Measuring HR:
Moving beyond number crunching

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BIO

Lois M. Martin, CPA

Chief Financial Officer

Lois M. Martin joined Ceridian Corporation in January 2012 as Executive Vice President, Chief Financial Officer. She is responsible for global financial strategy, capital structure, strategic and financial planning, reporting and analysis, along with investor relations and MD&A.

She currently serves on the board of directors and as audit committee chair of Delta Dental. Previously, she was on the board of directors and audit committee chair of Meritas International and ADC, Inc., and was also a member of the board of directors of MTS Systems Corporation.

Lois has served in a number of senior executive and chief financial officer positions at Capella Education Company, World Data Products and Deluxe Corporation. She also served as secretary/treasurer for the Deluxe Corporation Foundation and the W.R. Hotchkiss Foundation.

Lois began her career at Coopers and Lybrand (now PricewaterhouseCoopers LLP) and earned her CPA while working there. She earned a Bachelor of Arts from Augustana College, where she currently sits on the Board of Trustees.

Lois has been recognized for her professional achievements and contributions with various awards, including CFO of the Year, Twin Cities Top 100 People to Know, Outstanding Director Award, Women at the Top, and Top 50 Hardest Working Board Member.

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Ceridian is a global human capital management technology company serving over 25 million users in more than 50 countries

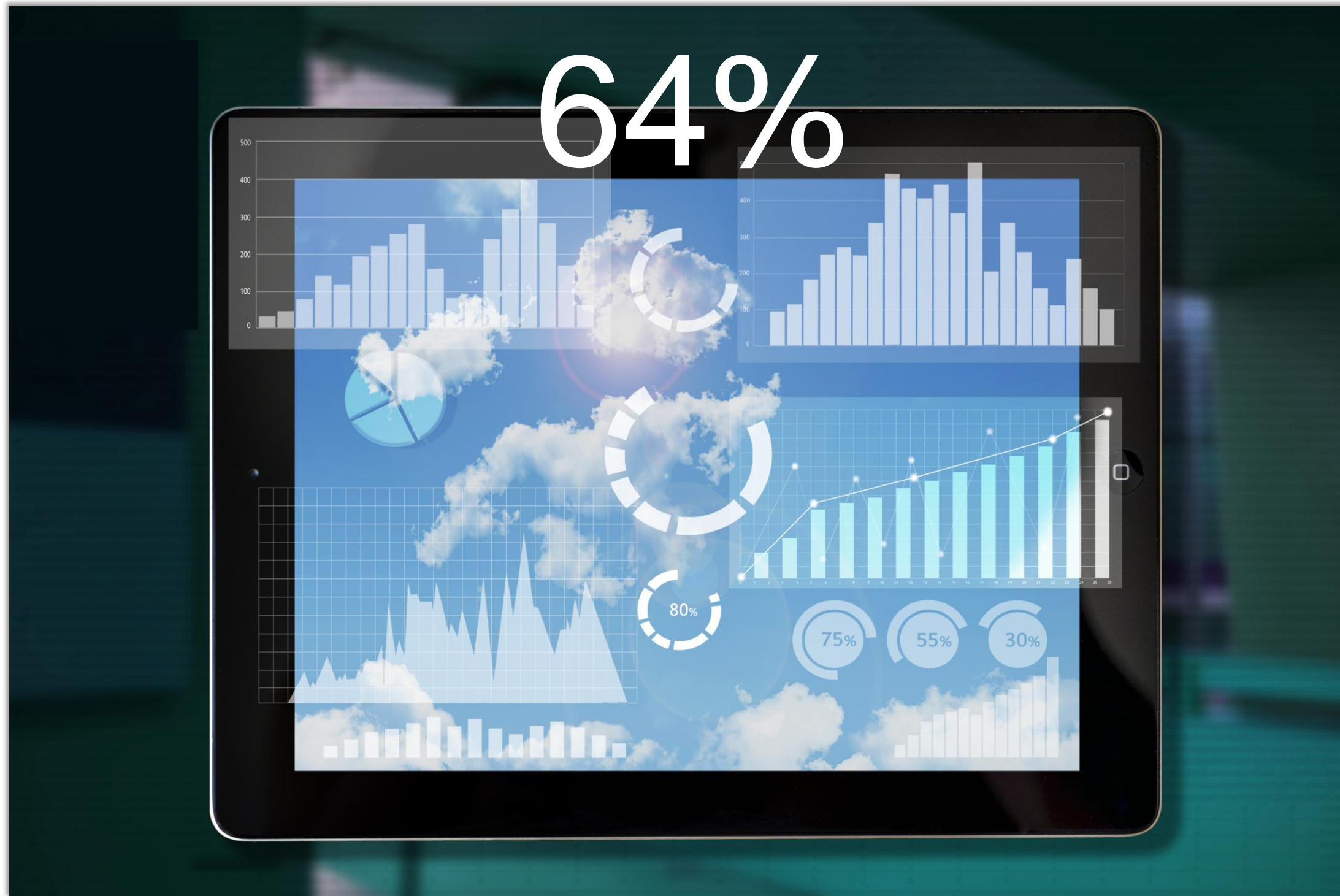**CERIDIAN**

Are We Ready for HR Analytics?

Agenda

SURVEY RESULTS

DIGGING DEEPER INTO DATA

WHAT FINANCE WANTS

WORKING TOGETHER: BEST PRACTICES

Q&A / CONCLUSION

DID YOU KNOW?

