



PUTTING THE PIECES TOGETHER

LINKING HEALTH AND BUSINESS PERFORMANCE MEASURES

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EXECUTIVE SUMMARY

Background

Organizations need high-performing human capital in order to achieve their business objectives. However, investments in human capital—such as recruitment and training—cannot produce value when illness keeps employees away from the job or prevents them from putting in their best performance.

Business leaders often overlook how employees' health impacts their ability to create value because many jobs and tasks in today's economy do not have directly measurable outcomes. To meet this challenge, human resources (H.R.) and benefits professionals can effectively demonstrate the value of a healthy workforce by using leaders' preferred business performance measures.

In preparation for research on how businesses assess the value of their human capital—and how health measures could provide a fuller picture—IBI administered a pilot survey to 71 participants at its Annual Health and Productivity Forum in February 2016. An additional 15 responses were collected from organizational members of the Florida Healthcare Coalition.

Findings

- Nearly all participants said their companies had some measures of human capital performance, such as employee satisfaction or absences, and important business outputs, such as customer satisfaction or service errors. Two-thirds had some measure of how well their organization is achieving their business objectives—typically financial information such as revenues, profits or sales.
- Two-thirds have information on human capital performance, business outputs, and business objectives that would allow them to model the impact of health on business performance.
- In spite of the availability of important business performance measures, a minority of respondents said their companies (about 41%) link these to health measures.

- In making the business case for health, common challenges include: sharing and integrating health and business performance information across business functions and program siloes; establishing and assessing a strong workplace culture of health; and getting senior leadership invested in the subject of health and business performance or connecting it to broader discussions of employee well-being.

Implications for employers

- Map your company's business strategy in a way that identifies how illness impacts employees' ability to show up for work and put in their top performance, and how this, in turn, impacts critical business outputs.
- Use existing business performance measures as a proof of concept for more intensive analyses.
- Coordinate your internal and external data stakeholders to deliver the measures needed for a compelling business case for health.

About IBI

Founded in 1995, the Integrated Benefits Institute (IBI) is a national, non-profit research and educational organization committed to helping business leaders and policy-makers understand the value of workforce health and to recognize the competitive advantages of helping employees get and stay healthy. IBI is supported by more than 1,175 member companies representing over 20 million workers.

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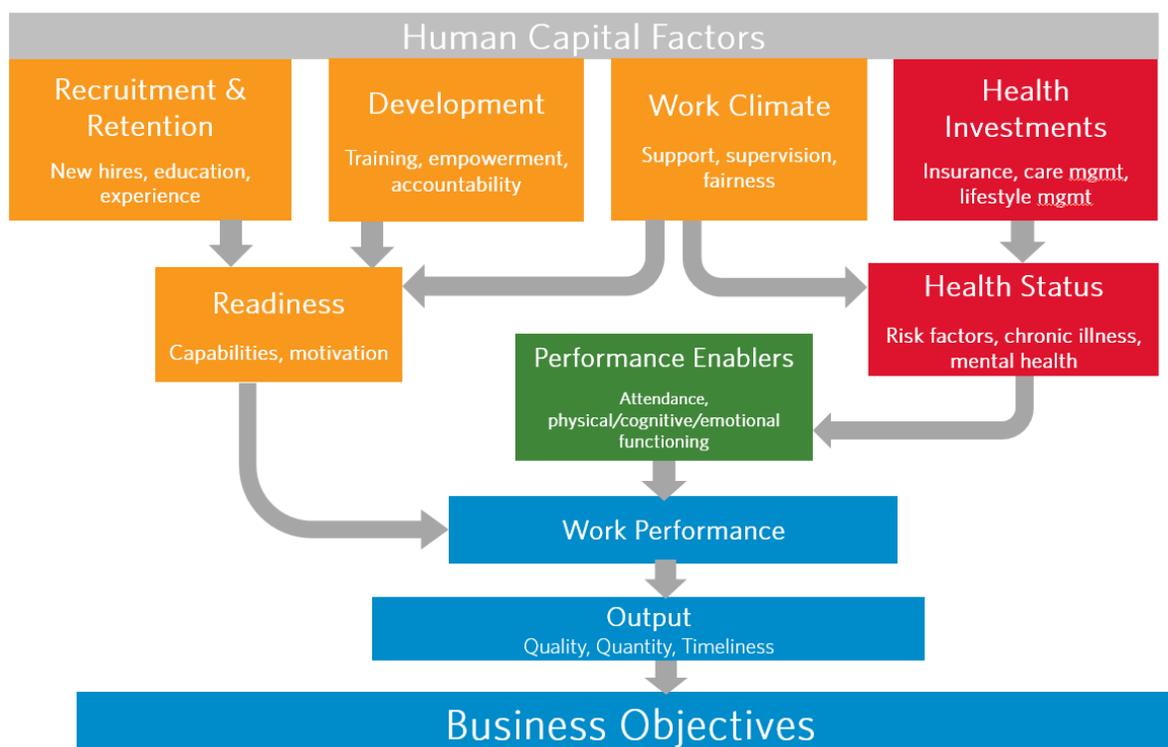
Introduction

