



WORKFORCE

INTELLIGENCE CONSORTIUM

Presents:

*Measuring Workforce Productivity
using
Total Cost of Workforce*

November 16, 2010

Agenda

- Welcome
- Overview
 - About HCMI the Workforce Intelligence Consortium
 - The Challenge of Measuring Human Capital
- What is Workforce Intelligence?
- Quantifying Total Cost of Workforce
- Q&A
- What's Next?

About Human Capital Management Institute

The Human Capital Management Institute (HCMI) was founded on the belief that organizations can and must, find better ways of measuring their investments in human capital. Our vision of the future is one in which human capital measurement and information is as integral to business decision making as financial information is today.

We Bring Financial Discipline, Standards and Rigor to the HR Function

HCMI Background:

- Specialized in HR analysis & measurement
- Deep expertise in Workforce Analytics & Planning
- Board made up of CFOs and HR heads
- Over 40 years of experience

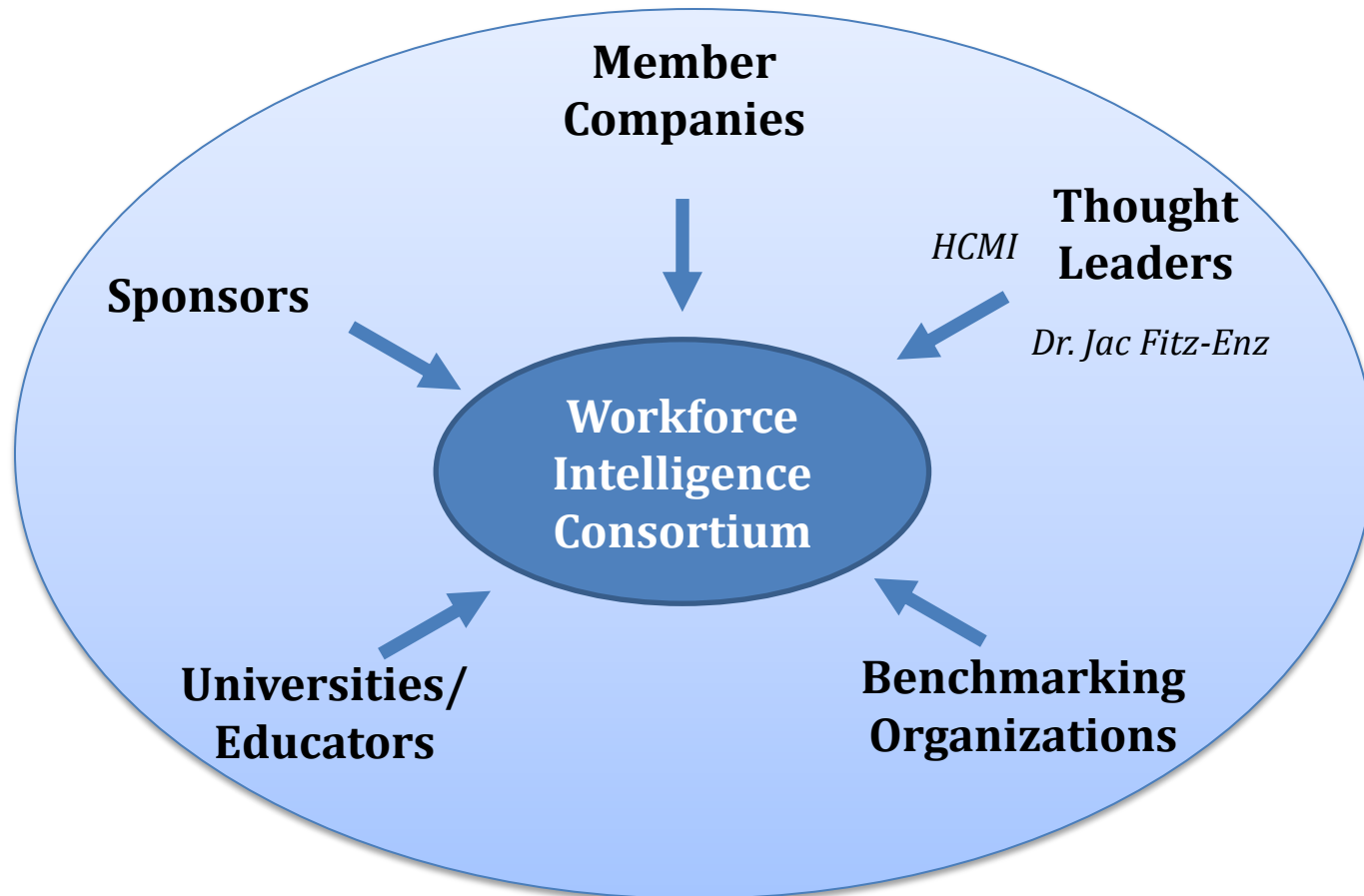
What We Do:

