

Welcome to Session 125

Why Metrics and Balanced Scorecards are Critical

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Suzanne Leopoldi-Nichols

- Decreased error rates by 36% while capacity increased 38% and reduced costs 33%.
- Won the American Payroll Association's 2006 Prism Award for Overall Best Practices in the areas of Management, Process, and Technology.



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Metrics Definition

- **Metrics** are a system of parameters or ways of quantitative and time bound assessment of a process.
- Metrics are specialized by the subject area, and are valid only within a certain domain.
- Metrics are used in knowledge management.
- These measurements or metrics can be used to **track trends, productivity, and resources.**
- Typically, the metrics tracked are **key performance indicators.**

Why Metrics?

- Identify areas for improvement
 - Cost, Cycle Times, Efficiencies, and Re-work
- Identify System Issues
 - Performance and Timing
- Identify Associate Performance Issues
 - Error rates and time to complete
- Facts are powerful
 - Use in business cases, elevator stories, outsource comparisons, and measure improvements

Metrics - Choices

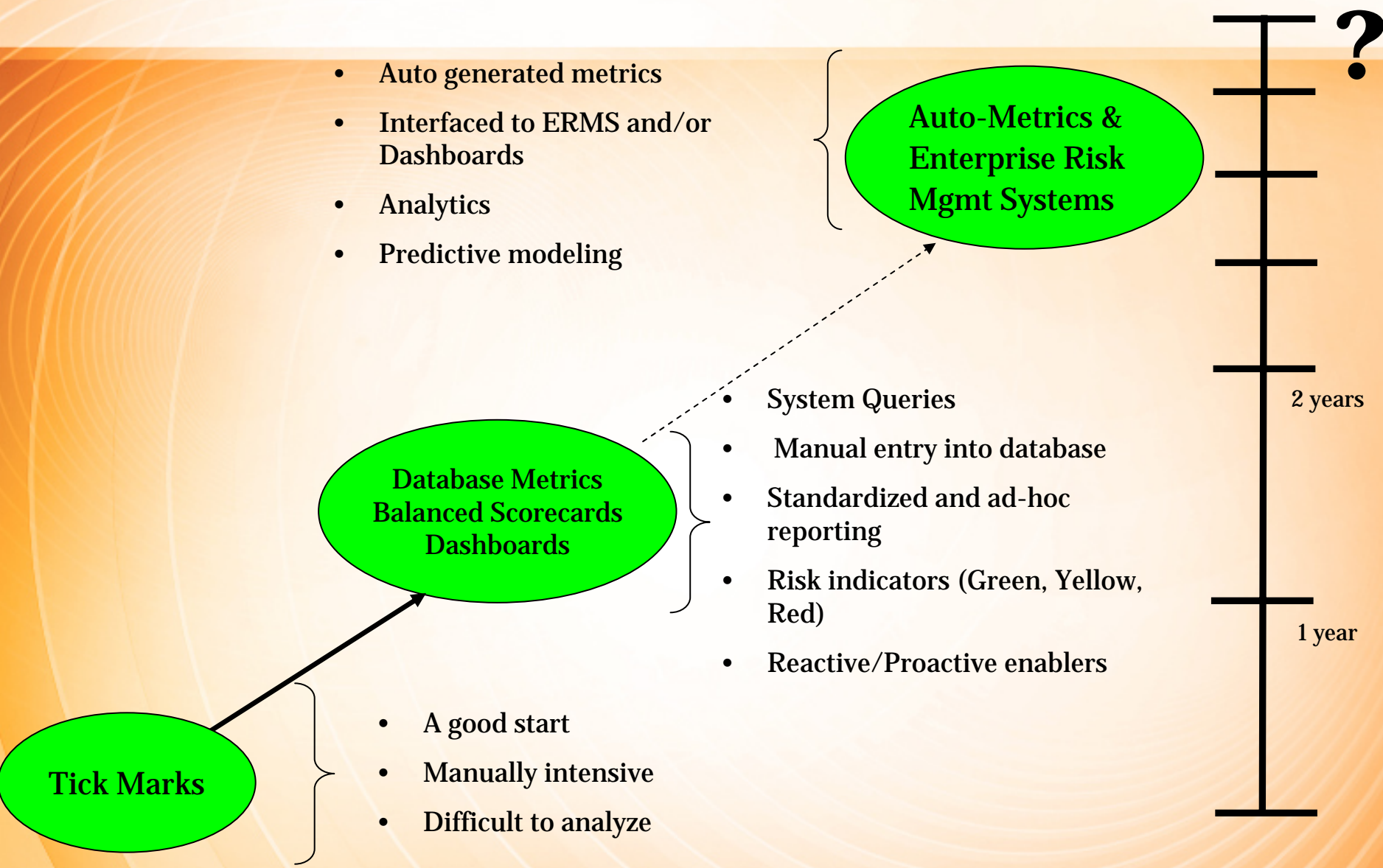
- WHERE DO YOU START?
- You can't count everything!
- Metrics are only useful if they are used!
- Metrics should be meaningful!

