



MEASURING HR: WHAT CFOS NEED TO KNOW



Introduction – Why HR?

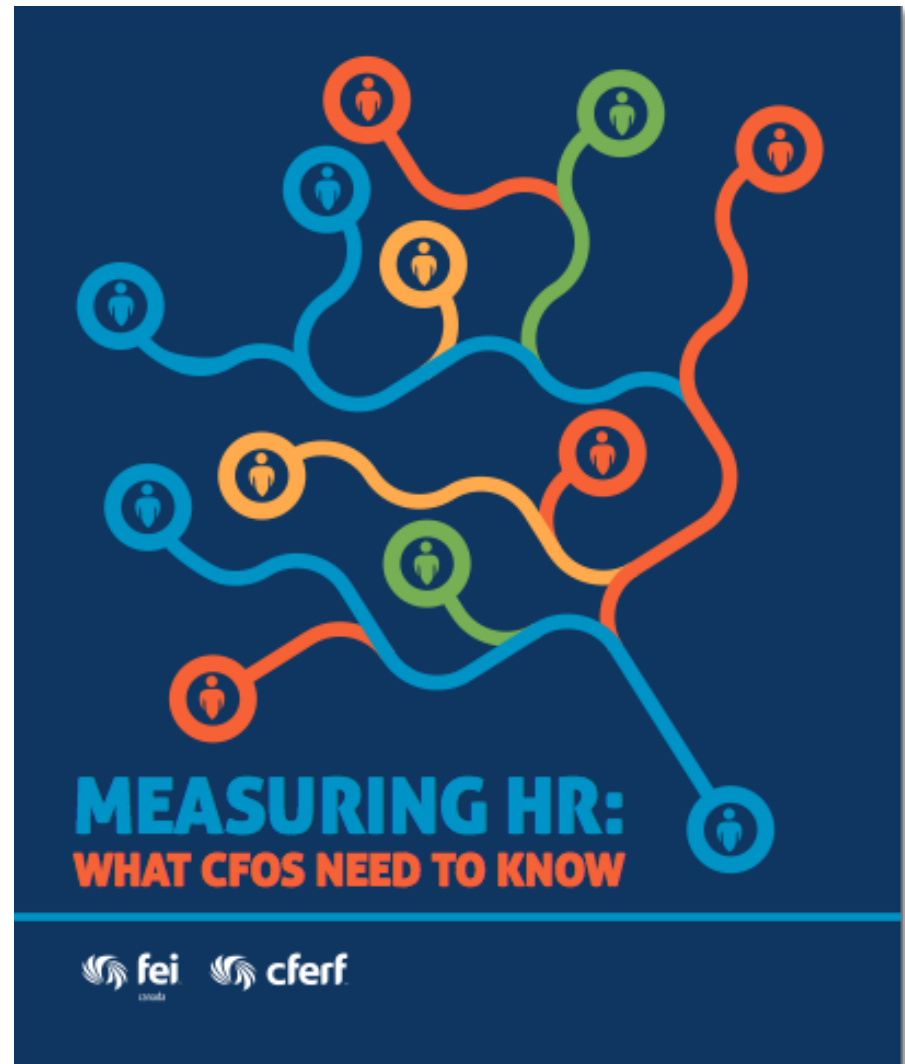
- Growing direct management relationship and clear measurement relationship
- More HR departments starting to report directly to Finance

“If someone came up with a human capital ROI, I think it would bring significant benefit not just to the HR team, but for the whole organization. If HR actually had a measure that we could all use, it would drive significant value in decision making. It would be nirvana to have a defined and accepted return on investment on human capital measure.”