- Measure the immeasurable in human capital
- Transform workforce data into business intelligence
- Provide Tools and Training so HR can Partner with Finance

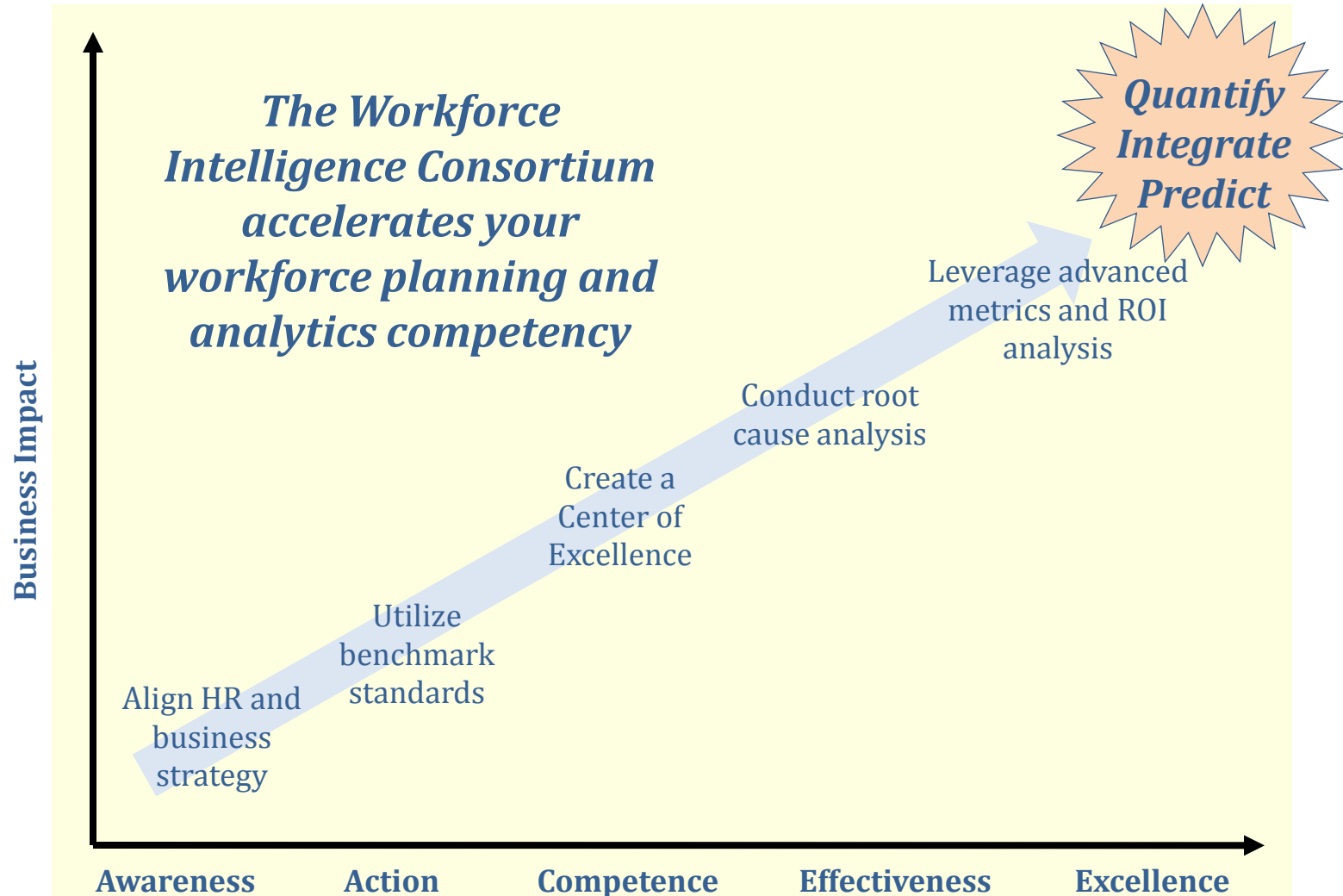
Workforce Assessment ♦ Strategic Consulting ♦ Training
Best Practices ♦ Workforce Analytics and Planning ♦ Benchmarking

Workforce Intelligence Consortium

A partner-driven organization dedicated to quantifying and solving workforce planning and analytics issues

