

## The Future of HR in 3-D

By Dan Hilbert, OrcaEyes

**“You are traveling through another dimension, a dimension not only of sight and sound but of mind. A journey into a wondrous land of imagination. Next stop, the Twilight Zone!”**

Actually, you are traveling into the unavoidable, real future of human capital management (HCM), and that future will become reality stunningly soon. Every metric, example, process, correlation and solution referred to in the story below is factual and based on current real-world processes at *Fortune* 500 companies.

To those in HR, this may seem far-fetched. For those in Finance, Operations, Supply Chain, Networking, Customer Satisfaction, Marketing and Legal, it is a reality they not only live today, but one without which they could not competitively survive. The only element of fiction contained in the story is the 3-D references inserted for visual impact. Even then, the use of 3-D in business applications is no more than a few years out from reality.

The one clear method for understanding the true impact of human capital drivers and workforce-related decisions within an organization, as brought to the surface in nearly all of the examples below, is called *human capital-business impact correlation* (HC-BIC). Human capital-business impact correlation measurably links human capital drivers to essential business drivers with real operational and financial data. There will always be direct and indirect repercussions to every workforce program or change that is implemented. The difference is that today, many HR organizations have little knowledge or means to measure those effects on the business. That must change in the next two to three years. Human Resources must understand and communicate the correlations between workforce dynamics and business performance. Your success will lie in your ability to engage business leaders and understand how your decisions affect their ability to meet their goals.

Because of convergence of maturing data, technology and competition, strategic HCM will have the potential to measurably drive 5 to 20 percent increases in yearly profit. As much as I hope you enjoy this high-tech ride through the near future, you must keep in mind that there is no guarantee that HR will actually drive this. And, if HR does not proactively drive this type of strategic value, with companies like ADP and Workday delivering more powerful and customizable transactional processing, where will HR fit in the near future?

On this journey, you will also clearly see which competencies you must learn to drive this level of business value in your company. Sit back, enjoy the ride to the future and learn, for this future in HR is as assured as yearly budgeting.

At 6:55 am Monday, February 25, 2013, Jane, the CHRO for a major health care company grabs her cup of coffee, walks into the strategic Human Capital Control Room and takes her position in the center chair in front of a four-foot touch screen console. She stands there, sipping her piping hot coffee as she leans forward and ever so lightly touches a deep red alert icon for *Revenue-at-Risk*. A 12-inch screen superimposes itself on top of the strategic HCM monitor displaying a new set of alert icons and trend graphs titled:

- Sales revenue,
- Billable revenue,
- Partner revenue, and
- Budget.



With the *Budget* icon flashing bright red, Jane looks at Julio and, with a voice filled with trepidation, reluctantly asks, “As bad as it looks?” Julio, the lead HC financial risk analyst, will not dare look Jane in the face. He stares sullenly while looking down at the control monitor. Jane looks at Julio and says, “O.K., enough drama, let me see it.” Julio gently glides his index finger across the flashing *Budget* icon and out pops three additional 3-D screens, adding a new level of reality to the problem.

Julio takes a deep breath and slowly exhales as he touches the *Financial Impact* detail tab on the *Budget Revenue-at-Risk* screen hovering in front of Jane’s chin. Jane touches the *Financial* icon, causing a 3-D table to jump forward. Then, she drags her finger across to turn the table so that she can see the views

across individual months in the coming year. The veins pop up across Jane's forehead as she mutters under her breath, "A human capital-related earnings crisis before I finish my first cup of coffee!"

Julio rotates the 3-D table to show Jane the *Total Potential Earnings Impact* in the next year, 1.03 percent and more than US\$3.92 million in lost profit. Jane touches the *Location* screen, and then clicks on the area with the most red alerts and drills down from U.S. to Southwest Region to the blinking, red icons representing Houston, Phoenix and Dallas. The air in the room is stifling thick with stress. Julio tries to inject a bit of humor by saying, "Matt should have accepted our invite to play in the HR golf tournament on Saturday." Jane didn't smile, though she felt a little better knowing that the GM of the Southwest Region was a friendly customer.

Jane then clicked the screen titled *Diagnostics* and spun the 3-D cube to see the *Level 1 Reasons* screen. The intense, flashing icon that literally jumped out at Jane said *Overtime*. Julio spun the cube to display a red *Leave* screen. With a few drill-down touches, Jane saw that the newly agreed-upon union contract, which cut medical insurance coverage for employees over the age of 40, was causing an immediate 472 percent increase in elective medical surgeries by hourly employees who would no longer be covered in the new contract taking effect in the next 90 days. Registered nurses (RNs), technicians, orderlies, and a slew of other hourly positions showed a massive increase in voluntary leaves of absence for the procedures.