Victoria Davies – CFO, Knightsbridge

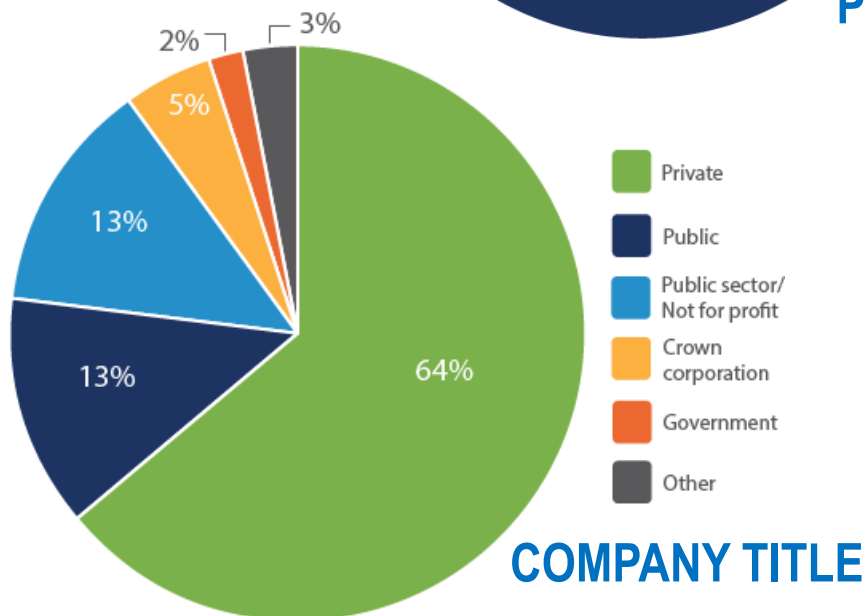
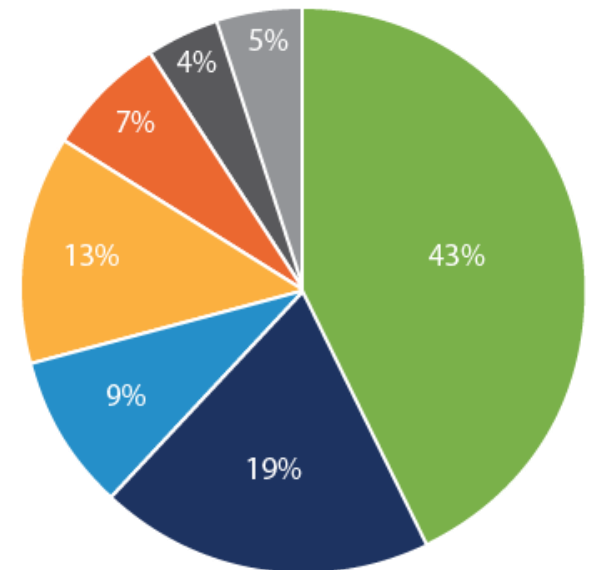
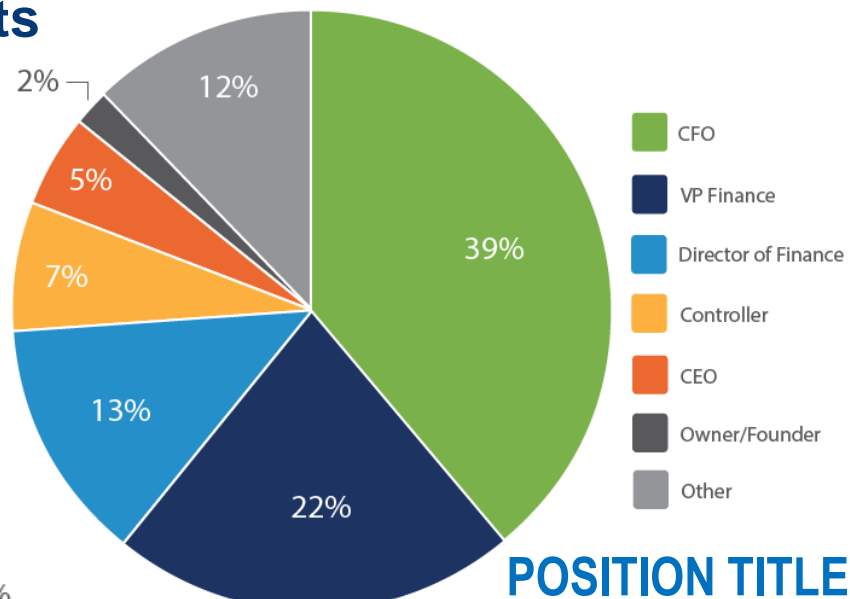
Study Background

- Online survey was distributed to senior financial executives from February 6 to March 10, 2014
- FEI Canada Forum – March 5
 - 25 Participants
 - Toronto, Montreal, Calgary, and Teleconference



