VISIER®

5 Data-Proven Habits of Effective Managers

and the Metrics To Measure Them

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Executive summary

Three truths about managers

THE MOST EXPENSIVE EMPLOYEE GROUP

50%

50% higher compensation than ICs[1]

THE MOST DIFFICULT JOBS

38%

Only 38% of ICs want to become managers[2]

THE BIGGEST IMPACT ON THE BUSINESS

21x

Organizations with strong managers see 21x higher returns[3]

Managers stand alone as your most important asset

Managers are the force multipliers of any business. Not only do they have the biggest impact on business performance they are also the most well-paid—and expensive to replace—and arguably have the most challenging jobs. These three key truths are why McKinsey says that investing in top-performing managers pays off—literally: "Organizations with top-performing managers yield multiple times the total shareholder returns (TSR) of those with average or below-average managers over a period of five years."[4] Managers can create—or destroy—significant value in any company. Yet most organizations can't pinpoint the source or characteristics of their best and worst managers—if they can even identify them at all.[5]

There is a dichotomy that creates a unique challenge for HR teams—managers face enormous pressure, yet they also hold the key to creating sustainable competitive advantage. Because of this dichotomy, manager effectiveness is a top priority for CHROs in 2024[7]—so, how do HR leaders identify, replicate, and influence manager performance? It starts with understanding what effective managers are already doing, why it's working, and how to scale these actions throughout the organization.

$150,000

Employees with bad managers waste 10–52% of their time at work—their productivity loss has been estimated at $150,000/per boss annually.[6]

We've identified five data-backed behaviors of effective managers and the metrics to measure them

1. How they hire
2. How they onboard
3. How they plan compensation
4. How they retain talent
5. How they develop talent

Why assessing manager effectiveness a top priority for HR leaders in 2024

Managers are the critical link between business results and team performance.
The impact of management quality is profound: employees who feel trusted and supported by their manager are 3.4 times more engaged.[8]

Leadership development efforts alone are not enough.
Historically, leadership training efforts[9] have been the go-to strategy for improving manager effectiveness, however, they rarely emphasize the ROI of effective management and their impact on teams and business performance.

HR leaders need a data-driven approach to improve manager impact.
Advancements in people analytics have made it possible to see the direct relationship between manager attributes and behaviors and their impact on individuals, teams, and the business.

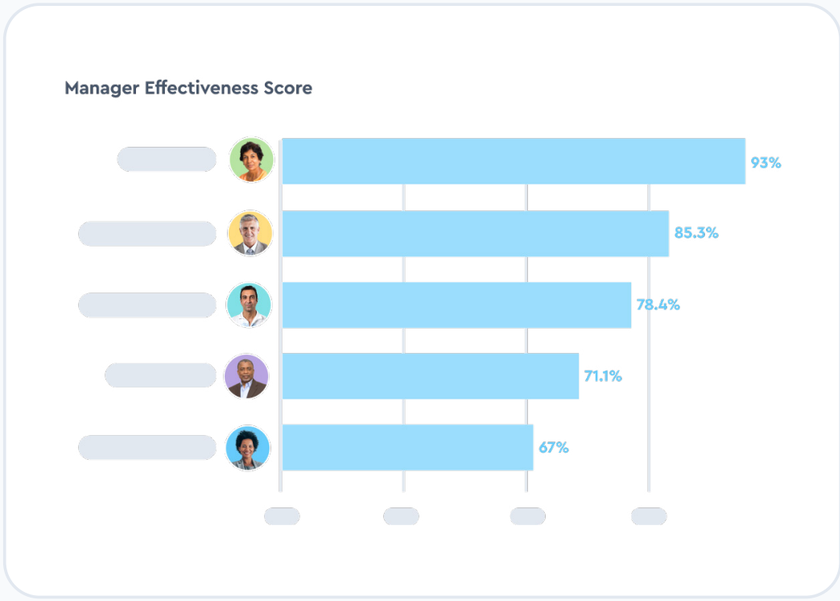
Organizations are increasingly tying manager performance to business impact.
More and more, we see people analytics factor into leadership performance reviews. Over 70% of companies[10] are incorporating people analytics to enhance business performance, and the availability of people data and technological advancements by available tools makes this easier than ever.

People analytics is an emerging player in manager effectiveness

Visier research into organizational practices showed that people analytics is now emerging as a powerful tool for enhancing managerial skills and effectiveness. We've long understood the business impact of putting people insights at the fingertips of leaders to enable them to make better decisions. Now, we are seeing that manager effectiveness involves more than simply putting data into the hands of managers, it's also about measuring the effect of those decisions on the business.

CHROs are increasingly leveraging data analytics to measure and improve manager effectiveness. By collecting and analyzing metrics such as employee engagement scores, productivity, turnover rates, and many others, CHROs can identify areas for improvement and implement targeted programs to enhance manager effectiveness across the organization.

Managers play a pivotal role in businesses and the people who work for them. They make countless decisions daily that collectively have a significant impact on their team members, and the organization at large. The insights drawn from the combination of people data and HR best practices can help inform managerial practices and enable managers at all levels to make better, more people-centric, and business-relevant decisions when it comes to their talent.



