



## **A seat at the table**

How smart HR departments win  
with business intelligence

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## Abstract

More and more organizations are relying on business intelligence (BI) to monitor, analyze, and report on their performance. BI gives HR professionals the tools they need to meet the demands of attracting and retaining a talented workforce in the face of globalization, a challenging economy, advances in technology, a competitive labor market, and more fluidity in the workplace. The graying of that workforce brings its own set of challenges, especially retaining information about the business as employees retire. Passing their knowledge and insights to younger workers is crucial.

HR professionals are pressed to show their value to their organizations or risk being outsourced. They can accomplish this goal by moving away from soft measurements toward metrics such as recruitment costs by geography, employee retention rates, and employee satisfaction rates. This kind of reporting can help executives think of HR as a strategic business unit and not just a center for administration.

## Overview

Companies are facing many challenges that are taxing their HR professionals and exposing the increasing need for reliable business intelligence (BI) software. Not only are companies able to attract and retain the talent they need in a changing economic climate more efficiently, but HR professionals become increasingly valuable as they are able to meet these goals. They also need to provide data that goes beyond the basics of number of employees, amount spent on compensation, etc., and instead show how their efforts to attract the right talents contributes to the strategic goals of the company. This way, HR becomes a real value-adding entity within the organization, as opposed to a candidate for outsourcing.

## Business problems

It's not easy being in human resources. Globalization, a challenging economy, advances in technology, a competitive labor market, and a more fluid workforce have all had a significant impact on the way that HR executives do their jobs. In addition, the field has become more complex due to increasing competitive pressures, mergers and acquisitions, and new business channels. These factors have changed the way HR needs to collect data and report on its activities.

But the challenge doesn't end there. Over the next few years companies across the globe will have to deal with the impact of a graying workforce and a skills gap that will make attaining and attracting talent a top priority. According to the US Bureau of Labor Statistics, there will be a shortfall of 10 million workers by 2010. This problem is only exacerbated by the pressures happening within the HR departments. "The human-resources department is in survival mode," writes Carl Schneider in the February 15, 2006 issue of *CFO Magazine*. "As outsourcing the function becomes a more-prevalent option for companies, HR managers know that if they are going to endure, they have to deliver strategic value, and that value has to be measurable."<sup>1</sup>

Unfortunately, most companies are not prepared. A recent poll by the International Public Management Association for Human Resources found that only one-third of their members had a formal workplace planning process in place. In addition, a recent Conference Board survey of more than 100 HR executives found that only 12 percent make use of people measures to meet their strategic targets or key performance indicators (KPIs). Although remarkably low, the tides are turning. The survey found that over the next three years, 84 percent of the executive polled expect to increase the application of workforce measures.<sup>2</sup>

*“For HR to effectively facilitate the development of a high performance workforce, it must break down its functional silos, support end-to-end processes, and have an integrated set of technologies that leverages a common set of competency data, as well as a consistent user experience for managers.”*

*James Holincheck,  
Talent Management Application Suites  
Emerge to Support Strategic HR Capabilities,  
Gartner Inc. June 14, 2005*

That’s why more and more organizations are relying on business intelligence (BI) to monitor, analyze, and report on their performance. Organizations are turning to BI to streamline internal processes and to create new efficiencies. Business intelligence can help HR departments become a strategic asset within their respective organizations in two ways: by generating efficiencies within the department itself; and by using the insight that BI delivers to help their organizations make strategic decisions around staffing, planning, and budgeting to support company goals – whether they are growing through acquisitions, maximizing global markets, achieving operational excellence, or promoting product innovation.

The time is right for HR to be using BI. A growing number of analysts and management experts have illustrated how non-financial assets such as human capital and employee satisfaction can be important value drivers.

HR managers are keenly aware of the value they bring to their organization. Historically, though, they have had difficulty expressing this value to their senior executives. Or, that value has not been seen as having a measurable impact on their organization’s performance. Many CEOs will state publicly that their employees are their greatest resource, however, HR is often viewed as a cost centre and is not often invited to the table when senior executives discuss budgeting, planning, and strategic goals. As a result, HR departments are often frustrated by budgets that don’t reflect their goals or IT needs.

To gain a seat at that executive table – to make a transition from being perceived as a cost centre to a value-driver – and to protect itself from being outsourced, HR departments need to communicate the value they create in a way that their CEOs can understand. This means moving away from using soft measurements such as “improvements” and move toward hard, numerical measurements that executives use to monitor the progress of business strategy – metrics such as recruitment costs by geography, employee retention rates, and employee satisfaction rates.

### **What exactly are metrics?**

Metrics are numbers that indicate how well an organization is performing in a specific area and provide the context around which that performance should be analyzed. Metrics are often expressed as percentages (for example, percentage return on an investment), or sums (for example, total quarterly revenue). They can be either prime or aggregate. For example, an aggregate metric such as recruitment effectiveness could combine recruitment costs, time to recruit, and employee quality, and could be tracked over a specific period of time.