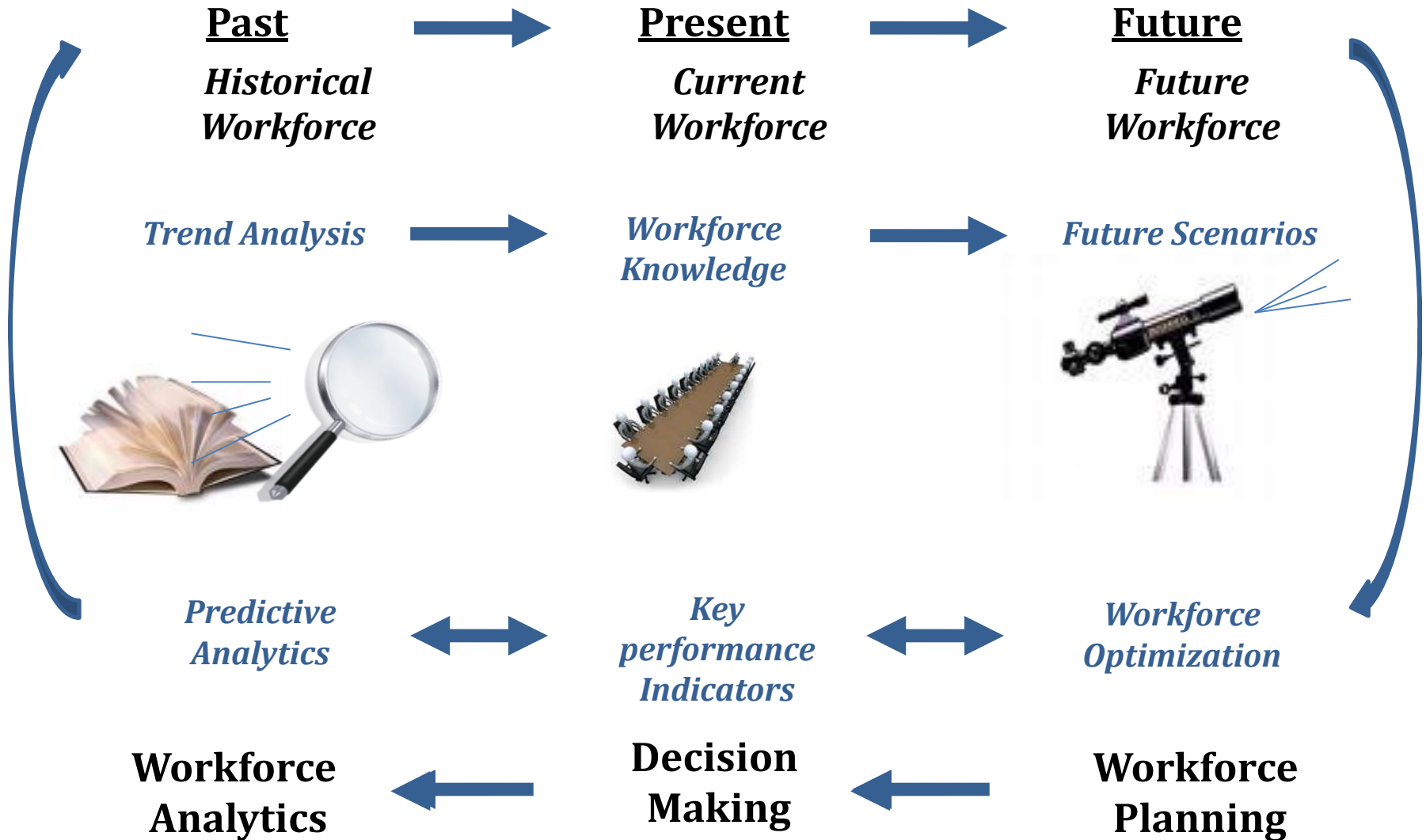


What Do We Do?