1

Effective managers hire well

Effective managers understand that their success is closely tied to the quality of their team members. By hiring the right people, managers keep turnover costs in check while maintaining team productivity and morale.

Why is hiring well a key habit of effective managers?

Hiring is expensive. Estimates show the average cost of hiring a new employee can be anywhere from $4,000[11] to three to four times the position's salary.[12]

Getting it right is therefore an important skill that managers need to have. A bad hiring decision can have significant financial implications, as research from Northwestern University found: a bad hire can cost a business $15,000 on average, a sum consisting of costs associated with onboarding and training, lost productivity, disruption to workflow, and employee turnover.[13]

Electronic Arts finds new grads make top-quality new hires

By analyzing performance, promotion, and cost data from hires over four years, video gaming giant Electronic Arts was able to prove that hiring new grads was a smart investment. Visier helped the people analytics team illustrate that after two years of tenure at EA, new grad hires were consistently being promoted at a higher rate, were more likely to be rated as high performers, and cost the same or less than their experienced peers, yielding a better performer with more potential at the same or lower cost.[14]

Metrics to measure effective hiring

A combination of “quality of hire” metrics can be used to assess the effectiveness of new hiring decisions, while also taking into account the performance ratings of new hires over time as well as their career progression.

Cost per hire

While not a direct measure of quality of hire, cost per hire can provide insight into the efficiency and effectiveness of the hiring process and be used as an important baseline to adjust the cost-benefit ratio in relation to the compensation for certain roles.

Performance rating

A new hire’s performance rating is indicative of how well they are doing in their new role over time. Comparing the rating with those of existing employees in the same role during the same time frame can provide insight into how well a new hire is progressing and even predict how well they may perform in the future.

Retention rate of new hires

This metric measures the percentage of new hires who remain with the organization over a specified period, typically the first year or beyond.

Manager’s time-to-hire rate

This metric measures the time the hiring process takes from posting a job listing to an accepted offer from a candidate. A shorter time to hire isn’t always better than a longer time, however, speed and quality of the hiring process need to be balanced to find the sweet spot which will result in a cost-effective hiring process length and a quality hire.



2

Effective managers successfully onboard new team members

Onboarding new employees is a critical skill for effective managers as it directly impacts employee productivity, engagement, retention, integration into company culture, clarity of expectations, relationship-building, development, compliance, and morale. By investing time and effort in the onboarding process, managers can set new hires up for success and contribute to overall organizational performance.

Why is onboarding new employees a key habit of effective managers?

Because hiring a new employee, including recruitment, interviewing, and onboarding, is expensive the manager's role during the first year of a new hire is critical.

Onboarding is often considered a chore for managers and new team members. Common practices of getting the new team members on board turn out to be a half-hearted affair lasting no more than a few months, limited to IT and compliance training and some loose goal setting. However, to truly onboard a team member to the organizational, business unit and team objectives, to familiarize them with the company philosophy, mission, and purpose (in case of a fresh hire), and to cultivate them on team values and embed them in the community as a whole, takes effort and time.

Metrics to measure effective onboarding

With people analytics insights, data-minded managers can learn about the relevance of longer periods of onboarding and the critical time frame of the "post-onboarding danger zone."[16] They can intensify and prolong their onboarding efforts to enable full integration of the new team member for lasting effects. The following people metrics can support managers' effectiveness of their onboarding practices while informing future onboarding, performance management, and development processes.

New hire retention rate over six, 12, and 24 months

While not a direct measure of performance, the retention rate of new hires can indicate their level of satisfaction and success within the organization. High retention rates suggest that new hires are performing well and are satisfied with their roles and the organization—indicating a successful onboarding.

Performance indicators of new hires.

This is a combination of new employee metrics that, depending upon the organization and role, may include performance rating, goal achievements, skills development, customer satisfaction ratings, collaboration skills, and absenteeism.

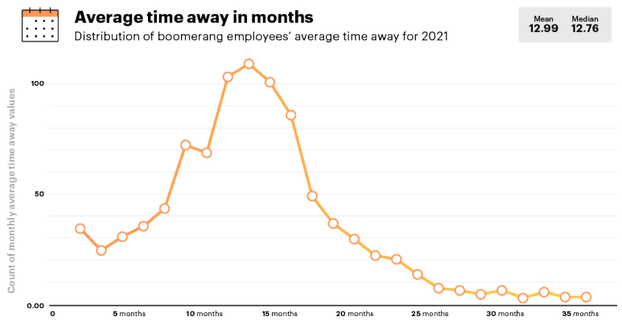
Time to productivity

Time to productivity measures how long it takes for new hires to become fully productive in their roles. A shorter time to productivity suggests that new hires can quickly adapt to their roles and make meaningful contributions to the organization.

THE "BOOMERANG EFFECT"

A risk of poor onboarding

Visier research found that a lack of onboarding or support from their manager was a top reason some new hires left to return to a previous employer. These so-called "boomerang employees" made up about one-third of new external hires in a report[15] that found that 26% of employees returned to their employer within seven months, and the majority (or 75%) of boomerangs went back to work for their ex-company at around 13 months of their departure.



