BUSINESS IMPACT MODELING®

Business Impact Modeling® (BIM), a proprietary Mercer tool, is a quantitative method that identifies the workforce characteristics and management practices that are the strongest drivers of business outcomes such as productivity, profitability, growth, quality, and customer retention. It provides facts about the human capital drivers of business success to address questions such as:

- Does individual productivity increase with years of service?
- What is the impact of training on customer retention? Is the investment paying off?
- Is the incentive pay program producing the desired effects?
- Does employee turnover affect the company's bottom line?
- Are spans of control optimal?
- What is the impact of part-time employees on the business?
- Is the leadership development program raising business performance?
- What is the return on investment from specific interventions?

HOW IT WORKS

Statistically linking human capital data from human resource information systems and other sources to the running record of business performance brings powerful information to decision makers regarding human capital attributes and practices. Therefore, statistically proven facts — not anecdotes — inform an organization's business and human capital decisions.

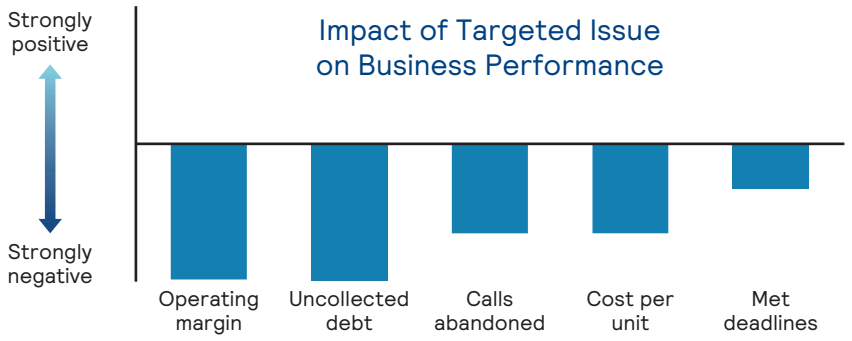
The statistical models also help decision makers anticipate the future impact, especially the returns (that is, improvements in business performance) that can be expected from a change in a human capital policy or practice. The insights gained from this approach significantly improve the ability of an organization to settle quickly and objectively on the strategy and tactics best suited to achieving the desired business results.

SAMPLE OUTPUT

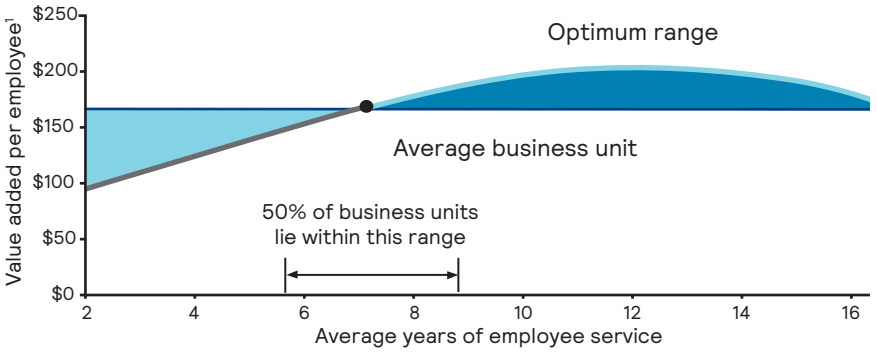
BIM can be used to establish the business case for change. In the following example, organizational performance metrics were all found to be negatively affected by increases in turnover. This analysis placed a value on what it was "worth" to fix the problem.

LINKING HUMAN CAPITAL DECISIONS TO BUSINESS RESULTS

Mercer's data-based consulting leverages a comprehensive set of proprietary tools and analytics designed to help organizations establish clear and measurable links between their human capital programs and policies and their business results. These tools, which feature both quantitative and qualitative methods, address the growing demand for organizations to manage their people programs more effectively and to demonstrate a return on their investment in these programs. Mercer's approach helps organizations understand their current human capital needs and challenges, project future needs and challenges, and create talent solutions that drive business value.

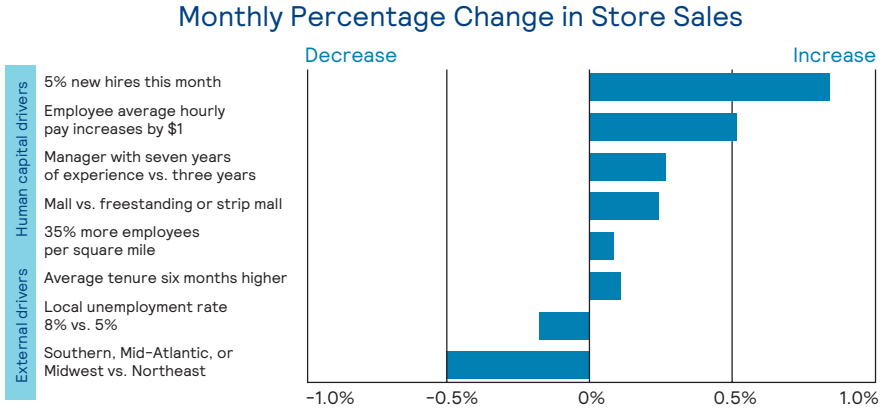


The facts from Mercer's analyses are key to knowing not only which but also how human capital attributes and practices support business objectives. For example, this business missed a significant revenue opportunity because it failed to staff optimally. See below.



[1]As measured by (net revenue – direct material costs)/number of employees

As seen here, this retail chain was able to calculate the return on investment of raising associates' pay and found that when controlling for external and internal factors, the resulting increase in sales would more than justify the expense.



The models on which these results are based control for individual attributes, organizational factors, and external influences.

For more information about BIM or any of Mercer's proprietary analytical tools, contact your local Mercer office or visit www.mercer.com/workforceanalytics.

MARSH & McLENNAN COMPANIES

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