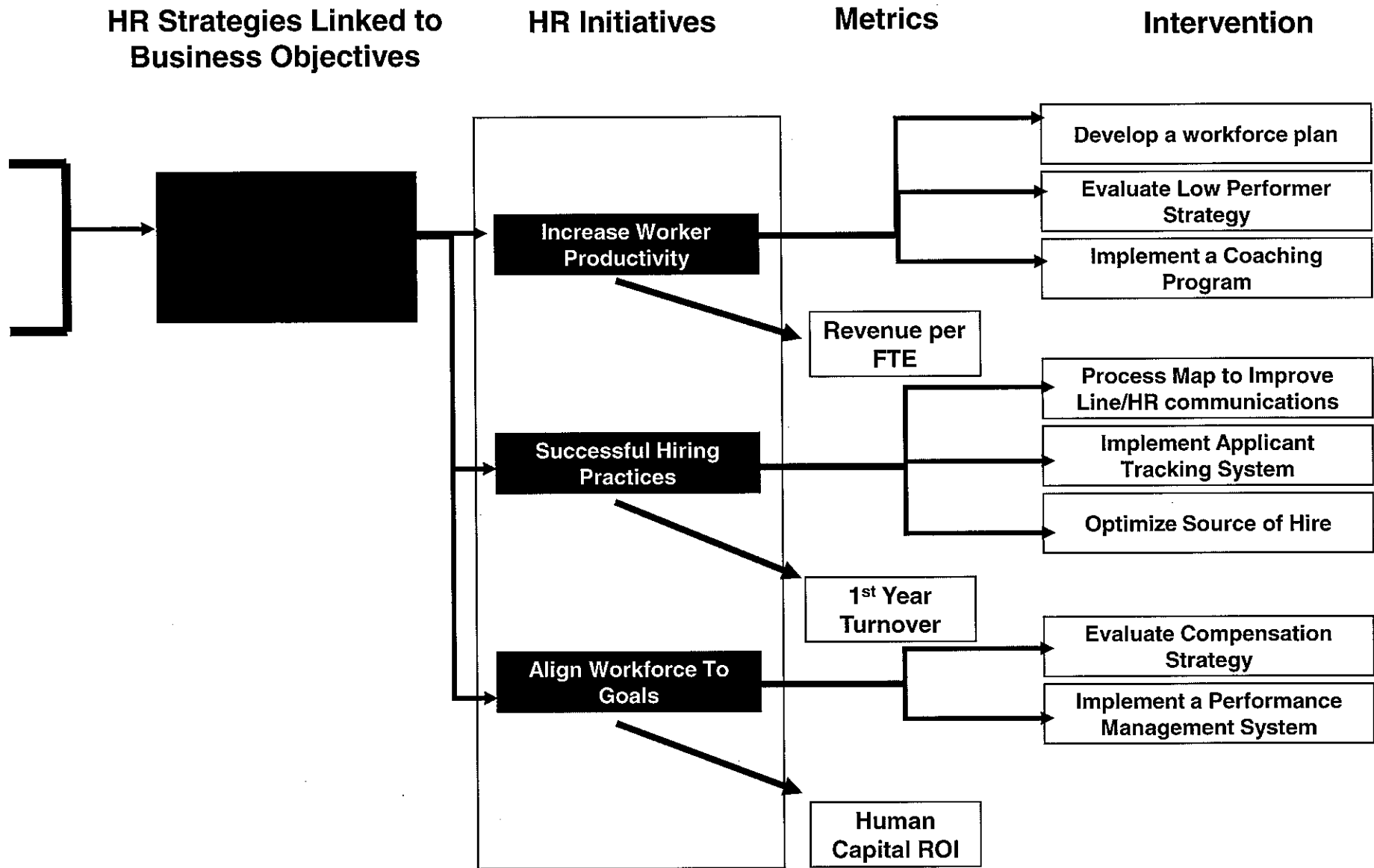
There are a number of dashboards that can be built for an organization

