SOLVE™

WORKFORCE INTELLIGENCE SOFTWARE

WEBINAR

3 Strategies to SOLVE Workforce Gaps with Talent Supply and Compensation Data

About HCMI

Vision: a future with Human Capital data as key to business decisions as financial data is today.

People Analytics for Business

- Transform workforce data into business intelligence
- Tools and training to quantify workforce decisions
- Created Human Capital Financial Statements
- Workforce Analytics and Planning experts

About Presenter

Jeff Higgins – CEO, HCMI

Jeff is a global thought leader with 25 years combined workforce planning, analytics and finance experience supporting Fortune™ 500 companies. Jeff has helped organizations around the world quantify the ROI of workforce decisions and realize cost saving opportunities of up to $1.0 billion USD. Jeff is both a former senior HR executive and former CFO, and a regular speaker at HR events.

Previously, Mr. Higgins worked in finance at Johnson & Johnson, Colgate Palmolive, Klune Industries and a senior HR leader at Countrywide Financial, IndyMac Bank, and Inform, a leading analytics software co. Jeff is on the SHRM Global Standards Committee on human capital, the Center for Talent Reporting board and founding member, PwC Saratoga Institute advisory council.

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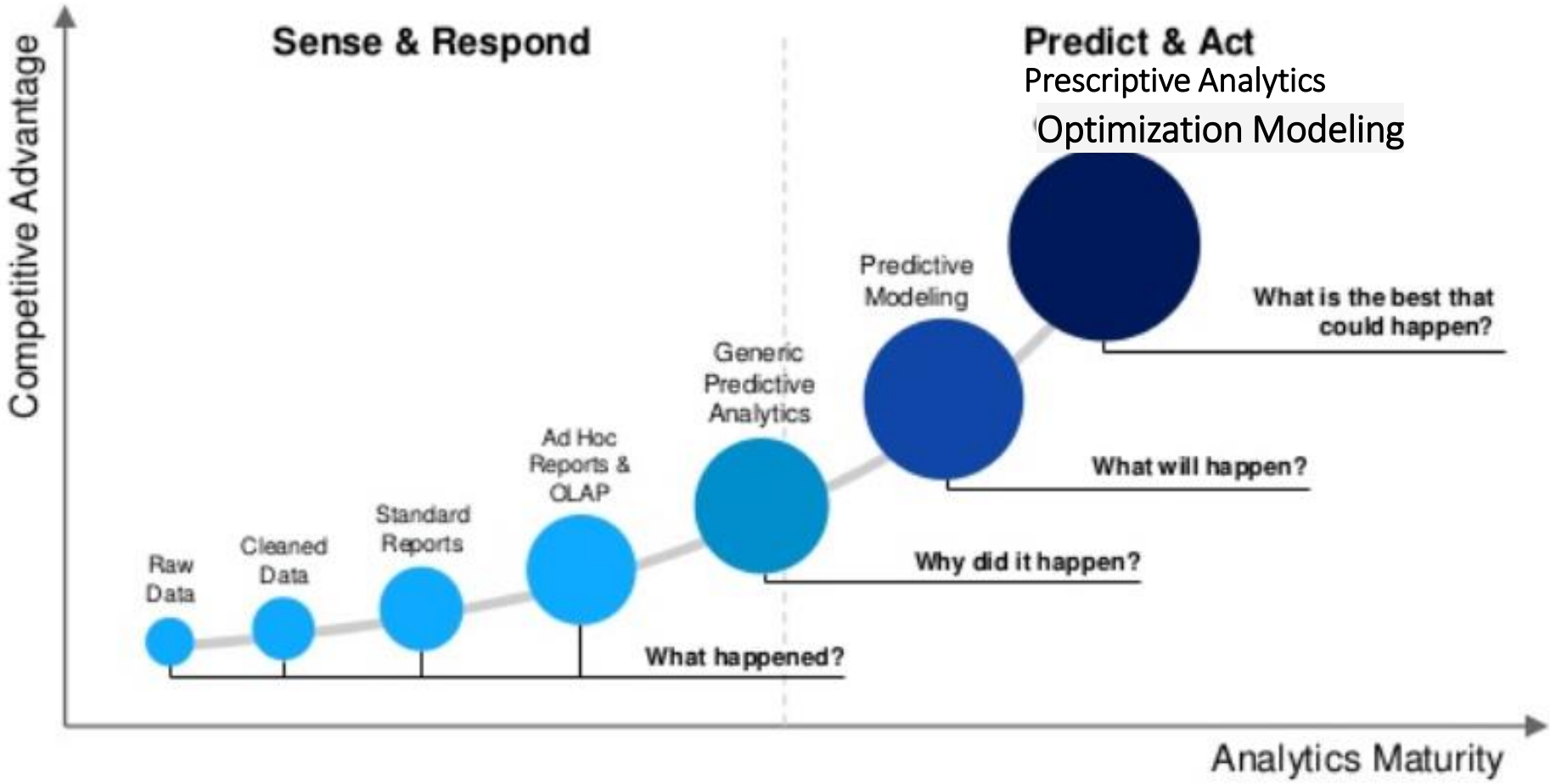
…most companies “fly blind” on talent decisions, unaware of the financial and business impact of their workforce decisions.

Typical Employer Results

- ✓ Make 75% of talent decisions incorrectly
- ✓ Spend too much = **drag on profits**
  ($100M/yr. for 20K employee business)
- ✓ Invest too little in talent = **lose top talent**
- ✓ Spend ineffectively = Hire, Promote, Reward, Train on the wrong metrics for the wrong people = **lost competitiveness**

Analytics + Workforce Planning Maturity Model

The Future is Predictive, Optimization Modeling and Prescriptive !



Source: Gartner Inc.