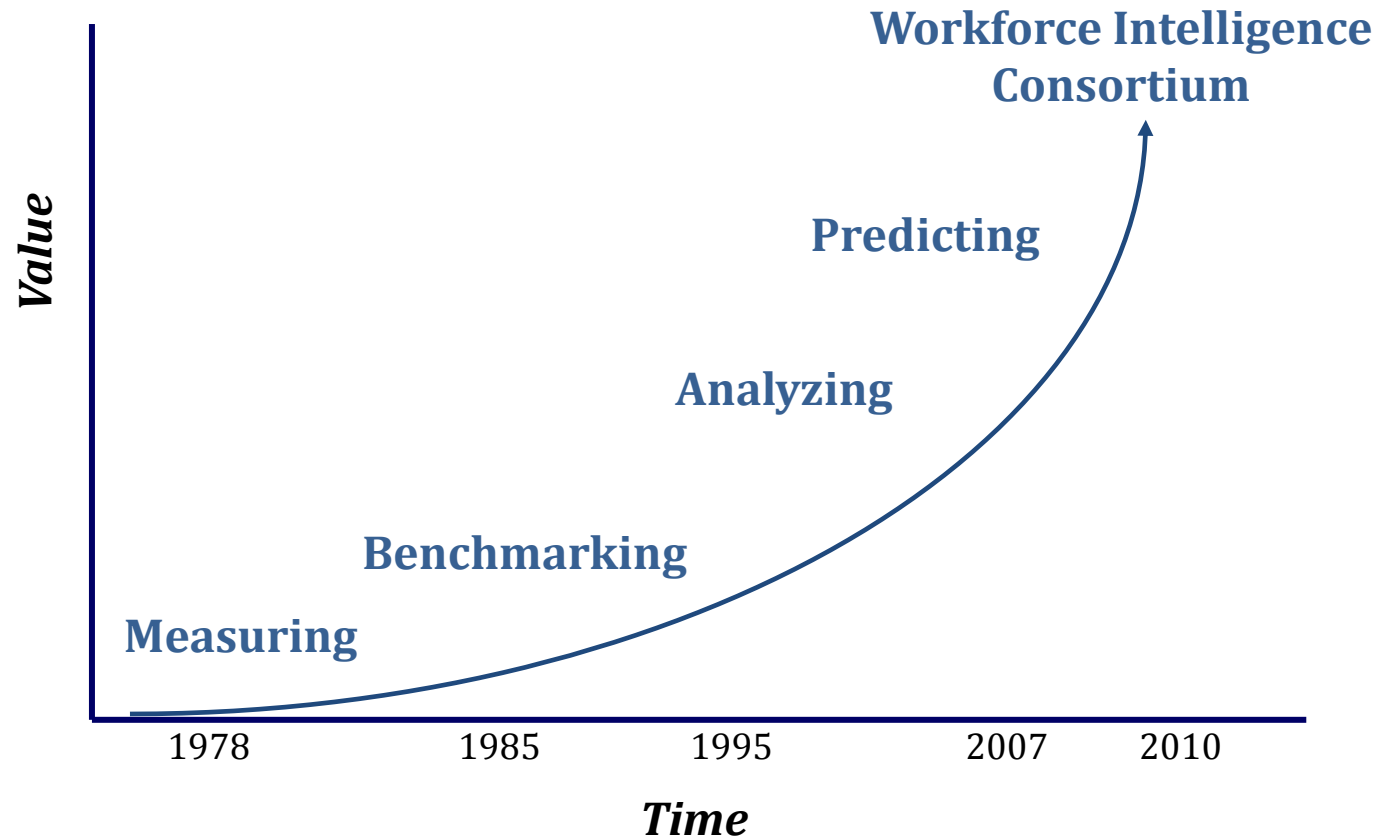
The Challenge of Measuring Human Capital

Workforce Analytics vs. Workforce Planning



The Challenge of Measuring Human Capital

As we move to more advanced analytics over time, we see greater value



Source: Dr. Jac Fitz-enz

The Challenge of Measuring Human Capital

Complexity of Workforce Data

- Employee/Full-Time-Equivalent (FTE)
- Jobs/Roles/Skills
- Time - Tenure
- Compensation (\$ vs. Equity)