HR DATA MATTERS

ABOUT THE SURVEY

MEASURING HR:
MOVING BEYOND NUMBER CRUNCHING

- Prepared by CFERF, the research arm of FEI Canada, and sponsored by Ceridian.

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SURVEY PURPOSE

- To share insights into the challenges facing senior financial executives as they attempt to expand their understanding of the opportunities available to their organizations vis–à–vis the evolving roles of their HR departments.

- Explored the relationship between HR and Finance and how HR analytics are used and leveraged within the organization.

- Identified HR analytical tools preferred by finance executives to help manage the business.
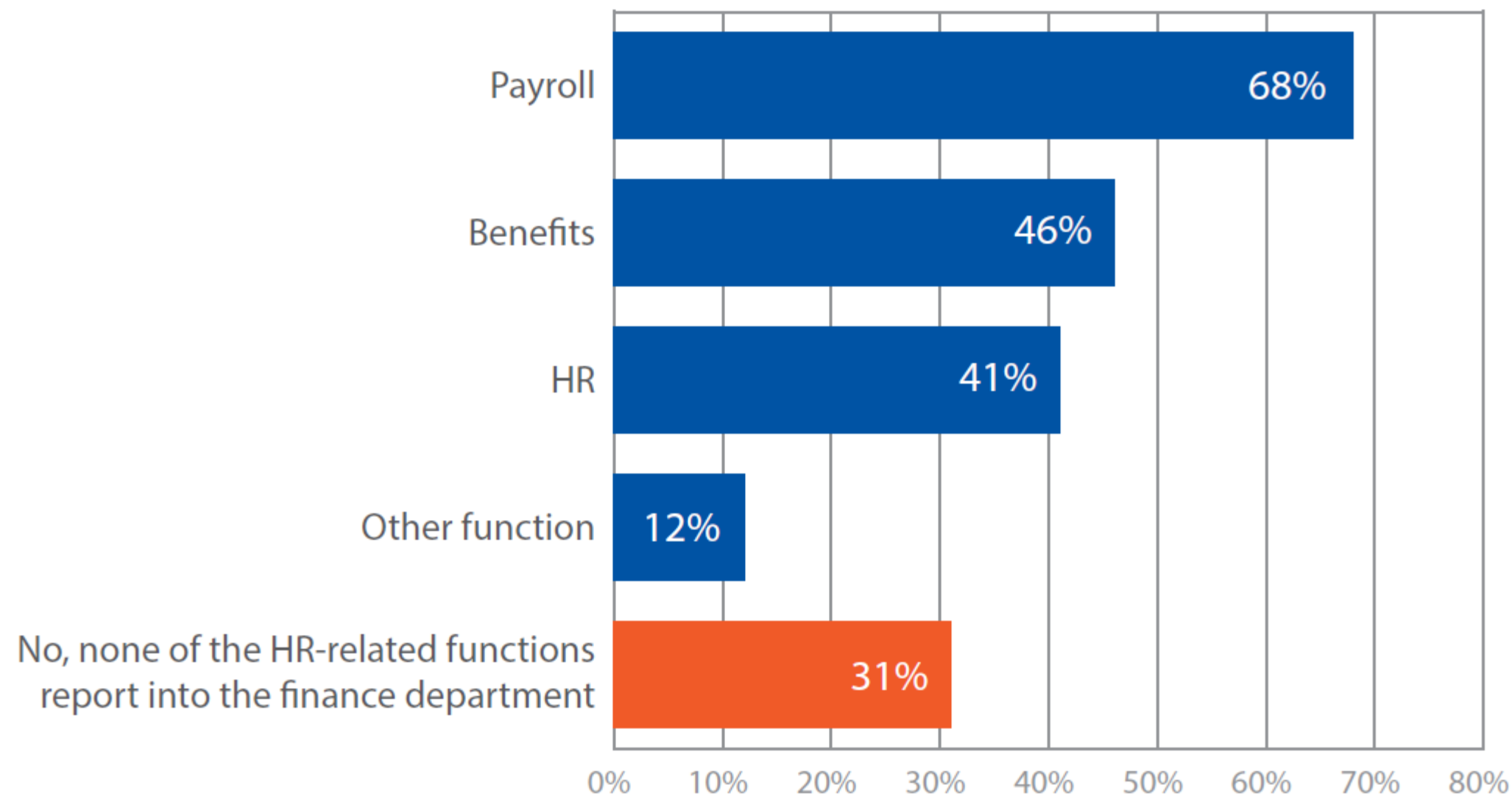
High Level Research Findings

HR & FINANCE ARE BECOMING MORE CONNECTED

CHART 1.1: Do any of the following areas currently report into the finance department at your organization?

Payroll — 68%
Benefits — 46%
HR — 41%
Other function — 12%
No, none of the HR-related functions report into the finance department — 31%

Other HR-related functions mentioned include:
- Workers' compensation
- Stock option plan administration
- Pension fund
- Code of ethics
- Succession planning
- Employee engagement initiatives

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MEASURING EMPLOYEE ENGAGEMENT

CHART 9: Does your organization measure employee engagement formally?

	We don't formally measure employee engagement and have no immediate plans	We don't formally measure but want/plan to	Yes	Don't know
Some or all of HR related functions report to Finance	37%	22%	41%	
None of HR related functions report to Finance	12%	15%	67%	6%
ALL RESPONDENTS	29%	20%	49%	

Legend:
- We don't formally measure employee engagement and have no immediate plans (within the next 12 months) to do so
- We don't formally measure employee engagement but want/plan to
- Yes
- Don't know

- **70%** use employee engagement tools or plan to measure employee engagement.