Step 3: Analyze Data

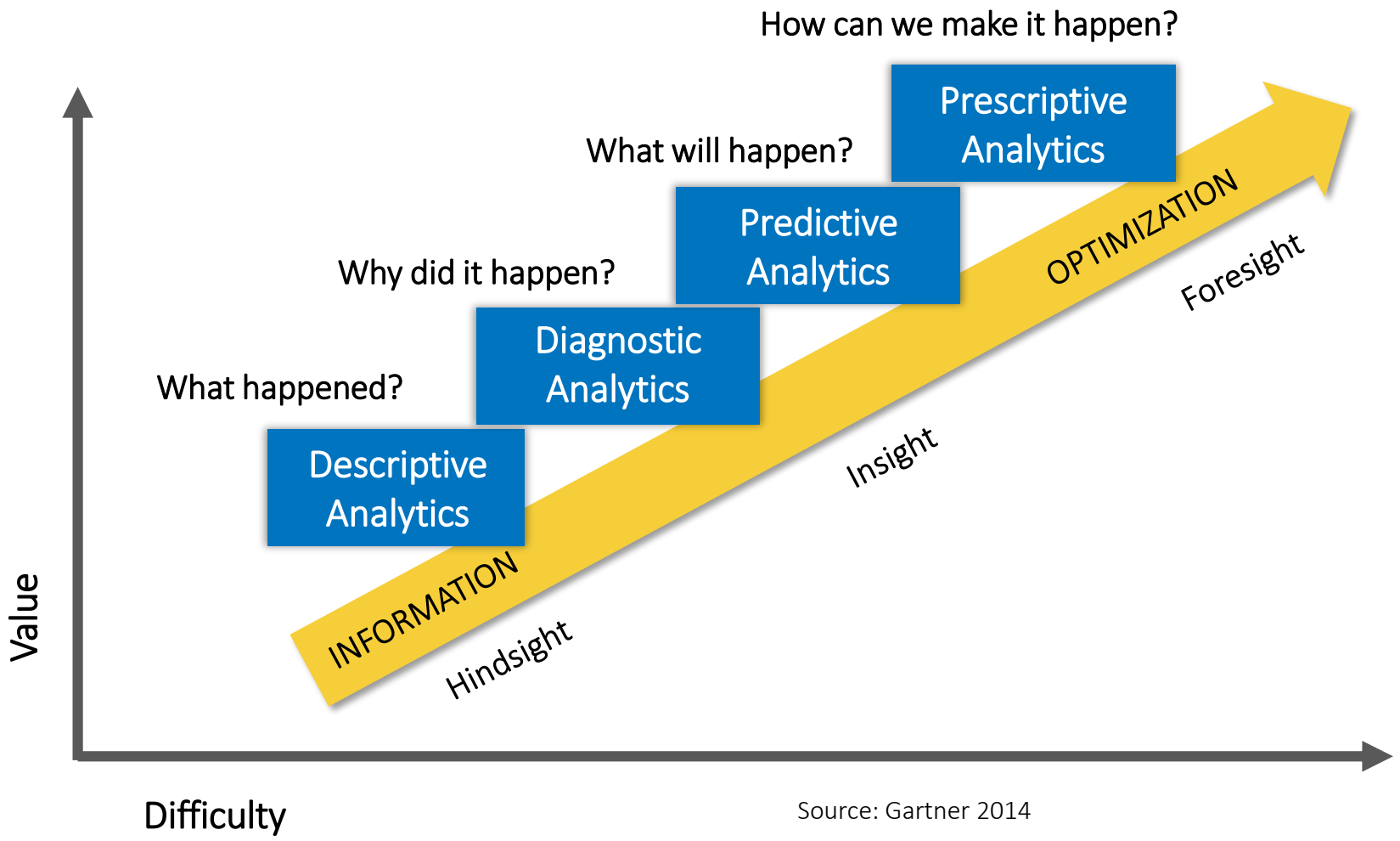
Good Workforce Analytics is…

- Use facts for analysis and data driven decision making
- Merge multiple data sources (HR, Finance, Operations)
- Apply modeling and statistical tools
- Identify drivers of "outcomes" that link to business results

Great Workforce Analytics is…

- Predictive and Prescriptive analysis & metrics driving insight to action

Analytics Maturity Curve



Source: Gartner 2014

Poll Question

Where is your organization in Analytics and Workforce Planning Maturity?

A. Descriptive analytics i.e. basic reporting only

B. Descriptive with some diagnostic analytics (root cause) + limited headcount workforce planning

C. Descriptive + diagnostic and limited predictive analytics, WFP forecast of headcount and cost for some critical job roles

D. Predictive analytics across many talent dimensions. We also completed a 5-year workforce plan

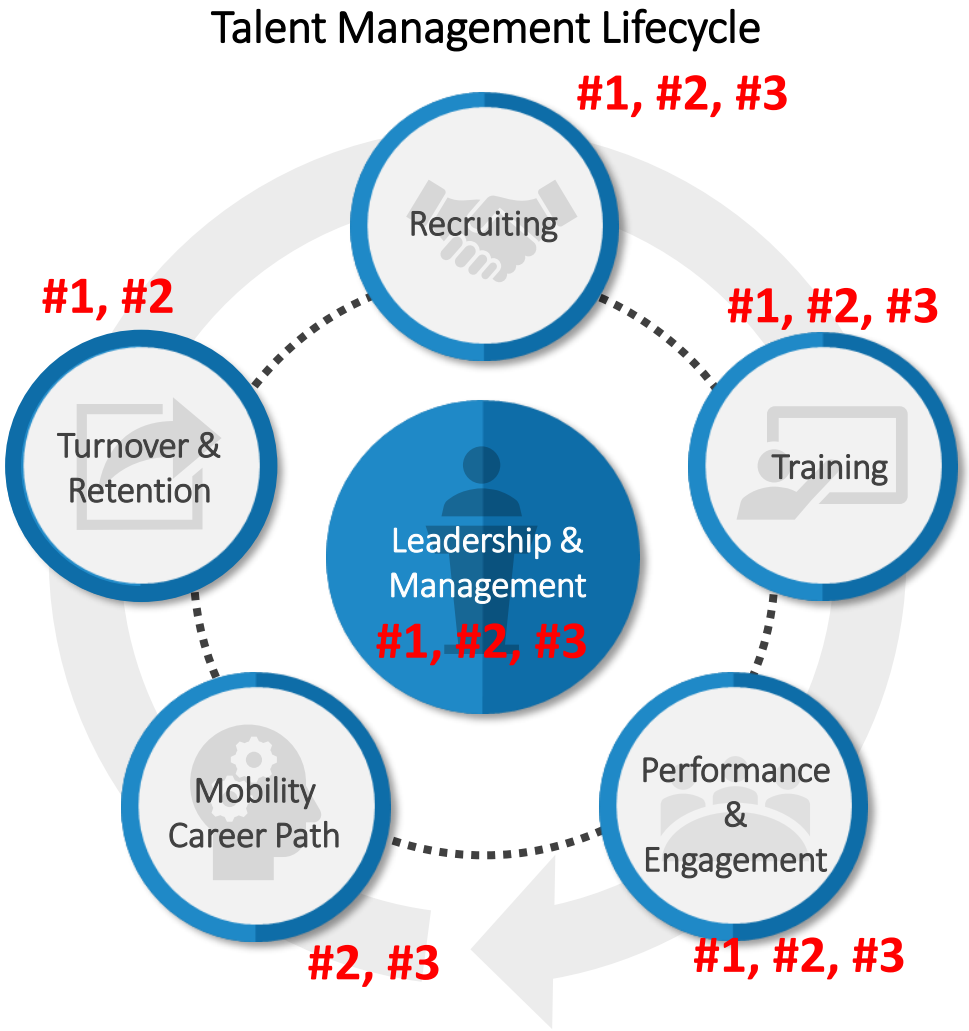
E. Not sure we do any real analytics or workforce planning yet, too busy fighting fires

The Challenge, Solving Talent Issues that lead to Gaps

Challenges and Questions that Need Answers and Strategies

1. We can’t find qualified talent to fill open and projected talent needs
2. Our turnover rate is too high with too many ‘regrettable’ voluntary terminations
3. Finance won’t let us add staff since total labor costs are going up too fast
4. We need more people and talent yet cannot get budget approval to hire
5. We cannot afford to outbid peers for new talent in critical roles
6. Peers and competitors are stealing our critical talent
7. Can we find better talent that costs less? Where and How?