Organizations need high-performing human capital in order to achieve their business objectives. However, investments in human capital – such as recruitment and training – cannot produce value when illness keeps employees away from the job or prevents them from putting in their top performance.

Yet business leaders often overlook how employees' health impacts their ability to create value because most jobs and tasks in today's economy do not have directly measurable outcomes. As a way to help employers overcome this measurement challenge, a [recent IBI report](#)¹ outlined a model for mapping organization-specific human capital factors, workforce health, job performance, product and service outputs, and business objectives.

Whether applied to an entire enterprise or to specific business units, the model (shown in Figure 1) illustrates how a healthy workforce enables an employer to optimize other human capital factors. The measures business leaders use to assess their company's objectives, outputs, and workforce performance can then be correlated with widely-available health measures such as the prevalence of health risks and chronic illnesses, or the frequency of sick day or disability absences.

Figure 1: How health enables employers to optimize human capital



¹ Gifford, Brian, 2015, "[Linking Workforce Health to Business Performance Metrics](#): Strategies, Challenges and Opportunities," Integrated Benefits Institute. The illustration was adapted initially from Ittner, Christopher D. and David F. Larcker, 2003, "Coming Up Short on Nonfinancial Performance Measurement," *Harvard Business Review*, 81:88-95.

The Pilot Survey

While business leaders may have a good sense of how to assess their company's objectives, outputs, and workforce performance, stakeholders in the field of health and productivity—including human resources (H.R.) and benefits professionals, researchers, consultants and third-party benefits suppliers—do not necessarily communicate the value of health in these terms. More typically, they present lost productivity and wage replacements from absence, presenteeism (underperformance on the job due to illness), and healthcare costs as important in their own right.

Targeted survey research can shine light on the ways in which businesses assess how their human capital produces value—and which could be linked to common health and productivity measures for a fuller view of the business value of health. In preparation for that research, IBI administered a pilot survey on these issues to attendees at its Annual [Health and Productivity Forum](#) in February 2016. Florida Healthcare Coalition (FLHCC) members that attended the Coalition's March 2016 Board Meeting also were invited to participate. The intent of the pilot was to identify specific business measures for inclusion in a larger survey and other IBI research. Nonetheless, the responses at this early stage are informative.

Seventy-one Forum attendees completed the pen and paper survey. Another 15 respondents from the FLHCC completed the online version. Respondents were primarily in H.R. positions. Respondents were provided lists of items and instructed to identify measures used to assess the overall performance of their company's human capital. The survey was a mix of closed- and open-ended questions about measures that roughly fall into the categories of business objectives (e.g., financial outcomes such as revenues or store sales), product or service output (e.g., customer satisfaction, product defects) and human capital management (e.g., employee satisfaction, turnover, supervisor evaluations).