- **63%** of public companies reported measuring employee engagement, compared to **37%** of private companies.

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WHY ENGAGEMENT MATTERS

- Turn over costs of disengaged employees: **$5B/Year**

- Total number of employees leaving organizations: **2M/Year**

- The average cost of employee replacement per year: **$10K**

  - Average replacement cost: **20% of salary**

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TOP TALENT MANAGEMENT IMPACTS EBITDA

" Top performing talent management organizations posted earnings before EBITDA that are 15% higher than peer companies."

Source: Forrester

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THE PICTURE PAINTED INITIALLY LOOKS ROSY…

…until participants were asked questions about the accuracy of HR analytics and metrics.
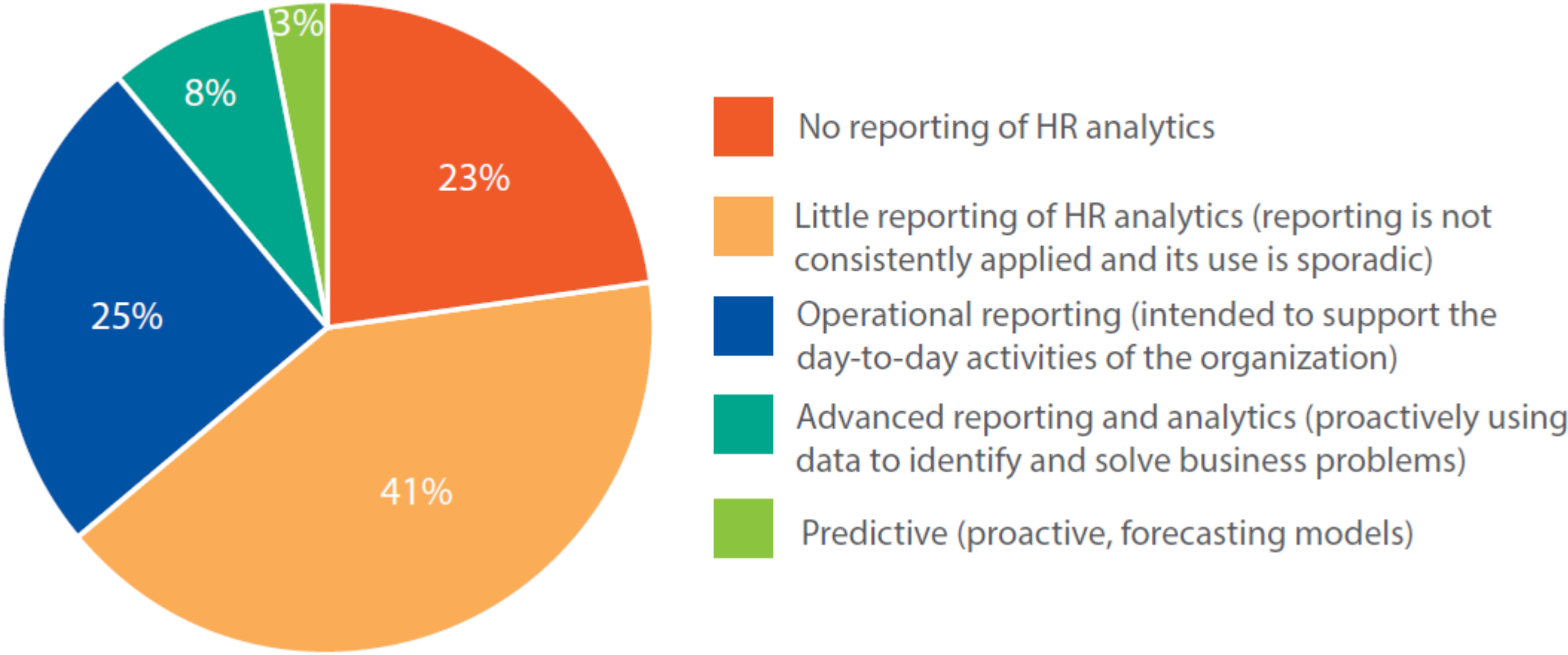
MEASURING HR

FAST FACT: Only 3% used predictive modeling.

CHART 5.1: Organization's use of HR analytics

- No reporting of HR analytics
- Little reporting of HR analytics (reporting is not consistently applied and its use is sporadic)
- Operational reporting (intended to support the day-to-day activities of the organization)
- Advanced reporting and analytics (proactively using data to identify and solve business problems)
- Predictive (proactive, forecasting models)

23%
41%
25%
8%
3%

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HR ANALYTICS USE IS SPORADIC AT BEST

For those respondents that **did not have HR** reporting to them:

- **55%** of them stated that they wanted to evaluate and refine the current HR metrics and tools.
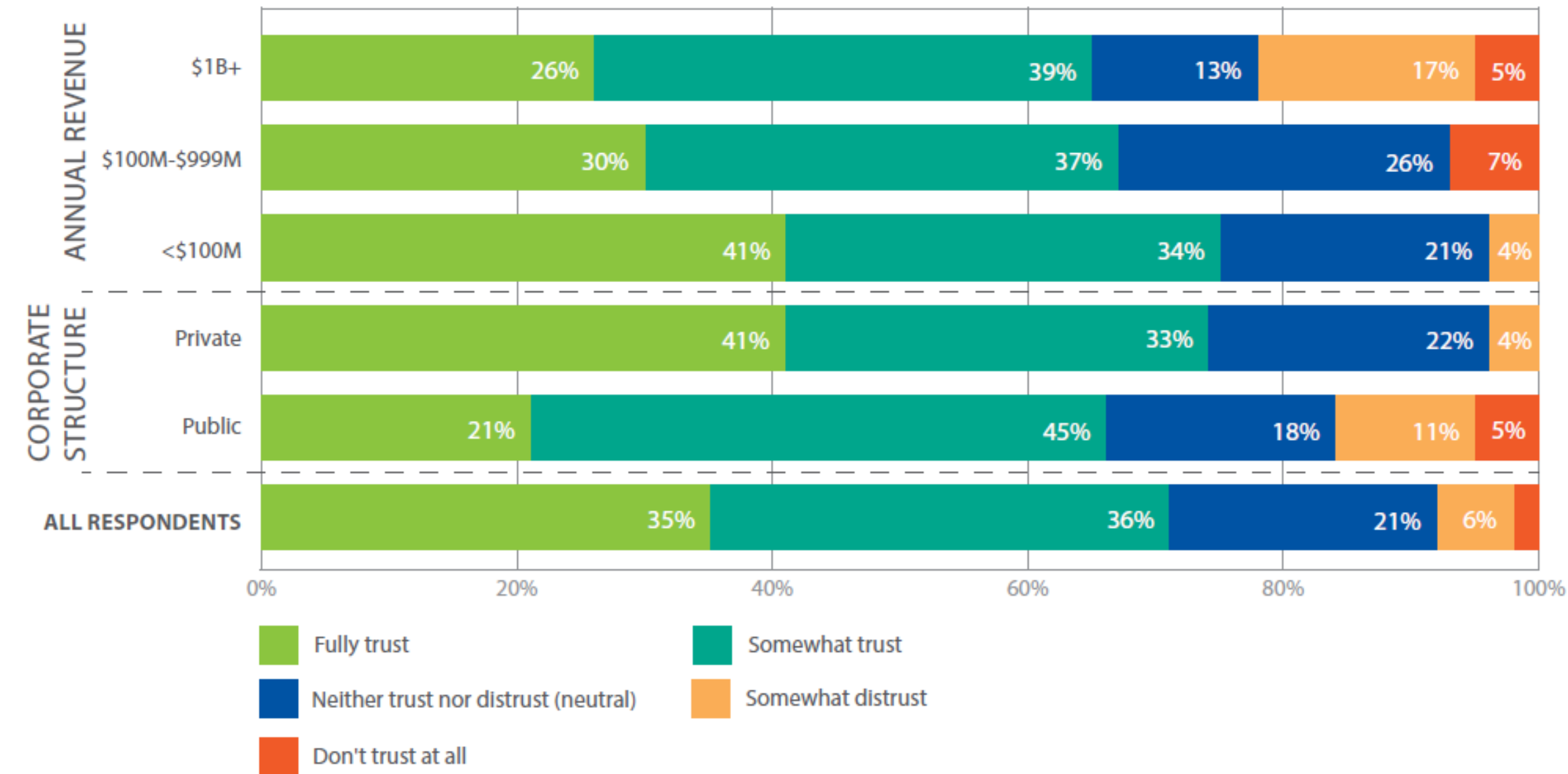
For those that **did have HR** reporting to them:

- **40%** were interested in consulting on initial definitions and measurements (what to measure and how frequently)
- **30%** were interested in evaluating and refining current HR metrics and tools.

> "The use of HR analytics has been increasing over the past years, exhibiting a lot of interest, but perceived as costly, due to the many metrics available. With no standardized definition for all indicators available...the benefit was doubted."
>
> **Markus Weiss – Director, Financial Control & Shared Services North America, Rheinmetall Group**

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FOR FINANCE, THE TRUST FACTOR ISN'T THERE

