



HUMAN CAPITAL  
MANAGEMENT INSTITUTE

# Case Study: Cadence Healthcare - ROI of Internal Hires

# Introduction

## Background and Key Questions

Cadence Healthcare is a multi-hospital healthcare provider in the greater Chicago area with over 7,000 employees and a tradition of healthcare excellence as well as stability and solid financial performance.

As part of its' workforce analytics initiative, Cadence Health selected Human Capital Management Institute (HCMI) to conduct advanced analytics to answer key human capital questions asked by management including:

1. Can we model our workforce to optimize cost, profit, and productivity?
2. Is it better to build, buy, or rent talent?
3. Is internal mobility a source of value or turnover and cost?
4. Do we know the leading drivers of employee turnover? Do we know the leading drivers of retention?

In order to answer these questions, HCMI conducted a detailed analysis to identify key trends, predictive drivers, key metrics, and finally to quantify financial impact linked to business outcomes.

# Introduction

**Analysis Period:** The analysis includes Cadence Health relevant data from 2012 through 2014.

**Systems & Data:** Data from multiple HR systems was analyzed such as Lawson - core HR, Cornerstone - performance management, Healthstream - learning management, HR Smart - applicant tracking.

## Deliverables included:

- A predictive data model for repeatable turnover reporting and analysis
- Cost of turnover and financial impact quantified for select critical job groups
- A best-in-class advanced analytics data model for Cadence internal HR use
- Over \$1.3 million annually and \$7.1 million over five years, in actionable ROI savings and value creation from internal hires

## Findings (Answers to Key Questions)

The answers to key questions listed above were revealed by studying Cadence Healthcare's internal mobility, turnover, and performance data which began by answering questions #2 and #3.



Is it better to build, buy or rent talent? Is internal mobility a source of value or turnover and cost?

### **Answer: YES**

Internal mobility (i.e. promotions, internal transfers) is a powerful source of ROI and talent. In particular for critical roles such as Nurses, it is better to build than to buy talent.

- ✓ Employees hired internally (promoted or transferred into an open position) stay longer, turning over at less than one third the rate of those hired externally (see chart A).
- ✓ In addition, employees hired internally outperform those hired externally, a trend that has become stronger in 2013 and 2014 (see chart B).