Before beginning the metric process, it's important to begin by thinking through the requirements for varying dashboards

Identifying Metrics: Linking metrics to strategies

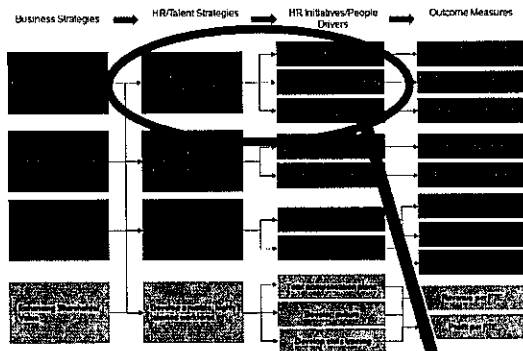


Measure HR Initiatives, not Interventions



I have my metric results – now what?

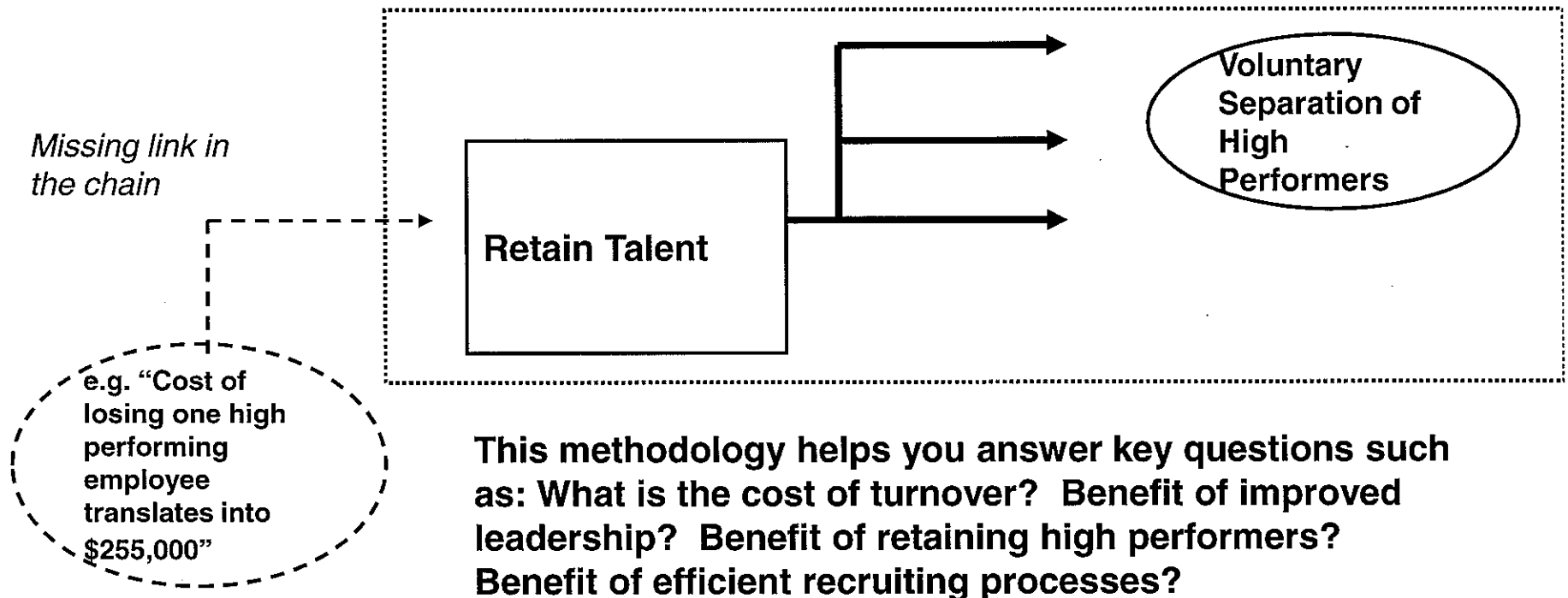
Business Impact of your HR initiatives



What is the financial impact of retaining key talent ?