CHART 12: To what extent do you trust the data you receive from your HR team in making business decisions?
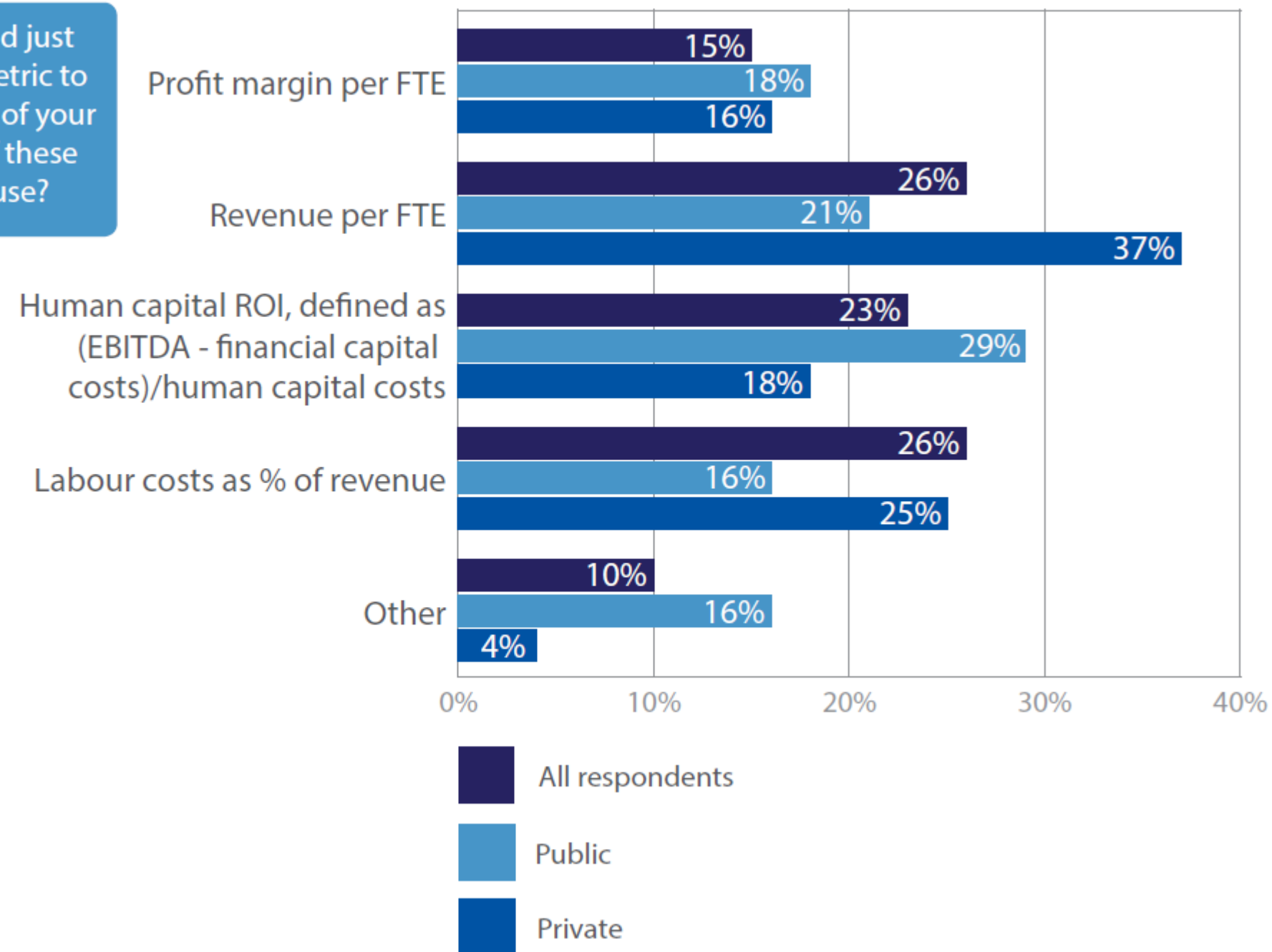
ANNUAL REVENUE

	Fully trust	Somewhat trust	Neither trust nor distrust (neutral)	Somewhat distrust	Don't trust at all
$1B+	26%	39%	13%	17%	5%
$100M-$999M	30%	37%	26%		7%
<$100M	41%	34%	21%	4%	

CORPORATE STRUCTURE

	Fully trust	Somewhat trust	Neither trust nor distrust (neutral)	Somewhat distrust	Don't trust at all
Private	41%	33%	22%	4%	
Public	21%	45%	18%	11%	5%

	Fully trust	Somewhat trust	Neither trust nor distrust (neutral)	Somewhat distrust	Don't trust at all
ALL RESPONDENTS	35%	36%	21%	6%	

Legend:
- Fully trust
- Somewhat trust
- Neither trust nor distrust (neutral)
- Somewhat distrust
- Don't trust at all

FAST FACT: 1/3 of survey respondents do not fully trust the data they receive from their HR team to help them make business decisions
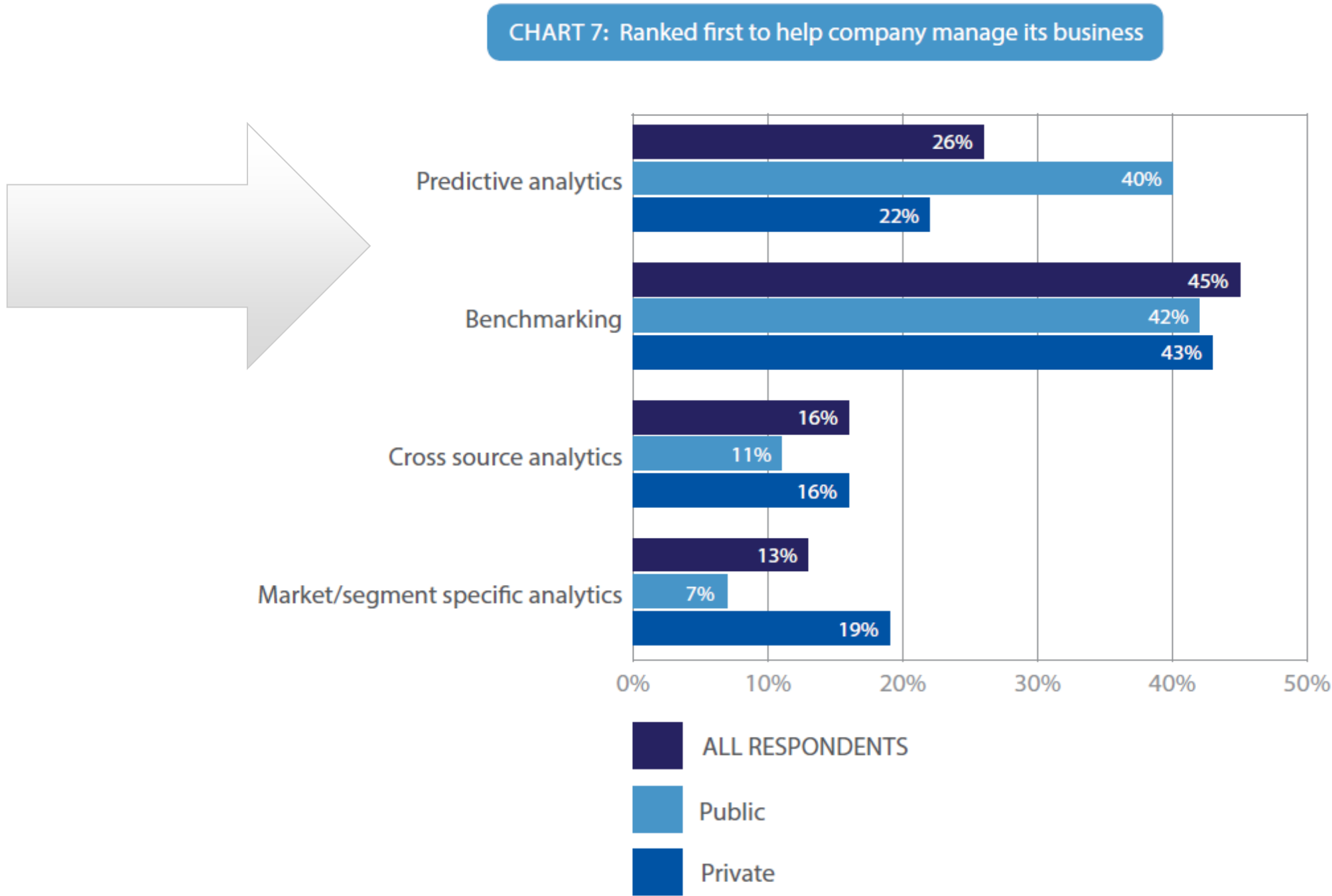
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What Finance Wants