Demographics

96 respondents



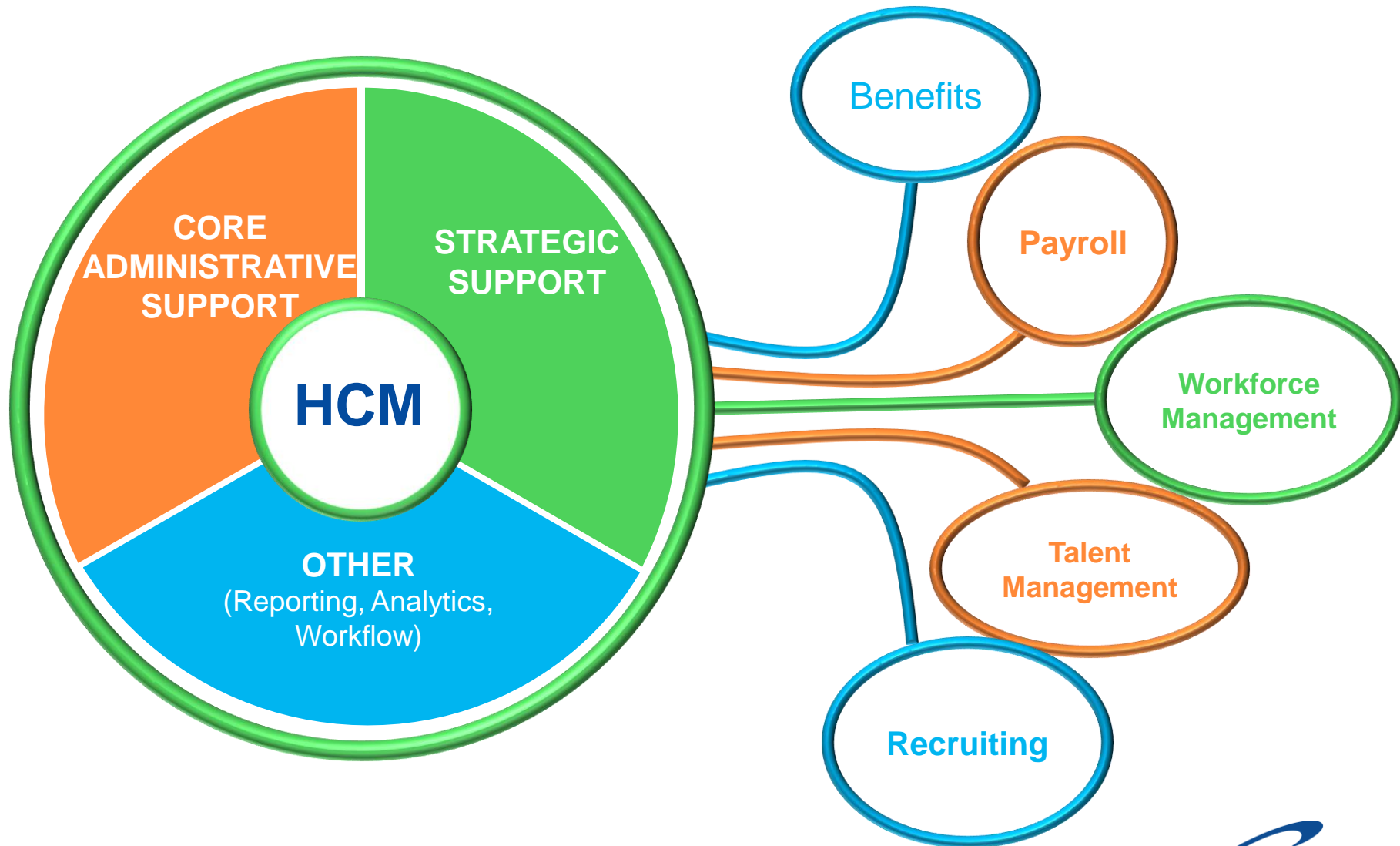
Finance and HR – Coming Together

43% of respondents felt knowledgeable of the HR function

61% of respondents have taken on more accountability for the management and oversight of HR in the past five years

1/3 of respondents expect their oversight of HR and payroll will expand in the next five years

What is Human Capital Management (HCM)?



How Do We Measure HCM?

- Metrics that weren't as important to financial executives - - granular HR/Payroll related metrics
 - e.g. absenteeism, turnover, recruitment and talent management costs and human capital

Monitoring Return on Investment in Human Capital

- *24% of respondents felt it was important to monitoring*
- *Only 8% saw this assessment as critical*

Voluntary Separation of High Performers

- *18% said they did not pay any attention to this data*
- *Only 10% thought such information was crucial*

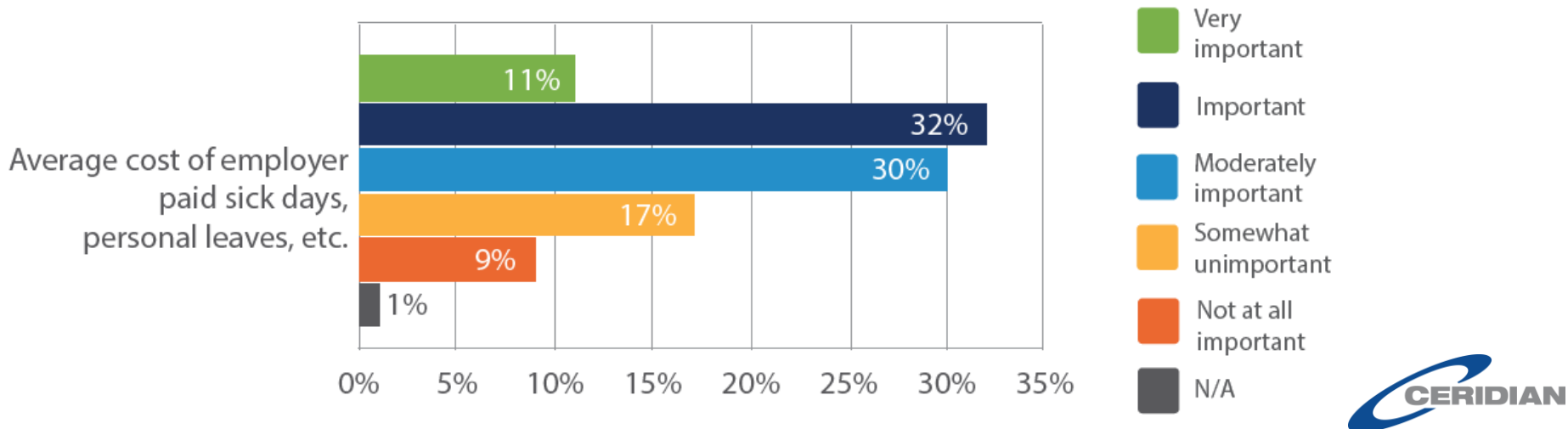
PAYROLL AND LABOUR COSTS METRICS



Measuring Specific Payroll Costs Metrics

- Financial executives placed more importance on measuring compensation as a proportion of revenue or total company costs as opposed to median-based benchmarks
- For benefit costs - were somewhat more interested in tracking as a percentage of total compensation.