As Jane finally caught her breath, Julio quietly noted, "It gets worse." He touched the 3-D tab of the

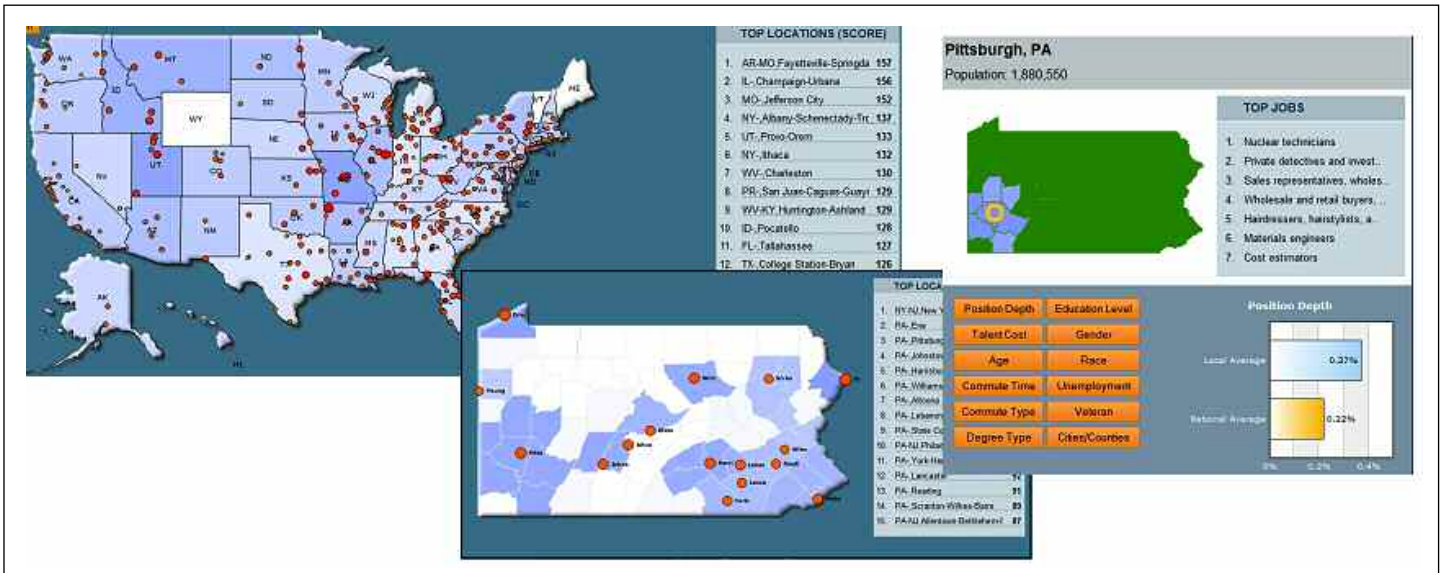
Reasons cube for *Business Demand Forecast*. In the next 10 months, four new major high-revenue facilities are coming online in Matt's region. The facilities, superimposed in 3-D, showed:

- Ambulatory surgery, opening July 1, NW Dallas;
- Radio technology clinic, opening July 22, DT Austin;
- Outpatient surgical center, opening September 3, South Phoenix; and,
- Birthing unit, opening October 1, El Paso.

Julio's peer, Kim, who is in charge of strategic human capital operations analytics, and who was quietly hiding in the background, finally pipes in, "Yep, more than US\$1.2 billion has been allocated and invested into growing high-margin services by 50 percent in the next three years in the Southwest." Jane immediately exhorts, "Kim, I need to understand the business ramifications Matt is facing!"

Kim steps forward and touches the *Strategic Operations* tab, which pops up a new 3-D rotational cube. By simply rotating the *Operations* cube, Kim educates Jane on potential business risks. As cool as a 3-D view can be when analyzing a problem, it unfortunately presents the problem literally "in your face." "Jane, this is a potential crisis for Matt. The one-year projections have a standard deviation of 15 percent." As she rotates the cube, Kim notes, "The level of increased overtime for those position groups is projected to cause an 18 percent increase in procedural errors resulting in a decrease in services' margins by 11 percent, an increase in legal costs by 4 percent, and a decreased patient satisfaction score of at least 5 percent."