FINANCE WANTS: A RELIABLE METHOD

CHART 11: If you had just one finance type metric to measure the health of your workforce, which of these metrics would you use?

Profit margin per FTE
- All respondents: 15%
- Public: 18%
- Private: 16%

Revenue per FTE
- All respondents: 26%
- Public: 21%
- Private: 37%

Human capital ROI, defined as (EBITDA - financial capital costs)/human capital costs
- All respondents: 23%
- Public: 29%
- Private: 18%

Labour costs as % of revenue
- All respondents: 26%
- Public: 16%
- Private: 25%

Other
- All respondents: 10%
- Public: 16%
- Private: 4%

Legend:
- All respondents
- Public
- Private

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FINANCE WANTS: PREDICTIVE ANALYTICS

CHART 7: Ranked first to help company manage its business

Predictive analytics
- 26%
- 40%
- 22%

Benchmarking
- 45%
- 42%
- 43%

Cross source analytics
- 16%
- 11%
- 16%

Market/segment specific analytics
- 13%
- 7%
- 19%

ALL RESPONDENTS
Public
Private

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BENCHMARKING

- A significant number of companies have used external sources to help benchmark compensation.

- For the most part, companies either do so as needed or requested.

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So What Can We do?

THE POWER OF BIG DATA IN HR

HARNESS BIG DATA: GO VISUAL

- Respondents were asked how important the visual appeal of HR analytics was to the process.

- **63%** thought it was either important or very important because it promoted greater ease of interpretation of the results.

HARNESS BIG DATA: HR & FINANCE KNOWLEDGE

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ANALTYICS RULES TO LIVE BY…

- If you don't measure it, you can't manage it

- If you can't take action on it, why measure it?

- People will behave according to the metrics and targets, so choose wisely!

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HR ANALYTICS: THREE STEP PROCESS

To provide real value, identify the issues related to your human capital that **impact** your company's ability to execute on its strategic initiatives.

Step #1

Identify and gather the data to gain visibility to the issue

Step #2

Analyze and correlate data to gain insights

Step #3

Incorporate the findings into a plan of action

Execute on the plan and monitor
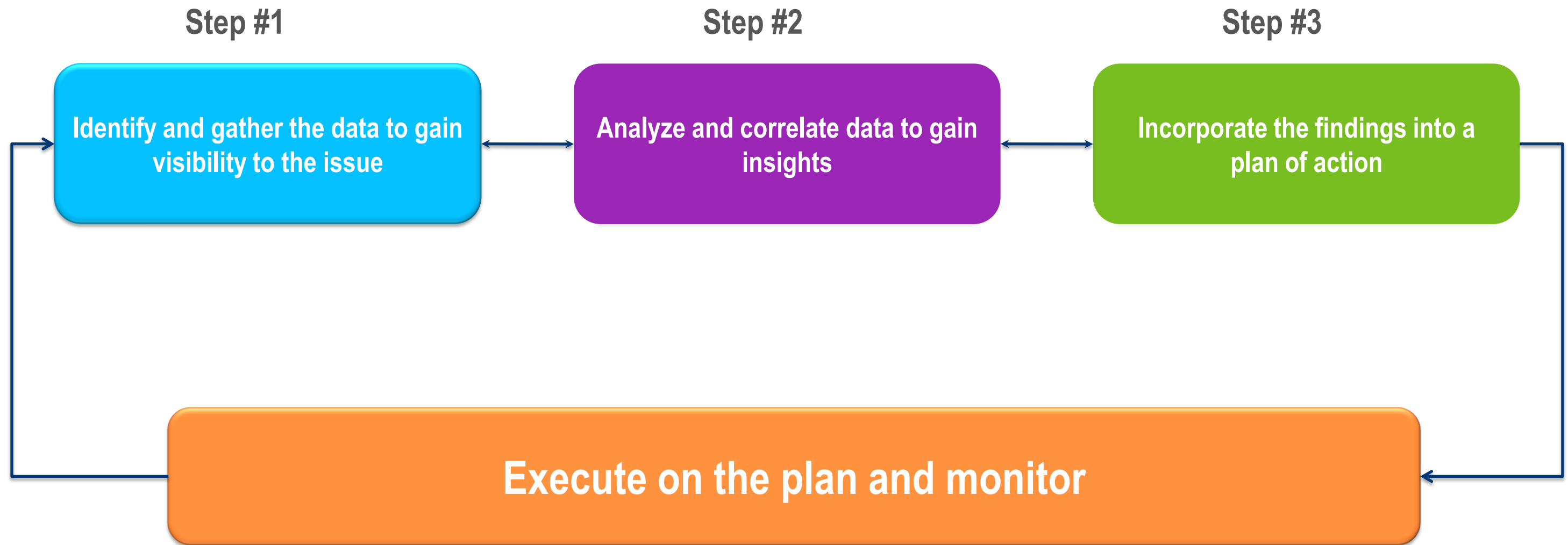
IDENTIFY AND GATHER DATA