Focusing on Business Impact

Ensure that your metrics address the business impact of people issues in terms hard/ soft dollars or opportunity cost savings:



\$\$ costs savings

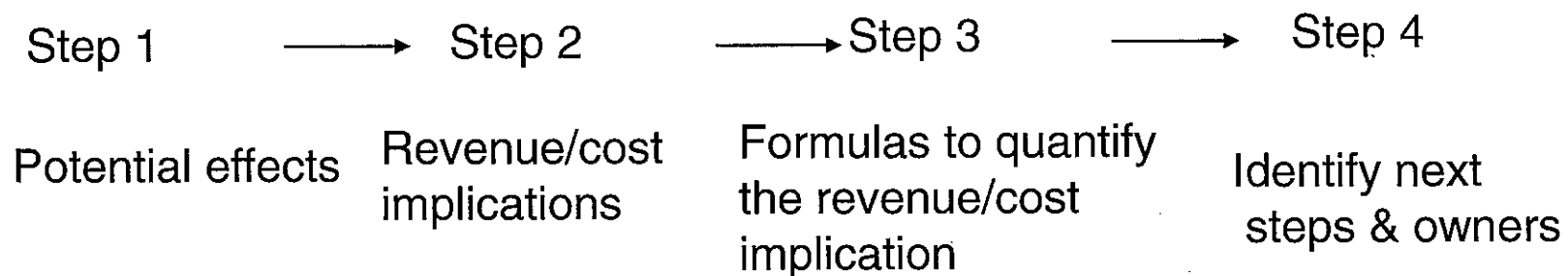
\$\$ revenue improvements

soft improvements?

Establishing the Business Impact



To assess the business impact/cost implication of retaining high performing talent, the following four step methodology is implemented:



Step 1: Identify Effects of losing high performing talent

Step 1 → Step 2 → Step 3 → Step 4

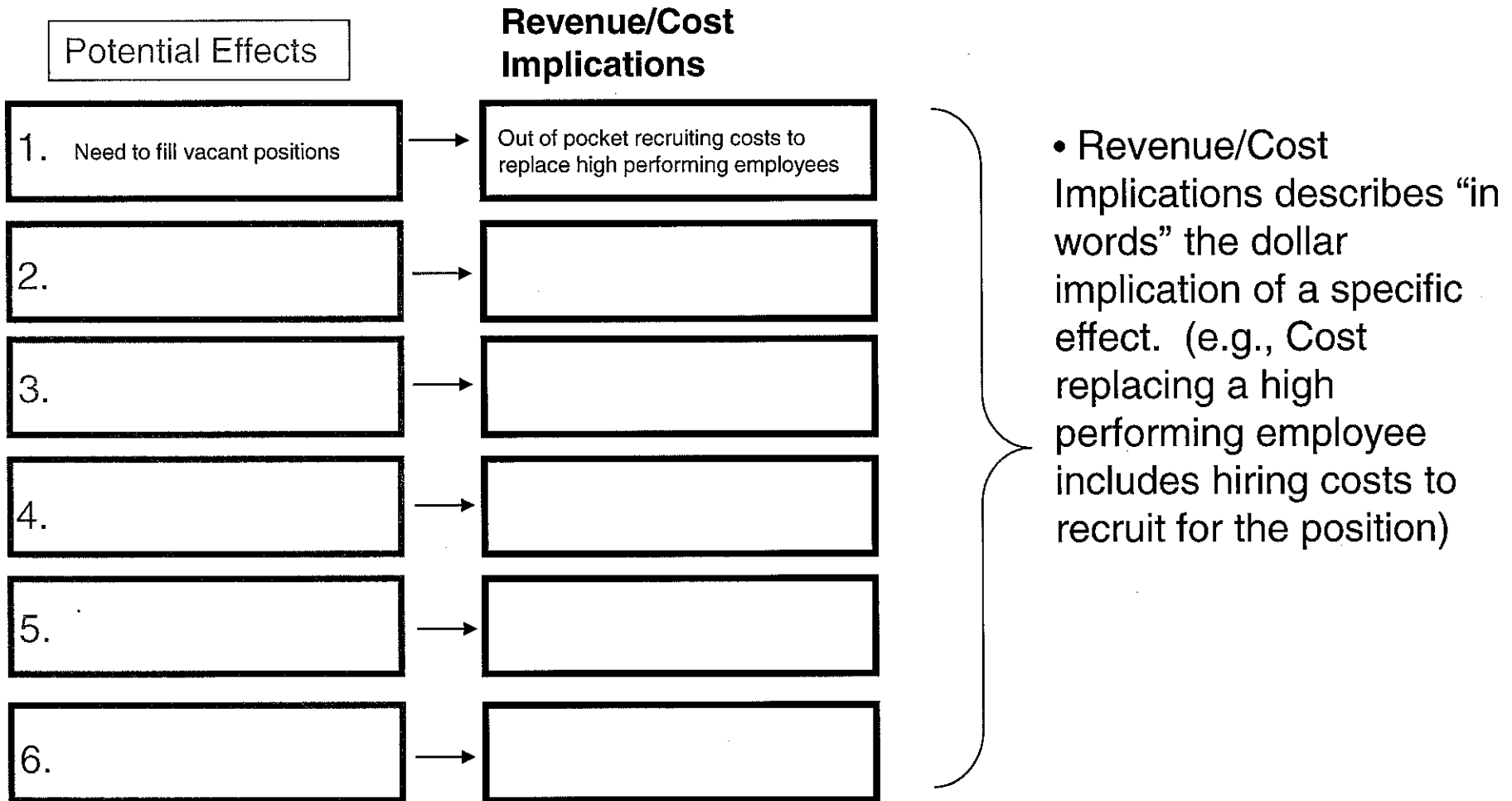
Potential Effects

1. Need to fill vacant positions
2. Lost productivity while position is vacant
3. Hiring Manager time to fill position
- 4.
- 5.
- 6.