Jane looks at Julio and tensely asks, “O.K., let me have it, I need to know the bottom line. Julio pops up another 3-D cube, spinning it a couple of rotations and says, “As a result, the Southwest Region is facing a projected drop in profit by up to 60 percent over the next 12 months.” Jane is physically shaking and asks David, recent MBA graduate and the new strategic human capital labor supply analyst, to show the details of the external labor market supply for these positions. In his always upbeat, kind of cocky tone, David replies fearlessly, “It’s pretty ugly chief!” This causes Jane to grimace noticeably. Getting the severity of the moment, David respectfully adds, “But, I don’t think it’s going to go as badly with Matt as you think. I spent two days going over the impact of the new contract on these hourly employees with Matt’s HR business partner. I used the ‘Key Employee Flight Loss Prediction Tool’ and the ‘Low Performer Impact Tool’ to run multiple scenarios to see which of our low performers might leave on their own, thereby reducing severance costs, and which of our top performers are at high risk of leaving in the next year.”

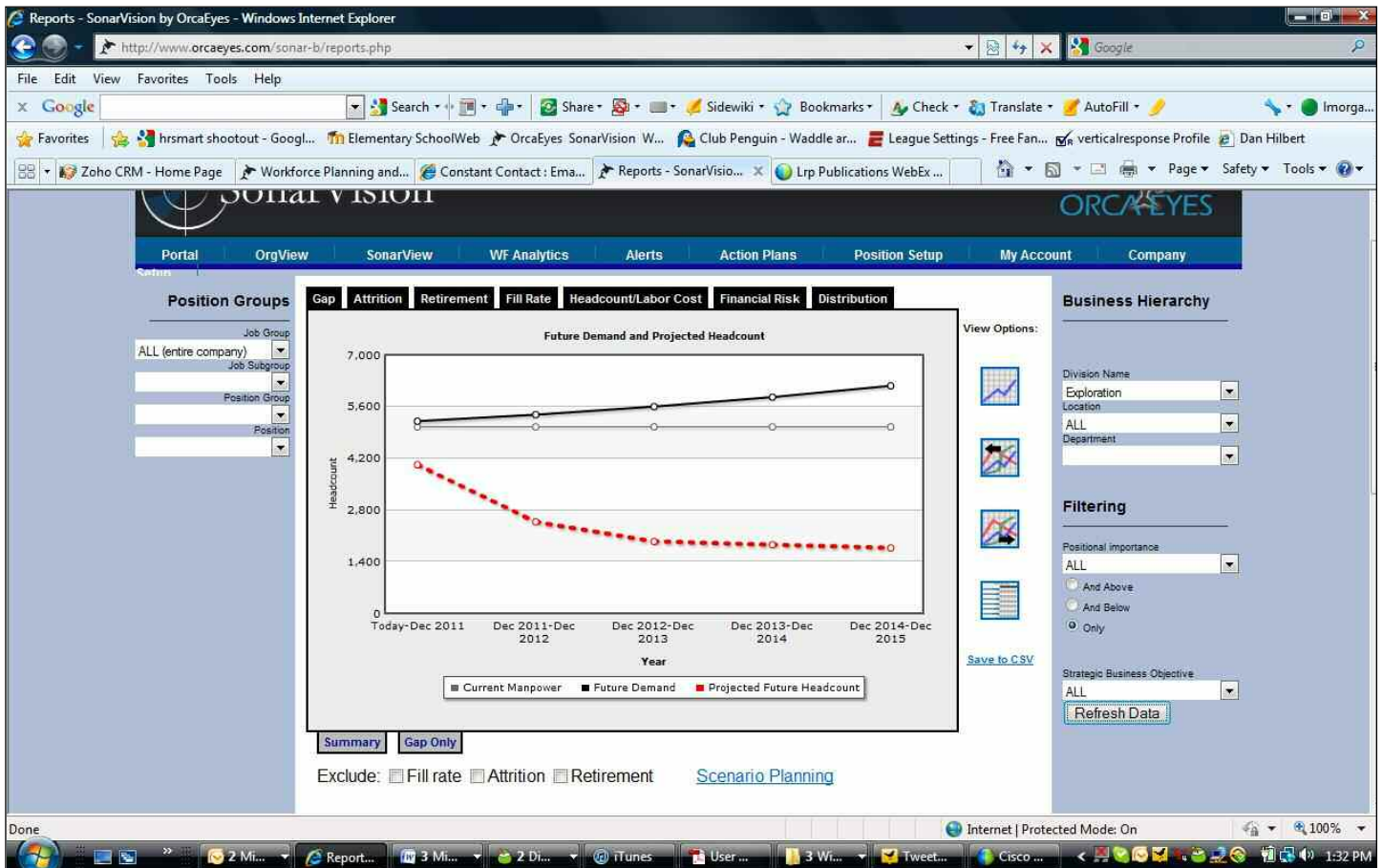


Cutting David off, Jane says, “Just give me the labor supply number for RNs in the impacted cities under Matt.” David simply rotated the 3-D Labor Supply cube

for RNs and said, “Today, there is a 14 percent shortage of RNs to meet the number of open positions being actively recruited in those cities.” He then rotated the 3-D cube again stopping on “Five-year Demand Supply Forecast” for those cities. David continued, “And over the next five years, there is projected to be an additional 21 percent supply gap of RNs in the hospital industry, creating a potential disaster for the business.” David rotated the 3-D cube one more turn and showed compensation numbers as he began to explain that the current cost of RNs in these cities is already 31 percent above the national average and the cost-of-living index is 11 percent worse than the national average. The labor cost trend in the selected cities is projected to be at least 28 percent above the national average over the next...” With that fact, Jane cut him off. “Enough! I got it. It’s not good!”

She immediately called Matt on speaker phone. When he answered, she asked, “Matt, how are you doing?” Matt growled, “Terrible, really terrible. Can you believe the way my Bears blew the game against the Packers? I also lost my number one fantasy running back for the year. Do you really have to talk right now?” Jane, who was having trouble remaining calm, replied, “As much as I would prefer not to, I owe it to you.”

