

A photograph showing a long line of workers in a factory setting, likely a cherry processing plant. They are seated at a conveyor belt filled with red cherries. The workers are focused on their tasks, sorting and packaging the fruit. The scene is brightly lit, and the workers are wearing various casual clothing. The text "We welcome you to the PwC HR Benchmarking Survey 2009" is overlaid on the top left of the image.

# We welcome you to the PwC HR Benchmarking Survey 2009

\*connectedthinking

PRICEWATERHOUSECOOPERS 

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# Why measure HR effectiveness?

“If you can’t measure it, you can’t understand it.  
If you can’t understand it, you can’t control it.  
If you can’t control it, you can’t improve it.”  
James Harrington

- Human Capital is often the most complex and fluid asset in an organisation’s portfolio
- Human Capital is the single largest expense: personnel costs typically range from 20% to 50% of total organisation costs depending on business sector
- Human Capital has a major impact on top-line results

**Yet, there is far less energy and rigour given by employers to measuring Human Capital, compared to their financial affairs**

# Why measure HR effectiveness?

The PwC HR Benchmarking Survey will help you get the reliable data to answer the questions that matter, for example:

- What is the Human Capital Return on Investment for each full-time employee?
- How much money does each full-time employee make for the company?
- Are the Learning and Development costs effective?
- What is staff turnover and absenteeism costing your organisation annually?
- Can you reduce recruitment costs?
- How efficient is the compensation package structure in your organisation?
- How effective is the structure of your HR department?

The survey report will provide you with quantitative indicators to measure all key areas of the Human Resources management system

# The relevance of HR effectiveness measurement in the economic downturn

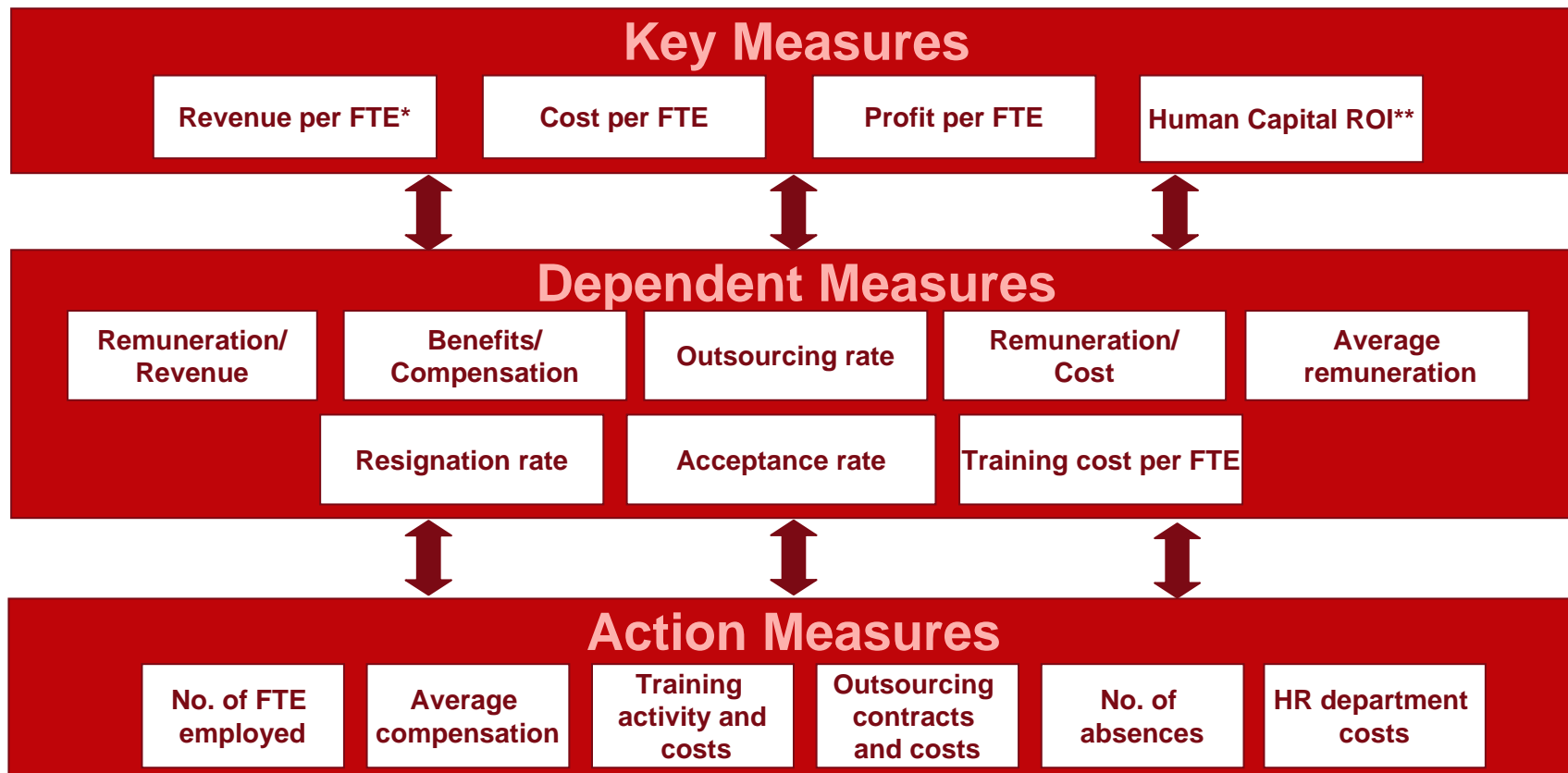
- In the financial downturn, the effectiveness of business processes becomes one of the key issues. Many companies have optimised processes by cutting costs and headcount\*. At the same time it is necessary to understand what to reduce and how to reduce it
- The majority of CEOs understand that reliable data about their employees is important for maintaining competitive advantage. However, only 30% of them consider they have clear understanding of personnel needs\*\*
- This HR benchmarking survey will help companies to identify and analyse essential information about their employees which is vital in current times, when a delicate balance between cost cutting and talent retention is being attempted by many companies