Metrics provide the context for decisions around corporate performance in many ways. They have specific definitions, performance targets, thresholds, data sources, historical performance and include supporting documentation. Metrics have an owner who is responsible for meeting performance targets. Ownership for one or more metrics can fall to an individual employee, a team, a line of business, or an entire organization.

## **Business drivers**

### **Where HR is now**

In many organizations there is a significant gap between an HR department's stated objectives and the methods it has used to measure its effectiveness. HR departments are tasked with building a committed, dedicated, highly skilled team that gives the organization a competitive advantage. Yet few of the measures they have historically used – the number of job fairs attended, resumes received, interviews scheduled, or references checked – can be linked to these results. Furthermore, some HR departments have limited reporting capabilities and struggle to collect even simple data; others have no visibility into their data and need to rely on their IT departments to provide it.

### **Where HR needs to be**

Human resources management can be a competitive advantage. To achieve this, HR managers need the vision and tools to operate efficiently and to optimize the investment their organization makes in its employees. In a knowledge- and skills-based economy, the most competitive and effective organizations are those with employees who are dedicated, well-trained, and highly skilled. As HR is directly responsible for training and skills development, hiring and retention, and other factors related to employee morale, it is uniquely situated to optimize those advantages and increase the organization's overall value.

HR can also provide insight into questions that have a direct bearing on their organization's strategy. These can include:

- Do our recruitment programs attract our future managers?
- Which employees are ready for management positions?
- What will our staffing needs be five years down the road?
- Who are the most productive employees across the company?

Very few HR departments have a comprehensive view of their data and the tools to analyze this information so they can align their activities with corporate strategy. Without business intelligence, which provides the ability to track both the “what” and the “why” of a situation, organizations are put in a reactive situation – waiting for a crisis to force change.

- Which employees are at risk of leaving? What can we do to keep them?
- Do we have the right skills mix to achieve our goals? Where are the gaps?

HR departments need the ability to answer these questions confidently, in ways that can be understood and leveraged by senior executives and aligned with the organization's overall strategic goals. This can be done by consolidating HR's data assets, quantifying HR concerns such as headcount, training, budgets, skills, recruiting – even employee morale – and then analyzing how they interact to impact overall performance.

From there, HR managers can identify trends in their workforce that lead to a better understanding of how to maximize human capital. Positive trends can be leveraged for greater value; negative trends can serve as an early warning system to spur corrective action before problems become acute. To do this, HR needs to collect the right kinds of data and be able to analyze it from different perspectives.

## Barriers HR is facing

Making the transition from soft benefits to hard performance metrics is easier said than done. The first challenge is knowing what types of data to collect, where it comes from, and then having the ability to aggregate, view, and report on it easily. Many HR departments find it difficult to produce a consolidated view of their data because it is locked in many different applications and unconnected spreadsheets. HR departments use data from an assortment of internal and external sources (see sidebar). Each source contains important information about an employee's performance and role within the company, but each one provides only part of the overall picture.

But even if an HR department has good visibility into its data and flexible reporting capabilities, it still may encounter several different barriers in getting to the next step:

- an inability to prioritize metrics
- decentralized or uncoordinated measurement
- a failure to match the appropriate metrics with each line of business
- an absence of accountability for metrics
- metrics that are applied in an uncoordinated and ineffective manner

In addition, many HR departments are limited in the kinds of analysis they can perform. Some report basic input numbers. Some may be able to calculate basic ratios such as cost per hire, but are unable to correlate that cost with the quality of each hire. Some have more sophisticated analysis (such as cost per hire per geography over time), but are unable to align them with the corporate strategy. Only a few companies have successfully aligned their HR metrics with overall corporate goals.

## Common sources of HR data

### Internal

- Payroll applications
- Legacy systems
- Employee surveys
- ERP systems
- Spreadsheets
- Financial systems

### External

- Industry benchmarks
- Labor market trends
- Labor regulations
- Collective agreements
- Outsourced information

## The solution

### Getting there with business intelligence

Business intelligence is software that enables HR professionals to monitor, analyze, and report on their business performance. BI provides visibility, clarity, and insight into an organization's data assets to help users understand how the business is performing. It can aggregate and consolidate disparate internal and external (third-party) data from different sources and applications into a central framework. This creates a common, shared context that enables effective and collaborative decision-making within a department or across an entire organization.



BI can be used within a specific department or across an entire organization. It can be used to measure the performance of a particular initiative, or to measure the performance of the entire company. Organizations can also use BI to align tactics with strategy and to measure performance against strategic goals. Business intelligence enables HR managers to view their data in many ways.

IBM Cognos® 8 Business Intelligence is the first single BI product to deliver the complete range of BI functionality – including comparative analysis, dimensional reporting, active dashboards and scorecards, event management, and data integration – on a proven, single architecture.

IBM Cognos 8 BI's services-oriented architecture (SOA) enables organizations to easily integrate BI capabilities into existing IT assets and infrastructures. Its extended open data access capabilities, including a unique single query engine and single metadata layer, allow the complete range of BI functionality to be performed against any organizational data, whether relational or OLAP. This access to all data sources provides customers with a single, trusted place for all relevant data and a complete and consistent view of any business issue or driver.