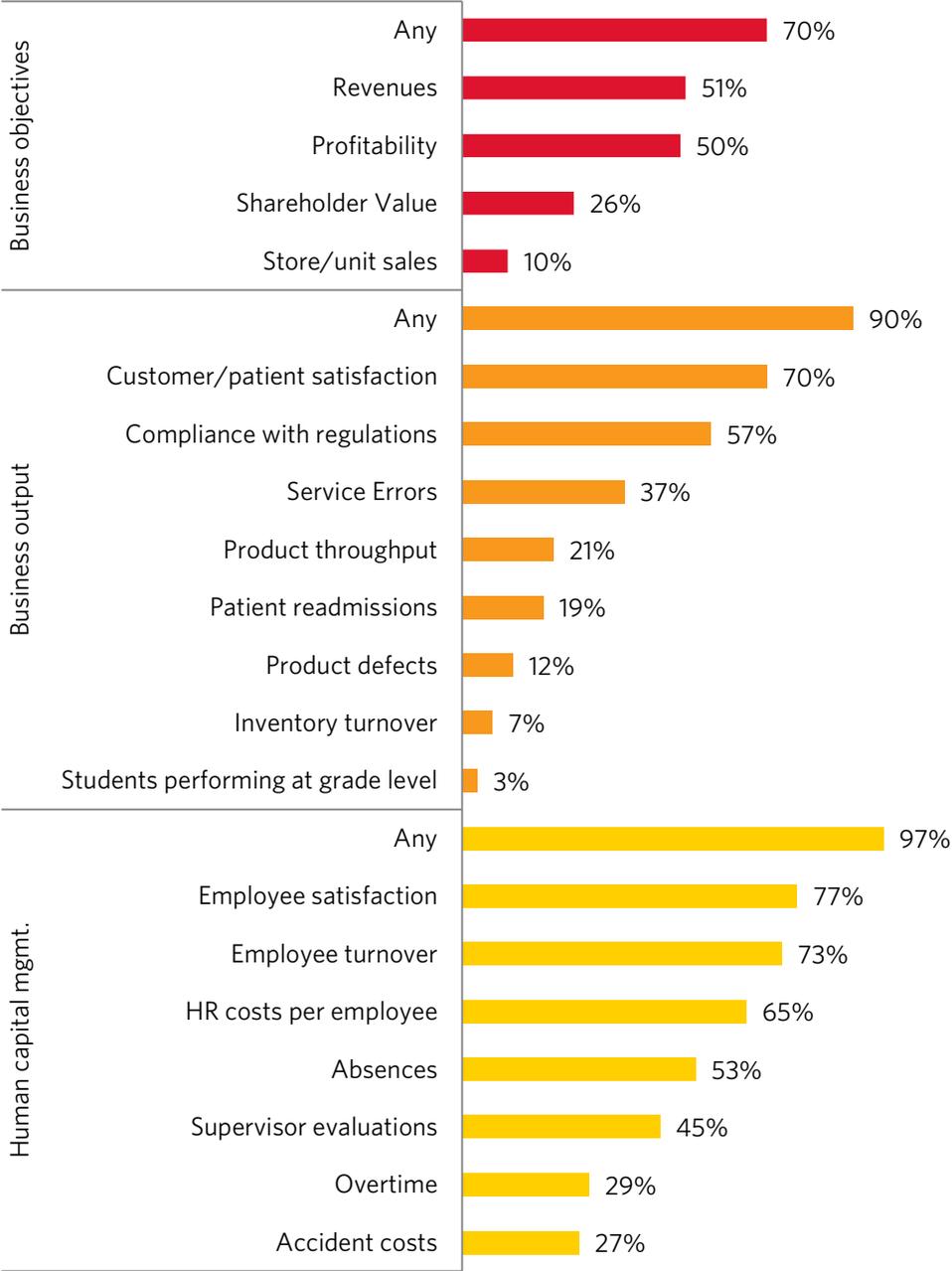
Human capital performance measures are the most commonly-used business measures

Considering that businesses today are awash in data, it is not surprising that almost all respondents (97%) could identify some measure for their company. Figure 2 shows that human capital management measures were the most common—perhaps because these types of measures are generalizable across different kinds of organizations. A majority of companies have data on employee satisfaction (77%), turnover (73%), customer or patient satisfaction (70%), human resources costs (65%), and absences (53%). By contrast, supervisor evaluations—which potentially could be used by a variety of organizations—may be under-utilized; only 45% of respondents reported that their company used this measure.

A majority also reported that their company measured business outputs (90%)—typically customer or patient satisfaction (70%). The high percentage of respondents who reported compliance with regulations as a performance measure (57%) may reflect Forum attendees' employment in highly-regulated businesses—almost half of respondents who provided their company's industry worked in healthcare, insurance or utilities.

Finally, two-thirds of companies measure business objectives, typically with a financial measure such as revenues (51%) or profitability (50%). The response might have been higher had the survey included more non-financial business objectives—although no respondents suggested such measures in the open-ended portion of the survey.

