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# *PwC* Saratoga

## Saratoga Review: September 2012

### In this issue

- [Upcoming events](#)
- [Sector news](#)
- [HR's game changer- Predictive Analytics](#)
- [The top 10 misconceptions about developing a dashboard- Part 2](#)
- [Onboarding survey question of the month: I have been introduced to all the members of my immediate workgroup](#)

### *Upcoming events*

- October: PwC Saratoga's Metrics 101 (Oct 24th) and 200 (Oct 25th) workshops: Dallas. To register, please [click here](#).
- November: PwC will host a conference with the theme of "Transforming the Mobility Experience" in Fort Lauderdale, FL, providing insight into our international assignments expertise. To learn more or to register, please [click here](#).
- January 2013: PwC Saratoga will release the 2012 calendar year US Human Capital Effectiveness Survey. Benchmarks will be available in early April 2013.

### *Other items of interest*

**Latest PwC Saratoga benchmarks:** PwC Saratoga released our 2012/2013 US Human Capital Effectiveness Report. The report consists of more than 200 workforce and HR metrics, including 50 new metrics, and is based on data submissions from more than 300 organizations. This year's report also includes benchmarks for nine items from employee engagement surveys, with details about the percentage of employees who agree or strongly agree with each item.

PwC Saratoga also released **Global and Regional benchmarks** for:  
Asia  
Canada  
Latin America  
Europe

**Talent maturity assessment:** What is the current state of your talent management practices? PwC Saratoga invites you to take our free, 30-minute survey which allows you to compare how your talent management practices stack up to those of other leading organizations. [Click here](#) to take the survey.

**Talent Management: Delivering the Workforce of the Future**  
PwC Saratoga recently held a webcast where subject matter specialists discussed the CEO talent agenda and strategic workforce planning- to develop talent strategies that deliver the desired business outcomes. [Click here](#) to launch the presentation.

**PwC HR-related webcasts:** [Click here](#) to view PwC webcasts addressing HR issues and trends.



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## ***Sector news***

PwC regularly produces thought leadership articles for a variety of industries. A summary of recent thought leadership materials appears below. If you are interested in learning more about workforce metrics, benchmarks, and engagement survey results for these industries, please see the last page of this newsletter for PwC Saratoga contacts.

### ***Chemicals***

- Chemical compounds: Global chemical industry M&A analysis: Q2 2012. [Click here](#) to read findings.

### ***Engineering***

- Engineering growth: Global engineering and constructions M&A analysis: Q2 2012. [Click here](#) to read findings.

### ***Healthcare***

- Advancing healthcare informatics: The power of partnerships. [Click here](#) to read findings.

### ***Manufacturing***

- A homecoming for US manufacturing? Why a resurgence in US manufacturing may be the next big bet. [Click here](#) to read findings.

### ***Mobile Technology***

- Making sense of rapid change in mobile innovation. [Click here](#) to read findings.

### ***Semiconductor***

- China's impact on the semiconductor industry: 2012 update. [Click here](#) to read findings.

## HR's game changer: Predictive Analytics

PwC's Human Resource Services practice produces a quarterly magazine entitled "HR Innovation". This publication offers advanced thinking about the challenges that should be uppermost on the minds and agendas of organizations and their HR leaders. HR Innovation Summer 2012 focused on workforce analytics. Last month we highlighted key insights from the Workforce Intelligence Centers of Excellence article, and will continue with a summary of the Predictive Analytics article for this month's review. To access the full HR Innovation thought leadership paper, please [click here](#).