Tips for Linking Talent to Business Results



“Show me the Money” ! ROI Across Talent Mgmt Life Cycle

	15% productivity gain and lower costs ($55.0 Billion Package Delivery Co.)	$1.1 Billion Annual
#1, #2, #3	Predicting sales stars pre hire {$1.0 Billion Bank}	$264 Million Annual $1.1 million per salesperson
	ROI of sales training {$2.0 Billion Retail Co.}	$250 Million Annual $250k per Salesperson
#3	Location optimization for talent growth {US Regional Bank}	$200 Million 10 years
	Employee engagement to revenue impact {$1.0 Billion public Airline}	$96 Million Annual $5 per flight premium
#1	40% voluntary turnover reduction {public, financial services co.}	$12 Million Annual
#2	ROI of internal vs. external hires {public bank}	$6 Million Annual

3 Strategies to Solve Talent Gaps and Workforce Issues

Trace the flow of workforce across the organization

#1 Reduce Turnover Rate

- Find best hiring source (what works)
- Analyze new hire terms (90 day, <1yr)
- Focus on 'regrettable' terminations
- Use exit interview data?
- Look at compensation
- Define a career path
- Analyze across demographics
- Leaders are ALWAYS a factor

#2 Build more vs Buy Talent

- Design optimal career path
- Build bench strength (successors in all roles)
- Train talent for next role
- More promotions for good performers
- Limited promotion but unlimited transfers
- Encourage leaders to share/promote talent
- Quantify ROI of build vs. buy

#3 Rethink Recruiting

- Rethink the recruiting strategy, get flexible
- If talent won't come to you, go to the talent
- Use supply data for location optimization, i.e. best talent/skills at best cost
- Talent supply trumps taxes and average wage rate in locations
- For early career talent, go against the crowd

Address Compensation and Labor Cost Challenges to Keep Finance Happy

- Talent that stays longer performs better + has higher productivity
- Referrals + converting temps. costs less
- Consider rehiring stars who left

- Building for most job families costs less that buying aka hiring outside talent
- Replacement cost for a star denied promotion is often 30% to 100% more than the promotion

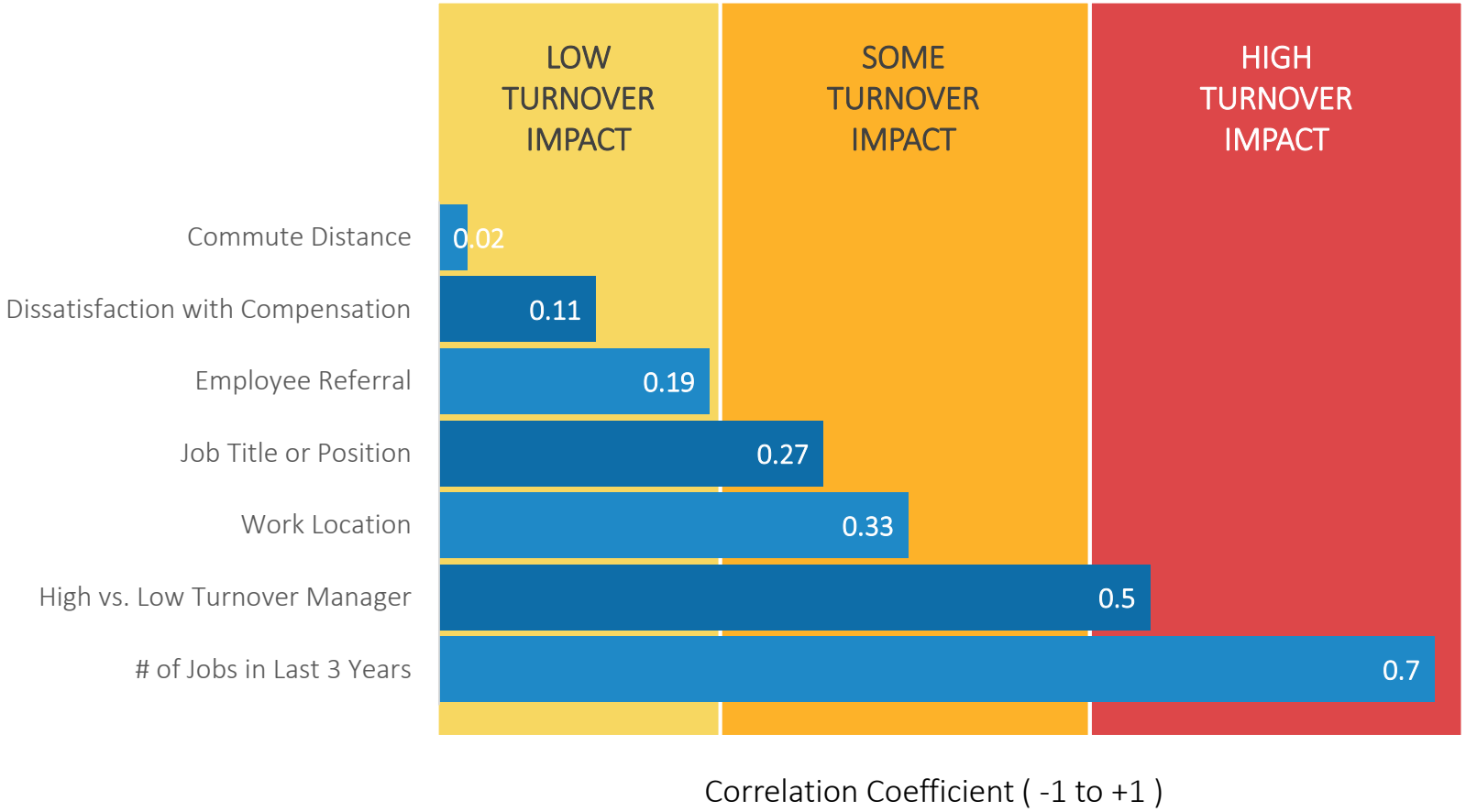
- It is possible to find more experienced talent that costs less with supply data
- Finding early career talent is easier than 20 year veterans + costs much less

Diagnostic Analytics | Predictive Analytics

Turnover Driver Analyses: Scofield Case Study

Use workforce analytics to identify the drivers of turnover

Interpret this analysis on Scofield Factors associated with Turnover



RESULTS

- 1/3 of managers were responsible for 80% of company turnover
- Commute distance and compensation were not major factors related to turnover
- Employees in certain jobs and locations had the risk of turnover
- To hold managers accountable, a manager turnover scorecard was implemented

