

# **Aventus Knowledge**

## **Series**

### **Understanding Workforce Diagnostics**



## Understanding Workforce Diagnostics (Analytics) and Identification of potential Benefits

### What is workforce diagnostics?

The words diagnostics and analytics are used rather interchangeably in the context of Managing Human Capital (HC). It is a broad term that encompasses,

1. Processes and associated tools that track and measure specific workforce variables like Employee Engagement, Learning Alignment and Learning Effectiveness Measurement, Performance Measurement that have an impact on organizational performance.
2. Tools that enable more robust workforce planning and
3. Analytical models that aim to establish a link between human capital investments and shareholder /business value.

There are two primary reasons for the gaining prominence of this discipline.

Most HR practitioners and their key business stakeholders *intuitively realize* that there is a strong correlation between the investment that they make in their human capital processes, and the performance of their business on key indices like EVA, market share etc. However, they struggle to measure the return on the investments that their organizations make or are required to make in their HC policies, programs and processes. The answer to this is Analytics;

*analytics tries to empirically establish the link between these human capital investments and shareholder /business value.*

In the last decade many organizations, have been caught off guard by the speed and severity of the downturns in their industry /economies and have been forced to slash and restructure their workforce in huge numbers. They have been caught between the competing business demands of laying off for the current v/s recruiting for the future uncertain upturn. This has led to organizations including consultants asking fundamental questions like (A) could this situation have been avoided through better workforce planning and optimization? (B) What can organizations do to avoid running into similar problems in the future?

There are multiple tools and models that have been developed over the last few years meant to address these issues. Some of the ones from the more prominent names include Oracle Work force analytics, Cognos from IBM, Accenture's Human Capital Development Framework, Engagement models of Hewitt, Towers Perrin among others. Alongside this, domestic Indian firms also provide robust tools like the Star Select model for attraction and retention.

Most tools are administered online, and have the flexibility of some degree of customization. They can be used as both a diagnostic tool and a predictive model.



## How does it help ones organization?

The tools /models depending on its objective and design help an organization:

- Optimize its business outcomes by modeling different scenarios with robust "what-if" financial modeling
- Measure and benchmark the organizations engagement levels and identify the factors that drive the engagement scores
- Use demographic age and other historical data to statistically analyze the workforce and project future impacts in terms of opportunity costs and savings potential
- Optimize its workforce by managing labor costs, retaining critical skills, deploying personnel efficiently, and supporting strategic talent planning decisions.
- Evaluate the effectiveness of its current human capital initiatives, establish and then design and deliver human capital programs that realize the business objectives.

## Illustration

Let's take workforce planning analytics as an example to see how potential benefits could be identified. The following data and projections are good pointers.

- How do my indices compare with that of the industry /competitors?
- What should be the balance between the head count and planned service delivery levels?
- What are the impacts on my business metrics, if we factor in broader economic and talent trends?
- What skill sets are critical to my business and where the surpluses and deficits are likely to occur both within my organization as well as in the broader talent market.
- What skills will be hardest to come by?
- What skills will we lose on account of employee retirement and resignations?
- What is the impact on business projections and what will be our response?

In a nut shell the tool analyzes an organization's entire workforce planning information – including macro-economic, financial, and HR data and helps develop plans based on the alternate scenarios.



## Wanting to use diagnostics?

While deciding to use diagnostic tools the following could help you in making your decision:

- Do you have metrics that measure returns on HC investments?
- Do you need practical guidance for the investments that are likely to yield the greatest return? (In attracting key skills, managing performance, addressing retention trouble spots etc )
- How critical is real time information to operational performance and decision making (E.g. Wage costs, overtime) for your organization?
- Do you need to assess the level of maturity of your human capital processes relative to your competitors?
- Do your business executives need assistance to better understand the value of human capital and to see how it connects to their own goals and objectives?
- Does your organization need a simple reporting tool or does the business demand a tool that will help forecasting and providing key insights into effectively managing talent?

*In short workforce diagnostics helps an organization understand its workforce, both current and future, plan strategies and measure impact of their initiatives in real time.*



**Aventus Partners is an HR solutions firm that enables clients Acquire, Develop and Manage talent.**

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