with help from our webinar partners... ... and the generous support of key funders

The Social Impact ROI of Leadership Development and Talent Management Best Practices
(Talent Management Best Practices to Scale Nonprofit Impact)

November 8, 2012
Welcome!

James W. Shepard, Jr.
CEO & Founder

Rich Berlin
Executive Director

Christa Roth
Snr Director of Talent
Agenda

1. What is Human Capital Management & Why Calculate ROI?

2. Example: BUILD

3. Approaches to calculating ROI

4. Example: Harlem RBI

5. Q&A

6. About AchieveMission
Four Trends Lead to Increased Focus on Human Capital

#1: Knowledge economy

![Tangible vs. Intangible Assets Graph](chart.png)

- More than 85%

#2: Leadership Crisis

- CompassPoint, *Daring to Lead*
- Bridgespan, *The Leadership Deficit*

#3: Shift towards focus on accountability & outcomes

#4: Growth funding

- Venture philanthropy
- Govt: Race to the top, SIF

Source: Brookings Institute
Human Capital Management: Processes for Building & Managing the Leadership & Team an Organization Needs to Achieve Its Strategy & Impact
Human Capital Management Framework: a logic model

**Inputs:**
$3, expertise, staff time

**Activities:**
Build & implement new human capital management capabilities

**Output:**
Ex: Improved Talent Acquisition

**Outcomes:**
Stronger Leadership

**Impact:**
More Mission Impact per Dollar
Human Capital Management Framework: a logic model

More than 25 processes:
- strategy of human capital management
- governance of human capital management
- talent acquisition, development & retention
- goals: cascade, align, manage & monitor
  - coordinate information & work
  - culture: audit, envision and change

Output:
Ex: Improved Talent Acquisition

Outcomes:
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Impact:
More Mission Impact per Dollar
Three reasons to calculate ROI of Human Capital Management

1. Secure Resources
2. Prioritize
3. Measure & Improve
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## Regional Expansion

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<thead>
<tr>
<th>City</th>
<th>Invest $ (2 years)</th>
<th>Investment Focus</th>
<th>Results</th>
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## Regional Expansion

### Inputs
- Snr Director of Talent
- Talent Initiative
- Staff time
- Search firm
- Hire local leaders earlier

### Outputs
- Reorg local & national
- Competency model
- Culture defined
- Hire for competency & culture fit
- Onboarding
- Performance Mngt

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Investment in human capital **saved money** and produced **better** program results.
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ROI Approaches

• Use studies to show that investments you are seeking produced high ROIs elsewhere
• Most such studies – corporate and public sector
• Today: two levels of detail
  • All HCM ➔ Impact
  • Specific process (e.g. talent acquisition) or outcome (stronger leaders) ➔ Impact
Human Capital Management Maturity Levels

Level 4: Business-Integrated HR
HR strategy part of the business strategy.
HR helps to drive business decisions through people, data and insights.
Business and HR systems integrated and advanced.

Level 3: Strategic HR Department
HR aligned with business strategy.
HR functions supporting business needs.
Initiatives split between HR process improvements and talent needs.

Level 2: Fundamental HR Services
HR strategy partially or fully defined. Siloed HR functions.
Some standardized processes and policies; core services managed well.
Some automated talent systems, but little integration of data.

Level 1: Compliance-Driven HR Services
No HR strategy.
Personnel function, mostly separate from business and talent needs.
Line managers perform HR activities as they see best.

Similar models: GAO, La Piana, McBassi & Company, etc.

Source: Bersin & Associates, 2011
Higher HCM Maturity Level Leads to Improved Results

Social Impact or Business Results

LOW

HIGH

LOW

HIGH

Human Capital Management Maturity Level
Higher HCM Maturity Level Leads to Higher Improvements in Student Test Performance

Average Change in Mean Math Score (%)*

* Score relative to other district school mean
** Relative to district average
Higher HCM Maturity Level Leads to Higher Revenue per Employee

Revenue per Employee

Level 1: $98,221
Level 2: $115,577
Level 3: $169,936
Level 4: $270,647

Human Capital Management Maturity Level

Source: Bersin & Associates
Higher HCM Maturity Level Leads to Higher Stock Returns

Total Stock Return (%)*

* Relative to other financial institutions

Additional Similar Research

- Companies with high HCM maturity levels produced total returns to shareholders 50% greater than those with medium levels and 200% greater than those with low levels. (Watson Wyatt Human Capital Index Report 2001 & 2005)

- Best Places to Work companies outperformed the S&P 500 by more than 10x in the period 2001 to 2011. (BCG, From Capability to Profitability, 2012)

- Organizations that apply talent management best practices demonstrate higher financial performance compared to their peers (IBM/HCI, 2008)

- Strong human capital management capabilities predict strong financial results, and strong financial results predict strong human capital management capabilities. But the former is more than twice as strong. (Watson Wyatt Human Capital Index, 2001)

- A 2009 study by the Hackett Group found companies with more mature talent management capabilities post 18 percent higher earnings than typical Global 1000 companies.