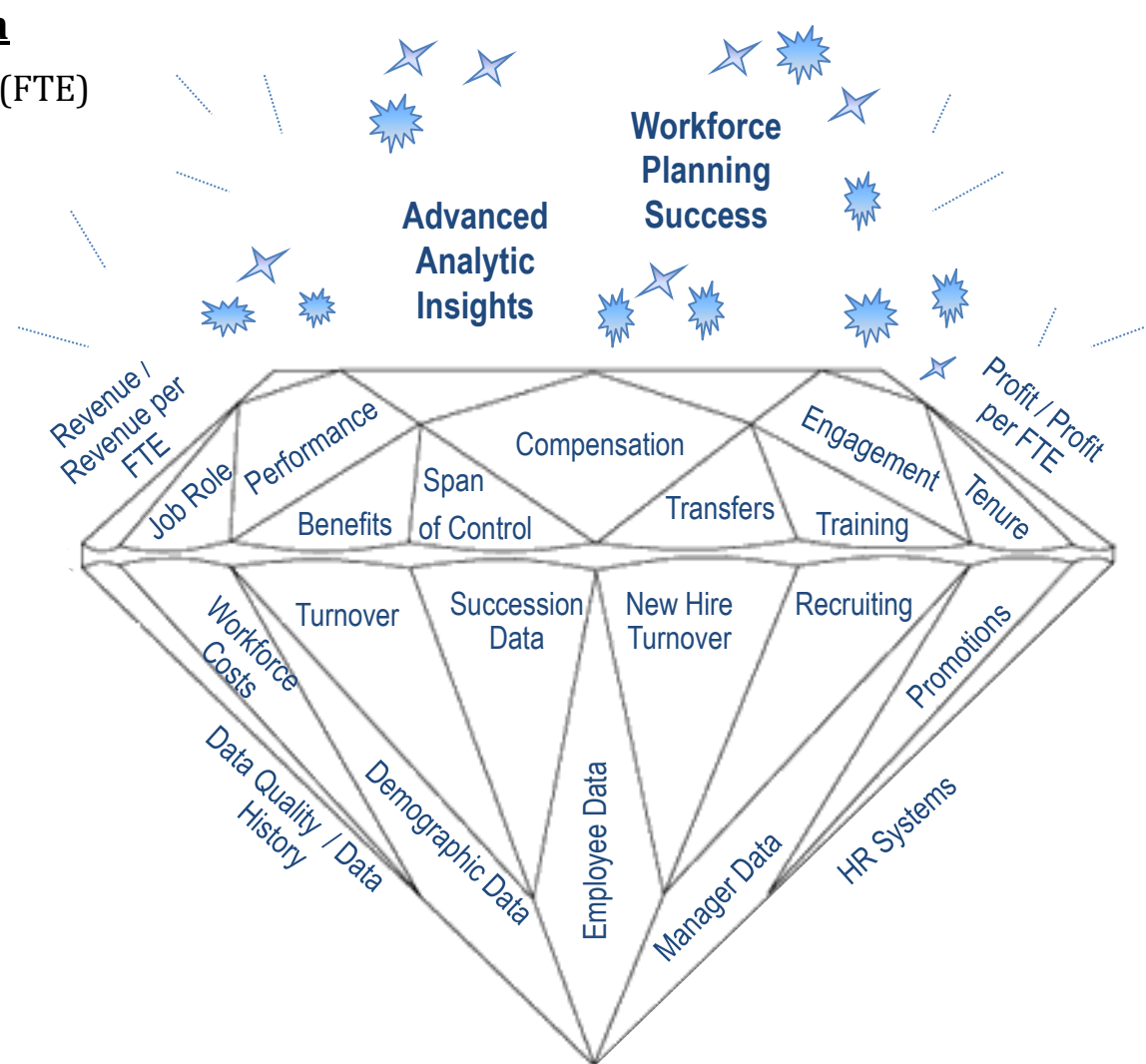
Lack of Standards

Frequency of Change

- Promotions, Transfers, Hires, Terminations
- Jobs/Roles/Skills
- Time - Tenure

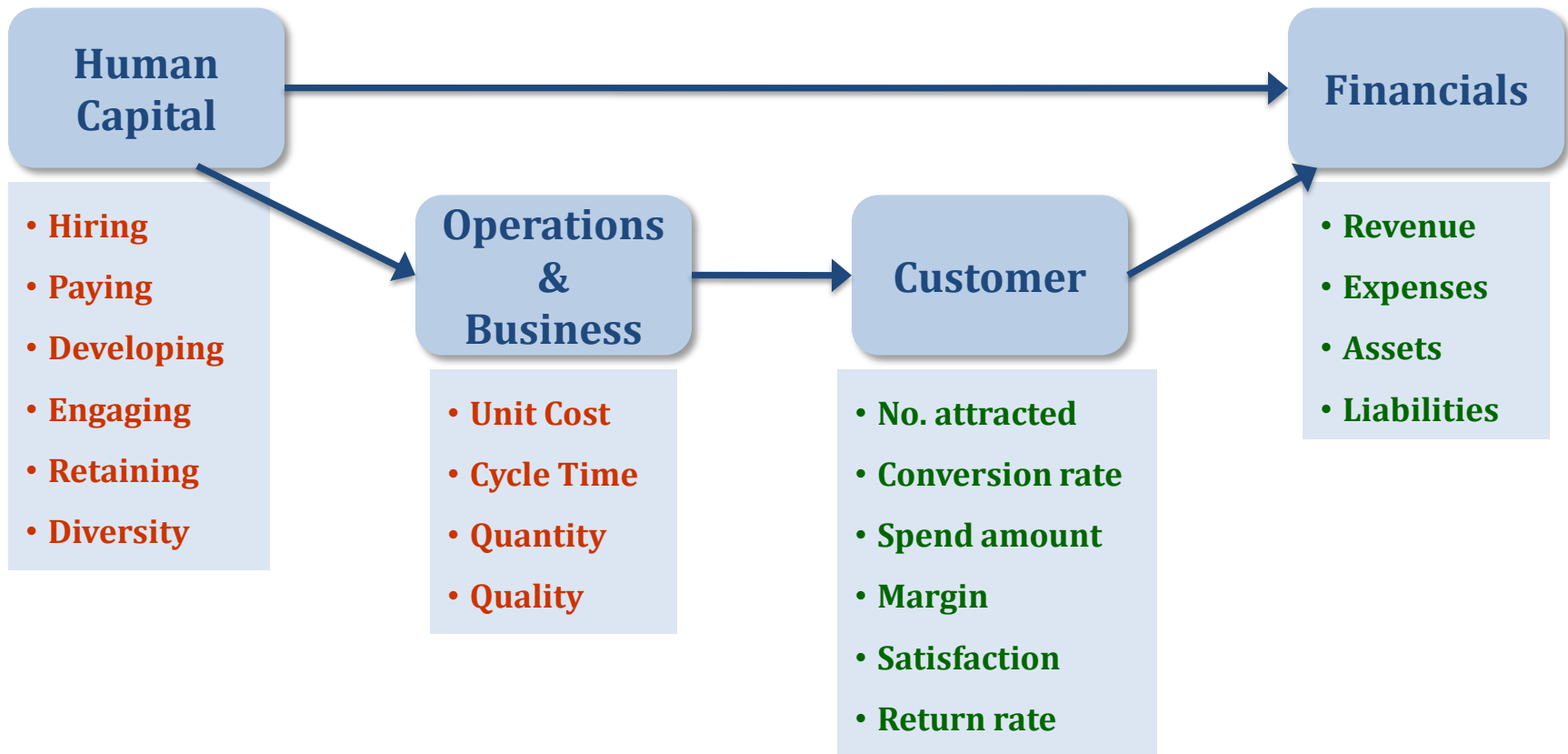
Lack of Analytic Skills

Measuring the Intangible



What is Workforce Intelligence?

How do we get from **Human Capital** to **Financials**
and deliver actionable data?



Total Cost of Workforce (TCOW)

- **What is Total Cost of Workforce (TCOW)?**

Total of all workforce direct related costs including:

- **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?**

- Workforce is the largest cost (*average 70% of operating expenses*)
- What gets poorly measured, gets poorly managed
- **In growth:** budgets, requisitions and position control leave many holes
- **In decline:** shows how much to cut
- Need for a metric to manage the workforce complexity

About Total Cost of Workforce (TCOW)

The Bottom Line – Controlling Workforce Costs

- Existing cost control tools don't work (*Budget?*)
 - Status quo drives binge (hiring) / purge (layoff) cycles
 - Off-shoring/Outsourcing reduces costs but not competition
- How does TCOW Control Costs?
 - Set targets to budget, forecast, benchmark or improvement goals
 - Link to new hire requisitions, hiring freezes, bonus-incentive payouts