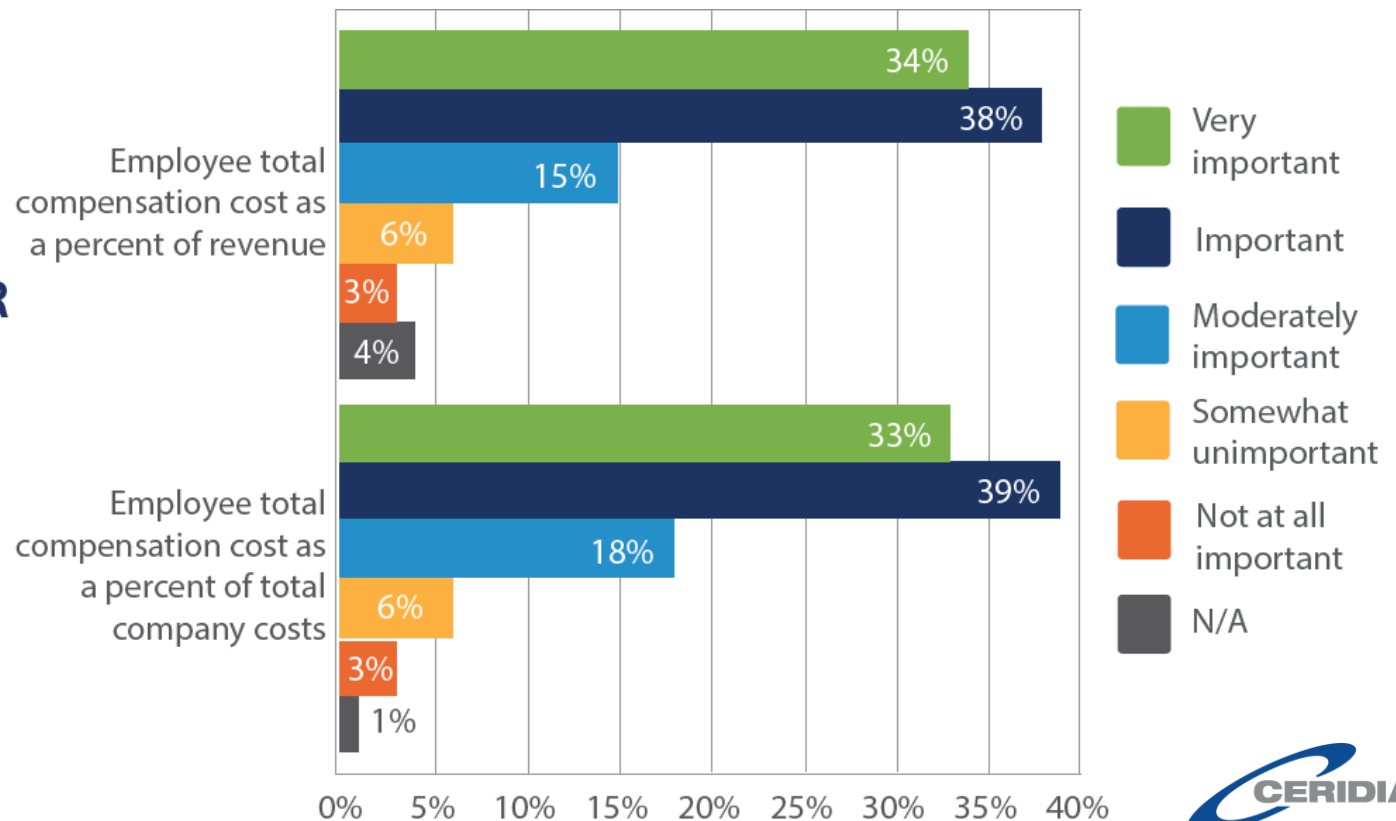
CHART 4: HOW IMPORTANT ARE THESE SPECIFIC PAYROLL COSTS METRICS TO YOUR ORGANIZATION?



Payroll & Labour Costs

- Respondents placed more significance on metrics that relied on aggregated compensation values as opposed to average-based ratios

CHART 5: HOW IMPORTANT ARE THESE SPECIFIC LABOUR COST METRICS TO YOUR ORGANIZATION? (REVENUE AND EXPENSE)



So...

- Most CFOs are responsible for HR...but don't go in for the "human" stuff
 - Why are people happy?'
 - Why are we losing good people?
 - Are we challenging top talent?
- The root causes of ROI for the largest expense
- One of the biggest opportunity for acceleration of revenue

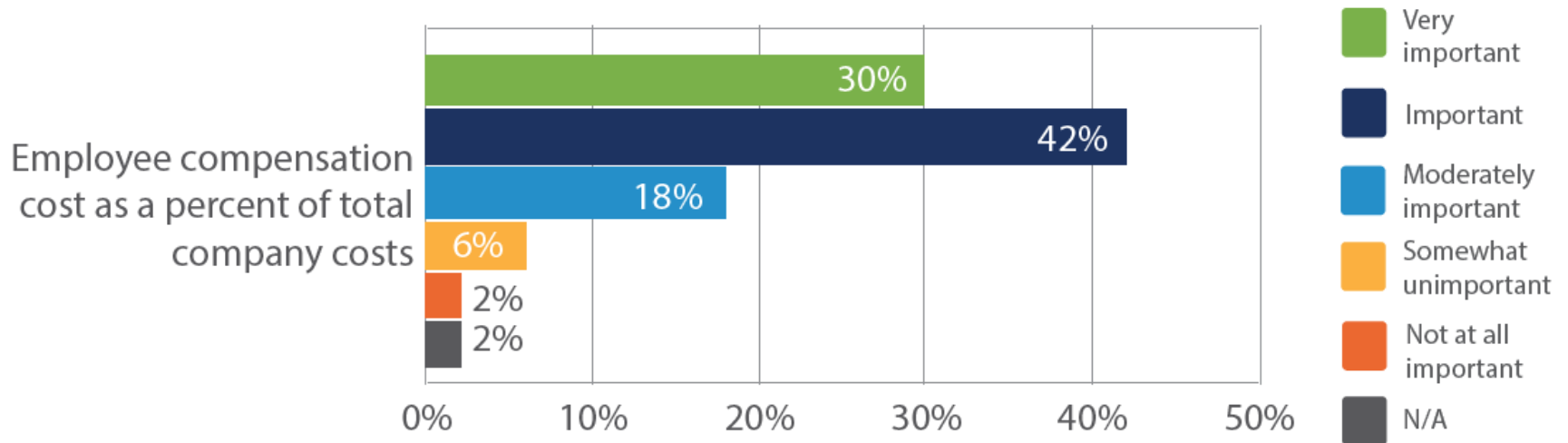
COMPENSATION EMPLOYEE ENGAGEMENT & PERFORMANCE MANAGEMENT METRICS



Compensation

- Respondents assign more importance to measuring compensation as a proportion of revenue or total company costs as opposed to median-based benchmarks


CHART 6: HOW IMPORTANT ARE THESE SPECIFIC COMPENSATION METRICS TO YOUR ORGANIZATION?