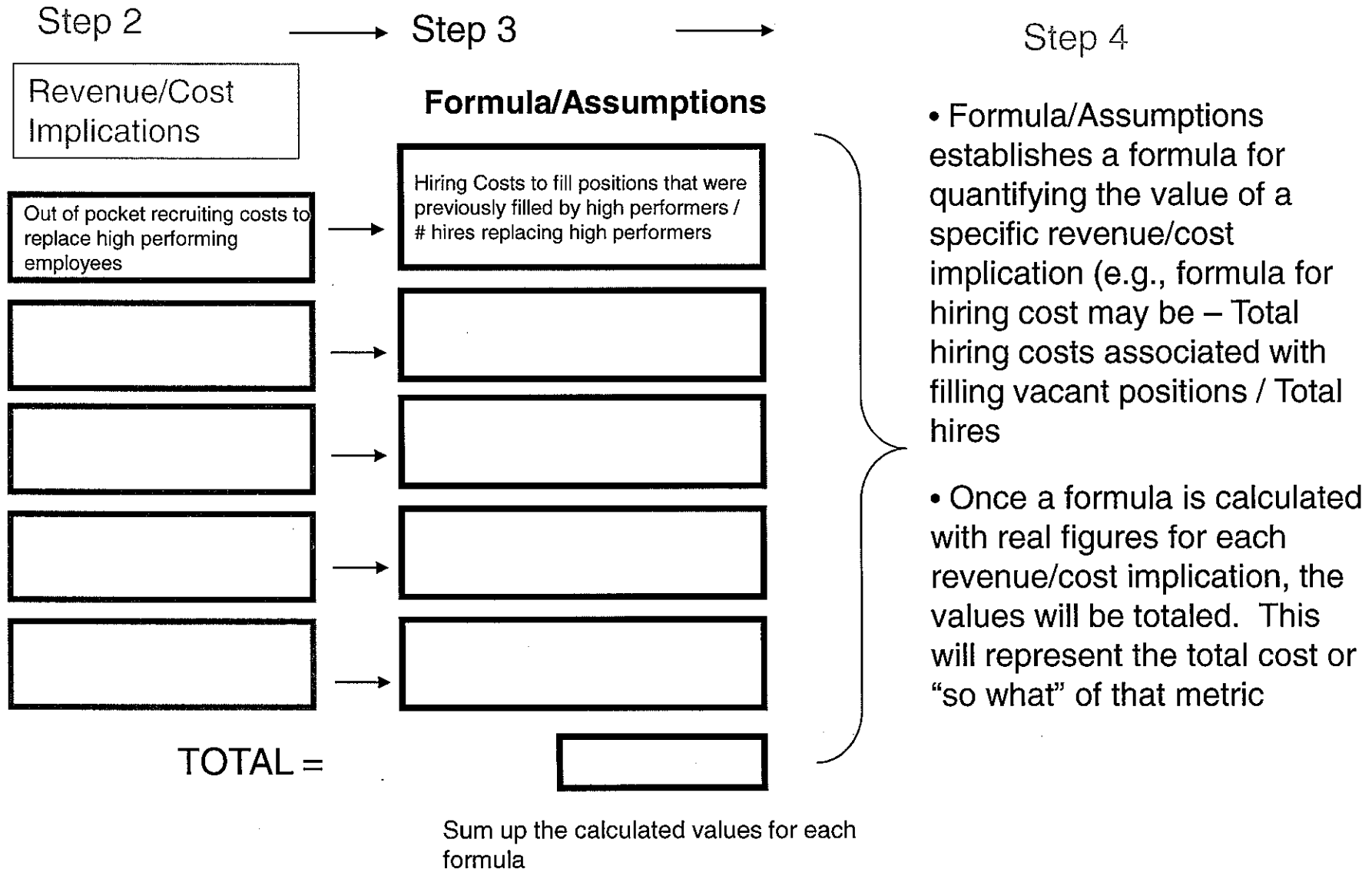
- Potential effects are the consequences that occur as a result of movement to a metric (e.g, The effect of losing a high performer employee is an open position that needs to be filled)
- The total impact to the business is the sum of all applicable potential effects.