 - Benchmark business unit and organizational performance
 - TCOW as a % of Revenue or as a % of Total Expenses
- 1% TCOW savings at a Fortune 500™ Co. = \$30 million

Total Cost of Workforce: Application

- “Total Cost of Workforce detail is great but I need to drill down to see what is driving costs”

Total employees managed and average cost of workforce displayed for each manager.



- Low - Below Total Wkfce Cost Target
- Warning - Limit of Total Wkfce Cost Target
- High - Above Total Wkfce Cost Target

Each category shows performance, tenure and job role detail

The Impact of Workforce Analytics and Planning

Hewlett Packard Case Study



About HP:

- \$120 Billion USD Annual Revenue, 13% Revenue Growth, 300,000+ global employees

- Ranked number 9 on Fortune 500 list of America's biggest revenue producers

- **Acquisitions:**
 - 2008, EDS corp., \$22.1 Billion USD revenue, 130,000 employees
 - 2009, 3Com corp., \$1.3 Billion USD revenue, 4,600 employees
 - 2010, Palm corp., \$1.0 Billion USD revenue, 1,000 employees

HP Case Study: Inventing the Future Workforce

Growth, Reduction and Business Integration:

13% growth while saving \$500 - \$700 Million USD annually

HR Strategy Quadrants

Productivity

- ✓ Industry standard definitions
- ✓ Benchmarks
- ✓ Productivity metrics + goals