Diagnostic Analytics | Predictive Analytics

Retention Driver Analyses: Scofield Case Study

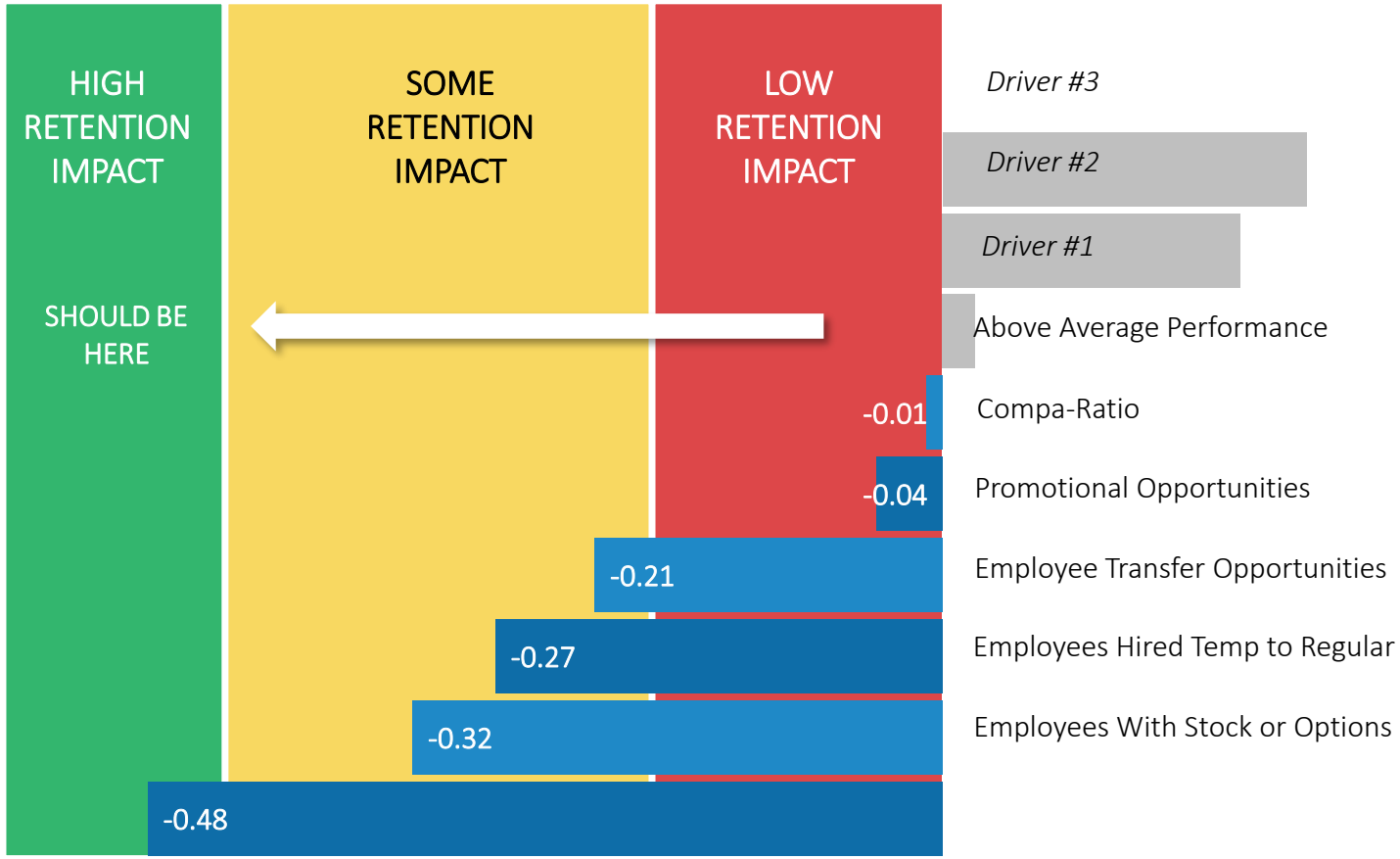
Interpret this analysis on Scofield factors associated with retention

RESULTS

- Across all workforce categories, stock options were significant drivers of retention.
- Filing open positions with existing temporary staff.
- Changes were made around stock award programs and hiring practices

ROI

40% reduction in voluntary turnover and increased performance to an annual savings of approximately $12 million



Correlation Coefficient (-1 to +1)

Poll Question

What would you recommend to reduce turnover at Scofield?

A. Pay higher starting salaries, give equity to all new hires

B. Change hiring profiles, more employee referrals, convert more temporary staff to employee

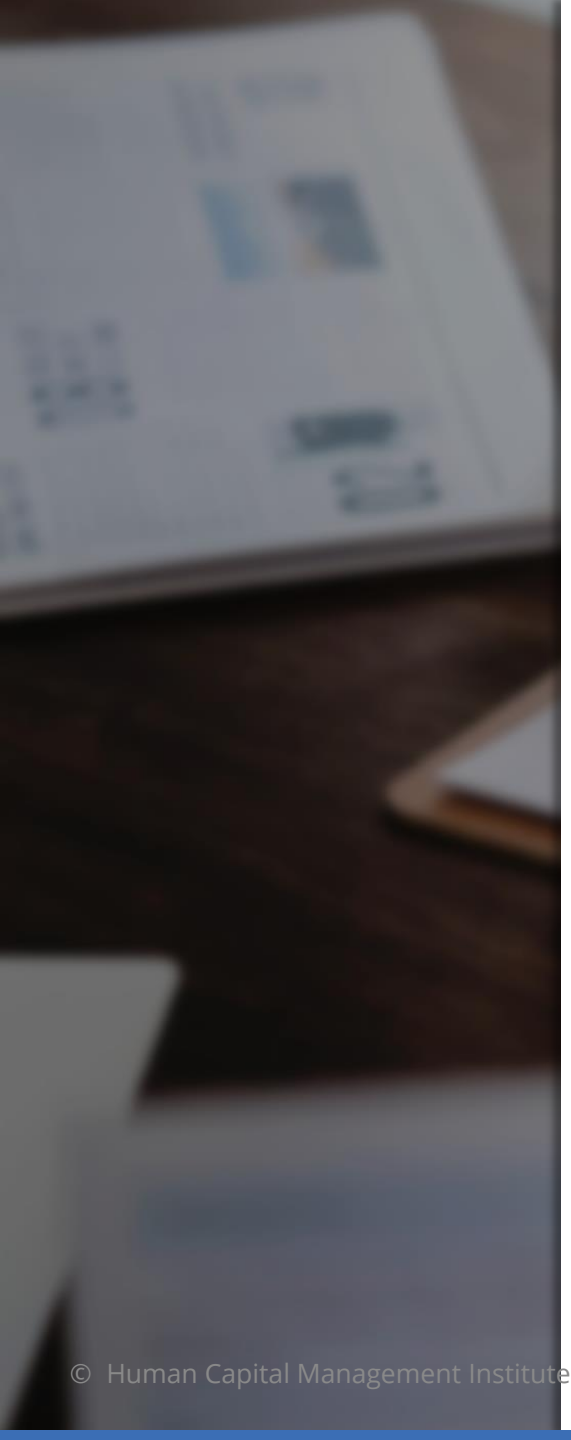
C. Increase transfer and promotion rate for employees after 1, 2, and 3 years

D. Hold managers accountable for high turnover

E. Give out more equity awards to employees based on some fair criteria

F. All of the above

G. All of the above except ‘A’



Scofield Case Study: Turnover and Retention Drivers

Prescriptive Solutions

Key Scofield Findings Included:

- ✓ Manager predicted very high and low turnover rates
- ✓ Employee referrals from high performers predicted future high performers
- ✓ Number of jobs on resume (last 3 years) predicted higher turnover risk
- ✓ Stock incentives and employee mobility were significant drivers of retention

