

The Value of Workforce Performance Insight

Improving Performance with Workforce Analysis

Workforce Analytics Delivers Compelling Results

While technology has provided organizations with the ability to more accurately measure all kinds of functions and processes, most companies still struggle to understand the impact of their workforce on business performance. Organizations possess the raw data needed to do this, but this data is fragmented across multiple systems so they have no way to put it into a meaningful view. Some try to compile and analyze these multiple reports, but this is a cumbersome, time-consuming, and, ultimately, ineffective way to understand their workforce performance in terms of business outcomes. They gain no insight into how effective their workforce is and what they could do to improve it.

By contrast, a workforce analytics solution enables companies to solve long-standing labor management issues by helping them understand the connection between time and attendance data and workday value. It is an enabling technology that makes workforce performance consequential and relevant at the executive level, transforming workforce data into workforce insight. And it makes clear the relationship between workforce performance and business performance, providing the very real possibility of producing a sustainable competitive advantage.

For instance, a large East Coast hospital chain reported that it reduced its operating budget by almost one percent by using a workforce analytics solution. Other organizations report an ROI on their workforce analytics solutions in as little as three months. Clearly, employing an appropriate workforce analytics solution pays significant dividends.

This white paper will demonstrate how measuring workforce performance in the context of business outcomes is a new form of workforce analytics that delivers immediate, tangible returns; describe how visibility into workforce performance in terms of volume, output, and quality creates even more meaningful measurements and indicators of workforce effectiveness; and show how aligning labor to volume is critical to controlling labor costs. It will discuss why organizations aren't easily able to appraise the value of each workday without the appropriate workforce analytics tools and what benefits will accrue by using these tools.

Measuring Workforce Performance

Historically, workforce analytics focused on workforce composition rather than workday value. Today's workforce analytics provide new visibility into long-standing labor management issues by allowing managers to identify performance trends, drivers, and outliers. For example, shifts or facilities that have above-average expenses can be readily identified and steps can be taken to correct any outstanding issues. An organization could use a workforce analytics solution to determine that by cross-training floor staff and cashiers they could decrease labor costs and increase the workday value.

Workforce analytics also provide valuable insight to C-level executives as they strive to put a human capital strategy in place that will optimize profitability and cash flow. Reorganization, downsizing, outsourcing, and relocation are complex decisions routinely considered by executives seeking to balance performance and cost control.

By contrast, other forms of workforce analytics, which focus on workforce composition — such as tenure, training, employer demographics, etc. — have a much longer time to value. While it's important to know how

WHY NOT JUST REPORTING?

Reporting data and performing analytics must be distinguished. Reporting tells the what; analytics tells the why. Reporting can provide predefined answers, historical context, and single point-in-time answers that provide limited perspective. By comparison, analytics takes the data and provides context — such as thresholds, root causes, and relationships — that enables enterprises to see trends and make comparisons over a long period of time, thus providing the insight to identify root causes and determine appropriate corrective action. By combining reporting with analytics, an organization can develop a much deeper and more meaningful understanding of how workforce performance affects its business performance.

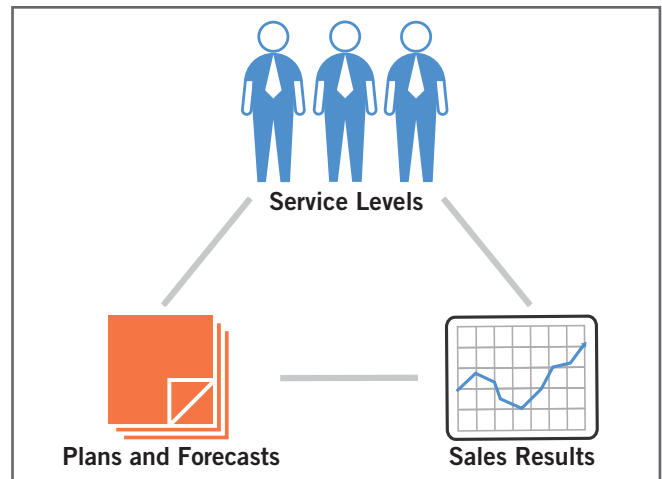
many employees are within eight years of retirement and plan accordingly, how much money does that insight save your company now?

A workforce analytics solution that is focused on workday value provides tangible and continuous value in areas such as reduced payroll, greater productivity, higher efficiency, and more salable output. While workforce composition is relatively fixed, factors affecting workday output are highly variable. Therefore, analyzing and subsequently optimizing workforce performance returns perpetual labor cost savings. It's the workforce analytics solution that keeps on giving.

