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HR Metrics & Analytics

MSB21T2001

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Session 17 - Topics to be discussed

- **METRICS RELATED TO**
 - **RETENTION**
 - **EMPLOYEE DEVELOPMENT**
 - **IMPACT OF ENGAGEMENT**
 - **COMPENSATION AND INCENTIVE PROGRAMS**

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RECAP: SESSION 16

- HR Analytics- context and value
- Human Capital Analytics
- Workforce Analytics
- Human Capital Analytics-Architecture
- Levels of Measurement

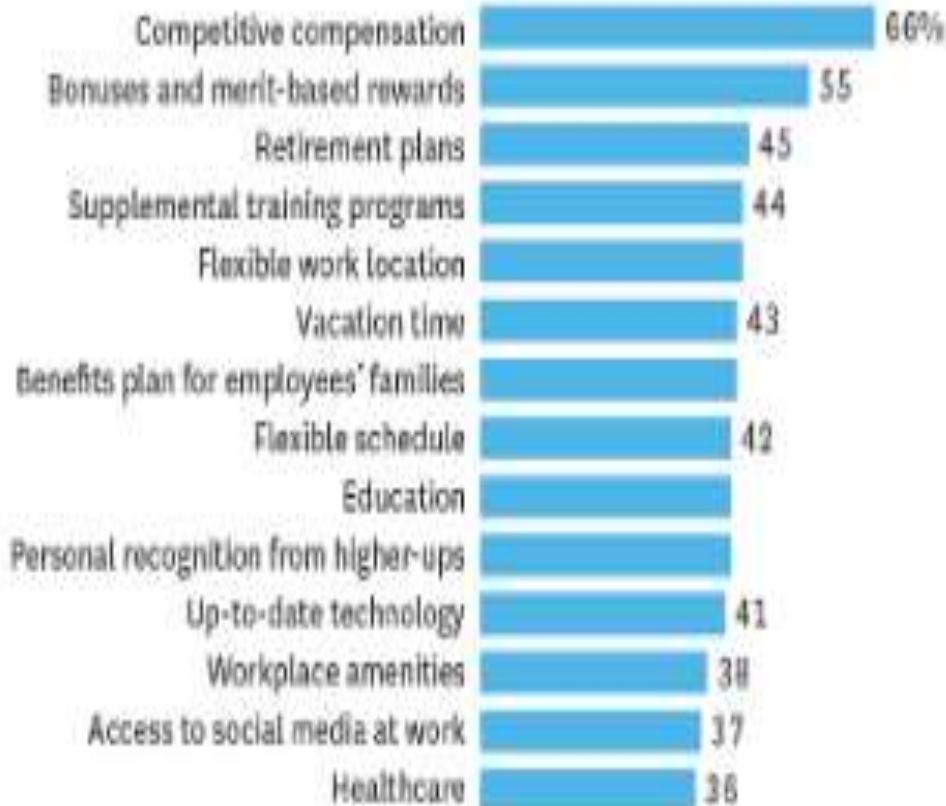
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RETENTION

The cost to replace an employee could be over 200% of their annual salary, according to AmericanProgress.org. The true cost might even be higher due to training/onboarding, lost productivity, recruitment, and decreased morale among other employees. Losing an employee that's in the top 1% of performers could mean the difference between growth and decline. For this reason, decreased attrition and improved employee engagement are often top priorities for HR departments. HR analytics can help improve retention through a churn analysis that looks at data points like:

- Current churn rate
- Attrition by department
- Attrition by estimated commute time
- Similar attributes of employees with longer tenure
- Similar attributes of employees who leave within 1 year
- On boarding experience
- Survey data
- Qualitative data such as employee interviews
- Employee performance data to forecast future attrition

WHAT EMPLOYEES VALUE AT WORK



- Through this data-driven approach, HR analytics can illuminate the major causes of attrition, and new policies, along with training programs, can be put in place to help mitigate the problem. For example, data might show that high-aspiration employees are not challenged or employees are frustrated with a certain management style. Human resources analysis will reveal these issues, and then it will be up to leadership to act. It's also possible to spot an at-risk employee before they leave so preemptive actions can be taken to resolve issues. For example, a once high-performer may not be as productive because he or she is underpaid. An analysis of productivity alongside a comparison of market-value salaries can help spot this.

EMPLOYEE DEVELOPMENT

Almost 40% of American employers say they cannot find people with the necessary skills for entry-level jobs and almost 60% say entry-level candidates are not prepared professionally.

HR analytics is also playing an increased role in evaluation of employee development (or workforce development) programs to close the skills gap. Analytics tools can help human resource management assess company needs, allocate resources to train employees most likely to fill those needs, and then evaluate the results. The goal is to close the skills gap so a company can compete with increasingly agile global competitors.

Data visualizations fed by employee and customer feedback data can show the evolution of employee professional growth. For example, a retail clothing chain may discover through customer feedback that sales associates are friendly, but have trouble providing excellent customer service when items are not in stock. An employee development program can be put in place to educate associates on the keys to customer success. This could take the form of a pilot training program for employees in the lowest-performing locations.

EMPLOYEE DEVELOPMENT

- The best employee development and talent management programs align employee goals with business goals, and investment is often dependent on the ability to tie these to revenue. The process is successful when ROI is achieved, creating a feedback cycle where success increases revenue and investment in development.