Strategy

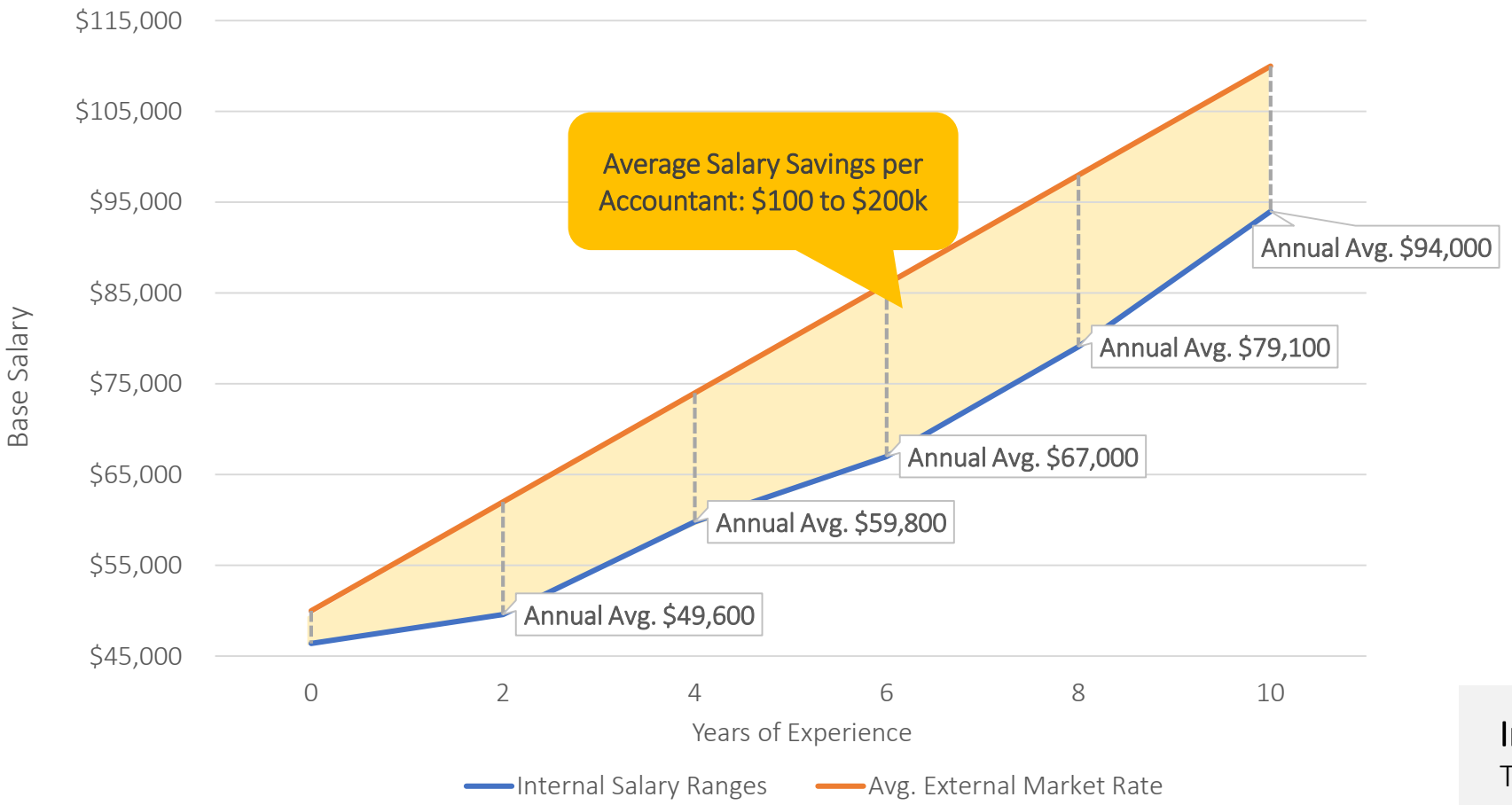
- ➢ Convert temporary/contract staff to employees led to lower turnover
- ➢ Recruiting profiles (#of jobs) were used to filter for candidate fit/retention
- ➢ Expanded employee transfers and career promotions for good performers
- ➢ Employee referrals from high performers were verbally encouraged
- ➢ Implemented manager turnover scorecard and training
- ➢ Issued employee equity as part of employee service awards

ROI

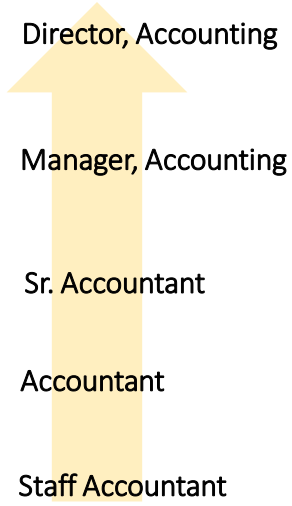
40% voluntary turnover reduction for $12 million calculated annual savings.

#2 Case Study REIT: Building vs. Buying Talent

Employees as Assets to be Developed vs. Use Up and Replace



CAGR= 6.6%
(CAGR = Compound Annual Growth Rate)



Note: Make sure to select the period which will provide the most accurate forecast. In some cases, a run rate based on the current or last year is optimal, but in others an average of several years or a custom time period is best to use.

Insights:

Ten-year cost savings is the area between the cost of External Hires compared to the career path of an Internal Staff Accountant.

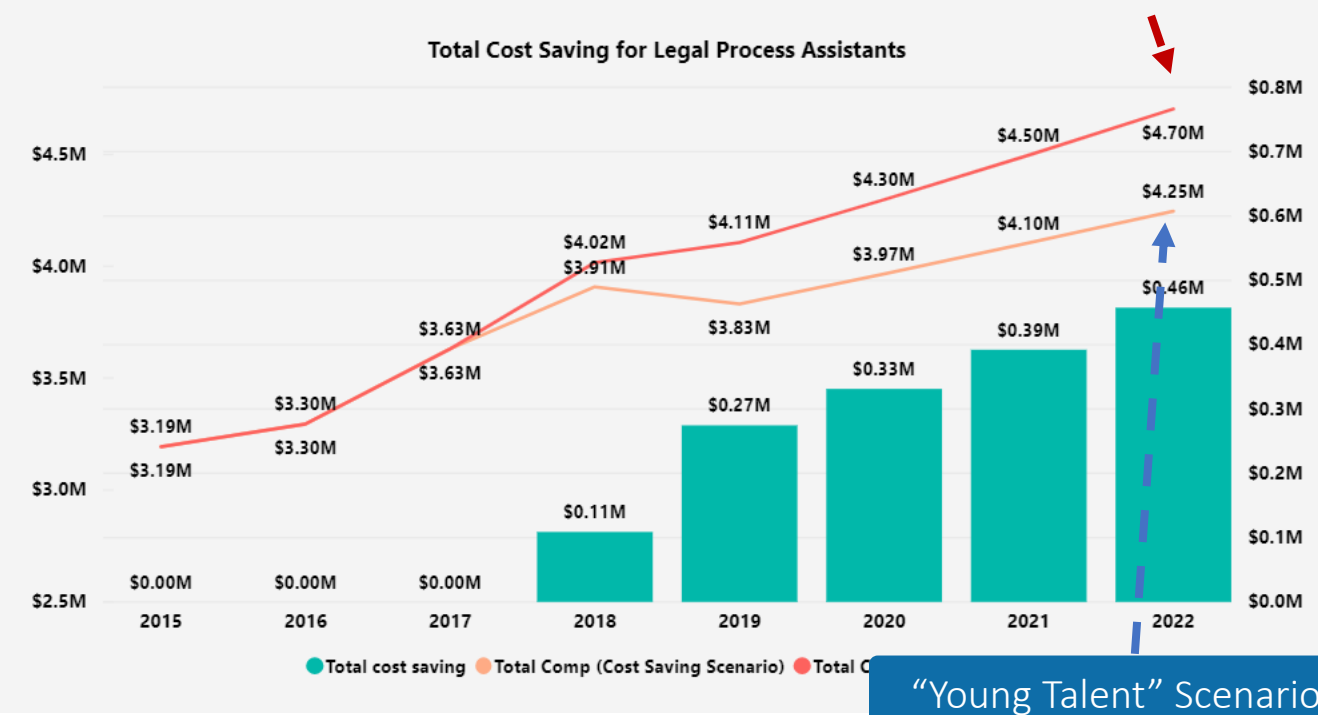
#2, Building Talent Supply Chain when you can't Outbid for Talent

