

PREDICTIVE INDEX[®] AND ROI

Human capital is the biggest cost of most organizations, with people listed as between 35-75% of a company's total expenses.

Organizations invest in people development initiatives because they want to leverage their most important asset to improve organizational performance. However, unless we **measure** the outcomes of our efforts, how do we know whether the investment was worthwhile? Metrics allow us to gauge the success of our initiatives and make informed strategic decisions. How can PI[®] help in this process?

Below is a snapshot of critical Human capital analytics and the related measures PI[®] will positively impact.

VARIABLES	RELATED MEASURES
<p>Turnover: Turnover in an organization is closely tied to employee satisfaction, which in turn is affected by stress and morale. When a person is in the wrong job or teamed with the wrong people, stress goes up, productivity goes down, and the person often leaves. PI[®] clearly shows a person's natural "suitability" to a particular job, team or organization. And when we find a good "fit," good people stay because their needs are in synch with the role, and they help the organization to prosper.</p>	<ul style="list-style-type: none"> ✓ Turnover rate ✓ Termination and other administrative costs ✓ Productivity ✓ Client service and satisfaction
<p>Hiring: Using PI[®] as part of the recruiting process helps managers select the candidates with the strongest probability of success by identifying and matching natural behavioral styles to the job, team and organization. The screening process is much more concise, objective and effective. This reduces hiring costs and time to fill vacancies, and helps managers choose the right people from the start.</p>	<ul style="list-style-type: none"> ✓ Recruiting fees, new hire orientation and other costs ✓ Time to fill/hire ✓ New hire performance ✓ Turnover rates ✓ Manager satisfaction
<p>Employee Skills: By clearly defining the functional and behavioral skills (competencies) required for success in a given job, we can see where individuals fall short and what they need to do to about it. Individual performance can be measured against objective job criteria and managers can more effectively coach their teams.</p>	<ul style="list-style-type: none"> ✓ Succession, promotion rates ✓ Performance review and 360°Feedback scores ✓ Skill inventory and gap analysis ✓ Employee approval around growth and development
<p>Employee Engagement: When people understand their behavioral style as well as the styles of others they work with, they can adapt their style for improved teamwork and communication. Defensiveness and work silos are replaced with curiosity, creativity and progress. Employees become more committed and accountable, and managers can focus more on strategy and planning.</p>	<ul style="list-style-type: none"> ✓ Employee satisfaction with job and management ✓ Productivity within and across departments/teams ✓ Faster implementation of change initiatives

ROI Examples

<p>Reduce Turnover and Retain Talent Performance improves by as much as 25% when a manager excels at supporting development.</p> <ul style="list-style-type: none"> • Intent to stay with the company can increase by up to 40% if manager is effective. • On average it costs between 100 and 300% of an executive's salary to replace him/her. • For lower level workers, average is between 40-70% of salary. 	<ul style="list-style-type: none"> ✓ At a company with 500 employees and an average salary of \$50k, with turnover rate of 5%, if all workers leaving are lower level, cost of turnover is between \$500K and \$875K. ✓ Just a 5% improvement on this turnover would equal between \$40-\$70k in savings!
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<p>Improve Hiring and Selection Benchmark top performers so you hire high-producing employees. Research shows that most hiring decisions are made based on appearance, education, and experience but most FIRING decisions are made on behavior, style, and values. <i>McKinsey data shows that top performers generate substantially more than just the average performer:</i></p> <ul style="list-style-type: none"> • 40% increased productivity in operations roles. • 49% increased profit in general management roles. • 67% increased revenue in sales roles. 	<ul style="list-style-type: none"> ✓ <i>Company with 30 “average” salespeople generating \$150k in revenue each.</i> ✓ <i>Replace 3 of these average performers with high performers.</i> ✓ Revenue is increased by over \$300k.
<p>Improve All New Hire’s Success Through Targeted On-Boarding and Development</p> <ul style="list-style-type: none"> • Over 40% of new leaders fail. • Cost of this failure extends beyond the individual’s salary to extend to measureable factors impacting the larger organization, including: <ul style="list-style-type: none"> ▪ Time in reviewing candidates, conducting interviews, candidate follow-up, staff time in training, direct productivity losses, and recruiting and retraining costs for finding replacement. ▪ Intangibles: impact on co-workers productivity and morale, lost business due to mishandling by employee, lost management time, damage to reputation and market share 	<ul style="list-style-type: none"> ✓ Company hires a new VP of Marketing with a \$150k salary overseeing staff of 30 managers ✓ Training is limited to product knowledge and logistics, skipping over key executive relationships ✓ VP struggles to build momentum and support among senior team and his staff, ultimately leaving within 6 months ✓ Minimum cost to organization between \$150-450K
<p>Engage Employees Companies with Highly Engaged Employees:</p> <ul style="list-style-type: none"> • 19.2% higher operating income* • 17% higher operating margin** • 27.8% improvement in EPS*** <p>Companies with Disengaged Employees:</p> <ul style="list-style-type: none"> • Employees absent 3.5 more days per year *** • Decreased operating income of 32.7% *** • 3.8% decline in net income and 11.2% decline in EPS *** <p>By better understanding what drives and motivates themselves, individuals are better prepared to better understand others and what is required to be successful in the workplace. This connection to one’s role, the culture, and the business results is a more engaged and productive workforce, directly resulting in improved financial results.</p>	<ul style="list-style-type: none"> ✓ A company has 500 employees, with an average salary of \$50k. 25% of these workers are disengaged. ✓ Because disengaged employees are absent more than their engaged peers, this lower productivity is costing the organization over \$70k a year. (assumes 260 annual working days) ✓ Moving just 3 of these people to be engaged would save the over \$8k in lost productivity.

*Conference Board Research
** Towers Perrin Talent Report
*** International Survey Research (ISR)