IBM Cognos performance management capabilities include:

- **Reporting and Dashboards:** Users can create, modify, and distribute any report the company requires – invoices, statements, weekly sales and inventory reports, from any data source for consistent fact-based decision-making. With dashboards can view and analyze complex data in intuitive graphical formats, including dashboard layouts, geographical maps, pie or bar graphs, or 3D graphs.
- **Analysis and ad-hoc query:** Online analytical processing (OLAP) means users can explore large volumes of summarized data in a variety of formats with industry-leading response times, drilling through to the details they need.

*“The impact of Cognos on the HR department has been significant. For the first time the effect that employees have on the organization is clearly measurable. Cognos’ solutions will continue to play a key part in moving BUPA HR forward technologically.”*

*Amanda Deacon,  
HR Project Manager at BUPA*

- **Scorecarding:** Scorecards deliver measurable metrics that let users know immediately where they stand, enabling them to manage their performance.
- **Event management:** Time-critical business intelligence is automatically delivered to decision-makers through e-mail and wireless technologies, allowing them to focus quickly on what needs immediate attention.
- **Data integration:** IBM Cognos data integration is an enterprise-wide ETL solution designed for high performance business intelligence. It optimizes data merging, extraction, transformation, and dimensional management to deliver data warehouses ready for business reporting and analysis.
- **IBM Cognos® 8 Workforce Performance:** IBM Cognos 8 Workforce Performance is an analytic application that offers over 100 measures and 1,000 workforce-related attributes to facilitate cross-organization reporting and analysis. IBM Cognos 8 Workforce Performance is a pre-packaged application that snaps into your existing technology environment, simplifying the delivery of relevant and reliable information on HR issues. It transforms operational data from HRMS systems into actionable information.

These functionalities enable end-users to go beyond simple spreadsheets to analyze their data from any angle, or to combine data in new ways and use the resulting insight to make better business decisions. Using a simple Web browser, users can explore trends in their business performance and then present them graphically for maximum impact. BI enables users to explore a particular issue from a high-level summary down through increasing levels of detail to understand the contributing factors. BI reports can be created once and automatically distributed to users throughout the organization, or conducted on an ad hoc basis for specific requests.

With BI, HR managers can be more proactive in presenting their ideas for improved performance. By analyzing critical HR data in greater detail, exploring relationships between different metrics, and then presenting metrics graphically and in terms of tangible business results, they will be able to streamline their own operations and strengthen their role within the company.

BI enables HR managers to predict future staffing issues and trends, the impact these issues will have on payroll, and their effect on overall business performance. And at a time when more HR departments are adopting new service delivery models, BI also enables HR to share information easily with other managers, empowering them to make more informed decisions about employee performance and promotions in a more self-sufficient way.

When applied strategically across an organization, BI provides a performance management framework that helps smart HR departments get the seat at the executive table they deserve.

**Business Intelligence in Action – IBM Cognos software-powered HR system saves £1.5 million at RAC**

Founded in 1897, RAC has been consistently at the forefront in developing motoring services. From introducing uniformed patrols in 1901 and roadside emergency telephone boxes in 1912, RAC even now has the world's most advanced computer systems to deal with calls for roadside assistance. Seven million RAC members enjoy access to a huge range of motoring products and services, ranging from the familiar roadside assistance to continually updated legal and technical advice and up-to-the-minute travel information.

A couple of years following the acquisition of RAC Motoring Services by Lex Service PLC, the group renamed itself RAC plc. The RAC Group of companies also includes BSM, Lex Vehicle Leasing and Auto Windscreens. Acquired in May 2005 by leading insurance conglomerate Aviva, RAC Group is part of the Norwich Union Insurance division.

**The history**

RAC had long-running issues with visibility into its Human Capital. Following the Lex Group acquisition of RAC Motoring Services in 1999, the newly-combined company found itself running a number of different payroll and HR systems. Anecdotal evidence existed that absenteeism & turnover were both high, but with little by way of intelligent reporting data to substantiate that view.

In response to this, the company introduced what it called the 'People P&L'. A human capital management strategy, the People P&L outlined a number of key performance indicators that could be applied to staff across RAC. For the next couple of years, HR data was manually collated across the disparate HR systems.

In 2002, the HR and payroll systems were merged, at which point, according to RAC data warehouse manager Graham Pritchard, the People P&L strategy really developed. "With the ability to access one data source we were able to report on the key performance indicators that we had created – absenteeism, sickness, turnover, stability and internal colleague satisfaction," said Pritchard. "We were able to produce this information from areas deep within the organization. However, the information was still two-dimensional, giving us figures that weren't being analyzed. During 2003 we started to get enthusiastic buy-in and began to investigate the possibilities of streamlining the process."

By the end of 2003, in excess of 3,000 reports were being run on a monthly basis. While the reports were able to provide the slices of data that were fundamental to the People P&L, RAC needed a greater depth of analysis. The HR board asked the data team to find a way to both automate the process and to take the workload away from the HR administrators.