Solving forecast talent cost gaps to create lower workforce costs and ROI

Default Scenario "No Change" - Do it like last year

Projected Total Labor Cost

Based on Scenario Workload Forecast



Headcount Needed

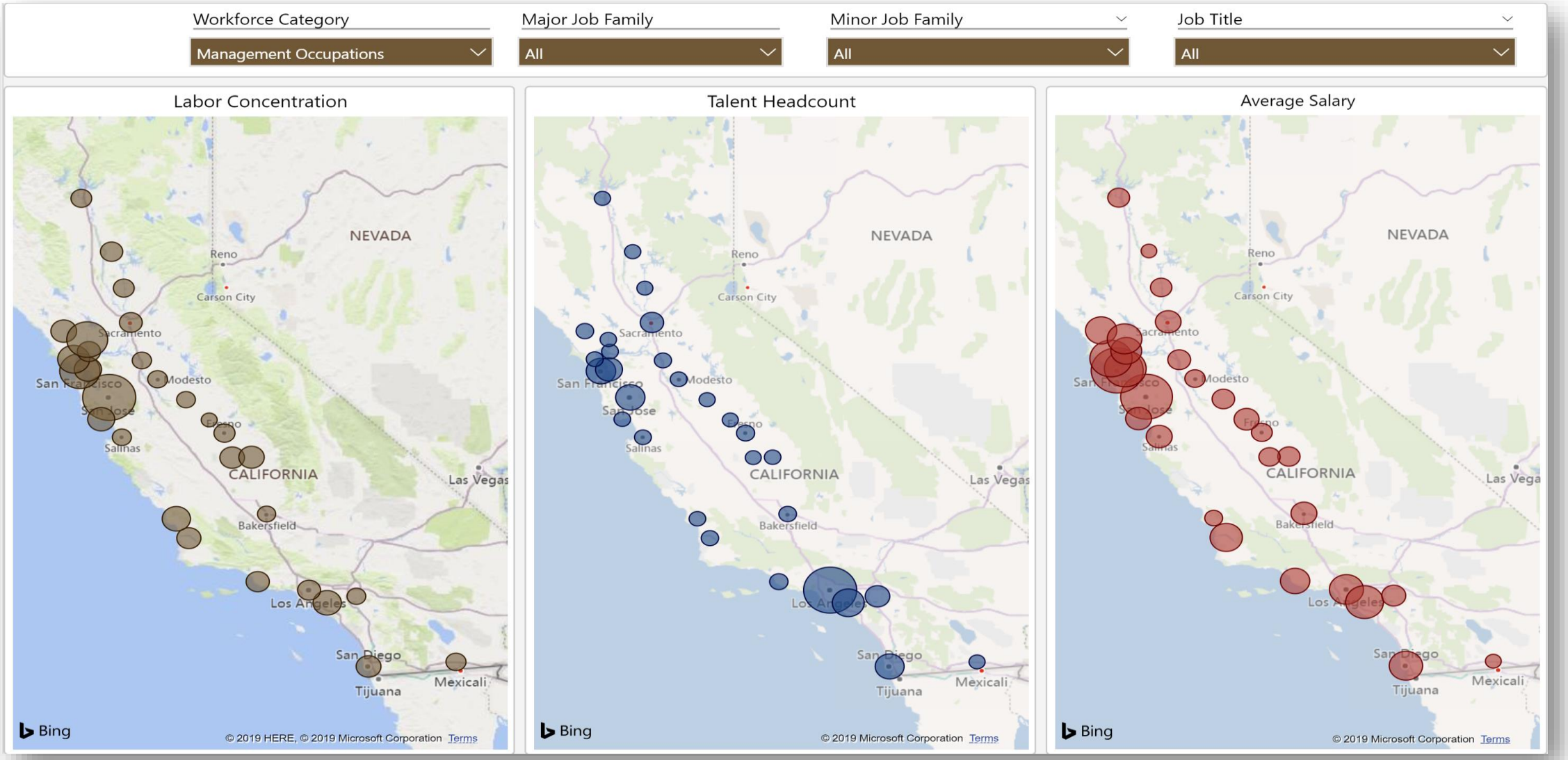
Based on Scenario Workload Forecast

	2015	2016	2017	2018	2019	2020	2021	2022
Headcount	56	56	58	60	59	59	60	60
LPA I	0	0	0	4	4	5	7	8
LPA II	48	48	51	48	48	47	45	44
LPA III	8	8	7	7	7	7	7	7
New Hires/Replacement Hires	10	9	14	11	11	10	10	9
Temp Staff	0	0	0	1	1	1	1	1
LPA I	0	0	0	4	4	4	4	3
LPA II	10	9	14	5	5	5	5	5
Promotions	0	4	2	1	2	3	4	4
LPA I	0	0	0	0	1	2	3	3
LPA II		4	2	1	1	1	1	1
Terminations	5	7	9	8	8	8	8	8
LPA I	0	0	0	1	1	1	1	1
LPA II	5	7	8	7	7	7	7	6
LPA III			1	0	0	0	0	0

"Young Talent" Scenario Bring in new young talent to fill gaps

#3 Find the Best Talent at the Best Cost (i.e. what we can afford)

Analyze available talent supply and average salary by job and city across the country



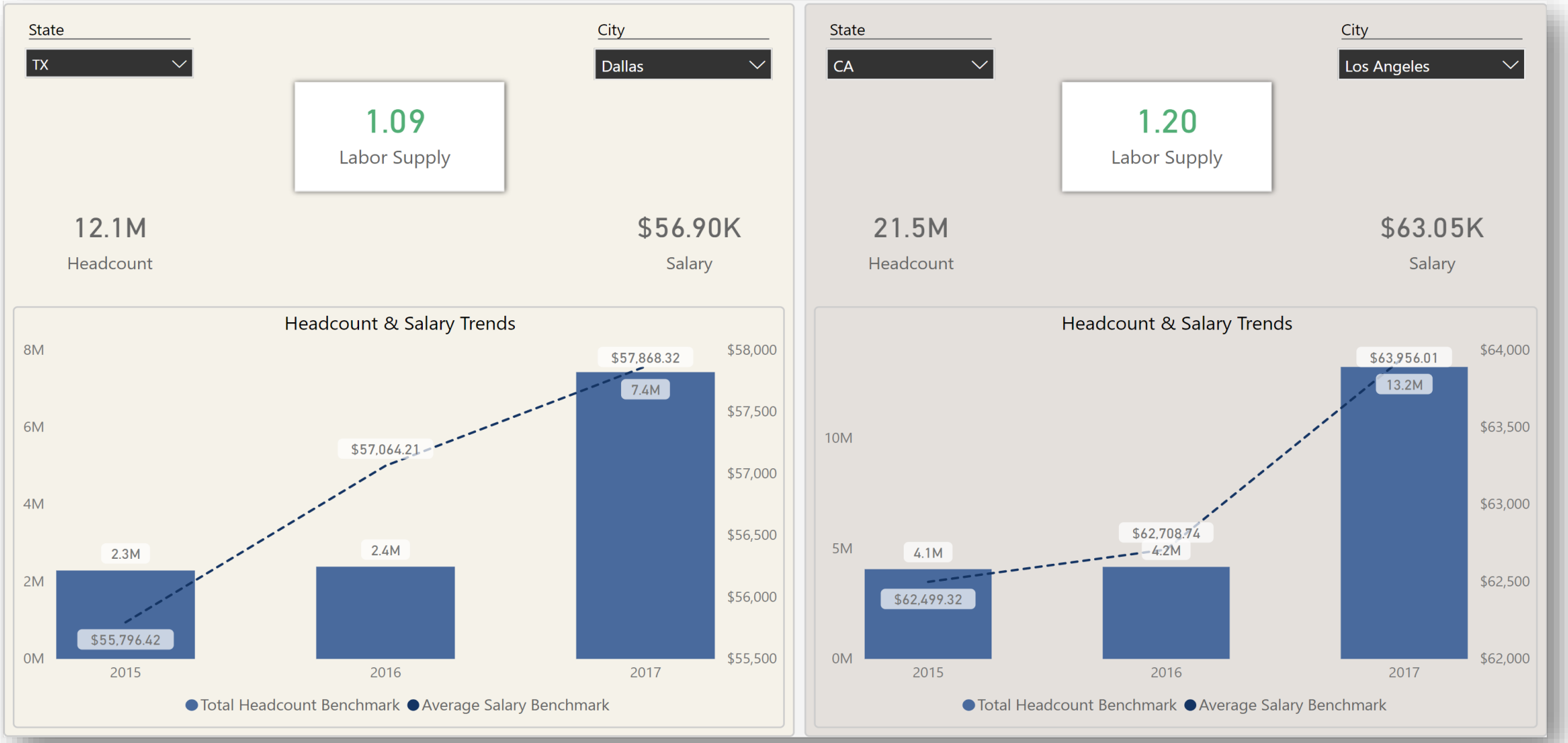
#3 Find the Best Talent at the Best Cost (i.e. what we can afford)