EMPLOYEE ENGAGEMENT

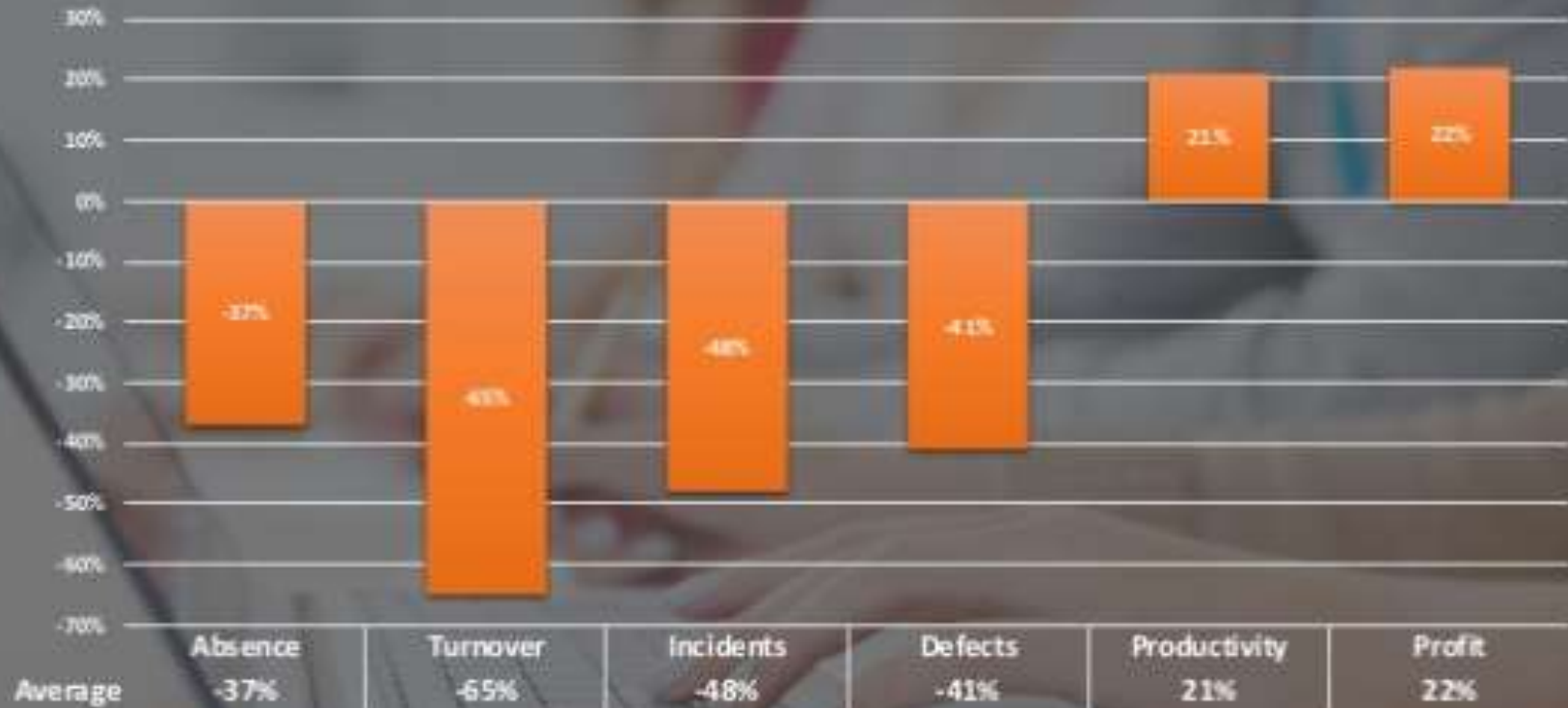
- An engaged workforce is critical to attracting and engaging talent. The challenge is determining which factors will result in revenue for the company. This makes employee engagement a very difficult metric to quantify and take action on.
- How can HR analytics help with employee engagement?
- Statistical analysis of employee engagement survey data
- Discriminant analysis to identify the needs of different segments within the organization
- Factor analysis to correlate engagement initiatives with retention and productivity
- Inform testing of new ideas to measure lift in engagement
- Google is a perfect case study in how people analytics can be used to increase employee engagement. They're one of the most data-driven cultures in the world. Its People Operations team utilizes a mix of quantitative and qualitative data to measure what employees value most and to keep them engaged.

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EMPLOYEE ENGAGEMENT

- They discovered, through a combination of employee surveys and productivity analytics, that great managers tend to have the following qualities:
 - Coaching skills
 - Does not micromanage
 - Is genuinely concerned for well-being of employees and expresses this
 - Results-oriented
 - Excellent communicator (listens and shares)
 - Develops employees
 - Clear vision and strategy for team
 - Possesses key technical skills to help guide team

IMPACT OF ENGAGEMENT



COMPENSATION AND INCENTIVE PROGRAMS

- Compensation is often the largest business expense, which underlines its importance in organization decision-making. Data analytics platforms can help analyze large volumes of employee and market data to achieve a competitive advantage. Smart HR analysts will keep track of what competitors offer employees to ensure top talent is attracted to the company. They can also look at exit surveys during the recruiting process and declined offers to better understand the compensation and incentive landscape. HR analytics can provide:
- Incentive programs to motivate employees to maximize productivity. Data analysis can provide insight into the most impactful monetary and non-monetary rewards. For example, an HR department might implement a referral program where employees receive a bonus for referring new hires. With enough data, HR can determine what the ideal bonus amount is and cross-reference this to the increase or decrease in quality of hires.

COMPENSATION AND INCENTIVE PROGRAMS

- Sales team motivation is another application. What quota should be assigned to each salesperson and what should their bonus structure look like? This may vary on the team, region, and products sold.
- Executive compensation analysis needed to attract and retain top leaders. HR analytics can analyze the market rates for executives at similar companies, bonuses that properly motivate, and perks to provide. This is critical to the direction of the organization and can either make or break it.

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