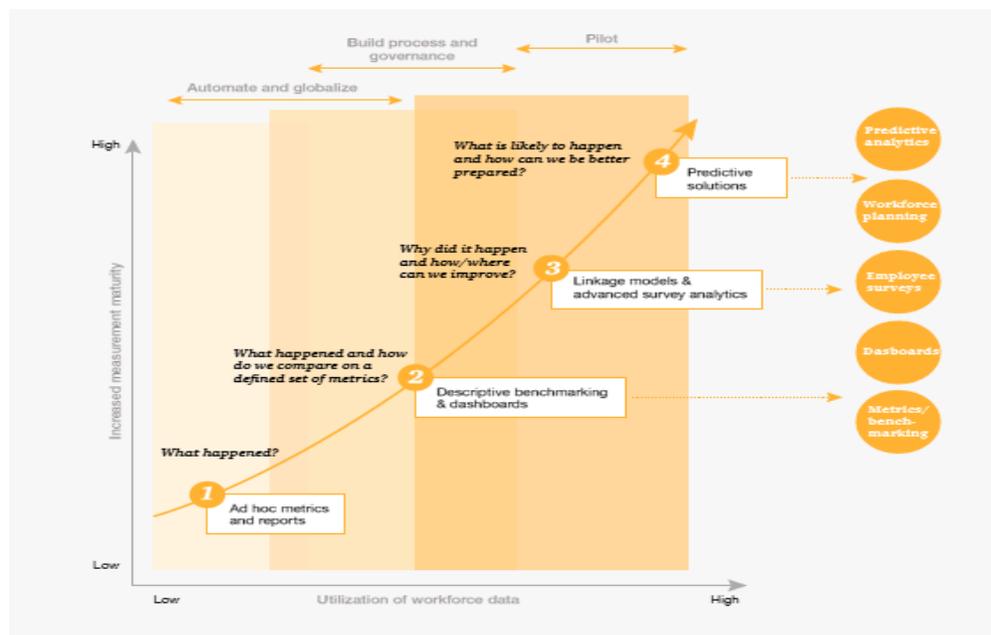
While lagging and point in time metrics are still important, HR can significantly upgrade reports and dashboards by infusing them with leading, predictive insights, such as:

- Why did it happen and how can we improve?
- What is likely to happen?
- How can we be better prepared?

The higher your organization can advance on the maturity curve, the more value you will be able to derive from workforce data. Done correctly, such advancement can exponentially improve your ability to predict crucial workforce trends, events, and tendencies.

### HR maturity and predictive analytics

Most HR organizations have yet to reach the highest-impact maturity level from which they can build, deploy, and maintain predictive solutions seamlessly or build predictive indicators into their reporting dashboards. In fact, only 12% of the 383 US organizations recently surveyed by PwC Saratoga have attained level 3 or higher.



Where did the majority of participants place their maturity level?

- 41% identified themselves as between level 2 and level 3
- 35% identified themselves as between level 1 and level 2

Note that the maturity curve is not a reflection of technological prowess. In other words, investing in cutting-edge technology does not automatically result in advancement along the curve. The path to the highest maturity level, where predictive solutions are part of your organizational workflow, involves considerable

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investment beyond technology. It extends to the skill sets you hire for, the processes you build, and the technology and tools that enable those people and processes to succeed.

### **Making the most of HR data: Building predictive solutions**

Predictive Analytics, as defined by PwC Saratoga, refers to a set of processes, tools, and methodologies that enable organizations to analyze large sets of data and forecast future events.

The objective: Make the best use of historical data, both public and private, to arrive at better business decisions. Valuable historical data already exists on many HR information systems, but those organizations are often unable to make the best use of that data.

Predictive analytics can open a window into the future by helping the HR functions mine such historical data and answer such questions as:

- Which of our employees are most susceptible to attrition risks in the next 6 to 18 months? What factors drive employees to quit our organization?
- Can we reduce our hiring risks by predicting the quality of new hires by source, role, profile, or past experience? Which experienced hires are most likely to succeed in our environment?
- How can we predict long- and short-term workforce demands by combining current employee data, business growth plans, industry benchmarks, and macroeconomic trends?
- How can we predict employee performance? How does predicted performance differ by roles and business units?

Predictive analytics can boost the organization's ability to predict employee behaviors, and elevate HR's profile within the enterprise in the process. By applying predictive analytics to achieve organizational goals — cutting turnover in pivotal roles, for example, or enhancing new-hire retention — HR can redefine itself as a strategic business partner.

### **Creating a predictive analytics foundation**

The ability to build sustainable predictive analytic capability depends in part on an organization's technological capabilities. Technology platforms such as data warehouses or business intelligence tools can certainly add value by easing the process of extracting data from disparate systems. But that alone won't lift the organization to the high level of sophistication that can bring about real change.

Such real change requires access to solid analytical skills. Regardless of the level of technology within the organization, you still need statistically skilled resources to build, deploy, and interpret predictive solutions, and the hiring profiles within the HR function need to change to address this requirement.

Three kinds of employees can help you build a sustainable workforce analytics capability:

- People with data manipulation skills,
- People with advanced statistical modeling skills, and
- People who can interpret and effectively communicate 'data-heavy' results to business partners.

Predictive solutions can greatly increase your ability to understand the talent that propels your organization toward achieving its strategic goals. Knowing where the workforce is likely to be heading can help you see where your organization is likely to be heading. If your talent is poised to walk away from you, knowing that in advance can help you create a strategic intervention to protect your sustainability and position in the marketplace. By understanding and embracing this potential, HR can proactively enhance its effectiveness, gain greater sophistication, and grow its contribution as a strategic business partner.