Find Locations with Strong Talent Supply for Critical and High Demand Roles

One click to find the best cities to hire a given job

#3 Find the Best Talent at the Best Cost (i.e. what we can afford)

Compare 2 markets side by side to decide the best market to expand/relocate



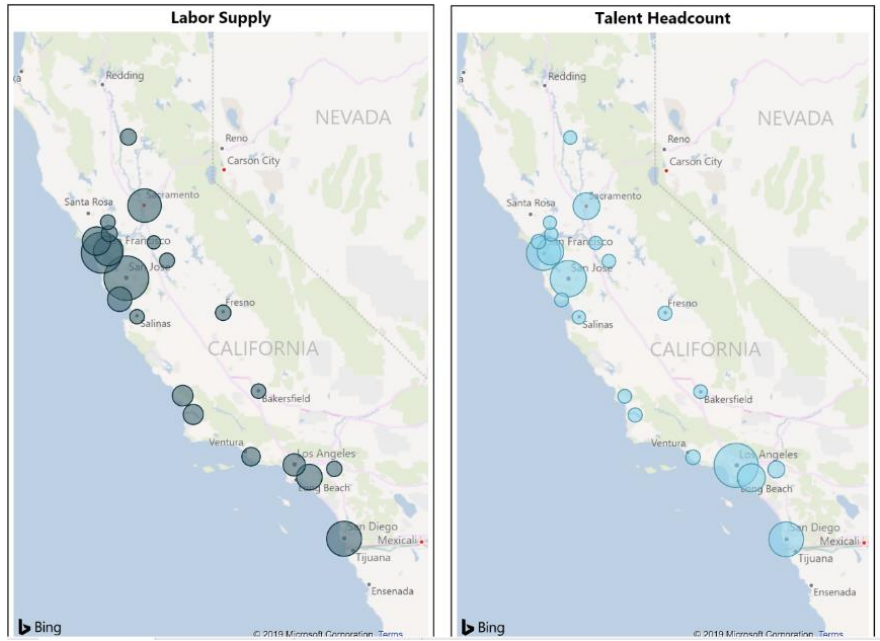
#3 Case Study: Union Bank Location Optimization

Background: Union Bank needed to analyze options to expand operations to a location with **the best talent for the best price**

Objective: A location strategy for long-term growth + best talent supply at best cost

Key Workforce Questions,

- **Where can we get the best talent at the best price?**
- Considering cost of labor, trends, projected future labor and economic conditions, where and how do we optimize our workforce?
- If the economy changes, how do we test for optimal location under different economic scenarios?
- What and where is the best market for key skillsets?

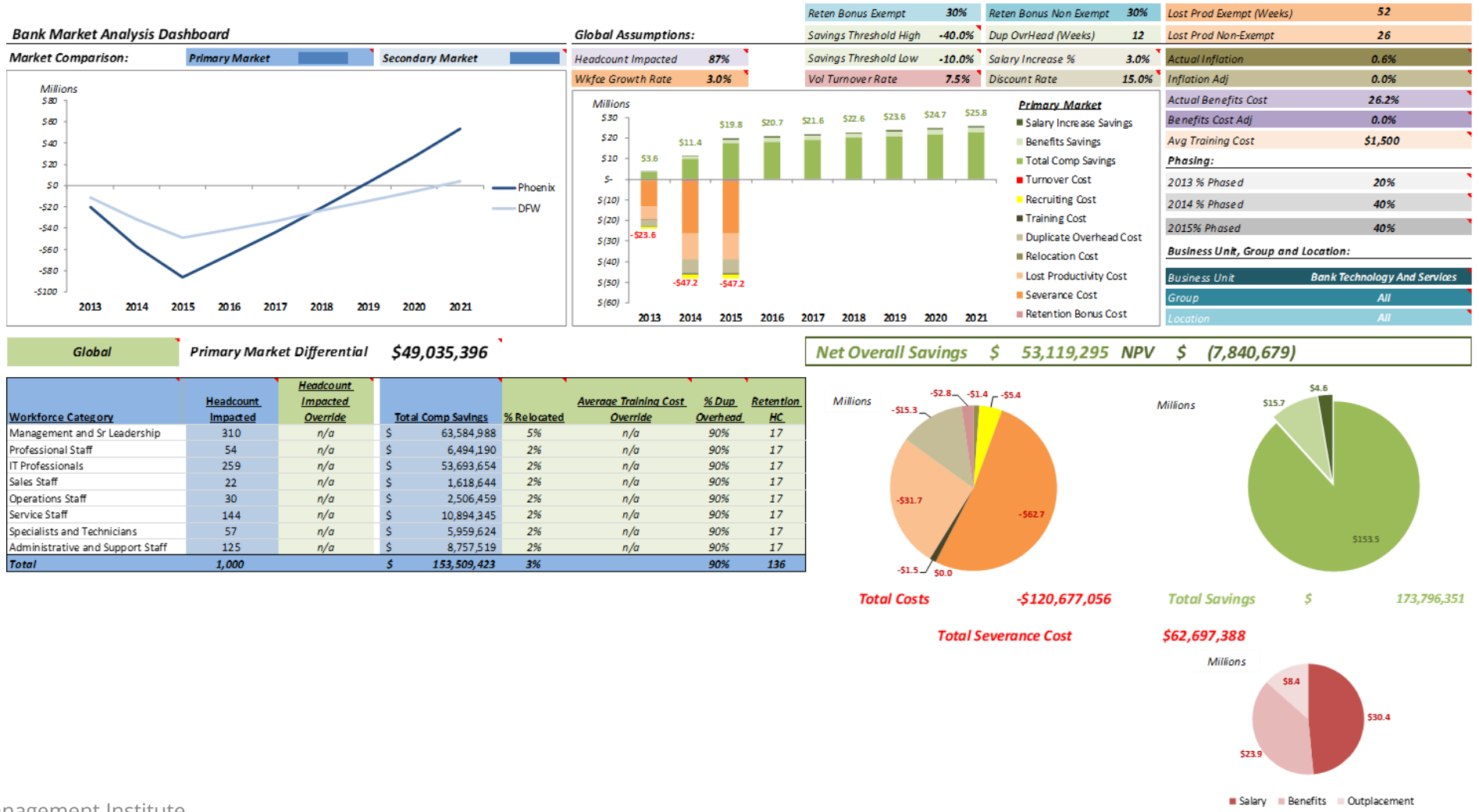


Location Optimization Model Highlights

- 25 scenario variables included in model
- 12 markets were evaluated; 2100 unique positions were researched
- Labor arbitrage and supply models were developed
- Over 200 scenarios built
- Top-down Workforce Analytics and bottoms-up Workforce Planning
- Dashboard with savings, costs, market differential, and primary variables analyzed

