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KAFF Systems, Inc.
Solon, Ohio
A Better Bottom Line through Experienced HR

Measuring HR
Far Beyond a Legal Compliance Audit

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Measuring HR – The Road Ahead

When thinking about measuring the Human Resources function, many business leaders think primarily of auditing their legal compliance status.

We'd like to go far beyond that audit.

Today, we'd like to ...

- ✓ **Say a few things more about Compliance Audits**
- ✓ **Ask you questions to get you thinking**
- ✓ **Give you an Operations-based perspective on measuring HR**
- ✓ **Show you some results of applying our ideas**

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HR Quiz for Business Leaders

1. Are Your HR/Safety Systems Legally Compliant?

- Yes**
- No**
- Don't Know**

2. How Do You Know?

- Compliance Audit**
- No Complaints or Charges Filed**
- Don't Know**



HR Quiz for Business Leaders

3. What's a Compliance Audit?

- A review of all HR/Safety Systems in the organization using current "Checklists" that identify all legal compliance issues for each applicable statute, rule and regulation.**
- Don't Know**

4. What kind of "Checklists" are there?

- Wage and Hour**
 - **Payroll**
 - **Child labor**
- OSHA/Safety**
- Workers' Compensation**



HR Quiz for Business Leaders

4. What kind of “Checklists” are there (more)?

- Employment**
 - **Hiring**
 - **Job Assignment**
 - **Performance Evaluation**
 - **Layoffs**
 - **Terminations**
 - **Union Concerns**
 - **Records and Policies**
- Don't Know**

HR Quiz for Business Leaders

*Conclusion? There is no simple way to audit
for Legal Compliance.
Measuring HR is never simple, but making an
effort yields tangible results.*

5. So, If You Audit Comprehensively, Is that It? Are You Safe?

- Don't Know**
- Yes**
- Yes -- but there's far more ...**

Far More? We Believe

- **If it involves People, it involves Human Resources**
The land, tools, facilities and equipment are important, but it's the people that give you the competitive edge.
Your People are Your Most Important Asset
- **Measure, Measure and Measure Again**
"If you cannot MEASURE it, you cannot IMPROVE it."
-- Lord Kelvin, 1906
Measurement is Key to a Better Bottom Line!
- **Always Ask the Right Question —**
"If you don't know how to ask the right question, you discover nothing." -- W Edwards Deming
Always ask "How Do I Know?"



A Better Bottom Line Quiz

- **Are Your Employees Your Greatest Asset?**
Many of you say "My employees are my greatest asset"
... but how do you know?
How do you measure, track and systematically increase their value and reduce their cost?
- **Are You Communicating with Your Employees?**
While talking is important, workplace communication is more than just talk.
Do you measure, track and improve the effectiveness of 2-way communication including handbook, policy/procedure manual, performance review, exit interview?



A Better Bottom Line Quiz

- **Are Your HR/Safety Policies and Systems Legally Compliant?**

An HR Audit will tell you when they're not so you can bring them into compliance ... but what do you do to prevent non-compliance?

Do you measure and track legal compliance? Do you implement prevention strategies and measure their impact?

- **What Impact has HR had on Your Bottom Line?**

Leading and managing "your greatest asset" should yield positive results.

Do you measure, track and systematically attempt to improve your HR ROI?



Far Beyond a Legal Compliance Audit

We Know and you know

Companies practice *Financial Due Diligence* -- identifying and verifying all financial information to *minimize risk and maximize effectiveness* of Investments, Sales and Operating decisions.

Companies regularly spend thousands of dollars annually to assure compliance with financial rules and guidelines (think initials like CPA, IRS and SEC). Financial due diligence analyses regularly precede investment and sales decisions. **Few, if any dollars, however, are regularly expended to assure maximum effectiveness and minimum risk for an organization's workplace operations (HR, Safety, Employee Relations).**



Far Beyond a Legal Compliance Audit

Why Only Financial Due Diligence?

Why not *HR Due Diligence* as well?

**Why not identify and verify all HR information
to *minimize risk* and *maximize effectiveness* of
your Operations with an HR Assessment?**

**Why not systematically *measure*
so you can constantly *improve*
“Your Greatest Asset” and your Bottom Line
through Better Policies and Better Systems?**

A full-blown HR Assessment makes dollars and sense!



What's an HR Assessment?

- Many different incarnations. Here's ours.
The scope and focus are important.**
 - Scope – Broad, systemic, functional, operational
 - Focus – Measurement, tracking, comparison
- A comprehensive evaluation of all HR aspects --
functions, systems and processes -- and their
relationship to Company operations, including**
 - Twenty key HR aspects;
 - Anecdotal and measurable elements of each Assessment aspect;
 - Relative weighting for each element; and
 - A final HR Assessment Score, much like a Credit Score



What's Covered in an HR Assessment?