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## *The top 10 misconceptions about developing a dashboard – Part 2*

PwC Saratoga returns to our series on the top misconceptions about developing a dashboard. We've already shared misconceptions 10 and 9, and Part 2 of our article will address in detail misconceptions 8, 7, and 6 (as listed below), which cover many clients' understanding and views about their existing data and dashboard requirements.

10) We need technology to make this work.

9) I can get two people in a room and get this done in a day.

**8) My clients know what they want – I'll just ask them.**

**7) Everyone has a unified view on the purpose and scope of the dashboard.**

**6) With all the data we've got in our dashboard, the answer must be in here somewhere.**

**8) My clients know what they want – I'll just ask them.**

This approach sounds logical and straightforward; however, the reality is quite different -- hence the misconception. The "blank slate" approach to gathering metric requirements does not work well, because end users rarely know what will really be helpful to them. As you consult with the different stakeholders, you can quickly end up with a list of hundreds of potential metrics. We find that clients that simply ask for a "wish list" struggle to move forward, because they cannot meet or rationalize everyone's requests.

From our experience, we know that organizations are more successful when they have a core stakeholder team develop a dashboard prototype, putting together both the suggested metrics and the look and feel of the proposed dashboard before gathering feedback from the end users. We often find that, once the end users are able to see the metrics, trends, charts, and benchmarks all in one view, they can then appreciate the dashboard's usefulness and relevance, and they know whether any modifications are required.

And modifications to the prototype are almost 100% guaranteed (which is why we suggest using tools such as Excel and PowerPoint to begin with). We see requests for modifications as the first signs of buy-in and adoption by the end user. We suggest establishing time frames for the feedback process, however, to be sure that the dashboard moves smoothly from one stage to the next.

**7) Everyone has a unified view on the purpose and scope of the dashboard.**

If an organization has decided to develop a dashboard, it would seem to be a given that there is consensus on its purpose. However, we frequently find that while an organization may be in agreement regarding the need to develop a dashboard, that is the only factor there is consensus on. There are often a number of differing perspectives on the ultimate purpose and scope of the dashboard, and this can lead to problems down the road.

We strongly encourage organizations to begin the development of a dashboard prototype by defining the scope and ensuring that there is agreement among the members of the team leading the effort. The following elements need to be addressed:

- **Audience** - who are the end users of the dashboard? This is where most of the disparity in views will be found, and this decision affects the type of metrics that will be collected and displayed.

In our experience, the following are some of the more frequently identified audiences:

- Senior executives of the organization
- HR leadership
- Regional/business unit/divisional leadership
- HR functional centers of excellence (CoEs)

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The following factors also need to be addressed and will be influenced by the determination of the audience(s).

- **Frequency of production** - will the dashboard be updated monthly, quarterly, annually, or a combination of these frequencies? For example, engagement data may be updated one to two times a year, while voluntary turnover may be updated monthly.
- **Delivery** - where and when will the dashboard be presented or reviewed (e.g., a quarterly review meeting, sent by email, etc.)? This element is important because many organizations spend a great deal of time developing a dashboard, but they lack a communication, roll-out and change management strategy.
- **Number of metrics** - how many metrics does the audience expect to review? This is influenced both by the level of the audience (the more senior the audience, the fewer the metrics generally required) and how they will be reviewed. For example, if the dashboard review is held for 15 minutes at each quarterly meeting, then this will limit the amount of data that should be included.

#### ***6) With all the data we've got in our dashboard, the answer is in here somewhere.***

Many organizations focus much of their initial dashboard content on data that is interesting and available but not necessarily insightful. For example, a dashboard may be comprised of primarily headcount, turnover, or hiring information. While this is interesting information it does not necessarily intrigue and/or provide answers to the question that most Executives are looking for - "Are we achieving a Return on our Workforce Investments (ROWI)?" Answering this question will on a basic level involve assessing multiple financial metrics such as revenue per FTE, labor cost per FTE, labor cost as a percent of revenue, etc. Most organizations are not yet comfortable or accustomed to including these types of metrics in their dashboard because they have difficulty explaining them or feel that this is the responsibility of the finance function.

However, the reality is that these are indeed human capital metrics. In fact every activity that HR does - from hiring to training to retaining employees, has an impact on financial/productivity metrics and should be included in the dashboard. Furthermore, it important that organizations recognize that, the need for reports and additional analysis does not go away with the creation of a dashboard. Instead it allows for a more focused approach on what the analytics team should spend their time querying.

