Metrics: A Useful Tool for HR Professionals
Ken Cardinal, CBP, CCP

- Managing Director, Surveys
- Pearl Meyer & Partners, LLC
- MBA, M.A., B.A.
- You can’t have too many guitars
Discussion Outline

- Introduction to CTHRA Metrics Survey
  - A Benchmarking Survey
  - Why Measure?
  - What Do We Measure?
  - Ensuring Validity of Results
  - Highlights of 2012 Survey

- Case Studies: Using the Survey to Make Decisions
<table>
<thead>
<tr>
<th>Metric</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
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<tbody>
<tr>
<td>Revenue ($B)</td>
<td>$1.80</td>
<td>$1.90</td>
<td>$2.00</td>
</tr>
<tr>
<td>Employees</td>
<td>2,400</td>
<td>2,700</td>
<td>3,000</td>
</tr>
<tr>
<td>Benefits Cost ($M)</td>
<td>$26.00</td>
<td>$28.00</td>
<td>$30.00</td>
</tr>
<tr>
<td>Revenue per Empl</td>
<td>$750,000</td>
<td>$703,704</td>
<td>$666,667</td>
</tr>
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## Measure vs Benchmark

<table>
<thead>
<tr>
<th>Metric</th>
<th>Your Firm</th>
<th>Your Competitors (2012)</th>
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Why Measure?

- **Benchmarking is a Critical Business Process**
  - Provides Input to Many Strategic Decisions

- **Competitive Measures are SOP Many Disciplines**
  - Manufacturing
  - Finance
  - Sales
  - Marketing

- **Human Resources Can Be Viewed as a ‘Soft’ Investment**

- **Measuring Human Resources**
  - Allows a firm to assess alignment with strategies
  - Provides input to how to structure Human Resources
  - Establishes a methodology for justifying investments
What Do We Measure?

Organization Level Metrics

- **Productivity**
  - Revenue, Operating Expense, and Net Income per Employee
  - Span of Control

- **Workforce Engagement**
  - Employee Tenure
  - Turnover

- **Costs / Investments**
  - Base, Bonus, Benefits, Temp Labor as Percent of Revenue
What Do We Measure?

Key Department Investments

- **Four Functional Areas**
  - Marketing
  - Customer Service
  - Field Service
  - IT / Digital

- **Costs / Investments**
  - Headcount as Percent Total Headcount
  - Functional Cost as Percent of Revenue
  - Average Base + Bonus
What Do We Measure?

Diversity Results

- **Total Representation**
  - Gender, Ethnicity

- **By Organizational Level**
  - Executive
  - Manager
  - Exempt
  - Non-Exempt
What Do We Measure?

Human Resource Department Metrics

- **Human Resource Department Investment**
  - Employee to HR Ratio
  - HR Expense Per Employee

- **Human Resource Activity**
  - Time to Fill
  - Cost Per Hire

- **Human Resource Organizational Structure**
  - Investment by Discipline
Ensuring Validity of Results

- **Collecting Accurate Information**
  - Compare results year to year for each firm
    » Confirm any significant differences
  - Provide clear and detailed definitions and instructions

- **Use the Data Wisely**
  - Matching industry segment and business model is critical
  - Information is directional
    » Indicates areas where more internal research is needed
2012 Survey Participants

Operators
BendBroadband
Bright House Networks
Cablevision Systems Corporation
Charter Communications
Comcast Cable
Cox Communications
DIRECTV
Time Warner Cable

Programmers
A+E Networks
AMC Networks Inc.
C-SPAN
Discovery Communications
ESPN, Inc.
Gospel Music Channel, LLC
Scripps Networks Interactive
Starz, LLC
The Weather Channel, LLC
Turner Broadcasting System Inc
### Highlights of 2012 Survey

- **Revenue Per Employee is a very common metric**
  - Programmer and MSO fundamentally different

#### Revenue Per Employee

Revenue per employee differs greatly based on industry segment. Within the programmer industry segment, there is a high degree of variability in responses. In contrast, there is much more similarity among the firms in the MSO segment. In terms of percent change from 2009 to 2011, the trends are similar. There is a wide range of responses among the programmers (with some improving their productivity and some experiencing a decline). Among MSO firms, more firms experienced a modest improvement.