Step 2: Identify the Revenue/Cost Implications of the Effect

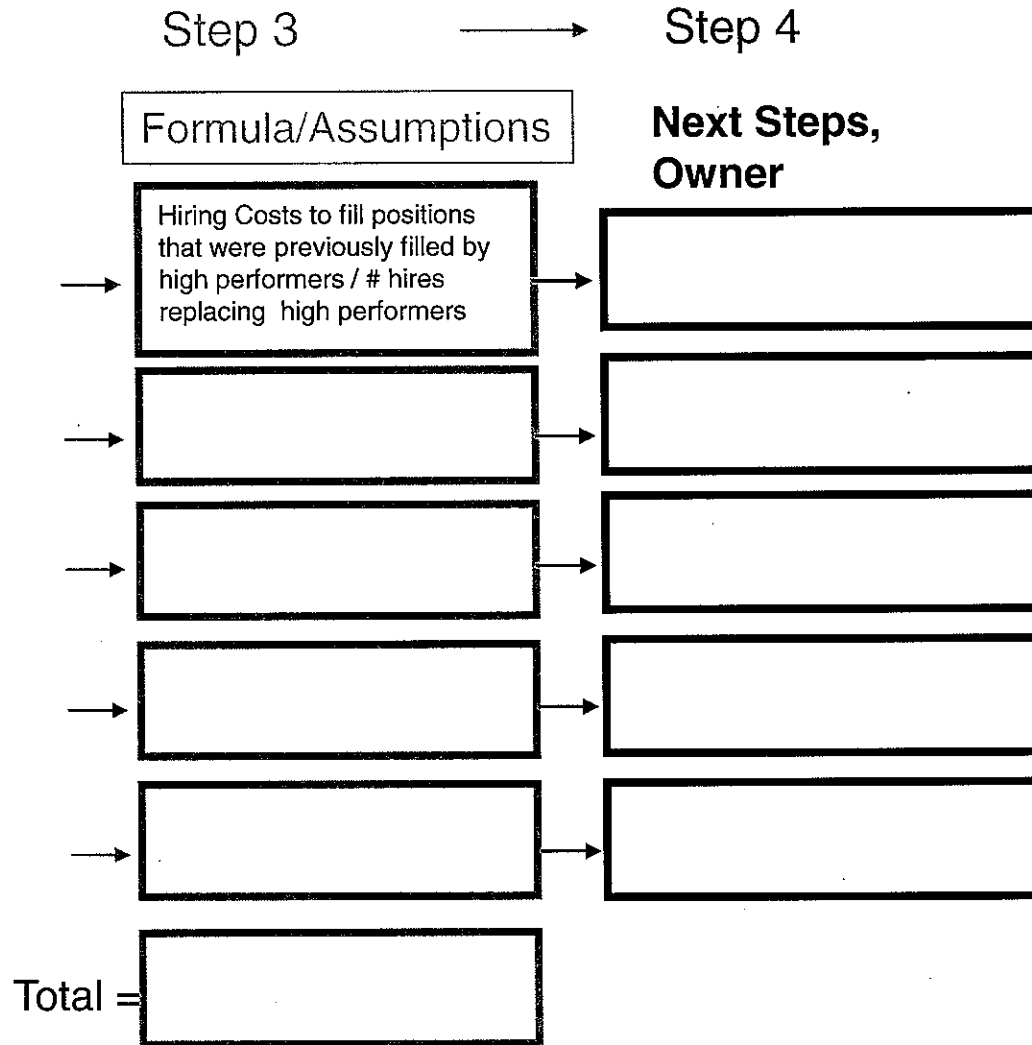
Step 1 → Step 2 → Step 3 → Step 4



Step 3: Establish a Formula For Each Revenue/Cost Implication



Step 4: Identify Next Steps



- The next steps and owners portion identifies additional work that needs to be done in order to be able to gather the data needed to calculate the formula established in step 3 (e.g., will need to work with staffing to understand our hiring costs)
- In addition, an owner is identified for each action item

