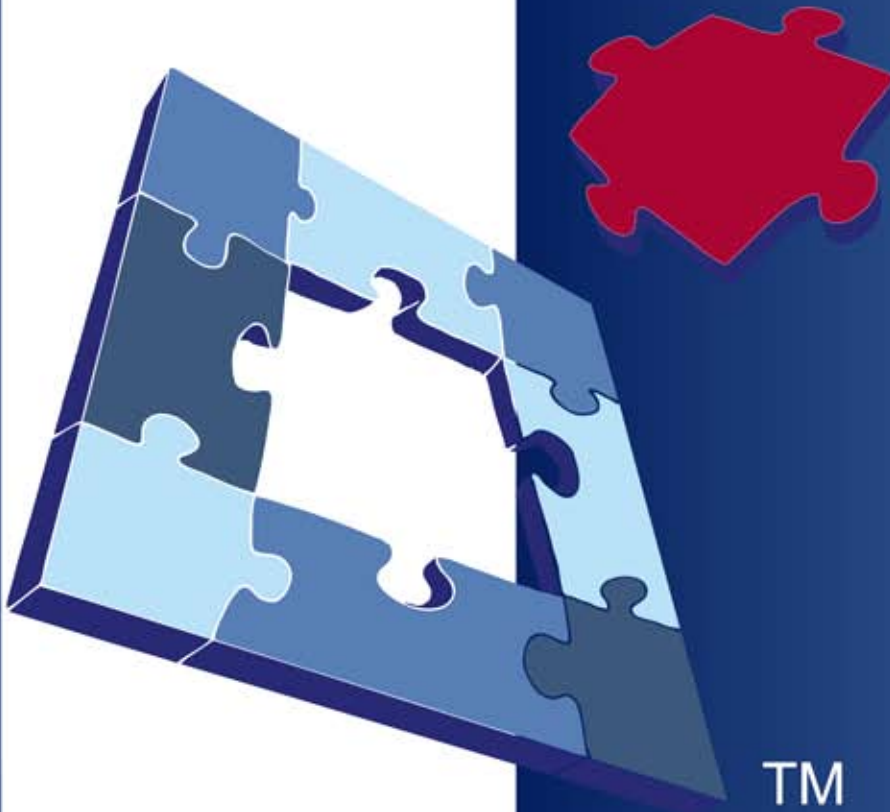


A Big Picture SolutionsTM Approach to Human Capital Management



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Integrated Information:
The Missing Piece of the Puzzle



Integrated Information: The Missing Piece of the Puzzle

No aspect of a business can be understood and effectively managed in isolation; each is part of a bigger picture.

Organizations are complex systems. They operate using connected sets of physical, financial and social structures. People, as members of an organization, perform and respond within the context of such structures. Intended or not, policies and procedures, expectations and events in each aspect of a business affect behaviors and outcomes in other areas.

“Big Picture Solutions” focus on strategic connections among critical parts of a business, specifically those connections that influence human capital job performance. A Big Picture approach provides decision makers with integrated information to manage human capital performance and optimize their overarching human capital management strategy. Big Picture information requires longitudinal, comprehensive, integrated, person-centric information arranged in a format that allows timely, dynamic feedback.

When data are spread across organizations in separate, detached departments, leaders lack a comprehensive and strategic understanding of the entire organization. Seeing the Big Picture allows organizations to move beyond tracking or describing specific tactical business characteristics, to explaining how each aspect of a business contributes to successful solutions.

Components of the Big Picture

For illustration and discussion, we represent the Big Picture of human capital management in the graphic to the right. It includes eight components, each representing a specific aspect on which an organization focuses some attention. Each piece of the Big Picture puzzle will have information, philosophy, and policies associated with it. At the center, Big Picture Integrated Information provides strategic human capital management solutions.

As shown, the eight human capital components of the puzzle are:

1. **Compensation:** How and for what people are paid and rewarded. The philosophy and implementation of all aspects of rewards that companies deliver to employees.
2. **Workforce Transition:** Turnover, hiring, termination, promotion and transfer within an organization. The system of entry, exit and migration through an organization.
3. **Performance and Output:** Metrics of work produced by employees. Any indication of value produced by the organization, qualitative or quantitative.
4. **Safety and Risk Management:** Adverse events and accidents. All injuries, accidents, damage and risk to people or property.
5. **Management and Training:** Metrics of skill growth through training and assessment of skill through reporting/management structures.
6. **Medical and Insured Health:** All health care services and health programs provided through medical providers and contracted programs.
7. **Prevention and Wellness:** Proactive efforts to protect health through preventive and behavioral interventions.
8. **Attendance:** Metrics of work attendance and absence. All policies and measures regarding time off and time at work.

Coordinated opportunities for these eight pieces of the Big Picture puzzle are made possible by person-centric, integrated information produced from an integrated database (data warehouse) that connects all other pieces of the puzzle. This database begins with basic information about employees and their jobs.

* For more detail about data sources in each component, see the Appendix.