- THINK IT THROUGH – MEANINGFUL METRICS
- Start small, prioritize – what are your biggest pain points?
- What & How will metrics be used?
- How often will you measure?
- Who will do the measuring? Who will analyze?

Meaningful Metrics

- What you measure is up to you
- Look to other companies for starting points
- Benchmarking Studies
- Talk to your customers
- Look at your Mission Statement
- Make certain your metrics are accurate!!!

How to Measure



Other Benefits

Process Efficiency Opportunities

- Eliminate duplication of identical transactional processes
- Leverage economies of scale
- Labor arbitrage
- Technology optimization
- Analytical and consultative intelligence gained by the SBUs

Financial Opportunities

- External data suggests that Best in Class / World Class savings range from 20% to 50%

Vision

- Seek continuous improvements in process, labor, and sourcing

Define & Benchmark Costs Per Unit

- Review transactional processes (i.e. IT, HR, Payroll, A/P)
- Benchmark a set of processes/functions vs. similar external processes/functions

Execute

Recommendation

- Validate and measure results
- Brainstorm next wave of evolution within the implemented function
- Execute – take the work out!!

ELIMINATE

Measure current service productivity and eliminate unnecessary work to gain valued efficiencies

AUTOMATE

Where applicable, better enable labor with technology

OPTIMIZE

Leverage scale - labor arbitrage or process efficiency

SOURCE

Identify which Co-Sourced model best fits the skills required and provides opportunity for revenue generation

[Co-Sourced - Hybrid of internal and external associates based on optimal location for specific skill sets and cost efficiencies]

Target & Prioritize

- Conversations with functional leaders to understand size/scope of opportunities and assess risks
- Identify core services vs. unique services for comparability