#3 Case Study: Union Bank's Location Optimization

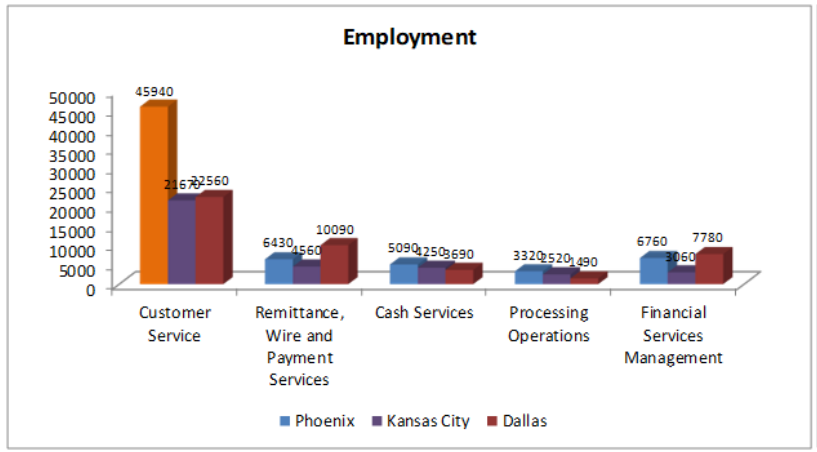
Discover cost saving opportunities by optimizing workforce location

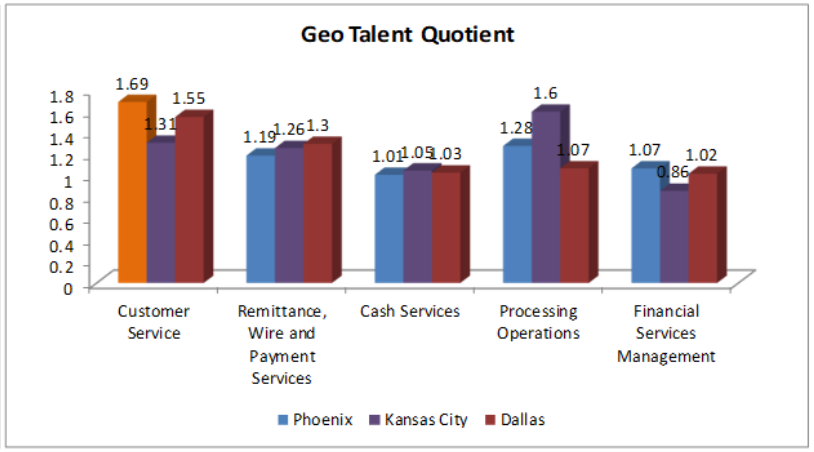


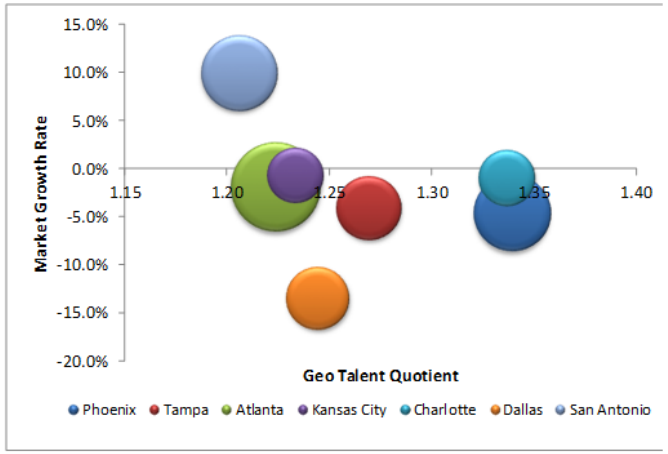
#3 Case Study: Union Bank's Location Optimization

Discover cost saving opportunities by optimizing workforce location

Business Unit	BTS	Group	BTS Operations
Primary Location	Phoenix	Secondary Location	Kansas City
Tertiary Location	Dallas		







Job Family	UB Total Headcount	Total Employment	Geo Talent Q	Market Growth Rate
Customer Service	322	45940	1.69	-1.1%
Remittance, Wire and Payment Services	289	6430	1.19	-2.3%
Cash Services	198	5090	1.01	-11.1%
Processing Operations	173	3320	1.28	-15.1%
Financial Services Management	104	6760	1.07	0.6%
Bank Operations	89	8550	1.07	-0.1%
Data entry Imaging Operations	76	1750	1.71	-12.2%
Loan Operations	66	6220	2.52	-7.2%
Operations Support	50	2350	0.92	-3.4%
Business Initiatives	46	1660	1.11	7.1%
Analyst	34	3900	1.3	4.3%
Claims	33	4290	1.23	1.2%
Account Reconciliation	28	19540	0.9	-4.0%

City	Avg Employment	Avg Geo Talent Quotient	Avg Mrkt Growth Rate
Phoenix	14095	1.34	-4.6%
Tampa	9965	1.27	-4.1%
Atlanta	19599	1.22	-1.8%
Kansas City	7566	1.23	-0.7%
Charlotte	7629	1.34	-0.9%
Dallas	9598	1.24	-13.4%
San Antonio	13938	1.21	10.0%

#3 Case Study: Union Bank's Location Optimization

Cost Savings Executive Summary – 10 Years

- Location 8 was the initial favored market selected prior to the predictive analysis
- After the analysis and over 200 scenarios, findings were presented to the CFO
- Location 2 was selected due to labor savings + large highly experienced talent pool **"better people at lower cost"**
- **Total savings calculated was $146.5 Million over 10 years**

10-Year Overall Savings Comparison						
City	Overall Ranking	Talent Supply Ranking	Total Savings	Total Costs	Net Savings	NPV
Location 1	#1	6	$244.7M	$104.9M	$159.4M	$76.9M
Final Winner Location 2	**#2**	**3**	**$219.6M**	**$105.1M**	**$146.5M**	**$68.1M**
Location 3	#3	7	$197.5M	$104.9M	$120.9M	$52.9M
Location 4	#4	8	$201.3M	$105.2M	$120.7M	$52.3M
Location 5	#5	1	$123.6M	$104.9M	$39.3M	$1.1M
Location 6	#6	2	$110.7M	$105.1M	$15.4M	-$14.2M
Location 7	#7	5	$82.1M	$104.9M	$9.55M	-$17.9M
Initial Favorite Location 8	#8	4	$107.7M	$104.9M	$9.3M	-$17.9M

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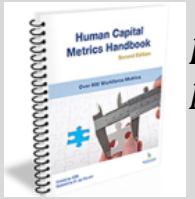

Human Capital Metrics Handbook

Workforce Data Integration "Blueprint"

Workforce Planning

Workforce Intelligence Consortium Group

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