Exercise 5: Answering the “so what” of dashboard metrics

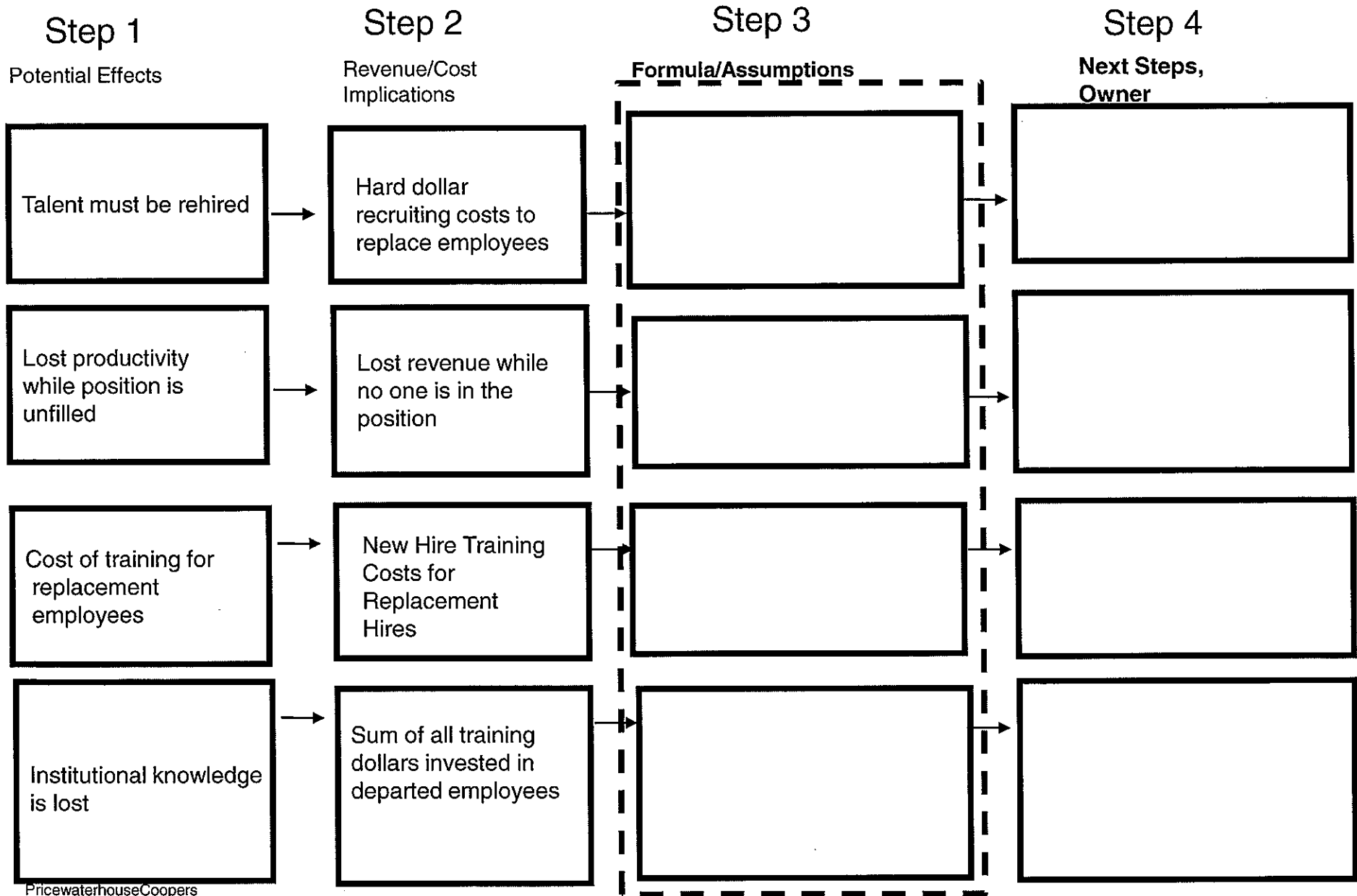
In this Exercise:

We have identified 4 sample consequences and revenue/cost implications that are encountered due to losing talent (i.e., steps 1 and 2)

Your goal is to:

1. Create a formula for the revenue/cost implications we have identified
2. For two of the effects, you will be coming up with the revenue and cost implication as well as the formula

Business Impact of voluntary turnover



To conclude

- If you haven't started, get started!
- If you're feeling overwhelmed by the amount of metrics and reports you're producing, take a step back to evaluate the value
- Always take your audience into consideration – needs will vary
- It is critical to align your measures to your HR strategies
- Consider the frequency – once a quarter seems sufficient in most cases
- Don't stop at producing the dashboard – take the next step and answer the so-what/financial implication of your metric results.

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Assumptions

Voluntary Separations = 500

Replacement Hires = 300

Average hiring cost per person = \$2500

Annual Revenue per Employee = \$413,690

Daily Revenue per Employee = $413,690/260 = \$1589$

Average time to start (vacancy length) = 66 days

On-boarding Costs/Training Costs for 1st Year = \$800

Total training invested in an individual during their time with the organization = \$8,000

Business Impact of voluntary turnover