Realistically, components of an organization can be organized in any number of ways, and include almost limitless sources of data. Thus, a given organization may have unique metrics in their specific “Big Picture.” However, the standard components shown here cover the majority of human capital management efforts in most companies while still preserving the uniqueness of an organization’s characteristics. Relationships among these components operate as one-to-many as well as many-to-many in ways that can only be observed through a Big Picture point of view. Through experience, these seemingly separate components have also demonstrated significant, actionable, interconnectedness.

Companies already collect most types of data in the Big Picture approach; they just are not integrated and used as effectively as they could be.

The Centerpiece

While companies track and manage most of the eight components on the periphery of the puzzle, few examine them in an integrated way. Big Picture Solutions only occur when the final centerpiece pulls the remaining components together.



To understand connections among separate pieces, companies should integrate information *at the person level*. Group averages cannot provide sufficient detail and may even be misleading, depending on variation from the average. Also, to understand a metric in the context of time, information should be *longitudinal*. Trends help to identify issues before they become critical and can prevent misdiagnosis of a “problem” that is part of a natural cycle. Changes over time, especially simultaneous changes in several areas, provide richer information than snapshots.



Why is person-centric, longitudinal, integrated information so central to better decision making?

The simple answer: understanding how variation in one aspect of business relates to variation in another. Knowing that employees miss five days of work on average may be useful. Understanding why some groups average eight missed days and others average three missed days provides useful, actionable detail.

A more complex answer: advanced statistical methods using individual, longitudinal data can extract information about how one factor affects another, while removing other influences. To determine if differences in turnover are associated with specific managers or specific types of employees or policies, analytic models must include all factors simultaneously. Similarly, because healthcare utilization is related to age, gender, health plan design, economic status, and job transition, the effects of health interventions cannot be well understood without knowing detail about participants.

Placing data in an integrated database is not the goal—it is the pathway. A database only has value if it provides actionable information, showing how parts affect the whole.

Four Important Corners

All components in the Big Picture puzzle add value to human capital management efforts. As discussed above, the most important step is the creation of the centerpiece—pulling other parts together.

When focusing on the Big Picture, experience and analytical results indicate that the four corner-components often explain more about human capital performance than the side components. These corners represent an organization’s foundation for recognizing and rewarding performance and facilitating growth in human capital assets. The top two corners, in simple terms, quantify how an organization operationalizes “a Day’s Pay for a Day’s Work.” How are employees rewarded, and how well do rewards correspond to performance?



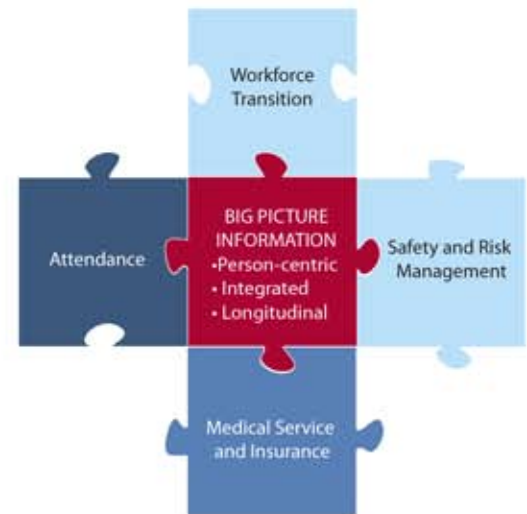
A “Big Picture Solutions” Approach to Human Capital Management



The bottom two corners provide detail about how the organization invests in growth (or protection) of human capital assets. Do employees have an opportunity to grow their skills through structured training and education? Do managers promote advancement within the organization? Do employees have opportunity to prevent illness, take an active role as a healthcare consumer and promote a healthy life?

Information about philosophy, data collection, and operations in the four corner-components offers critical diagnostic and explanatory value for optimizing human capital performance. Without these areas, key opportunities will be missed. While information about absences, health insurance and medical costs, turnover, and injury help decision makers understand where localized problems may exist, often solutions require strategies that involve the key four corners.

It is quite common for companies to quantify costs, either separately or in some combination, for components on each side of the puzzle: health costs, absence, turnover, and injury. These comprise an important set of outcomes for benefits and health professionals, allowing for a more comprehensive view of health-related costs and outcomes. Although represented in the graphic as side-line pieces, the interactions between these important outcomes provide critical diagnostic information that is essential to a Big Picture perspective.



The Power of Connections

The unique value of a Big Picture perspective comes from connections among different human capital areas. Connections produce better understanding of problems and more comprehensive solutions than even the most detailed examination of one area in isolation. *All components relate to all other components in some manner. Further, each puzzle piece is both a predictor and an outcome relative to other pieces.*



Injuries affect performance; methods of performance affect injury rates. Health problems influence turnover; intent to terminate affects use of healthcare services. The structure of pay influences attendance; absence affects earnings. All components relate to all other components.