Align Labor to Volume

Consider examples from the worlds of manufacturing, retail, and healthcare that show how workforce analytics can drive productivity by aligning labor to volume:

- A manufacturing company finds that its third shift is producing lower-quality goods than the other shifts are producing. After ruling out mechanical issues, the company analyzes workforce analytics data and realizes that the root cause may be that there is no senior supervisor on that shift. The company can decide to add a senior supervisor to that shift, lower output, change the product mix of that shift, or take any number of possible actions. By matching payroll and production data, the company has identified a problem and has, in the process, enhanced operational efficiency.
- Customer conversion rates in a particular department are consistently lower than the store average and those of other similar departments across a retail chain, prompting a store visit by the regional director. Although the store overall is staffed to schedule requirements, the regional director discovers that this department is not adequately staffed to meet customer demand at peak hours, leading to customer abandonment. By aligning sales data and customer traffic with time and attendance data, the director gains the insight needed to adjust staff schedules to store traffic, leading to higher revenues and improved customer satisfaction.



LABOR AND VOLUME ALIGNMENT

- A large metropolitan hospital finds its productivity numbers to be on target; the number of nursing hours is well-aligned to the patient volume. Yet payroll costs consistently exceed expectations. Deeper analysis of staffing schedules indicates departments are using high-cost labor sources, such as overtime and agencies, to match staff levels to volume. Deeper analysis of volume trends indicates that adding staff is actually more cost effective than trying to “do more with less.”

Root Causes Remain a Mystery

Organizations today aren't easily able to assess the value of each workday because they don't recognize the value that timekeeping data can provide and they have no easy means of transforming that data into insight. Part of the reason is that volume is forecast and labor is planned, each typically by different applications, leading to fragmented data. Insight is limited because both sets of data are evaluated separately. As a result, it takes too long to combine the data, identify meaningful measures, and report on them. By then the results are in the books and management has no recourse. Line-of-business owners with such poor visibility into meaningful workforce performance status have no way to appropriately course-correct labor levels to business activity in a timely fashion.

Without a workforce analytics solution, organizations also aren't able to easily identify root causes of unanticipated or higher-than-expected labor costs. Workforce analytics enables your firm to take the combined set of data and gain the insight to identify root causes of performance issues and establish appropriate corrective actions. Organizations can compare data, view trends,

WORKFORCE ANALYTICS IN ACTION

INSIGHT INTO WORKFORCE DATA PROVES STRATEGIC

Wabash National Corporation is one of the leading manufacturers of semi trailers in North America.

Before Workforce Analytics, it was hard for Wabash managers to identify recurring patterns of increases in temporary labor use. Nor could they easily track and compare temporary employee hours worked across multiple periods — making it difficult to forecast output and set labor budgets accurately. “We needed to identify competitive advantages through workforce performance information that could further our success,” says Berni Parke, Wabash business solutions manager.

Now, with the ability to uncover trends using Workforce Analytics, managers can rapidly identify patterns in temporary labor use and shine a light on the employee groups and times of the year linked to high absenteeism. “Workforce Analytics... leverages data we're already capturing and transforms that data into a meaningful view of labor performance across our organization,” says Parke.

With a clear picture of workforce performance across the company, “we now have better insight to improve scheduling and forecasting accuracy,” Parke says. “We can make judgments to increase or decrease capacity, and we are better equipped to commit to production levels and associated delivery schedules. This drives the customer service and continuous improvement that are critical to our business.”

and drill down so they can easily identify the root causes behind performance issues.

Another reason organizations aren't easily able to assess the value of each workday is that they lack appropriate data to develop meaningful key performance indicators (KPIs). Workforce analytics enables firms to use KPIs for setting thresholds for organizational performance and managing to those thresholds. Organizations can configure dashboards showing the KPIs most important for effective management of a line of business, providing managers with immediate visibility into performance (cost, output, quality, etc.). Think of how this kind of workforce insight could enhance performance across the enterprise.

Providing More Meaningful Measurements

Workforce performance data provides exceptional value when viewed in comparison to volume drivers. Visibility into workforce performance in terms of volume, output, and quality creates even more meaningful measurements and indicators of workforce effectiveness, and helps ensure labor costs don't negatively impact expected profit margins.

Workforce analytics enables your firm to combine the data for the insight needed to identify root causes of performance issues and establish appropriate corrective actions. You can compare data, view trends, and drill down so you can help your organization easily identify the reasons behind performance issues.