Employee Engagement



7 in 10 Canadian HR managers reported that employee engagement is seen as problem within their firm



HR executives want to improve employee engagement as means of improving performance, workplace cohesiveness and retention

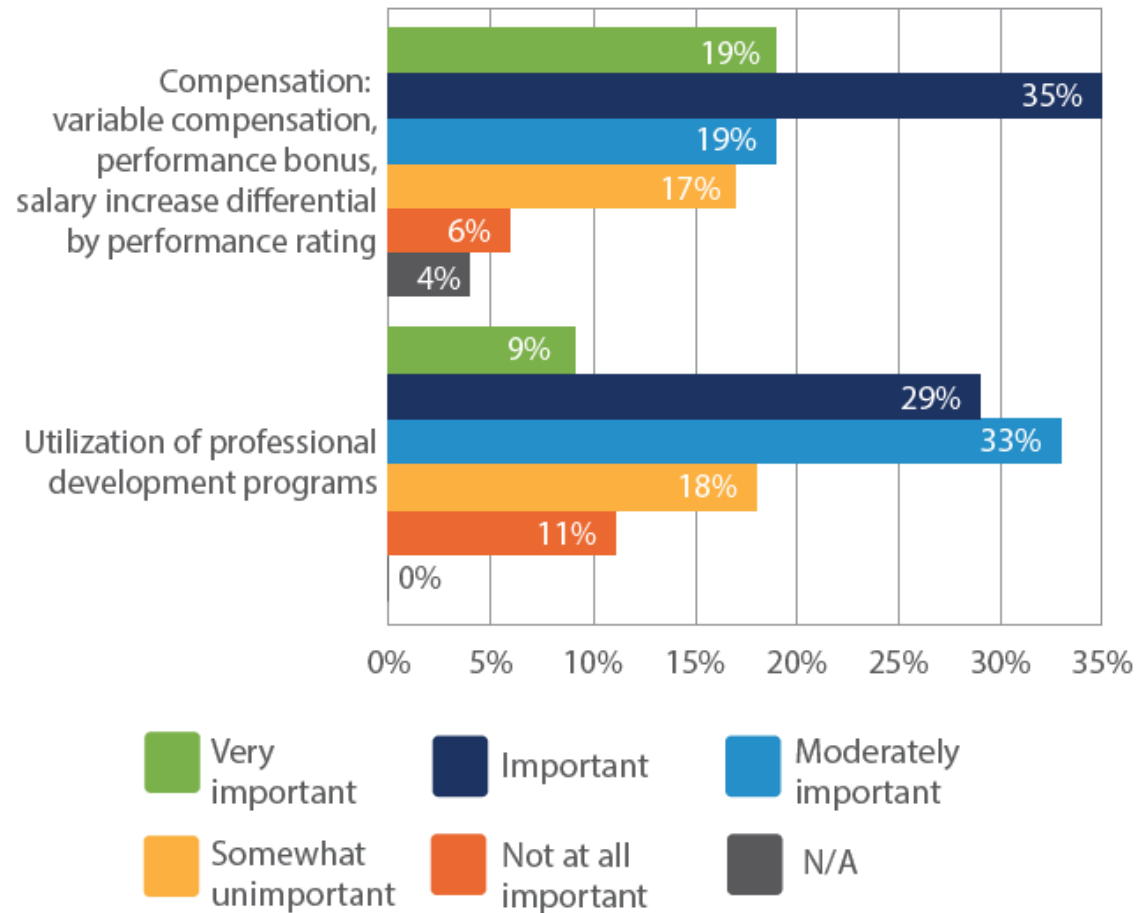
71%

Felt the most important engagement effectiveness benchmark metric focused on productivity and labour costs

Performance Management

“If you look at the number one thing that people want to understand in order to be engaged, they want to be plugged into the strategy and know they’re making a difference. They can borrow the authority of the CEO to make decisions because they use the same decision framework – I think that’s one of the major drivers here.”

CHART 8: HOW IMPORTANT ARE THESE SPECIFIC PERFORMANCE MANAGEMENT METRICS TO YOUR ORGANIZATION?



So...

- According to CFOs:
an engaged employee = a productive employee
- Productivity costs are an overall measure, but more digging is required
- Engagement levels are too low according to 70% of HR executives