Jane stood in front of the HCM control monitor with just four 3-D cubes open and began telling Matt about the human capital risk crisis he was about to be facing. Matt could tell Jane was struggling with the situation, so he decided to politely end her misery. “Jane, I know about the overtime issue in my region. David spent a couple of days with my business partner a few months back. We could see that there was no way to find the talent locally or correct much of the potential gap, even with high-cost temp labor. And, it was too late to use visas. We huddled with our IT and leadership team and decided to purchase some high-end digital imaging



software. We also increased our bandwidth with Mumbai and developed a relationship with two health-care staffing services companies. It's a state-of-the-art facility. This was the only way we could see around this human capital crisis and it will pay for itself in three years. Your boy David did a really good job with us. Thanks."

Jane was clearly shocked. "David, why didn't you tell me about this?" she asked. Smiling arrogantly, David replies, "You know there's politics between the business units and corporate. Kim and the HR business partner made me swear not to bring it up so that she could take credit and make it look like a business unit solution. And also, Kim promised me a new job as chief strategic HC analyst for her business unit and a two-level promotion to director, he said with a cocky smile."

I hope this trip into your future was invigorating and exciting. If you are in HR and think this kind of scenario cannot happen to you any time soon, think again. This is the exact same technology – excluding the 3-D features – your leaders use today to run complex, mission-critical functions. Just walk down to your network operation center and ask them to explain the complexity of what they manage, tune, and optimize in real-time from a few sets of monitors filled with green, yellow and red icons.

The processes, metrics, correlations, analysis, and data

mentioned above are real in *Fortune* 500 companies today. And, the rest of the technology may be on the market in just a few years. Except for the 3-D, and maybe even the 3-D, this technology will be in the market within two years. Jump in early and enjoy.

### About the Author



Dan Hilbert, CEO of OrcaEyes, founded the company in 2007 with the vision of helping organizations run more efficiently and productively through the use of workforce intelligence and planning. For more than 20 years, Hilbert has built and led venture capital-backed software companies. His experience in leading these companies is reflected in the rapid deployment and adoption of OrcaEyes software and consulting services. He gained his knowledge of recruiting and workforce impacts while at Valero where he managed the organization's hiring processes as the company grew from \$2 billion to \$95 billion in revenue. He did so by combining his knowledge and experience in supply chain management with workforce planning and strategy. He then productized his ideas and analytics to form OrcaEyes' flagship product SonarVision and has since been the recipient of multiple awards from industry analysts and media outlets. For more information, please visit [www.orcaeyes.com](http://www.orcaeyes.com).