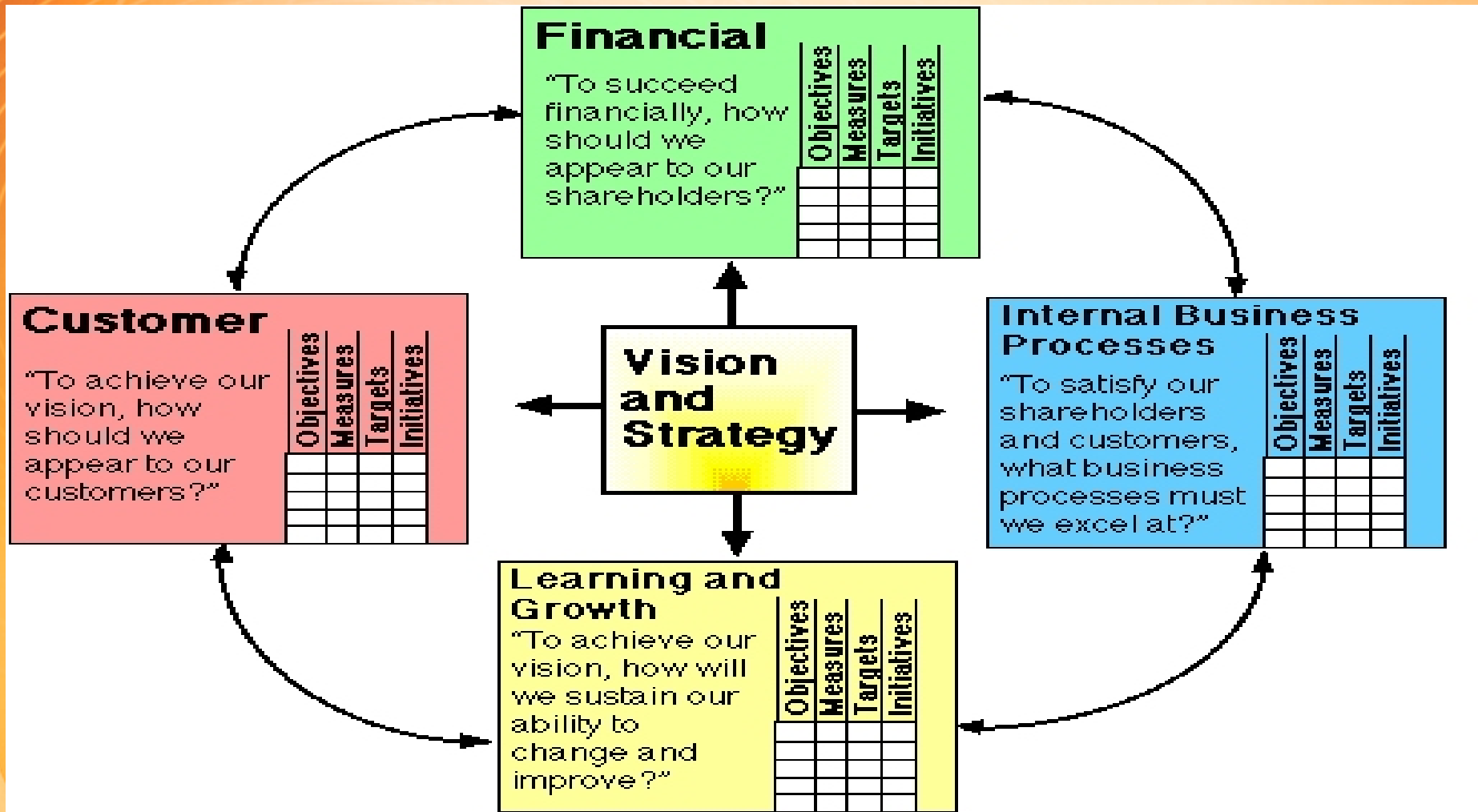
Prepare Business Case

- Presented to the affected SDs and SBUs
- Agree to HC & other cost reductions, detail and quantify specific reductions
- Define value accountability, visibility, and transparencies into P&L impact
- Risk mitigation strategy
- Refine as necessary