***You want to engage an employee?
Tell them why they should work so hard.***

WORKFORCE MANAGEMENT, RECRUITING & TALENT MANAGEMENT METRICS

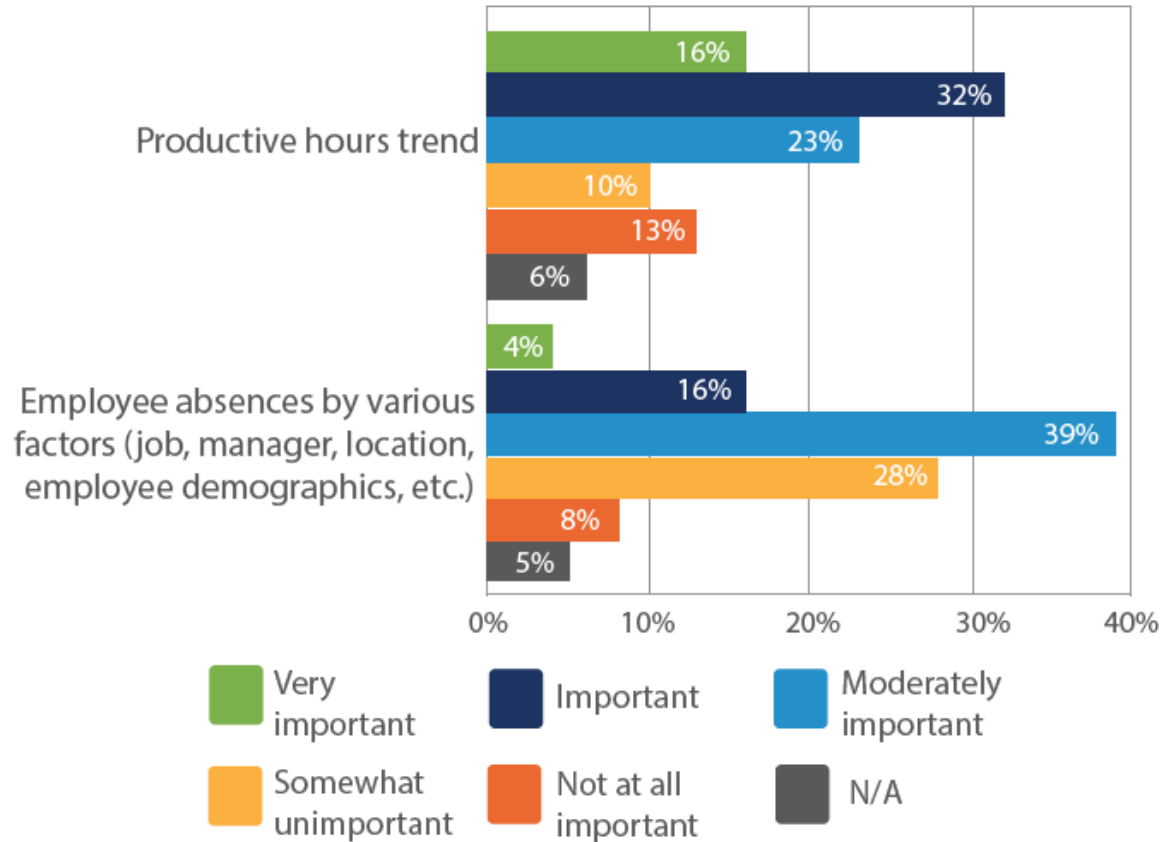


Workforce Management

“When I think of absenteeism, part of it is the challenge just to collect the data. Everyone wants their employees to be more efficient, so collecting time sheet information from employees can contribute to inefficiency. In addition, absenteeism may not be a fair measure if someone is checking emails from home. There are a lot of traditional measures that don't reflect technology and business challenges today, and we haven't come up with new ones for a workers in a non-production environment.”

**Victoria Davies –
CFO, Knightsbridge**

CHART 9: HOW IMPORTANT ARE THESE SPECIFIC WORKFORCE MANAGEMENT METRICS TO YOUR ORGANIZATION?



Recruiting and Talent Management

- Survey respondents only make moderate use of a family of measures designed to track the effectiveness of recruitment and talent management efforts.
- Only 4 to 13% ranked these metrics as “very important” to the management of such programs

“We try to measure but it has always been a challenging area because we have different VPs who are not spending enough time to foresee what’s required... Not enough time is spent to say, ‘is this a short-term requirement because I have an immediate need, or is this someone who’s going to stay and grow and become a full-time position?’”

Financial Executive

So...

- Overall, respondents were most likely to rank these benchmarks as only moderately relevant
- Wonder why?
 - Either not seen as important by finance leaders, or
 - Difficulty in gathering and tracking the data, or
 - Not the right metrics.

BUT, to HR, these are among the right metrics.