## Findings (Answers to Key Questions)

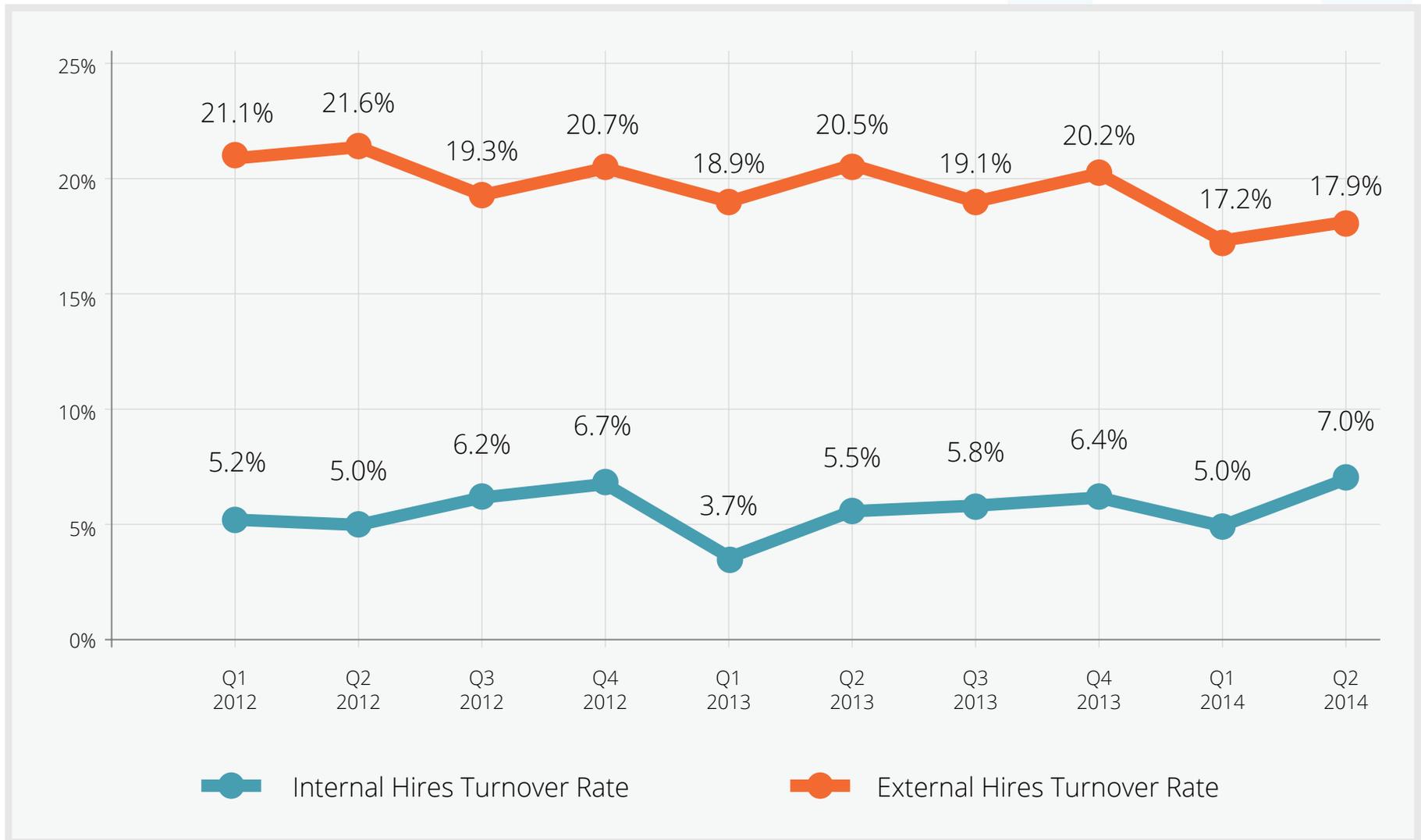


Chart A - Internal hires turnover at approximately one-third the rate of external hires.