Job Descriptions

Updating? Grading system?

Recruiting and Hiring

Time Between Request and Hire? Orientation plan?

Training Plan

Supervisory? Computer? Effectiveness?

Performance Review System

Measurable Objectives? Training?

Compensation System

Guidelines? Privacy? Salary/Grading Scale?



What's Covered in an HR Assessment?

Other Aspects such as ...

Benefit Strategy/Philosophy

Policy/Procedure Manual

Employee Handbook

Discipline Procedure

Termination Process

Turnover Rate

And nine more ...





Results of an HR Assessment

A Benchmark
Comprehensive Report
HR Score

A Savings Scorecard
Savings Generated from Previous Action Plan

We've been asking "How do you know?"



This is how you know!


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Results of an HR Assessment

A Benchmark
Report
Description of HR function – Major Findings
Prioritized Recommendations
“Next Steps” Action Plan
The Report provides a roadmap for improvement of HR effectiveness and reduction of risk. It is the basis for the coming year *PLANS, BUDGET and ACTION PLAN*


HR Score
The HR Score is used to gauge overall changes in the HR function from last year


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Sample HR Score

HR Aspects	Score		Weight	=	Total
Job Description	4	*	x	=	#
Recruiting & Hiring	3	*	x	=	#
Training Plan	2	*	y	=	#
Performance Review System	3	*	z	=	#
Compensation System	3	*	z	=	#
Benefits Strategy	2	*	y	=	#
Policy/Procedure Manual	4	*	x	=	#
Employee Handbook	4	*	w	=	#
Discipline Procedure	4	*	z	=	#
Termination Process	3	*	y	=	#
Turnover Rate	3	*	w	=	#
9 Other Aspects (average)	3.5	*	a	=	#
HR Score					85.33
Max HR Score					150




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Results of an HR Assessment

A Savings Scorecard

- **Opportunity to report annual savings from last year's HR initiatives to Executive Management**
- **Opportunity to demonstrate the dollar value of the HR function**
- **Opportunity to calculate HR ROI using the annual budget expended to achieve the measured results**




Sample ROI Scorecard

RECENT CLIENT EXPERIENCE
(400 Employee Base)

Human Resource Savings Scorecard

Area of Savings	Savings (000's)	Description
* Health Care Admin	\$60	Avg savings almost 11k a month
* Health Care	\$200	Benefit of improved HC discounts
* Payroll Processing	\$15	Analyzed total payroll expense including unused reports
* COBRA Administration	\$1	Now included in Health Care package
* 401k Administration	\$3	Reduction of admin costs
* Workers Comp	\$7	Improved safety procedures and accident reporting
* Improved Workforce Efficiencies	\$190	Salaries saved as result of efficiencies
* Benefit Savings from workforce efficiencies	\$57	Benefits taken at 30%
* Ohio Investment Training Plan (Training Grant)	\$35	Pursued sources to generate grant
* Develop, assign and measure Corporate Objectives	\$100	Minimum with goals/objectives established
* Reduction in employee turnover costs	\$18	Realized a 13% reduction in turnover @ \$700 per
* Reduced Recruiting costs	\$4	Alternative/creative methods of recruiting candidates
* Absenteeism	\$8	Revised policy had a positive impact of 8% on productivity
TOTAL Savings	\$698	Savings assessment is quite conservative




What Have You Heard?

If it involves People, it involves Human Resources!
...but most companies give only lip service to the credo that
“Our Employees are our Greatest Asset”

Measurement is Key to a Better Bottom Line!
... but while most companies apply this principle to
operations, they don't apply measurement,
accountability and improvement to HR –
where responsibility for their “Greatest Asset” resides

A Legal Compliance Audit is a Good Place to Start!
... but there's far more beyond



What Can You Take with You?

If it involves People, it involves Human Resources!

You must pay attention to Policies and Systems

Effectively implement and communicate them

Implement and monitor for legally compliance

Use tools to measure and improve HR and Safety effectiveness

Measurement is Key to a Better Bottom Line!

“If you cannot MEASURE it, you cannot IMPROVE it.”

-- Lord Kelvin, 1906

A Legal Compliance Audit is a Good Place to Start ...

but Continue to Ask: How Do I Know!

*“If you don’t know how to ask the right question,
you discover nothing.” -- W Edwards Deming*



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**We are an Operations-based HR Department
Driving Bottom Line Results
Through HR Due Diligence
Through People, Policies and Systems**

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Thank you!