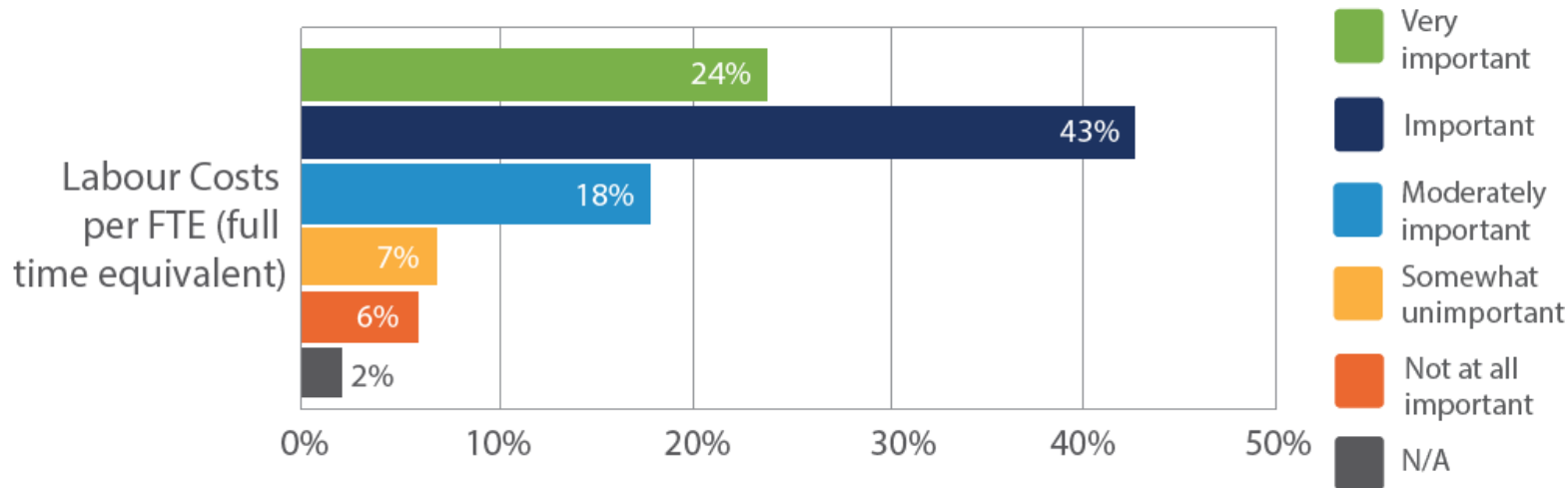
FINANCIALLY ORIENTED HR METRICS



Financially-Oriented HR Metrics

- Monitoring labour costs per full-time equivalent – i.e., the average labour cost to the company for each FTE – was important or very important
- 4 in 5 reported that they rely heavily on a per capita-based formula for evaluating performance management, tracking revenue, cost, profit, EBITDA or return on investment per full time equivalent (FTE)

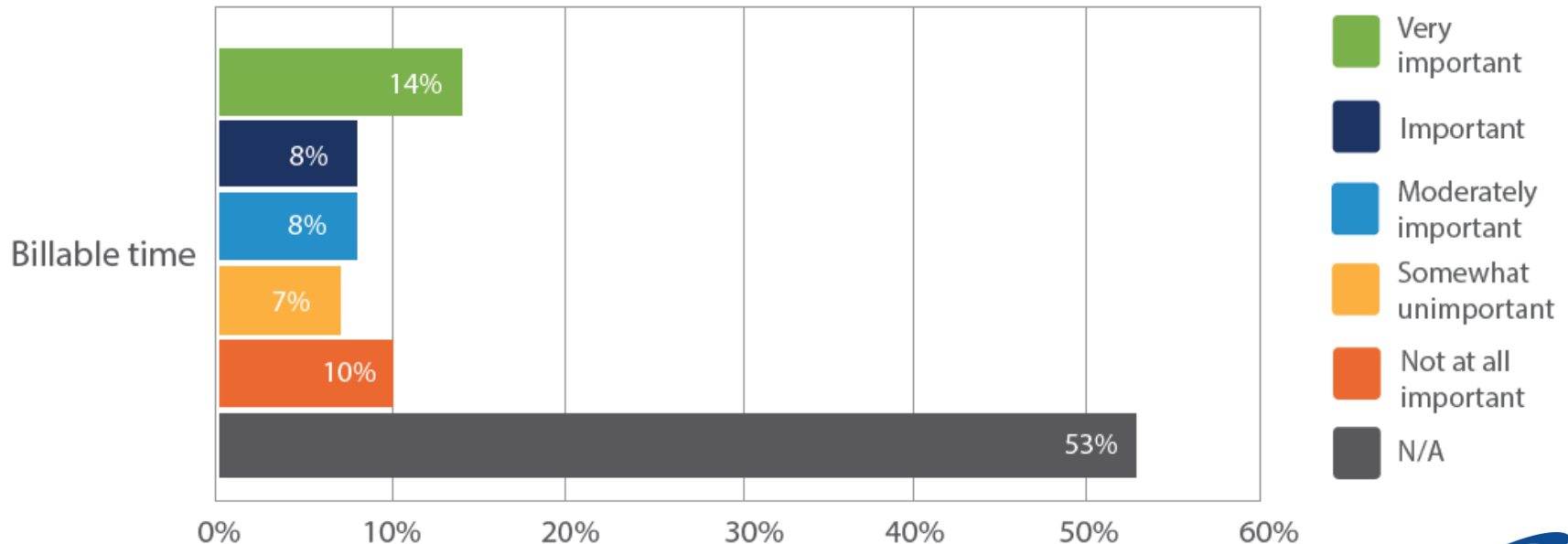
CHART 11: HOW IMPORTANT ARE THESE FINANCIALLY-ORIENTED METRICS TO YOUR ORGANIZATION?



Financially-Oriented Metrics for Hourly Staff

- Of those that had hourly employees, productivity and maximizing billable time were most important

CHART 12: IF YOU HAVE HOURLY STAFF (VS. SALARY ONLY), HOW IMPORTANT ARE THE FOLLOWING METRICS TO YOUR ORGANIZATION?



So...

- Financial executives rock the financially-oriented HR metrics!
...and it's important to do so
- They reveal the big picture of employees as the asset they are, and maybe the challenge they are, too.

CONCLUSIONS FROM THE STUDY



What to Measure?

“We are always looking for simplified but effective measurement, because there’s a lot of stuff out there and you can make this really complicated. For most of our staff, it would be right over their heads. Getting a simplified approach is what we would like to get out of HR measurement.”

John Forester – CFO, DBG Metal Manufacturing

Conclusion

THERE ARE MULTIPLE METRICS TO HELP ASSESS WORKFORCE EFFECTIVENESS, BENEFITS PROGRAMS & EMPLOYEE ENGAGEMENT TOOLS



LACK OF EXPERIENCE

Top-level managers lack familiarity or experience with many HR measurement techniques

INCREASED COLLABORATION

Financial executives need to gain a more comprehensive understanding of a range of HR metrics

HR ACCOUNTABILITY

Equally important, HR executives need to develop a strong financial benchmark that reflects the dividends associated with investing in the workforce

Metrics Themselves are Easy. Setting Targets is Hard

01

MORE IS NOT BETTER.