- Hewitt Associates reports that the vast majority of top financial performing companies (85 percent of the top 20 in a field of 373 companies) hold their leaders accountable for developing talent, compared to just 46 percent of leaders from the other organizations. How the top 20 companies grow great leaders. (Lincolnshire, IL: Hewitt Associates, 2005)

- DDI’s Leadership Forecast 2005–2006 showed that companies with stronger leadership development systems enjoy higher returns on equity and profit when compared to their competitors. (Bernthal, P., & Wellins, R., 2005)
Summary: Stronger HCM Capabilities Cause Stronger Strategy & Impact Results

HUMAN CAPITAL PROCESSES

$ Investment in Stronger HCM

STRATEGY & IMPACT

$$$ Benefit

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ROI of Investments in Particular Human Capital Management Processes

HUMAN CAPITAL PROCESSES

$ for Improved Processes

STRATEGY & IMPACT

More Mission Impact per Dollar

Sources: Watson Wyatt Human Capital Index 2005, BCG From Capability to Profitability – 2012, AchieveMission analysis
ROI of Investments in Particular Human Capital Management Processes

HUMAN CAPITAL PROCESSES

$ for Improved Processes
strategy of human capital management
governance of human capital management
talent acquisition, development & retention
goals: cascade, align, manage & monitor
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More Mission Impact per Dollar

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AchieveMission analysis
ROI of Investments in Particular Human Capital Management Processes: Talent Acquisition Example

HUMAN CAPITAL PROCESSES

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- development & retention goals: cascade, align, manage & monitor
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STRATEGY & IMPACT

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**Outputs:**
- Fill avg job: 7 weeks → 2 weeks
- Offer acceptance ratio: 40% → 100%
- Employee referrals: 10% → 38%

**STRATEGY & IMPACT**

**More Mission Impact per Dollar**

Sources: Watson Wyatt Human Capital Index 2005, BCG From Capability to Profitability – 2012, AchieveMission analysis
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HUMAN CAPITAL PROCESSES

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Outputs:
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Impact:
- 3-5x higher total return to shareholders
- 3.5x revenue growth

Sources: Watson Wyatt Human Capital Index 2005, BCG From Capability to Profitability – 2012, AchieveMission analysis
ROI of investing to produce particular Leadership & Team improvements: Principal Example

ROI of investing to produce particular Leadership & Team improvements: Principal Example

$ for Improved Processes → Stronger Leadership & Team

Outcomes
• Principal in 90% (vs avg)

Impact
• Student academic achievement growth: ~25% higher

AchieveMission Human Capital Management Framework: Example Metrics (Just like a logic model)

HUMAN CAPITAL PROCESSES

- % of job offers accepted
- % of newly hired staff performing well after first six months
- % of employees who have an individual development plan
- % of employees who regularly check-in with their managers about their growth and development
- % of employees who report that professional development has improved their effectiveness on the job
- Board performance plans and performance reviews of CEO
- Consistency and clarity of messages on human capital management from top leadership
- Extent to which ED/CEO includes human capital management in strategy discussions
- Extent to which staff report on surveys that their manager helps them develop and do their best work
- Extent to which the organization has developed a workforce plan and uses it in its strategic decision-making
- Extent to which competencies are reflected in recruitment and development
- Extent to which dashboards or metrics are used to evaluate and improve effectiveness of human capital management functions
- Length of time to hire a new staff member, for line & leadership
- Extent to which the staff believe that high performers are more likely to get raises and promotions than low performers
- Retention rate of A players in key positions
- Percentage of employees who met their performance goals in the last quarter

LEADERSHIP & TEAM

A Players in A Role
- Percentage of incumbents in key roles with 90%+ of required competencies
- Percentage of leadership roles with identified <2 yrs- ready successor
- Growth rate of human capital in A, B, and C positions

Aligned Goals
- % of people who have goals that prioritize their time & are the basis of their performance review
- % of individuals’ goals that are aligned with organizational priorities
- % of staff who say they understand how their goals support the organization’s priorities

Optimized Performance
- % staff say that organization helps them “outperform”
- Employee engagement levels per range of survey questions
- % of leadership team who report culture drives mission impact

ORGANIZATION STRATEGY

- % of annual financial goals achieved
- % of annual program goals achieved

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Challenges

• Big strategic goals
• Require exponential growth and high-performing people to support goals
• How do we find the right people?
Investments

• Split HR and Talent Development
• Buy in: "This is Everyone's Work"
• Specific Areas of Investment:
  ▪ Competencies
  ▪ Hiring
  ▪ Cascading goals
  ▪ Balanced boxscore (ninebox)
  ▪ Diversity
  ▪ Performance management and professional development
  ▪ Organizational structure
  ▪ Workforce planning
Impact

- Hired 27 full-time staff since May
- Visible alignment of individual goals with strategic goals
- Long-term indicators
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About AchieveMission

Who We Are

- AchieveMission empowers nonprofit organizations to scale and sustain their impact by strengthening leadership and human capital management capabilities

Human Capital Management Areas of Expertise

- **Human Capital Management Strategy & Governance**
  - workforce planning, competencies, metrics, board’s role in governance

- **Stronger Leadership & Team**
  - succession, leadership & professional development, talent assessments, HIPO program

- **Alignment & Accountability**
  - goal management, performance management, balanced scorecards

- **Optimized Performance**
  - organizational structure, internal communications, culture, decision-making

Services

- Talent Initiative program
- Custom Consulting & Advisory
Thank You!

For access to free resources including this presentation, reading lists etc.

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