\*According to the PwC survey “HR Reactions to Global Financial Instability”, conducted at the end of 2008 among 123 large companies of different sectors, 43% of companies plan to cut salary costs and 24% reduce the number of employees

\*\* According to the data of the 12th PricewaterhouseCoopers Annual Global CEO Survey, conducted in more than 50 countries (including 30 participants in Russia)

# What areas does the survey cover?

The survey includes the collection of data on more than 100 metrics, grouped in several main areas. Some of them are illustrated below:



\* FTE- full-time employee

\*\* ROI – return on investment

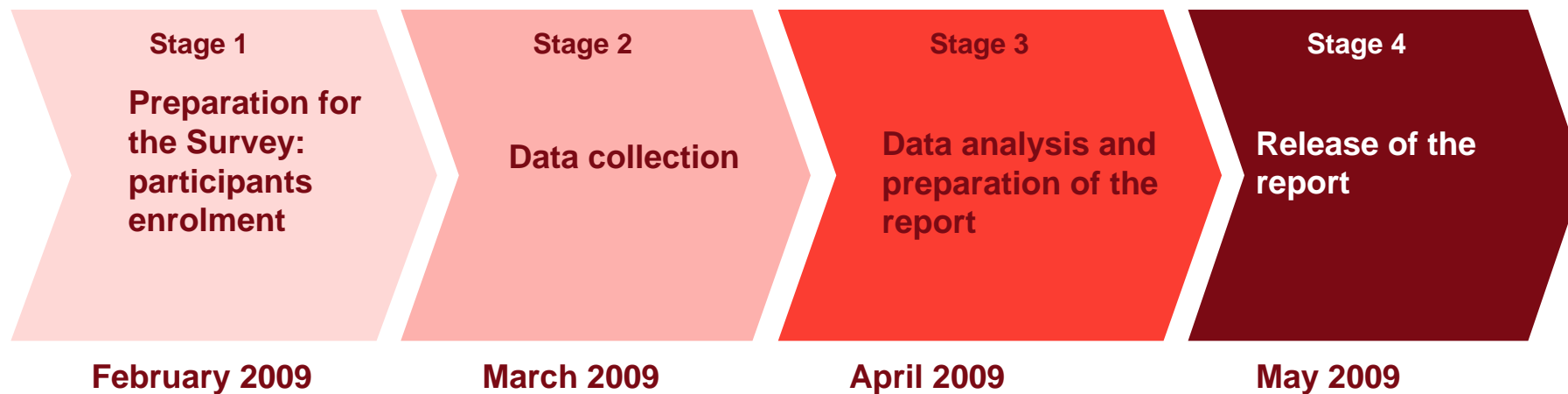
## Key features of HR benchmarking surveys 2006-2007

- The HR Benchmarking Survey 2009 is the third PwC HR benchmarking survey in Russia (the first was conducted in 2006)
- **Participants of the surveys – 58 Russian and international companies.** In 2007 the number of participants more than doubled (from 22 companies in 2006 to 48 in 2007)
- Data is collected on more than **100 quantitative metrics.**
- **Sectors covered by the surveys:** Financial, Oil& Gas, Mining, Industrial, IT& Telecommunications, FMCG and others
- **Data** for the survey is collected for the previous calendar year (for HR Benchmarking Survey 2009 data as at 31 December, 2008 will be used)
- **Results** are available only for participants (“club survey”)