Quality

- ✓ Talent management
- ✓ Learning & development
- ✓ Staffing requirements

Cost

- ✓ Total cost of workforce
- ✓ Job architecture
- ✓ Productivity vs. cost trade-off

Engagement

- ✓ Rewards & recognition
- ✓ Employee communication
- ✓ Employee assessments

Integrated Business + Talent Strategy

HR Optimization Model Output

- 1-page workforce snapshot report
- Workforce planning optimization
- Workforce mix (regular, contract, expat)
- Location, job and function insights

- Current vs. future talent needs
- Rapid hiring of new talent/key skills
- Integrate critical skills and roles

- Predictive analysis
- Cost savings vs. growth analysis
- Reduce/re-train outdated skills

- Pay for performance
- Link turnover to employee feedback
- Shared culture and values

The Impact of Workforce Analytics and Planning

Hewlett Packard Case Study



2000 to 2005: Struggling to Move and Change

- “A” Division retrenches Development Engineers
- “B” Division is hiring Development Engineers



2006 to Current: Become an Agile Workforce

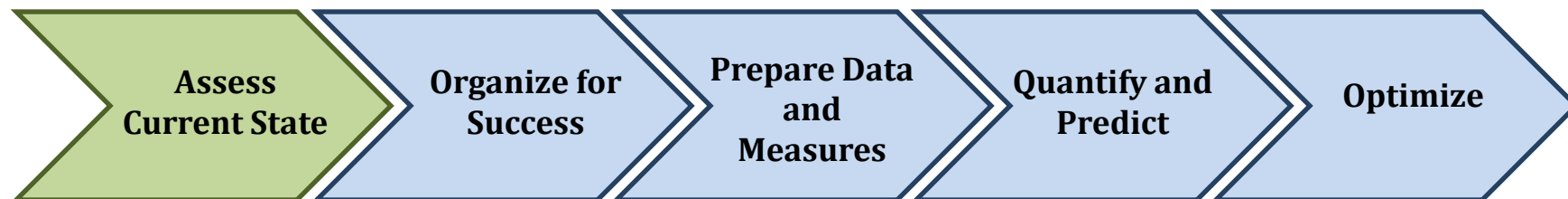
- Adopting Total Cost of Workforce into hiring, budgeting, and workforce planning, HP has been able to:
 - Be surgical in workforce decision making
 - Increase mobility and hire only when needed
 - Simultaneously retrain or layoff obsolete skills while hiring needed new skills

Where Are You?

*Where is your organization on the Workforce
Planning and Analytics journey?*

How Do We Do It?

5 Steps to Workforce Intelligence



Assess

- Skills
- Capabilities
- Systems
- Data
- Organization

Organize

- Build a Roadmap
- ID Goals
- ID and build skills/resources
- Define governance
- Plan service delivery and measurement

Prepare

- Data
- Integrations
- ID Key Metrics

Execute

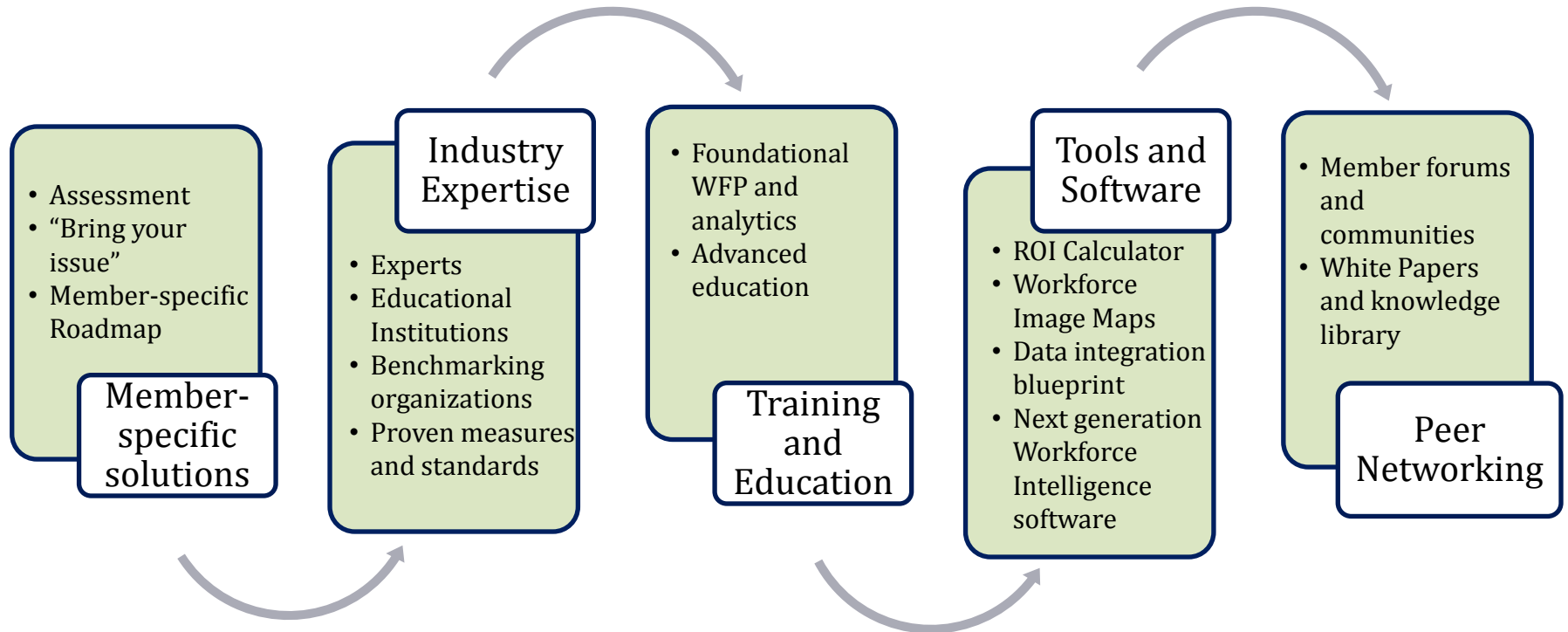
- Quantify value, ROI, and costs
- Predict and forecast
- Model workforce