"We were really looking for an analytical application that could deliver not only these high-level trends, but also one that would enable us to really see what was happening behind the information," commented Pritchard. "In early 2004, we started looking at what was available on the market."

#### **The solution**

RAC looked at Strata HR Analyser – an offering from Strata Systems based on IBM Cognos® ReportNet, IBM Cognos PowerPlay, and IBM Cognos® Metrics Manager applications.

“We needed a tool that we could implement quickly and produce valuable data for all our People KPIs. The reason we chose the Strata/Cognos solution was because it met and exceeded all our human capital and system requirements. We wanted something that would give us the flexibility to look at data exactly how we wanted, was cost effective and quick to implement.”

Flexibility is key to RAC taking its HR strategy forward. With the ability to add in data from areas of company information such as sales, operation, time and attendance, training and recruitment, the system provides the data warehouse team with the power to begin analyzing the information gleaned from its People metrics.

In addition to freeing RAC from the constraints of a high-budget, custom system with ongoing consultancy fees, Strata also provided a system that supports the Government’s Accounting for People task force human capital management initiative.

#### **The benefits**

Staff satisfaction has increased from 68 percent to 73 percent. RAC is looking to develop its People strategy to continue to make significant savings across the business by making HR and line management more effective.

“In 2002, absenteeism was running at around 10 sick days per person per year. The goal to reduce that number to 8.5,” says Pritchard. Across 11,500 staff, saving 1.5 days actually equates to a £1.5 million saving on the bottom-line,” he adds. “The Cognos system gives us the ability to look at our HR data and focus in on where the problems are. We don’t need to become involved in expensive group-wide approaches to deal with an issue, which might only be local. We can be far more focused and aggressive in how we address HR issues because we have accurate intelligent data at our fingertips.”

“People KPI plays a vital role in our company. It has helped transform our business, significantly improving our understanding of people-based issues & values,” said Debbie Hewitt, Director, RAC Rescue Services. “The use of Cognos BI products helps ensure that we will continue to meet all people management challenges with confidence and understanding.”

#### **The future**

Pritchard believes that the ability to analyze HR information will push the cost savings well beyond the original targets set by his team. “When we put together the business case for the CEO we said that we would get absenteeism down by one day per person per year,” he says. But our actual longer-term target for sickness is to get it down to 6 days per person per year.”

In addition to the cost-cutting, RAC is using the powerful reporting capabilities of the system combining IBM Cognos BI and Strata to change the dynamic between HR and line management staff and bringing about changes to operational procedures within the business. With HR spearheading a tool that enables them to raise issues quickly and effectively with the board, operational management is beginning to think of HR as a strategic business unit and not just a center for administration.

“Through the implementation of business intelligence, HR is adding real value to the company, and helping to make RAC a more efficient enterprise,” Pritchard comments. “HR is now seen as a profit centre – it really gives HR the authority and opportunity to influence the strategic process.”

## Six reports every HR executive needs

Just as every company is unique, so too is its BI solution. Before implementing a BI solution, an organization needs to consider the complexity of its data assets, the number and needs of its end-users, and the metrics that the organization will use to measure performance. If the organization is already using a management methodology such as Six Sigma or Balanced Scorecard, HR needs to understand how its metrics will integrate into the bigger picture.

The six reports described below provide a good illustration of the types of analysis that HR managers can do with BI and the benefits they can realize. They are not the only seven reports that HR can use, but they serve as a starting point. Each report provides a strategic value when consulted at a specific point in time. Each one also provides a strategic value when analyzed regularly over a period of time. This lets HR managers identify trends and measure their performance against strategic goals.

### HR scorecard

A scorecard is part of a performance management system that provides executives and other people in an organization with critical information about their performance in an easy-to-use format. Scorecarding software creates, manages, presents, and delivers an organization's key performance metrics (for example: quarterly revenue, ROI, customer satisfaction) and presents them using such intuitive symbols as traffic lights or directional arrows. From this summary information, the end user can drill down through a particular metric to increasingly detailed layers of information to analyze the factors that drive its performance.

Scorecards can also be used to measure the performance of a specific department. For HR, key metrics could include progress against recruitment targets, overall headcount, skills gaps, training expenses and effectiveness, employee performance ratings, turnover rates, and more. An HR scorecard enables HR managers to achieve two goals at once: it identifies opportunities for HR to improve its own performance through more effective strategies, whether they focus on recruitment,

training, retention, or other areas. It can also be integrated into an executive-level scorecard that illustrates the impact of HR in context to the organization's strategic goals and success.