For instance, workforce analytics can answer critical questions for an organization facing lower productivity in a given period or across time periods, such as:

- Are enough workers scheduled?
- Are the current workers appropriately trained?
- Will volume increase in this period?
- Are the needed machines/workers (open registers, on-call nurses, etc.) available?
- Is this a recurring trend at this time (third shift, third week of February, etc.) or an isolated case?

- Who is the manager on duty? Is it a worker problem or a manager issue?
- Is one worker (or one type of multiple worker types, such as entry-level staff or pay category) negatively affecting the group?

By developing knowledge of the root causes, managers can make changes based on hard numbers rather than by guesswork.

This alignment of labor to volume is critical to controlling labor costs. Too much labor results in higher-than-necessary cost; too little negatively impacts quality output or customer service. Understanding labor's impact on profitable output helps ensure that labor costs don't negatively impact expected profit margins.

For instance, in a retail setting, having too few employees will negatively impact customer service — driving down sales — while having too much labor will drive down profits. Analysis of workforce performance in comparison to historical sales can help senior executives set annual labor budgets and can simultaneously help store managers meet those targets weekly.

Incorporating sales, production, and/or other workload data, workforce analytics enables industry-specific KPIs to align labor to volume or output:

- Retail: sales per labor hour
- Healthcare: hours per patient day
- Manufacturing: labor utilization
- Hospitality: labor to hotel occupancy

The combination of strategic planning and tactical execution provides meaningful work performance insight at all levels of labor management.

WORKFORCE ANALYTICS BENEFITS BY INDUSTRY

RETAIL

- Balance labor with sales volume
- Align store sales with labor hours and costs
- Budget, plan, and forecast labor needs and costs by region, store, or department

HEALTHCARE

- Maintain workforce productivity targets
- Manage fluctuating volume to-labor-targets
- Align labor costs with quality care objectives

MANUFACTURING

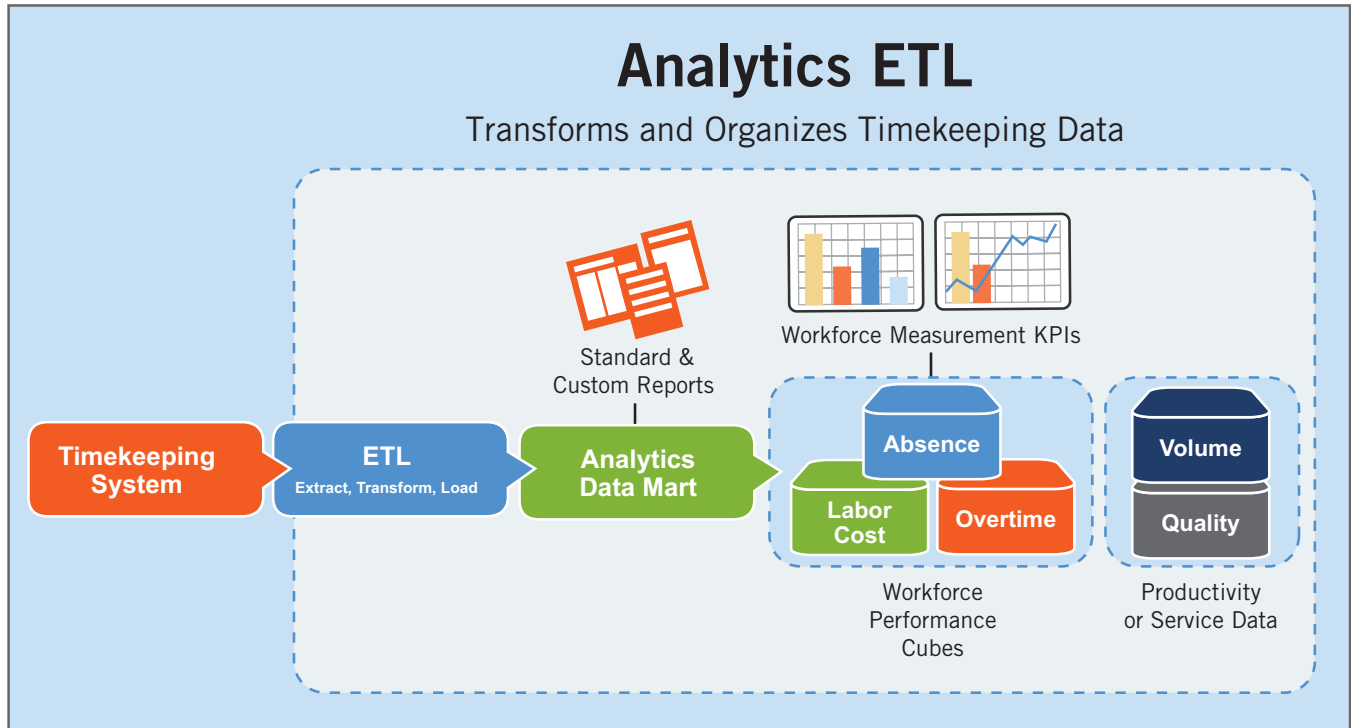
- Align labor and machine performance
- Maximize output per paid hour worked
- Evaluate overall labor effectiveness