## Findings (Answers to Key Questions)

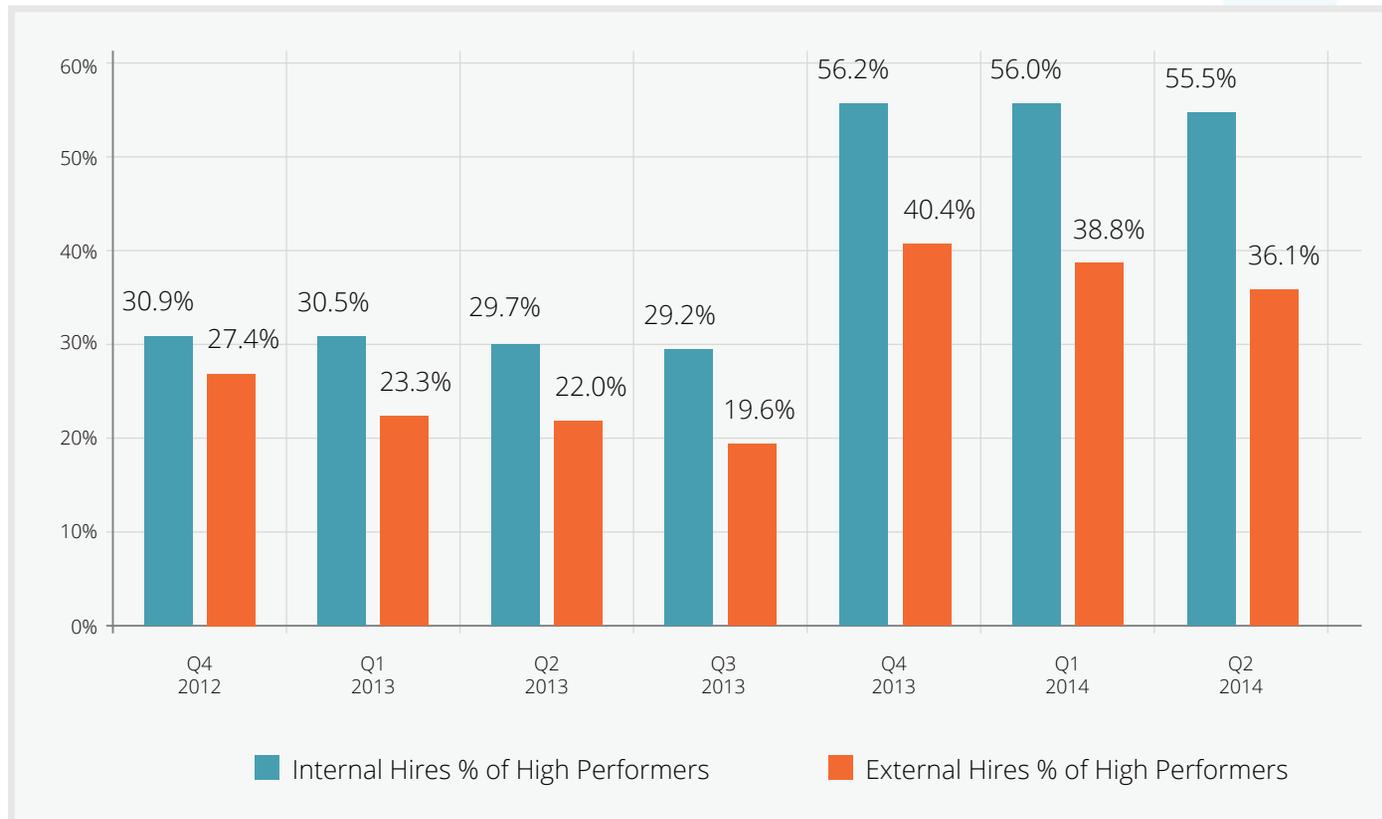


Chart B - Employees hired internally outperform those hired externally, a trend that has become stronger in 2013 and 2014.

Note: Performance ratings from 2012 thru June 2014 including regular performance review rating of all healthcare and support employee staff. Data provided from Lawson HR system and Cornerstone-On-Demand (CSOD) performance management system data.

**The ROI of Internal Hiring = \$7.1 million in predicted salary cost savings based on a 10% increase in internal hiring for open positions over 5 years (see chart C).**