Name	Actual	Target	Variance	Variance %	Time Period
Compensation Costs	US\$167.00	US\$150.00	US\$17.00	11.33%	2004,Q4,Dec
Avg Pay Increase	US\$0.05	US\$0.05	US\$0.00	0.00%	2004,Q4,Dec
Employee Survey	7.00	8.50	-1.50	17.65%	2004,Q4,Dec
Head Count	4,550.00	4,803.00	-253.00	5.27%	2004,Q4,Dec
Attrition	53.00	48.00	5.00	10.42%	2004,Q4,Dec
Time To Fill	31.00	21.00	10.00	47.62%	2004,Q4,Dec
Absenteeism	5.00%	6.00%	-1.00%	16.67%	2004,Q4,Dec
Recruitment Effectiveness	95.00%	100.00%	-5.00%	5.00%	2004,Q4,Dec
Termination Count	28.00	30.00	-2.00	6.67%	2004,Q4,Dec
Training Costs	US\$14,000.00	US\$15,000.00	-US\$1,000.00	6.67%	2004,Q4,Dec
Turnover Rate (D2G)	12.00%	12.00%	0.00%	0.00%	2004,Q4,Dec
Succession Readiness	6.00%	6.00%	0.00%	0.00%	2004,Q4,Dec
Recruitment Expenses	US\$10,500.00	US\$10,000.00	US\$500.00	5.00%	2004,Q4,Dec
Employee Satisfaction	83.00%	85.00%	-2.00%	2.35%	2004,Q4,Dec
Labor Costs (D2G)	US\$860,000.00	US\$900,000.00	-US\$40,000.00	4.44%	2004,Q4,Dec
Cost per Hire	US\$22,500.00	US\$25,000.00	-US\$2,500.00	10.00%	2004,Q4,Dec

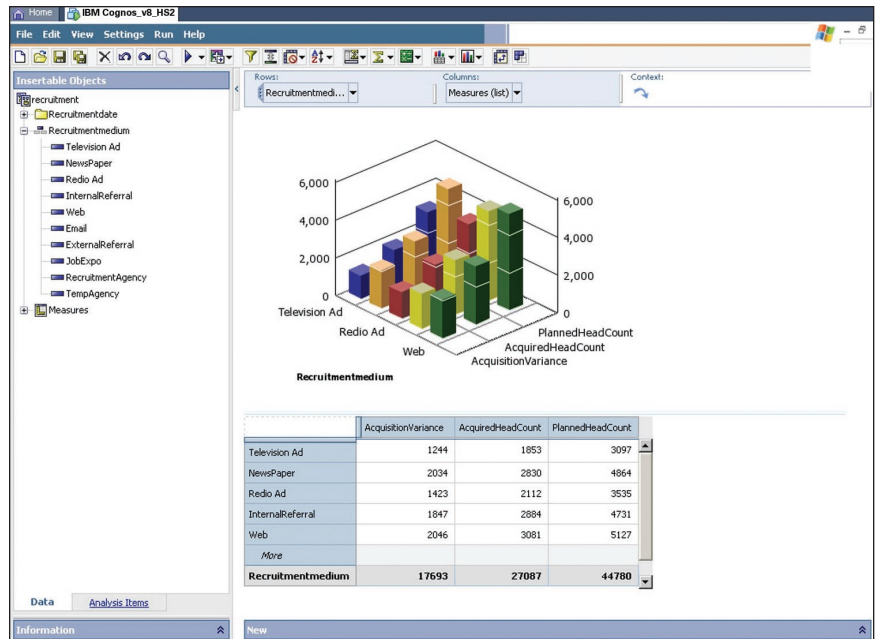
### Recruiting analysis

Companies use many recruitment methods to attract top talent. These include newspaper ads, agencies, job fairs, and employee referrals. Recruitment costs account for a considerable percentage of HR's overall budget, and HR managers need to know that the money that's being spent is attracting the right people. Many HR departments calculate their average cost per hire. However, this tells only part of the story. With BI, a HR manager can measure recruitment efforts in terms of the time required to recruit.

From there, the manager could combine the time, money, and recruitment method required to recruit a specific employee, then correlate these metrics to the employee's performance. This could reveal that one method attracts more people in a shorter time or at a lower cost, but that the people are not as highly qualified as those attracted by another method that either costs more or takes a longer



time. In this way, the manager can see which methods bring in the highest-quality employees and design highly targeted, highly effective recruitment campaigns that attract highly qualified people.



### Retention analysis

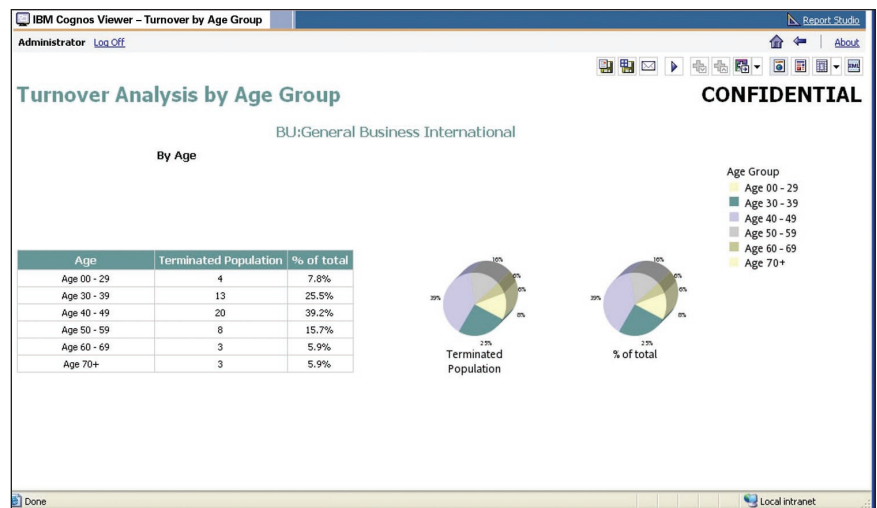
A challenging economy and a fluid job market have made employee turnover a growing concern among HR executives. Turnover costs can range from the equivalent of six months' to three years' worth of salary and benefits depending on the level and expertise of the employees who need to be replaced. To reduce hiring and employee placement costs, HR executives need the ability to proactively identify the factors that lead an employee to leave, thereby increasing the company's overall retention rate.