Pick metrics for your most important business drivers and initiatives.

02

DATA PLANNING MATTERS.



If you choose metrics from all over the organization, managing the data is hard, and different than traditional data management efforts.

03

GAINING SUCCESS.



Functionally-specific metrics are good for the excellence of execution of that function. Metrics work best when they represent shared goals.



Trusted Results. Transformative Technology.

Ceridian Human Capital Management

Enabling clients to design their workforce for maximum effectiveness and efficiency.



**PAYROLL,
BENEFITS & TAX**



**HUMAN
RESOURCES**



**WORKFORCE
MANAGEMENT**



**TALENT
MANAGEMENT**



WELLNESS

100,000+
ACCOUNTS

25 MILLION
COVERED EMPLOYEES

\$950 MILLION+
2012 REVENUE

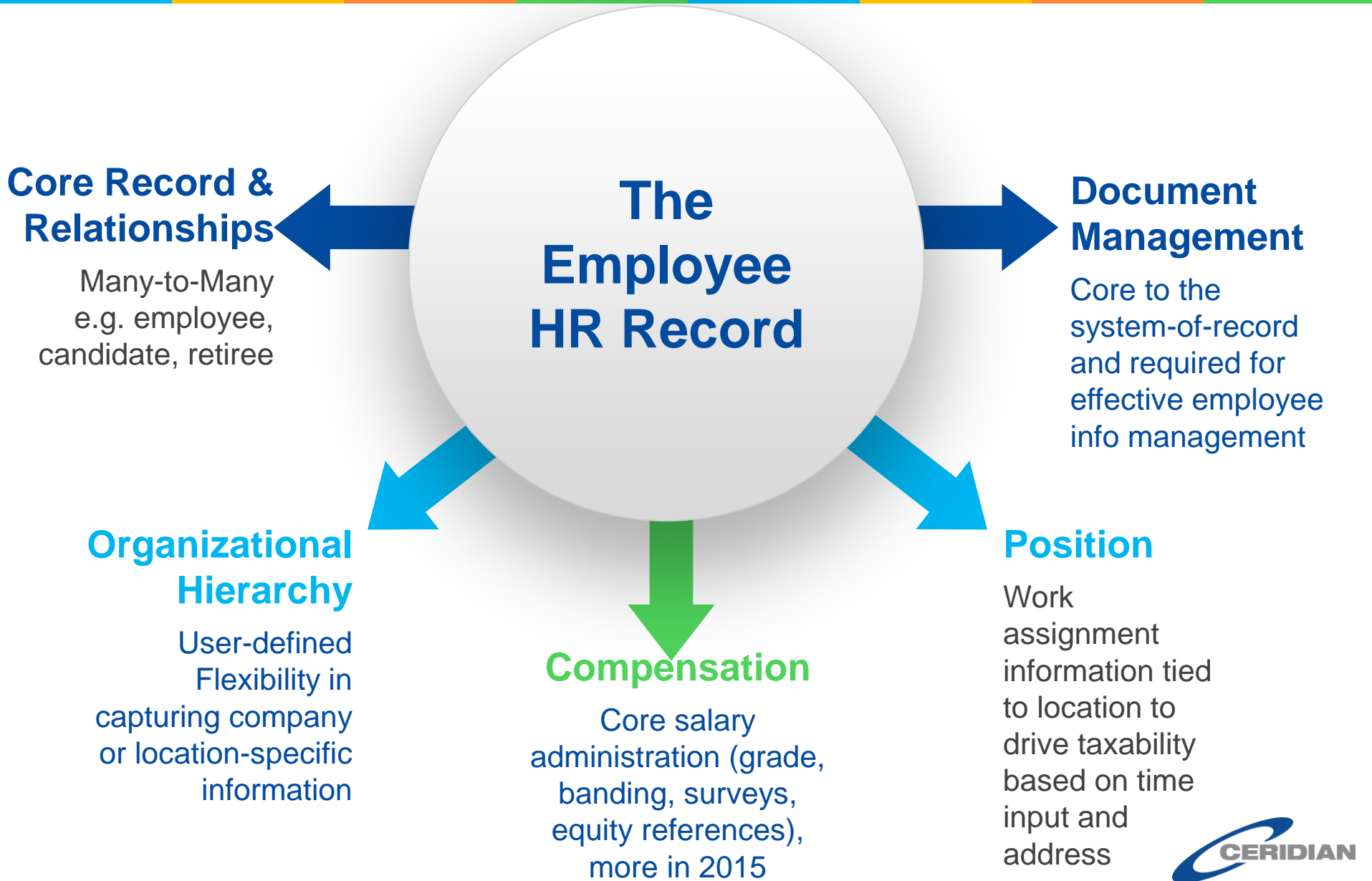
Architected for Human Capital Management

**One Employee Record,
One User Experience,
and Zero Interfaces**

Dayforce HCM



Dayforce HCM: Advancing Core HR



When you go back to your office today, think about:

- 1 Getting more into the “human” side of HR metrics.**
What’s driving your biggest expense and biggest opportunities?
- 2 Digging deeper into what’s driving productivity.**
It’s the forest AND the trees that drive the business.
- 3 Get into what drives recruiting and talent.**
It’s the key to the ignition of your productivity engine.
- 4 Keep rocking the financially-oriented HR metrics**
...Because if you don’t, who will?



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