Through an integrated lens, decision makers learn that no single human capital problem exists in isolation of other issues. And, effective solutions may not reside solely in the area where a problem is detected. Everything is connected.

Big Picture Context: Policy and Practice

Another critical aspect of Big Picture Solutions is its consideration of policy as well as program outcomes data. Policy refers to the rules and design that govern how a business operates, while outcomes data usually reflect what actually happens in practice. A company may have a policy allowing workers to have five paid sick days annually. Program data may indicate that individuals take an average of four paid sick days each year. Both pieces of information help explain human capital components and connections among them. Both are required to understand the environment, and incentives, within which employees work.

As examples, the timing and magnitude of annual bonuses (policies) may have an effect on turnover patterns—while departing employees wait for bonuses to be awarded. Changes in health plan design, such as implementation of a high deductible, may alter short-term disability rates as employees choose to undergo elective surgery before the high cost-share goes into effect. A policy of rotating managers throughout a business may produce patterns of absence that follow an ineffective manager through the organization.

Even a well-designed policy can fail in practice, when not applied consistently across an organization. Organizations often miss inconsistencies because information about variation (asking, why are some departments are so different than others?) is not available. Policy and practice both matter in a Big Picture approach.

Beginning a Big Picture Process: Data and Departments Get Connected

A Big Picture process begins with collecting data from as many pieces of the puzzle as possible—creating the “centerpiece”: an integrated information database. In effect, collection of these data sources produces not only an integrated information resource, but also a platform to bring people and departments together.

Regardless of where, or with whom, the process starts (health or compensation data first), connections to other data sources result naturally in connections with other parts of the organization. Whether this occurs quickly or incrementally

over time, a Big Picture perspective leads inevitably to a more cohesive strategy for human capital management. Leaders observe how changes in one department affect outcomes in another, suggesting a need for collaboration and coordination.

What happens when departments get connected? Redundancy is reduced. Investments are more effective. Incentives become more aligned. Problems are correctly identified, sooner. Cross-department solutions become evident, sooner. People stop operating in segregated functions.

Seeing the Big Picture allows organizations to move beyond tracking or describing individual business characteristics, to explaining how each aspect of a business affects other aspects when implementing successful human capital solutions.

Illustration 1:

Company A announced its intent to down-size and offered a separation package. Leaders were satisfied when an expected number of individuals selected the package, leading to the necessary reduction in head count. Performance in the remaining workers was lower, which they attributed to morale issues. In retrospect, through an integrated analysis, results indicated that employees who separated were from the highest performing and healthiest groups. Big Picture data sources: personnel, job performance, health care costs, termination.

Illustration 2:

Company B used work teams to deliver its services. Some teams performed at a much higher level than others, despite standard policies and manager training. Analysis of the highest-performing groups indicated that specific combinations of workers’ characteristics produced the best results—these included tenure, manager experience and certain demographics. The company was able to reconstruct groups into more functional teams. Big Picture data sources: personnel, job performance, demographics, work history.

Illustration 3:

Company C found higher levels of absence and disability in certain job types, despite similarities in age, gender and health status. Some blamed differences in location, and others blamed management style. Through integrated



analysis, the company was able to pull apart the affects of multiple factors. Results revealed that two different factors were strongly associated with absence rates. One factor was that some work teams were eligible for significant bonuses which made attendance more valuable to employees. The other factor was inconsistent application of absence policy, where some managers did not report absences regularly. Leaders then considered ways to improve consistency and consider performance-based rewards for more employees. Big Picture data sources: personnel, absence, disability, demographics, manager identification, health costs, payroll.

Appendix

Big Picture Puzzle Component Details:

Component	Description	Data sources
Compensation	The philosophy and implementation of all aspects of rewards that companies deliver to employees.	Payroll, salary, bonus, overtime, pension/retirement investments, training and education allowances.
Workforce Transition	The system of entry, exit and migration through an organization.	Turnover, hiring, termination, promotion and transfer within an organization. Any hiring programs and processes. Exit interviews.
Performance and Output	Metrics of work produced by employees.	Any indication of value produced by the organization, qualitative or quantitative. Sales volume, call center operations, team performance, etc. Performance reviews.
Safety and Risk Management	Adverse events and accidents.	All injuries, accidents and damage to people or property. Workers' compensation claims, safety interventions, auto claims, injury programs.
Management and Training	Metrics of skill growth through training and assessment of skill through reporting/management structures.	Manager-employee relationships. Training attendance and completion detail.
Medical and Insured Health	All health care services and health programs provided through medical providers and contracted programs.	Health insurance claims, pharmacy claims, clinic records, mental health claims, disease interventions.
Prevention and Wellness	Proactive efforts to protect health through preventive and behavioral interventions.	Wellness participation, preventive screenings, health fairs, fitness center, other programs.
Attendance	Metrics of work attendance and absence.	Sick leave, PTO data, STD, LTD, policies regarding lost time.
Big Picture Integration	A person-centric, integrated database that connects all other pieces of the puzzle.	HR records, date hired, demographics, location.