*“Instead of spending days collecting information for reports from Excel spreadsheets that are immediately out of date, our team can now obtain a snapshot view of every month’s key data about people and generate reports about, for example, turnover, absenteeism, performance, equal opportunities and salary costs within two hours. And it’s not simply a time saving, we are able to include far more detailed information in these reports or present it in many different ways for different audiences. This just wasn’t possible previously.”*

*Ann-Louise Hancock,  
Head of People Division at Skandia.*

Both of these goals can be accomplished using BI. An HR executive can consolidate and monitor the various facets of each employee’s situation (seniority, salary, position, promotions, job class, skill set, and more) and analyze the impact of each facet—whether on its own or combined with others—on the company’s turnover rate.

In this way, HR executives can create a profile of the employees who are at the greatest risk of leaving, identify the employees that match that profile, and then devote resources to the factors that will prevent them from leaving. This helps the company lower its turnover rate, thereby reducing recruitment, new hire, and employee placement costs.



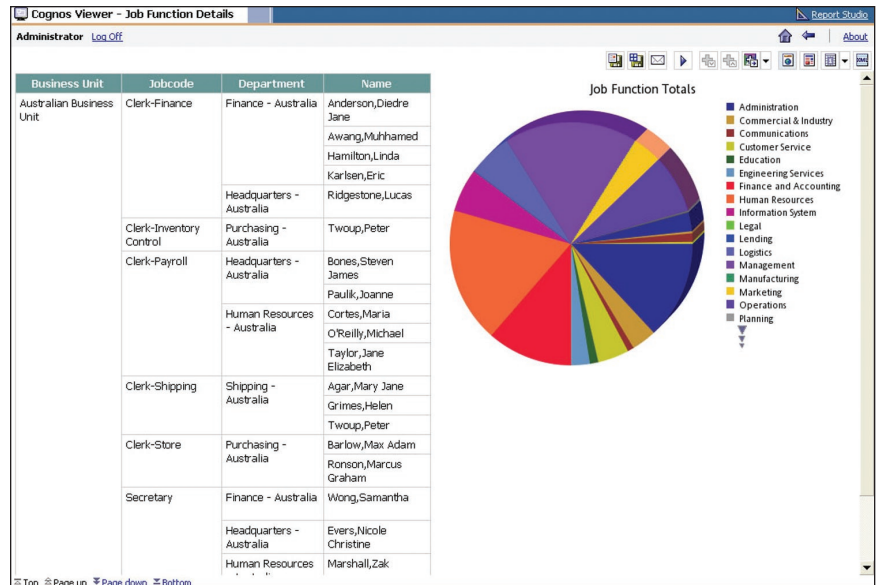
### Workforce analysis

A company’s ability to deliver on its strategic goals depends not only on its staffing levels, but also on the skills of its employees. Departments that are continually understaffed, or employees that are lacking specific skills, can impair the company’s effectiveness. As such, HR managers need the ability to map the goals of each department to the staffing levels and skills mix they will need to achieve them,

and then measure progress against these targets. This lets the HR manager align employee performance with the company's strategic goals.

HR managers can also use BI to report on basic employee information such as age, gender, and even ethnic origin. Accessing this information lets HR managers see whether their company is complying with labor regulations such as Employment Equity or Affirmative Action. The resulting insight can spur changes in staffing policies that could spare the company from potentially serious consequences. HR managers can also be notified of shortfalls through an automatic email. In this way, HR managers can prevent staffing problems before they develop.

If a company plans aggressive growth through acquisitions, BI can be used to consolidate the various legacy systems that will become part of the company's HR database. At the same time, HR managers can use BI to forecast future staffing needs and inform executive decisions regarding budgeting and planning.