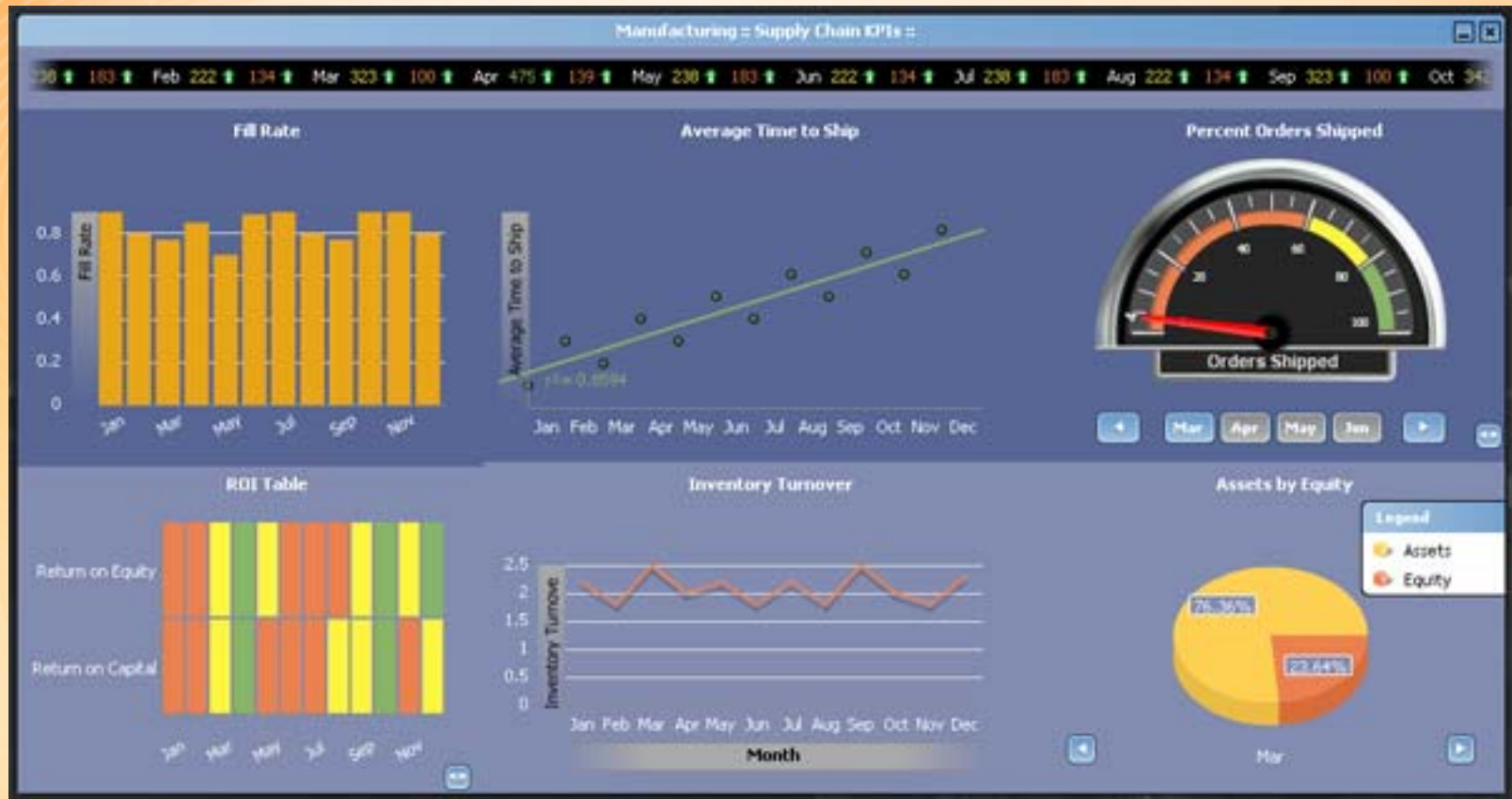
Next Step...Scorecards

- Metrics to the next step – The Balanced Scorecard
- Financial, Process, Customer, Employee
- Customer Distributed
- Tied to Other Organizational Metrics
- Tied to Mission, Vision, and Values
- Targets Established
- Enables Easier Benchmarking

