

# Anaheim 2006

## Attract, Motivate, Retain

Measuring Return on Investment: What is the golden thread for the top 1% of American organisations



# Conference Focus - ROI

- A step-by step guide to maximising your return on investment in employee pay
- The profit connection: using effective communication of pay programmes to drive shareholder value
- 30 Ideas for Cutting Health care costs – and the ROI to prove it
- Improve the health of your employees and your bottom line through performance based wellness programs
- Measuring and managing the operational and financial effectiveness of rewards
- Quantifying Human Resources: The real meaning of ROI for compensation professionals
- The ROI of compensation programmes: A research study

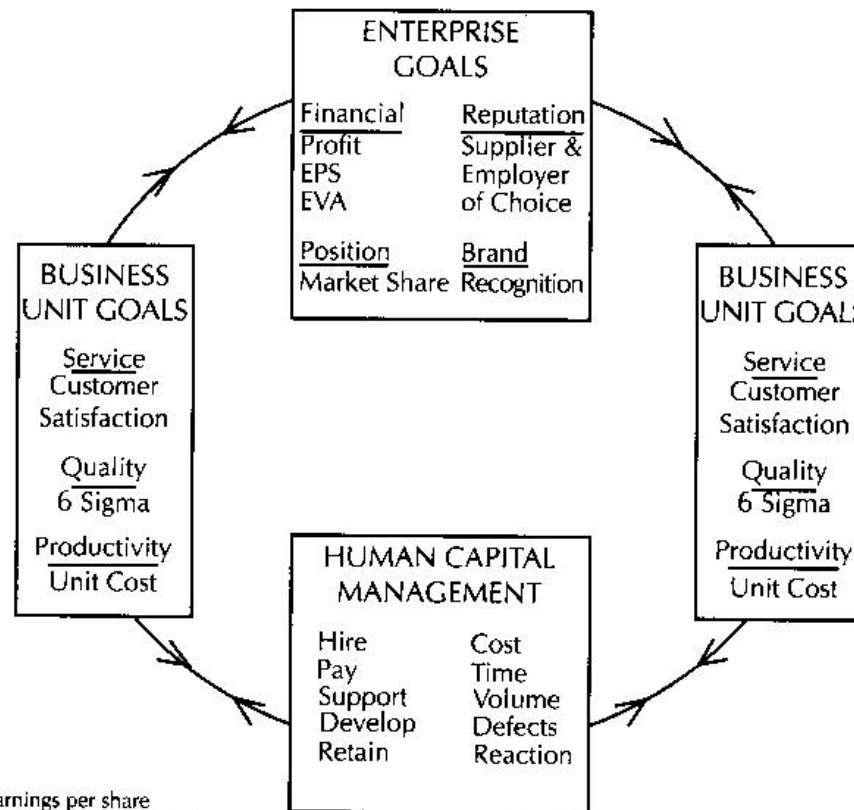
# Business Need: Increase the bottom line

- Increase Revenues
- Cut Costs
- Or, Cook the Books

# Why measure human capital investment?

- Hiring to spend money?
- Paying more than what you are getting –  
BANKCRUPCY
- Success of your company is embedded in your people and what is in their heads!

# Human Capital value Circle



EPS = earnings per share  
EVA = economic value added



# Evaluation

- Workforce and succession planning
  - Practiced successfully until mid 80's
- Acquiring/Attract
  - Permanent vs. Contractual

# Evaluation

- Maintain/Motivate
  - Principally through compensation and benefits
- Develop
  - To fullest potential

# Evaluation

- Retain
  - Value to the organisation?

# How do you value human capital?

## BUSINESS SIDE

Revenue *minus*

operating expense only  
for facilities, machinery,  
materials and supplies

*equals* Adjusted Profit

*Equals Profit leveraged per employee (FTE)*

Divide adjusted profit by payroll and benefits cost to ascertain return  
on human capital investment

## PEOPLE SIDE

*minus* Payroll and benefits  
cost

*Divided by Number of  
Employees*



# How do you value human capital?

<u>Business Side:</u>		<u>People Side</u>
Revenue:	R100,000,000	Minus Payroll & Benefits:
Minus Operating costs:	R 40,000,000	R 50,000,000
Adjusted Profit:	R 60,000,000	Balance: R 10,000,000
Adjusted Profit:	R 60,000,000	Divided by Number of Employees: 5000
Profit Leveraged per employee:	R 12,000	
R 60,000,000/R 50,000,000		
ROI per employee:	R1.2	

# Successful company trait metrics

- Balanced values
- Commitment
- Culture

Top Performer Priorities	Average Performer Priorities
Teamwork	Minimizing Risk
Customer Focus	Respecting chain of command
Fair treatment of employees	Supporting the boss
Initiative and innovation	Making budget

# Think Big, Act Small

Jason Jennings –  
Keynote speaker