Retention	_____	Human Capital ROI	_____	Employee Referral Rates	_____
Turnover Rate	_____	Health Care Costs/Employee	_____	HR to Staff Ratio	_____
Turnover Costs	_____	Time-To-Fill (External)[1]	_____	Cost Per Hire	_____

[1] The number of calendar days from the date of a requisition to the employee's start date per new external employee

Turnover rate and cost don't tell the whole story. Let's go deeper.

ANALYZE THE DATA

How strong is the correlation between engagement and turnover?

1000 employee company
1% turnover = 10 employees
Cost = $25,000 per employee

An increase of 1 on the engagement score will decrease turnover by x%
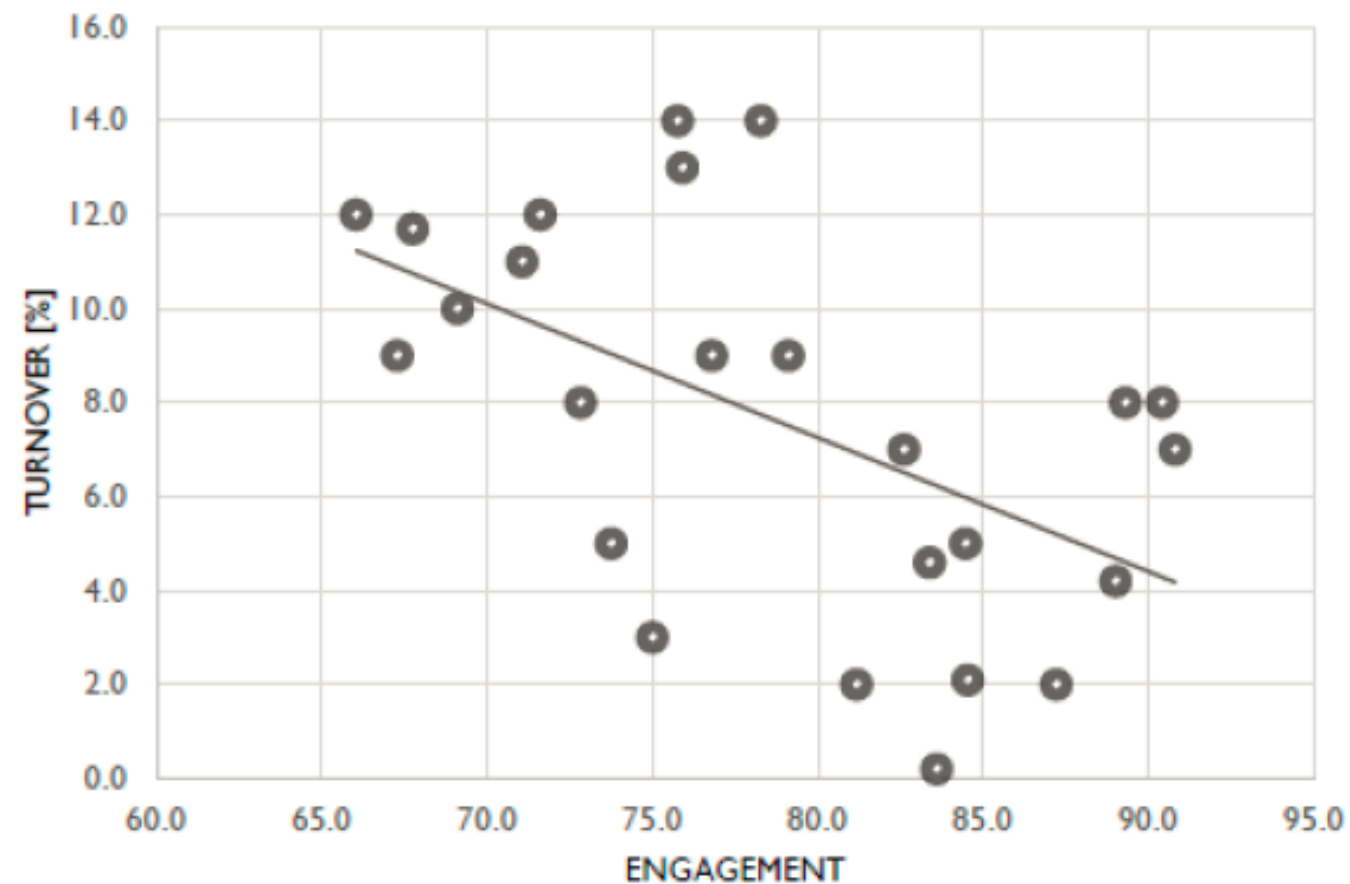
ANALYZE THE DATA

- There is a negative correlation between a company's level of employee engagement and the voluntary turnover rate.

- For every increase of 1% in the engagement score, you can expect turnover to go down by 1%.

- Should you make a decision based on this?