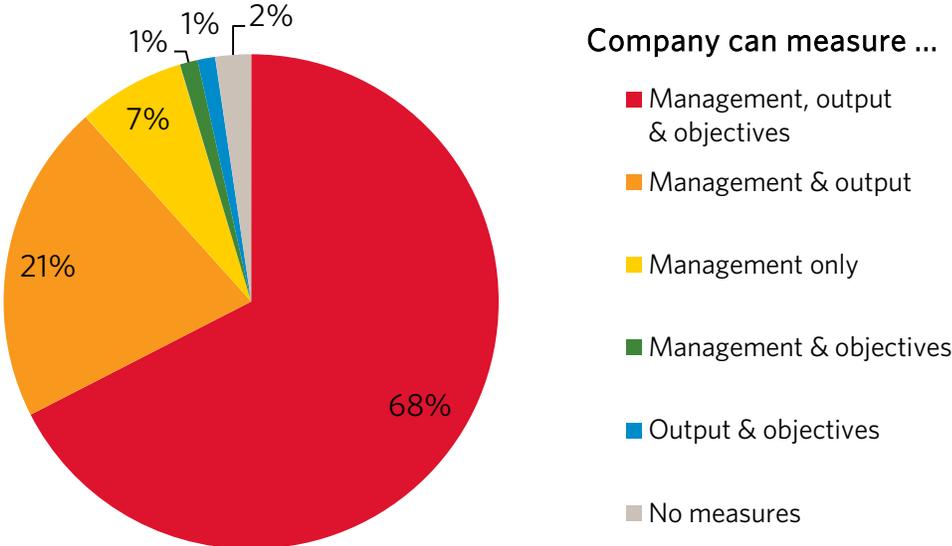
Figure 2: Human capital management measures are the most commonly used business performance measures.



A majority of companies have all the pieces to demonstrate how health produces business value

With all these measures available, companies are well-positioned to make the business case for a healthy workforce. As figure 3 shows, almost two-thirds of respondents reported at least one measure that would allow their company to measure the relationships between work performance, business outputs, and business objectives. Another quarter of respondents could at least measure the relationship between human capital management and business outputs.

Figure 3: Most companies reported having measures that could link human capital management, business output and business objectives



Linking health to business outcomes is the exception, not the rule

In spite of the opportunities to use existing measures, a minority of respondents (41%) said that their company linked business performance to the health of their workforce. The majority of respondents said their organization did not link health and business performance (33%) or that they did not know if their company did (27%). The companies that linked health to their business measures typically reported measuring absence, healthcare spending, or engagement data. The predominance of healthcare cost measurement in health and business performance analyses reflects what respondents described as a limited-focus return on investment.

Respondents also described the challenge of understanding how different business functions and program siloes could share and integrate health and business performance information. Other challenges to making the business case for health included the lack of a strong workplace culture of health and limited knowledge about how a culture of health impacts employee behavior. This dovetails with comments by participants who faced difficulties in getting senior leadership invested in health and business performance or connecting it to broader discussions of employee well-being.

What can employers do?

Identifying how illness impacts employees' performance and how performance in turn impacts critical business outputs is the first step towards understanding the business value of a healthy workforce. Mapping a company's business strategy can help make the case. As a rule of thumb, focus on what leaders are trying to accomplish, how people contribute to these goals, and how illness might get in the way. If nothing else, strategy mapping will help H.R. and benefits professionals engage senior leaders about workforce health in ways that address how the business creates value.

In the meantime, much like the businesses represented in this analysis, your organization probably uses some measures of how well employees are performing and whether the business is meeting its objectives. Understanding how these measures are tracked over time and across similar business units will allow you to collect some basic employee health measures on the same basis. Presented carefully, these few measures of convenience can provide a proof of concept that supports the case for deeper, more intensive analyses.

Strategic mapping also will provide a blueprint for collecting and analyzing data that matters, rather than simply reporting the usual cost, healthcare utilization, and absence metrics. Getting the necessary data likely will require coordination among different business units and external suppliers—which is a challenge for many employers. Following IBI's guided approach to managing partner relationships—based on principles of supply chain management—can help H.R. and benefits professionals successfully establish and implement their vision for a healthy, high-performing workforce.²

² Integrated Benefits Institute. 2010. [*Winning Together: Turning Vendors into Partners to Improve Workforce Health and Productivity*](#).