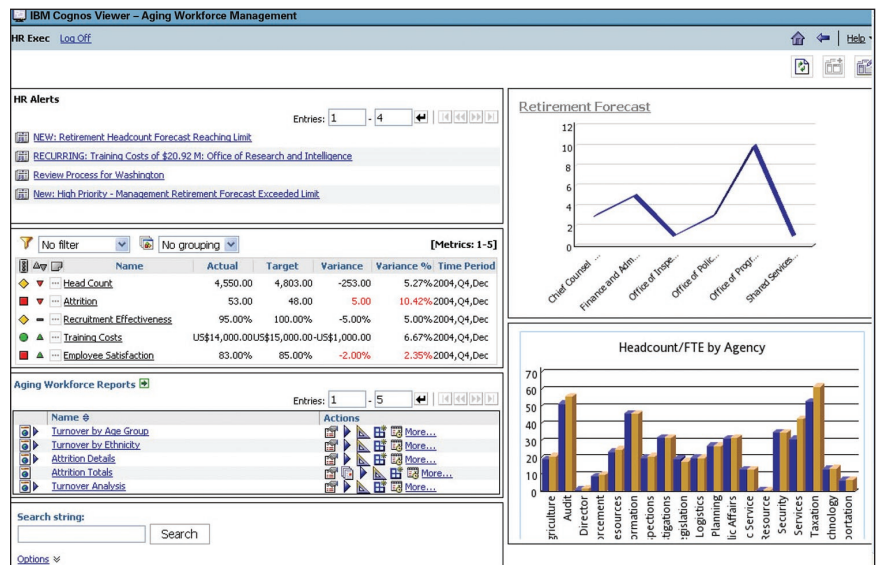


### Succession planning analysis

Many companies fill their managerial ranks with a mix of internal employees who have worked their way up and people from outside the company. Newcomers inject new ideas and energies; veterans provide continuity and a deep understanding of the corporate culture, as well as being motivated by the opportunity to advance within the company. The challenge for HR managers is to identify future leaders from within the company and to ensure that recruitment programs are attracting suitable managers from without.

Using BI, HR managers can adopt a long-range view that enables them to assess what is sometimes referred to as their company's "readiness rate." They can use BI to create a profile of current managers (their skills, salary, seniority, related experience, and so on) and correlate that information to the company's current workforce.

This "bench strength analysis" lets them identify employees who are ready to assume management roles now (those who match the profile), and those who will be ready down the road. From here, directors can identify the skills that future management candidates require to become fully qualified and then design the appropriate development or training programs. This helps ensure that departing managers do not leave holes in the corporate memory – holes that are very expensive to fill.



### Compensation analysis

Performance-based compensation packages are an effective way for a company to recruit and keep top talent. Performance-driven organizations reward the most effective employees. HR managers need to know that their compensation plans are effective and competitive for their industry and for the skills that they require.

BI can help HR managers design effective compensation benefits and policies by correlating compensation to performance targets, skill sets, seniority, and other factors. For example, a sales manager could use BI to analyze the split between revenue generated by new and existing customers, identify those sales reps who bring in a higher percentage of new business, and structure their compensation accordingly.

This encourages employees to continually improve their performance and skills. For the HR manager, the end result is a reduction in turnover rates and the associated recruitment costs. It also ensures that payroll spending has a demonstrable impact on overall performance.

Headcount   Reviews   Administration - IBM Cognos Planning - Contributor										
File Edit View Tools Actions Help										
Input - Existing Headcount   Input - New Headcount   Input - Compensation Planning   <b>Headcount &amp; Compensation Summary</b>   Corporate Guideline Summary										
Administration										
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Existing Employees	Salary	931,330	931,330	911,858	871,257	857,461	857,461	853,381	847,680	847,680
	Merit	3,070	5,494	7,242	10,023	11,235	12,725	14,292	15,435	15,435
	Merit %	0.33%	0.59%	0.79%	1.15%	1.31%	1.49%	1.67%	1.82%	1.82%
	Total Salary	934,399	936,823	919,100	881,280	868,696	870,186	867,673	863,115	863,115
	Bonus	224,372	224,372	199,000	166,454	157,098	157,098	154,438	153,769	153,769
	Equity (Cost Basis)	6,738	6,751	6,430	5,962	5,814	5,815	5,736	5,660	5,660
	Severance	0	0	0	1,000	1,800	0	1,200	0	0
	Total Employee Comp (less Equity)	1,158,771	1,161,195	1,118,101	1,048,735	1,027,594	1,027,284	1,023,312	1,016,884	1,016,884
	Total Employee Comp (Including Equity)	1,165,509	1,167,946	1,124,531	1,054,697	1,033,408	1,033,100	1,029,048	1,022,544	1,022,544
	Headcount	242.75	242.75	236.25	225.25	221.25	221.25	220.25	218.50	218.50
	Bonus %	24.01%	23.95%	21.55%	18.89%	18.08%	18.05%	17.90%	17.92%	17.92%
	Salary	0	3,766	5,387	6,583	6,583	7,496	7,496	9,279	9,279
	Merit	0	0	0	0	0	0	0	0	0
	Merit %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Salary	0	3,766	5,387	6,583	6,583	7,496	7,496	9,279	9,279	
Bonus	0	0	0	0	0	0	0	0	313	
Equity (Cost Basis)	0	0	0	0	0	0	0	0	0	
Severance	0	0	0	0	0	0	0	0	0	
Total Employee Comp (less Equity)	0	3,766	5,387	6,583	6,583	7,496	7,496	9,592	9,592	
Total Employee Comp (Including Equity)	0	3,766	5,387	6,583	6,583	7,496	7,496	9,592	9,592	
Headcount	0.00	17.50	27.50	37.50	37.50	42.50	42.50	52.50	52.50	
Bonus %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.37%	
Salary	931,330	935,096	917,245	877,840	864,044	864,957	860,877	856,960	856,960	
Merit	3,070	5,494	7,242	10,023	11,235	12,725	14,292	15,435	15,435	
Merit %	0.33%	0.59%	0.79%	1.14%	1.30%	1.47%	1.66%	1.80%	1.80%	
Total Salary	934,399	940,590	924,488	887,863	875,279	877,682	875,170	872,394	872,394	
Bonus	224,372	224,372	199,000	166,454	157,098	157,098	154,438	154,082	154,082	
Equity (Cost Basis)	6,738	6,751	6,430	5,962	5,814	5,815	5,736	5,660	5,660	
Severance	0	0	0	1,000	1,800	0	1,200	0	0	
Total Employee Comp (less Equity)	1,158,771	1,164,962	1,123,488	1,055,318	1,034,178	1,034,781	1,030,808	1,026,476	1,026,476	
Total Employee Comp (Including Equity)	1,165,509	1,171,712	1,129,918	1,061,280	1,039,991	1,040,596	1,036,544	1,032,136	1,032,136	
Headcount	242.75	260.25	263.75	262.75	262.75	263.75	262.75	271.00	271.00	
Bonus %	24.01%	23.95%	21.53%	18.76%	17.95%	17.90%	17.65%	17.65%	17.65%	