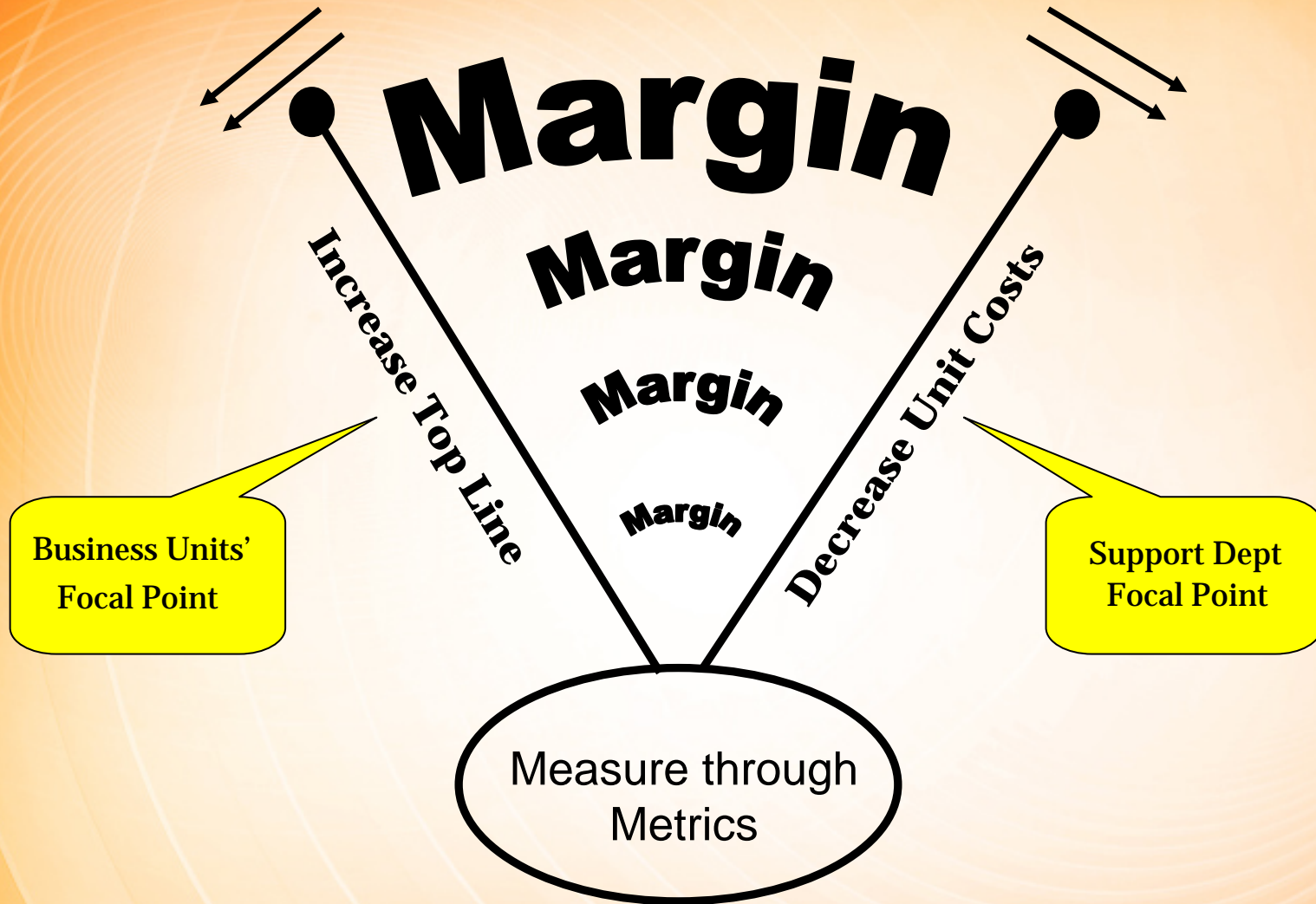
Balanced Scorecards



Dashboards



The Bottom Line



...Metrics will also face internal obstacles

- Only 31% of HR professionals have a strong understanding of strategic KPIs
- Only 25% of HR leaders are capable of linking people measures to KPIs
- Only 16% of HR professionals receive “good” or “extensive” training connecting people measures to strategy

Final Message

- Do Not Give Up
- Talk to Customers to understand their needs
- Begin Simply
- Target 3 to 5 metrics
- Publish metrics consistently

For more information on this topic

Go to www.ihrim.org

The IHRIM Learning Center

<http://www.ihrim.org/resources/LCindex.asp>

IHRIM Publications

<http://www.ihrim.org/pubonline/index.asp>

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Session 125

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Thank you!