## Findings (Answers to Key Questions)

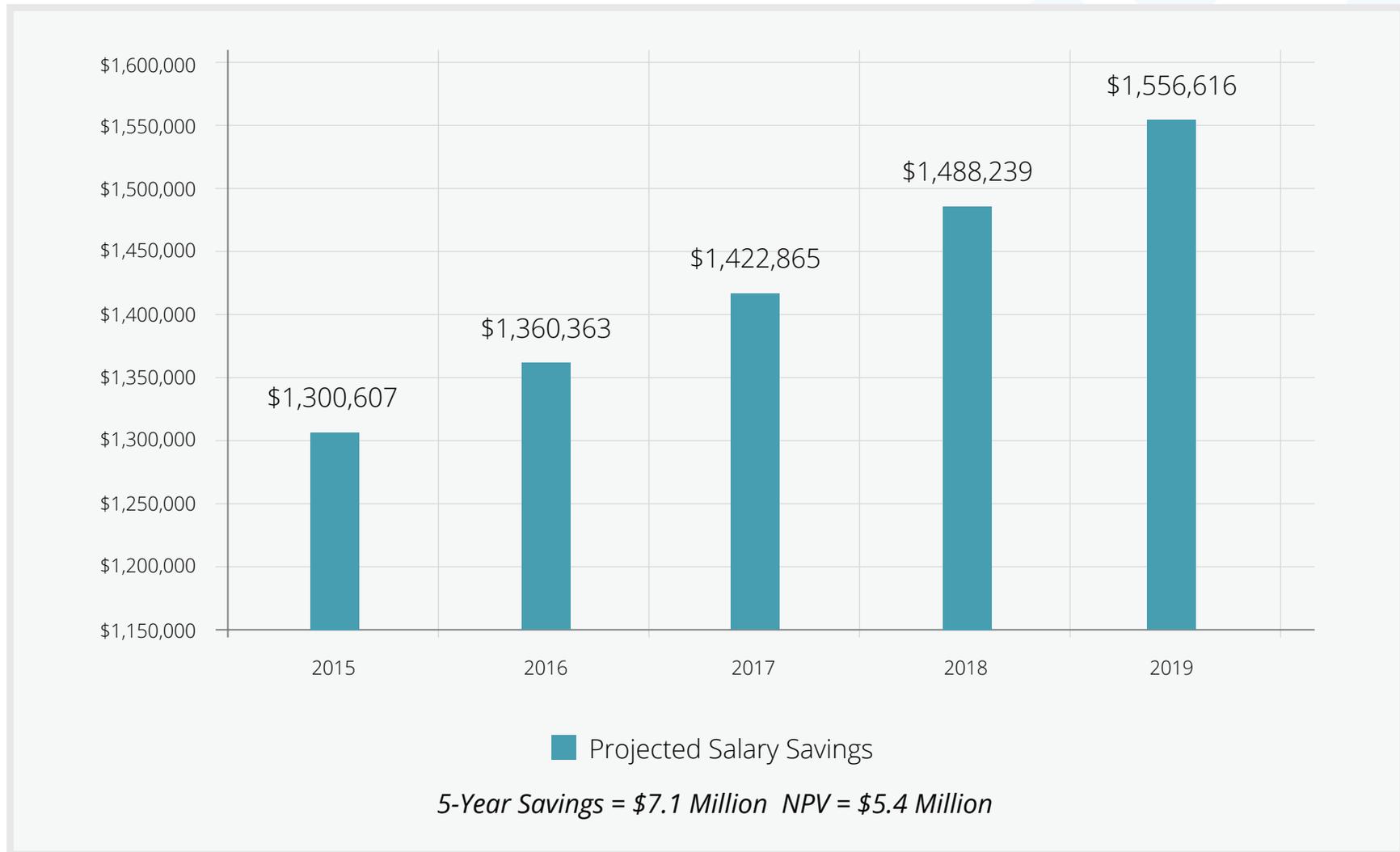


Chart C - Projected salary cost savings based on filling 10% more open positions internally:

Annual savings is calculated using a combination of cost of turnover, cost per hire, and Total Cost of Workforce (TCOW) calculations, all derived from employee HR data.

## Actions to Obtain ROI Cost Savings

For Cadence Healthcare to obtain the identified cost savings, they need only follow the steps below:

1. Fill 10% more open positions via internal hires (internal promotions and transfers)
2. Establish defined career paths and training programs to enable a greater number of internal hires using defined career growth opportunities
3. Continue to track, measure and report on internal hires including promotions and transfers to ensure savings targets are achieved and internal career paths properly followed

# About Human Capital Management Institute

HCMI (Human Capital Management Institute) is a workforce analytics software and services firm that provides organizations with powerful software, actionable intelligence and deep analytics expertise to deliver better business results through smarter workforce spending. Since our founding in 2008, HCMI continues to lead in human capital analytics capabilities with our SOLVE™ workforce intelligence platform, unique Human Capital Financial Statements HCF\$™ and the world's largest workforce productivity benchmark database. Our mission is to enable organizations to leverage their workforce as a source of transformational value creation.

## HCMI Contact Info

For more information about HCMI's products and services, visit our website:  
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