Four Steps to Success

Clearly, without a workforce analytics solution, it is very difficult — if not impossible — to truly understand how your workforce is performing and how it is affecting your profitability. It is just as clear that by investing in such a solution an organization is able to take four steps that can lead to a tangible advantage.

1) Extract and transform timekeeping data.

A best-practice analytics platform enables your company to logically organize business performance data with workforce performance data by compiling information from across multiple systems into a data set that can be used to perform comprehensive, timely analysis of detailed comparisons, trends, and root causes. It then takes the organized information and places it into meaningful and relevant chunks of data (“cubes”). Each cube correlates to a particular category of analysis: absenteeism, overtime, labor cost, etc. The cubes contain predefined answers to thousands of potential questions — empowering users to answer “why,” not just see “what.”



By comparison, reports are straightforward answers to commonly asked and highly repeatable questions, not the random follow-up questions, and will reveal root causes of performance issues.

Organizations relying solely on transaction reports across multiple applications face the too time-consuming process of accumulating and organizing dispersed and improperly organized data for analysis that can't be queried for any meaningful insight.

Others decide to undertake internal development of the data marts needed for deep analysis, but that is an ill-advised strategy because it can require over a year of development — and by some expert estimates, more than \$1M in time and effort — making a third-party application a far better time-to-value proposition.

2) Expand measurements of workforce performance.

Workforce analytics provide organizations with extensive means to assess workforce performance, including labor cost as a percentage of sales, sales per labor hour, hours per patient day, labor utilization, overall labor effectiveness, budgeted labor cost, and schedule effectiveness. It also enables the company to establish unique KPIs for measuring, monitoring, and improving workforce performance. With workforce analytic tools, an organization can evaluate measurement categories across multiple dimensions, such as day of the week, quarter of the year, employee level, department, region, and more.

3) Identify root causes of performance issues.

The combined set of workforce analytics data enables your firm to gain the insight to identify root causes of performance issues and establish appropriate corrective actions. You can compare data, view trends, and drill down so your organization can easily identify the reasons behind performance issues.

By developing knowledge of the root causes, managers can determine appropriate corrective action versus relying on gut feelings, anecdotal evidence, or experience, and assess outcomes once action has been taken to protect against unintended consequences.

4) Monitor performance.

Workforce analytics enables you to use KPIs for setting thresholds for organizational performance and managing to those thresholds. You can configure dashboards showing the KPIs most important for effective management of a line of business, providing managers with immediate visibility into performance (cost, output, quality, etc.) that is failing to meet expectations.

You could even create color-coded indicators for the dashboard that immediately draw management's attention to areas of concern. A line-of-business manager could use the dashboard to make a critical decision in the second month of the quarter, based on activity in the first month, to impact final results by the end of the third month.

Leveraging Analytics to Overcome Workforce Challenges

The depth of insight that workforce analytics provides into workforce performance demonstrates its enormous value. As global competition grows, companies are straining to wring every possible excess cost out of their budgets by maximizing workday value. Workforce analytics can play an important role in meeting that challenge. It can deliver significant benefits by reducing labor costs and improving workforce performance.

Indeed, the results to date show that a number of companies in retail, manufacturing, healthcare, and hospitality have significantly benefited from leveraging a workforce analytics solution to meet a variety of workforce challenges. Everything else being equal, the most competitive organizations will be the ones that produce the greatest workday value, whether it is increased output per day or equal output at lower cost. At this point in time, the only way to truly reach that goal is by employing a workforce analytics solution.



TIME & ATTENDANCE

SCHEDULING

ABSENCE MANAGEMENT

HR & PAYROLL

HIRING

LABOR ANALYTICS

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