Data provides you an answer. You determine the application of that answer.

PLAN OF ACTION FOR HR

The plan of action must be influenced by the prioritization and analysis that is undertaken!
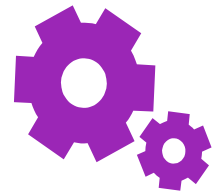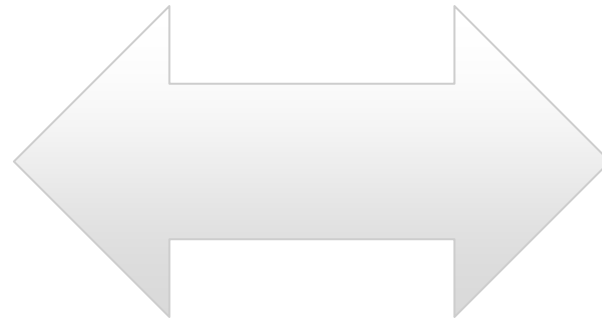
Did HR factor in cost/benefit analysis?

Has HR aligned analytics to the business objectives?

Are the tie breakers determined by something logical vs. arbitrary?

HOW DO WE COLLABORATE AT CERIDIAN?

HELP HR TAKE ACTION

01

ENGAGE LEADERSHIP.

Help identify a problem, anticipate what's next, and lay the groundwork for action.

02

DATA INVENTORY.

Identify valuable data. Flawless data isn't required - but the better the quality, the better the insights.

03

FOCUS.

Identify quick wins and pressing workforce-related business problems.

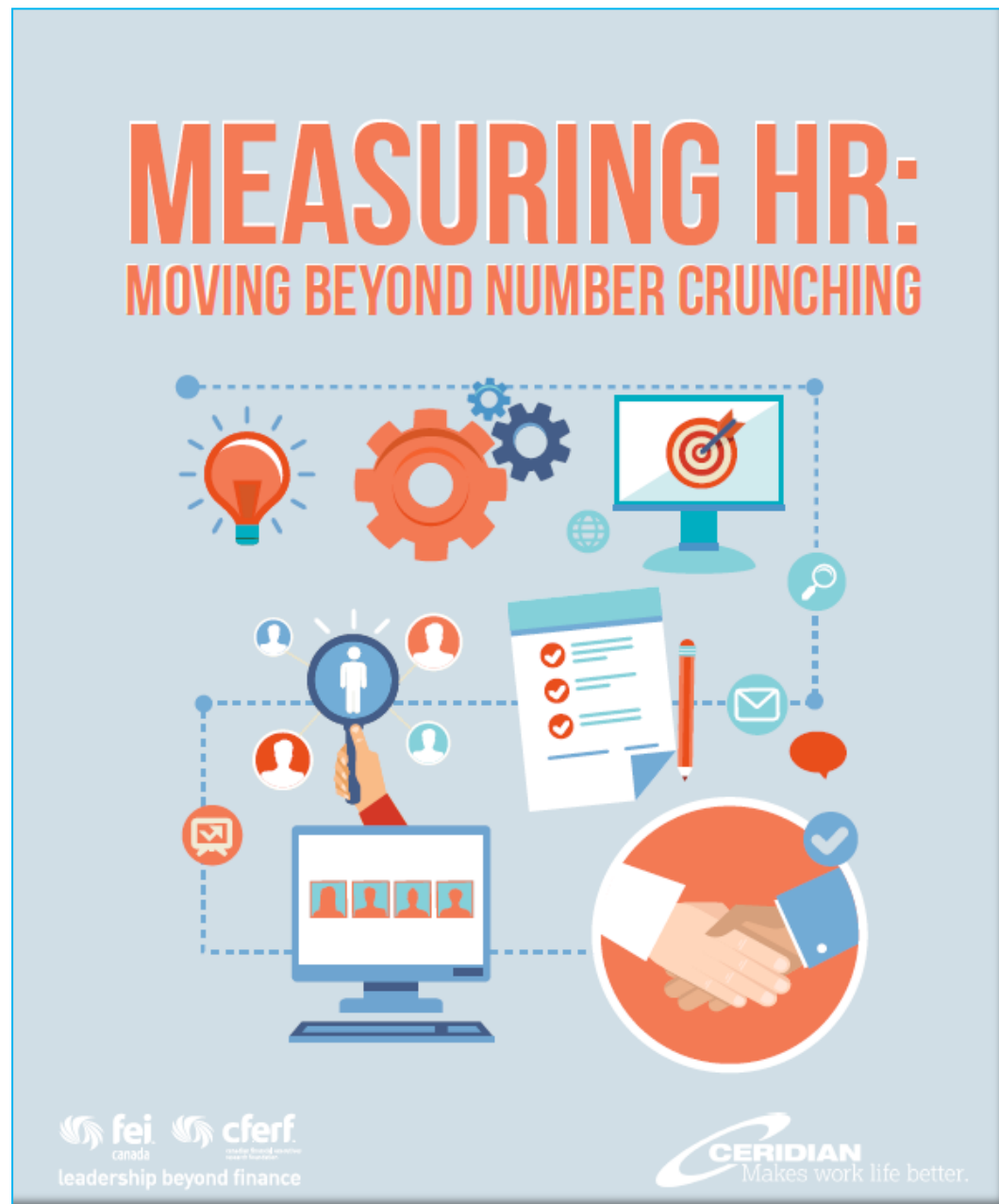Makes Work Life Better™

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CLOSING THOUGHTS

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THANK YOU!

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or via FEI Canada
www.feicanada.org

Questions?