#### Range of Responses by Group

![Range of Responses by Group](chart.png)

#### Pct Change by Firm 2009-2011 (P=Programmer, M=MSO)

![Pct Change by Firm](chart.png)
Salary and bonus expense as a percent of revenue is higher, and more variable, among programmers. The higher degree of variability is partially related to stage of growth. Again, variability is less among MSO. Annual year over year changes generally show costs declining as a percent of revenue. This is not surprising given the recent economic conditions. However this decline may be partially due to a change in methodology (i.e., PTO costs were included in 2009 and were not included in 2011).
Highlights of 2012 Survey

Salary and Bonus Cost Per Employee

Average salary and bonus cost per employee is substantially higher for the Programmer industry subset, reflecting the significantly different workforce mix (and lower prevalence of field service and customer service employee populations). Average per employee costs are relatively similar within industry groups; not unexpected given the focus on ensuring competitive pay to employees. Year over year, average costs have declined among those firms providing data in both years. While partially due to the change in methodology (PTO costs not included in 2011), it is likely that cost containment efforts
Voluntary turnover rates remain below historical levels (15.7% in 2008, 12.5% in 2009). Turnover among MSO firms is somewhat higher. Year over year, almost all firms have experienced an increase in turnover rates.
Employee to HR Ratio

On average, the human resource department within MSO firms supports more employees than their counterparts within programmer firms (82.4 vs 59.2). Year over year, most firms have seen a decline in this ratio, which suggests that they are increasing their investment in the human resource department.
• Break Into Teams

• Review Case Study

• Develop Answers to Questions
  • Reference the ‘Sample’ CTHRA Survey Report

• Be Prepared to Share Your Answers
Case #1

- Team Debrief
  - Read Case Background to Larger Group
  - Share Results of Your Discussion for Each Question
Do we have the right number of employees given our revenue and net income?

<table>
<thead>
<tr>
<th>Revenue Per Employee</th>
<th>Excluding Your Data</th>
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<tbody>
<tr>
<td></td>
<td>Programmer</td>
<td>Multi-System Operator (MSO)</td>
</tr>
<tr>
<td>2011 Summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Participants</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Number Responding</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Average Revenue ($M)</td>
<td>$2,073</td>
<td>$14,392</td>
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<tr>
<td>Average FTE</td>
<td>2,324</td>
<td>25,148</td>
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<tr>
<td>Average Revenue Per Employee</td>
<td>$1,149,600</td>
<td>$605,078</td>
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<tr>
<td>25th Percentile</td>
<td>$476,767</td>
<td>$417,932</td>
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<tr>
<td>50th Percentile</td>
<td>$1,015,340</td>
<td>$432,463</td>
</tr>
<tr>
<td>75th Percentile</td>
<td>$1,429,632</td>
<td>$520,281</td>
</tr>
<tr>
<td>Your Rank vs Your Industry</td>
<td>.</td>
<td>.</td>
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Case #1

- It’s not just too many employees per revenue, it’s also low net income per employee

**Net Income Per Employee**

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<tr>
<td>Number Responding</td>
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<td>6</td>
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<tr>
<td>Average Net Income ($M)</td>
<td>$926</td>
<td>$5,452</td>
</tr>
<tr>
<td>Average FTE</td>
<td>2,324</td>
<td>25,148</td>
</tr>
<tr>
<td>Average Net Income Per Employee</td>
<td>$450,610</td>
<td>$170,305</td>
</tr>
<tr>
<td>25th Percentile</td>
<td>$103,183</td>
<td>$130,745</td>
</tr>
<tr>
<td>50th Percentile</td>
<td>$412,626</td>
<td>$173,310</td>
</tr>
<tr>
<td>75th Percentile</td>
<td>$538,213</td>
<td>$221,568</td>
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Case #1

What are some of the areas that we feel could be changed and why?

- Table 4: Span of control is low: have more managers than peers
- Table 11: Higher average base salary
- Table 25: Higher than average benefits cost
  » Table 28: Healthcare costs
- Table 68: Much higher investment in customer service staff
- Table 69: Higher average wages in customer service
- Table 70: Much higher investment in field service staff
- Table 71: Higher average wages in field service
Case #2

Team Debrief

• Read Case Background to Larger Group

• Share Results of Your Discussion for Each Question
Case #2

- **Are the investments in OD reasonable?**
  - Table 80: OD headcount higher than median, but not highest
  - Table 6: Overall investment in HR is slightly below median
  - Table 7: Overall cost of HR is slightly below median

- **Has the strategy paid off?**
  - Table 5: Tenure with the firm is higher than the median
  - Table 40: Turnover is lower than the median
    - Table 41 and 42: Both voluntary and involuntary turnover
Case #3

- Team Debrief
  - Read Case Background to Larger Group
  - Share Results of Your Discussion for Each Question
Case #3

- Have you been successful in supporting rapid growth?
  - Table 38: Time to fill is highest among peers
  - Table 39: Cost per hire is very low

- What changes might you make and why?
  - Table 81: Investment in recruiting staff lower than median
Questions?