Take Action

- Value opportunities
- Cost savings
- Policy or process changes
- Continuous improvement opportunities

How Do We Accelerate the Journey?

The Workforce Intelligence Consortium can quickly move you from measuring to QIP

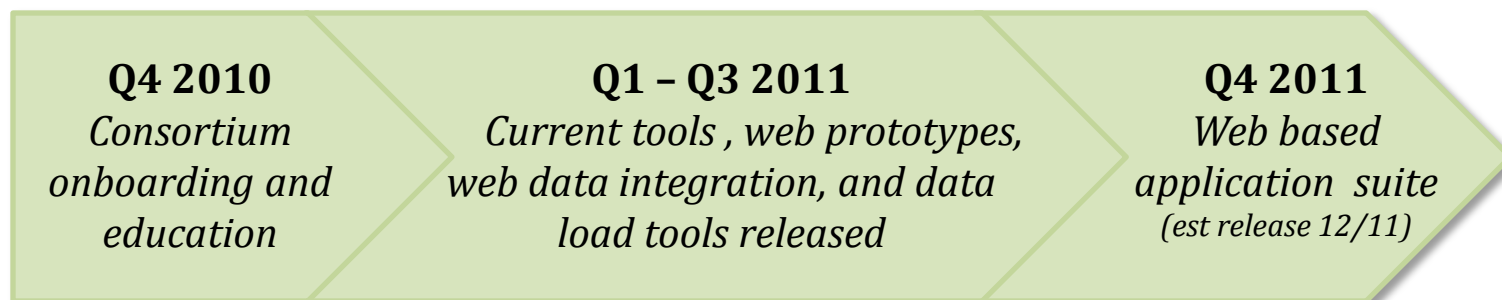


Consortium Additional Offerings

The goal of the Workforce Intelligence Consortium is to provide solutions to your specific workforce issues. In some cases, we may work with you to provide additional resources or solutions to achieve this goal.

- Center of Excellence guidebook and training
- Span of Control optimizer
- Workforce Reorganization Analysis
- Dashboard and Scorecard Process Development
- Advanced Human Capital Analytics Certification
- Additional Training
 - Advanced WF Analytics
 - Advanced WF Planning
 - KPI and Scorecard Design
 - Talent Management
 - Data Transformation and Standards

Workforce Intelligence Consortium program timeline:



Regular expert, education, and community sessions will be held throughout the year. Next generation tools will be released as defined by the program schedule.

Question and Answer

Next Steps

The Workforce Intelligence Consortium educational series continues:

Calculating Human Capital ROI

November 30

1pm CT/11am PT

Register at www.workforceic.com

Next Steps:

Visit www.hcminst.com or www.workforceic.com for more information about tools, services, and the consortium

To schedule a demo of 1st Generation Solutions or to join the Consortium, contact Cheryl Farley, Program Director at cheryl.farley@hcminst.com

Presenter information:

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Workforce Intelligence Consortium
Group



@HCMI



Thank you