A dashboard is meant to be a communication tool that helps create a dialogue about where there may be red flags, or where the organization is performing strongly. In fact, a dashboard will almost always elicit additional questions that cannot be answered by the data contained within it (and thus will require additional reporting and analysis). These questions should help shape the reporting initiatives of the analytics team. For instance, if first-year turnover is included in the dashboard and it is higher than expected, that alone will not provide the answer to the cause of the first-year turnover rate. It will, however, elicit the request for reports that might look at exit survey data, early tenure turnover by role, onboarding survey data, and so on.

Having elucidated five of our top ten misconceptions that clients often have in developing a dashboard, we ask you to stay tuned to parts 3 and 4 of this series which will talk in detail about the last five misconceptions in the upcoming months.

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## ***Onboarding survey question of the month:***

**"I have been introduced to all the members of my immediate workgroup."**

Upon being hired, it is critical that new hires become familiar not only with their physical working environments, but also with the people with whom they will collaborate regularly. The first step in such effective collaboration is for the new hire to be introduced to the immediate workgroup. This survey item helps to determine how relationships have been built with the individual's immediate workgroup.

In our experience, we have seen that new hires rate this survey item favorably (80-90% agree or strongly agree with the statement). Many organizations encourage new hires to have one-on-one meetings with their immediate workgroup within the first week of employment. A low score on this item, although atypical, will stand out and provide critical insight into an issue that can easily be fixed. We view this as a worthwhile investment in time that can pay off in strides as the new hire continues to assimilate and build meaningful relationships with their team members.

### ***Trending over time: At the six month mark***

We understand that because many organizations are not only increasing in size but also being dispersed across the globe, it can be difficult to introduce all members of the immediate workgroup within the first month. In fact, given that many members of the group may be travelling constantly, it may take much more than a month to introduce the existing team members to a new hire.

The six-month mark, then, is a good time to take a step back and see how team introductions and interactions have evolved to create a good working relationship that will enable the new hire to perform well in his or her role. It's also important to remember that interaction is a two-way street, and consistent communication from both the new hire and the team will bring about a positive working environment for everyone involved. If such introductions don't take place in the first few months on the job, the new hire may develop a sense of social isolation, which can have a negative impact on his or her motivation and, ultimately, productivity.

Those managing the onboarding process, and the teams themselves, must be consistent in ensuring that the initial introductions are made and that communication is frequent. It should be built into the process. All involved in assisting the new hire to make a smooth transition into the team should make themselves available for questions, concerns, and feedback. It is also the responsibility of the new hire to look for opportunities to interact with the team members and be receptive to their help and feedback.

The highly favorable ratings that we see for this item from organizations time and again indicate that it is viewed as a critical component of the onboarding process. HR and other business leaders understand that to ensure new hires become assimilated, productive, and engaged quickly, this initial step of team collaboration must occur immediately after the individual is hired. Anything short of this will have a negative impact on moral and productivity, and will drive early turnover.

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## Key contacts

To learn more about PwC Saratoga's measurement programs, visit

[www.pwc.com/saratoga](http://www.pwc.com/saratoga)

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### ***About PwC Saratoga***

As part of PwC's Human Resource Services (HRS), PwC Saratoga is the world's leading source of workforce measurement, teaming with hundreds of executives and HR departments each year to apply a more vigorous, evidence-based approach to decision-making around their workforce. PwC Saratoga has leveraged technology and meaningful metrics to help organizations maximize return on HR investment for more than 30 years.

### ***About PwC HRS***

As a leading provider of HR consulting services, PwC's Human Resource Services' global network of 6,000 HR practitioners in over 150 countries brings together a broad range of professionals working in the human resource arena — including retirement, health and welfare, total compensation, HR strategy and operations, regulatory compliance, workforce planning, talent management, and global mobility—affording our clients a tremendous breadth and depth of expertise, both locally and globally, to effectively address the issues they face.

PwC is differentiated from its competitors by its ability to combine top-tier HR consulting expertise with expertise in the tax, accounting, and financial analytics that have become critical aspects of HR programs. PwC's Human Resource Services practice can assist you in improving your performance across all aspects of the HR and human capital spectrum through technical excellence, thought leadership, and innovation around five core critical HR issues: reward effectiveness and efficiency; risk management, regulatory and compliance; HR and workforce effectiveness; transaction effectiveness; and global mobility. For more information, go to [www.pwc.com/us/hrs](http://www.pwc.com/us/hrs).

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