# Survey participants 2006-2007

- ABN AMRO Bank
- Absolut Bank
- Akbars Finance
- Alemar Алемар
- Alfa Bank
- Alfa Laval Potok
- Astra Zeneca
- Azbuka Vkusa
- Bank Zenit
- British American Tobacco
- Caspian Pipeline Consortium
- Caterpillar
- CenterTelecom
- Czech Insurance Company
- Dirol Cadbury
- Eurochem
- Gazpromneft
- GE Consumer Finance
- Golden Telecom
- Heineken Russia Group
- Home Credit and Finance Bank
- IFD Kapital
- IKEA
- MegaFon
- Imperial Tobacco Group
- International Moscow Bank
- Janssen-Cilag
- Japan Tobacco International
- Ligett Ducat
- Mars
- Mary Kay
- Megafon
- Metro Cash & Carry
- MTS (Mobile Telesystems)
- Nokian Tyres
- Norilsk Nickel
- OMK (United Metallurgical Company)
- OMZ
- Philips
- PricewaterhouseCoopers
- Prodo Management
- Promsvyazbank
- Reckitt Benkiser
- Rolf Group
- Rosneft
- Scania Leasing
- Sealed Air Corporation
- SOLLERS (Severstal-auto)
- SladCo
- TNK-BP Management
- TransCreditBank
- Troika Dialog
- URALSIB
- Vnesheconombank
- Volga-Dnepr
- Volvo Vostok
- Vympelkom
- Western Union MT East
- Wrigley

# Stages of the Survey



## **The survey 2009:**

- Analysis of the data for 2008
- Project timing: February – May 2009
- The cost of the standard report: \$ 1500 plus VAT, the cost of a peer group – \$850 plus VAT
- Participants of PwC surveys (“PwC Russian Top Management survey 2008”, “PwC Financial sector compensation survey 2008” and “PwC General Industry compensation survey”, as well as participants of “HR benchmarking 2007”) will be provided with a 10% discount .

**The survey report will be distributed among participants only. Companies that do not submit their data cannot purchase the report**

# HR benchmarking report\*

- The final report includes the results of statistical analysis both of the whole sample data and peer group data\*\*
- This is an example, relating to absence rate:

	10 th percentile	25 th percentile	Median	75 th percentile	90 th percentile	Average	Companies
Absence Rate	1.24%	1.75%	<b>3.86%</b>	6.69%	13.57%	<b>5.63%</b>	76
Absence cost per FTE	\$302	\$580	<b>\$878</b>	\$1711	\$4107	<b>\$1719</b>	77

**The Absence Rate** is the primary indicator for the presence of organisational ‘misbehaviour’ or disengagement. It includes all days lost where the employee should be available for work. As such, it includes any unauthorised leave and excludes entitled leave such as holidays, maternity and military service.

According to the “**2006/2007 European Human Capital Effectiveness Report**”, the median Absence Rate was 3.8%, compared to 3.9%. It is important to connect measures of absenteeism to the business. We encourage organisations to consider and communicate the impact of absenteeism in terms of the ‘true’ cost to the organisation. This is generally accepted to be around double the direct wage cost incurred by the employee.

- Tables are followed by detailed comments
- Comparison with the Eastern and Western European data will be provided for certain metrics

\* The data is presented for illustrative purposes only

\*\*The number and composition of the peer groups will be defined only when individual data is submitted

# Using the results of the Survey

- Survey results will help you to:
  - determine strengths and weaknesses of HR management system
  - assess and justify level of personnel costs
  - set up short and long-term targets and develop an action plan
  - measure potential savings from improvement of various indicators (see next slide)
  - confirm necessity of investing in personnel
  - evaluate needs in reducing or increasing the number of employees
- Comparative analysis with the data on global best-practices from Saratoga/PwC database
- Comparison of the effectiveness of similar business-units (regional, production units etc.)
- Analysis of the data by certain parameters (length of service, grade etc.), which gives more detailed information on the current situation in the company and can lead to more effective management decisions

## Using the results: Example of potential savings\*

By comparing performance measures with best practices, a company can more objectively evaluate current costs and in the first instance, reduce them in those fields where it has poor results in comparison with best practices.

This example shows the potential savings to be made if best practice measures for a chosen peer group are achieved:

Metric	Number of employees	Costs per employee	Total costs	Costs per employee (best-practise)	Total costs (best practise)	Potential savings
Costs for the preparation of labour contract	10 000	\$ 55,60	\$ 556 000	\$ 25,20	\$ 252 000	\$ 304 000
L&D costs per FTE	50 000	\$ 78,20	\$ 3 910 000	\$ 46,80	\$ 2 340 000	\$ 1 570 000
Recruitment costs	10 000	\$ 2 438	\$ 24 380 000	\$ 1 198	\$ 11 980 000	\$ 12 400 000
<b>TOTAL</b>			<b>\$ 28 846 000</b>		<b>\$ 14 572 000</b>	<b>\$ 14 274 000</b>

\* The data is presented for illustrative purposes only

# Why PricewaterhouseCoopers?

- A tested and proven methodology developed by the Saratoga Institute, a service offering of PricewaterhouseCoopers. Saratoga has been a global leader in the measurement of human capital effectiveness and HR management systems for almost 25 years
- Strict confidentiality
- The company will be provided with a unique methodology, that can be used in future for improving the HR system and increase the quality of control and reporting
- Access to the Saratoga global database, containing information on key human capital performance measures collected from more than 14,000 organisations from various industry sectors in Europe and the USA
- Comparative analysis with the peer group data
- Detailed interpretation and comments on the results of the analysis

# Contacts

We wait for your comments and questions and invite you to further discussion on this project

## Contacts

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