Current owner: None

**IBM Cognos Business Intelligence – Providing Strategic Value to HR**

IBM Cognos 8 BI and IBM Cognos 8 Workforce Performance analytical applications help organizations better develop and communicate their strategy, and align employee performance with strategic goals. With BI, HR can deliver the strategic business metrics that they need to gain a seat at the executive table.

**Complete View of Employee, Compensation, Training, Workforce Planning Data**

Every day, HR departments struggle to make sense of disparate and overlapping data sources: ERP systems, spreadsheets, payroll and benefits data, employee surveys, industry benchmarks, and others. IBM Cognos 8 BI can consolidate this data into a central store to give everyone in your organization a single version of the truth. We take different metrics from different sources and put them into a consumable format that provides human resources executives with a complete view of employees, compensation and benefits, demographics, and training. This unified view can easily be built with our tools and then delivered to entire HR departments.

**Most Comprehensive Solution**

IBM Cognos 8 BI is the most comprehensive BI available to ensure that the right people get the right information, how and when they need it. The breadth, depth, and flexibility of our BI solutions mean that they can be deployed to meet the widest array of reporting and analysis needs. For example, a VP of Human Resources can access a quick snapshot of the percentage change in employee turnover, while an HR manager can conduct an in-depth analysis of the turnover by job function, by length of service for each department and geography.

**Global Information Access**

IBM Cognos 8 BI delivers a fully interactive and secure browser-based Web interface that makes it easy to share appropriate HR information with everyone who needs it, whether employees located around the world, outside contractors, or agency personnel. Not only can you interact with employee information through a simple Web interface, you can also be notified of important events taking place so that you can take immediate action. This gives you a fully personalized BI solution that helps you make effective decisions that drive improved performance.

*“We can now conduct analysis we could not do before—and see things we had not considered before. Cognos Performance Applications was a very good match between what we wanted and what it did. All that and cash neutral in year zero.”*

*Keith Lewis,  
Vice-President of Business Development  
at Advantis*

## Conclusion

IBM Cognos 8 BI is the solution for HR professionals who want to meet today's challenges for attracting, retaining, and managing a workforce that keeps their organization at the top of its market. At the same time, HR positions itself as an essential, value-adding component that goes far beyond hiring and/or letting go employees, and managing benefits and other compensation.

## Key Definitions

**Business Intelligence** – A class of applications that gather, analyze, and store information about your business, including performance, procedures, and project status/problems.

**Dashboard** – A user interface displaying information in an interactive and easy-to-read format for quick reference and analysis.

**Infrastructure** – Underlying systems that serve as the foundation for other applications.

**Key Performance Indicator (KPI)** – A financial or non-financial metric that helps an organization define and measure progress toward organizational goals.

**Metadata** – An item of metadata may describe an individual item of data or a collection of data (multiple content items and/or hierarchical levels).

**Online analytical processing (OLAP)** – An approach to database queries that quickly provides answers. These queries are usually analytical and multi-dimensional, employing a multidimensional data model that allows complex analytical and ad-hoc queries with a rapid execution time.

**Scorecard** – A display of results against strategic goals to track performance and achievement and expedite business decisions.

**Services-oriented architecture (SOA)** – An IT infrastructure which allows different applications to exchange data with one another in a loose coupling of services, separating functions into distinct units accessible over a network to be combined and reused in the production of business applications.



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#### Endnotes

- 1 *The New Human-Capital Metrics*, Carl Schneider, *CFO Magazine*, February 15, 2006
- 2 *Measuring More Than Efficiency*, Steven Gates, *The Conference Board, Inc.*, January 2005

## About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: [www.ibm.com/cognos](http://www.ibm.com/cognos)

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