Source: Research & Insights, Visier 2022

3

Effective managers plan compensation intelligently

Effective managers know who deserves compensation adjustments based on factors like performance, risk of resignation, time since last promotion, and total comp including budget, tenure, skills, and so on. By mastering a critical skill like compensation planning, managers can effectively leverage compensation as a strategic tool to drive organizational success and achieve business objectives—especially when they have the smart compensation tools supported by data to enter pay conversations with employees.

70%

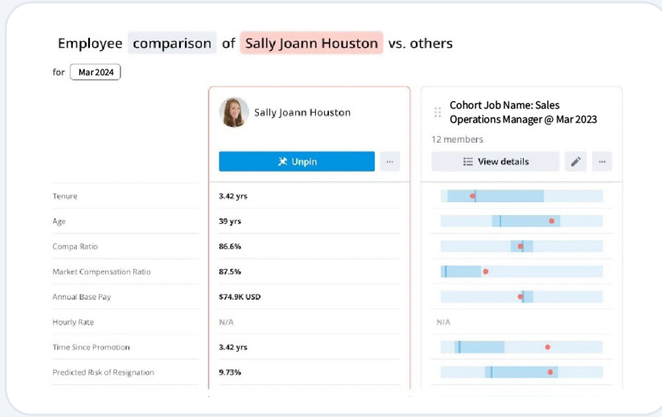
of an organization's budget goes toward its people costs, on average.[17]

Why is compensation planning a key habit of effective managers?

Managers who can balance the employee and the business sides of compensation planning considerations are most effective. On the employee side of the equation, pay is an enormous motivator and can make or break a job candidate or employee's decision to work for a company while also playing a major role in performance alignment, talent development, and employee engagement. On the business side, compensation factors into crucial considerations like cost management and legal compliance.

Results from Visier's latest manager effectiveness survey[18] show almost two-thirds of managers (62%) are more stressed than they were a year ago, and 27% cited higher employee expectations such as pay increases as a top stressor. Pay is often the top driver of turnover. 63% of employees who quit their jobs in 2021 did so because of low pay.[19] Competitive compensation has become an important tool in retaining employees[20] and preventing costly turnover for organizations, thereby ensuring continued productivity.

Compensation for the job being done is top of mind for many existing employees—during the year, after pay raises,[21] and when a new team member with a higher job title or salary joins a team. However, not all managers are equipped or provided with the relevant information to plan their team's compensation in line with best practices. Little training is provided to help them hold constructive conversations with their employees about pay, which can lead to unfavorable outcomes due to managers' lack of knowledge around market compa-ratio, or the link between compensation and retention in the company.



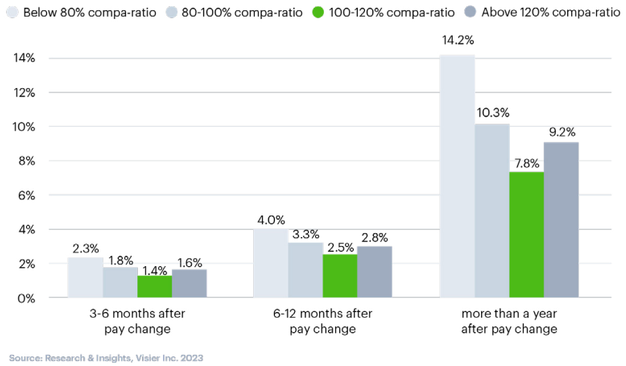
Comparison of the compensation of one employee vs. another internal group

How pay directly impacts retention

Visier research[22] found that a pay change that resulted in a salary increase of </= 80% of an employee's compensation ratio correlated to relatively high resignation rates, whereas those who ended up in a compa-ratio between 100–120% showed consistently lower resignations.

FIGURE 2: RESIGNATION RATE POST-PAY CHANGE BY COMPA-RATIO

Percentage of employees that resigned within each time window



Source: Research & Insights, Visier Inc. 2023

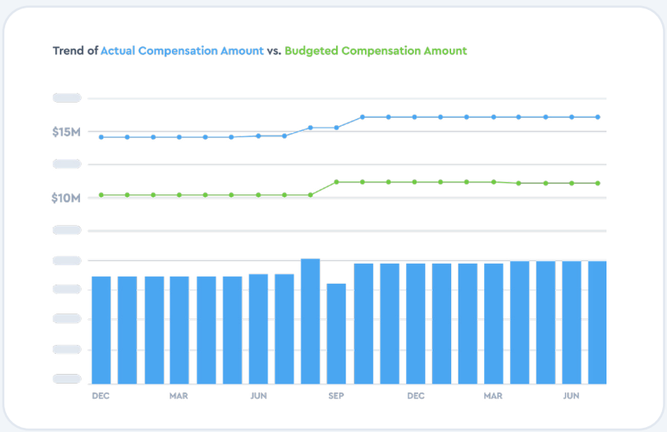
Resignation rate post-pay-change by compa-ratio

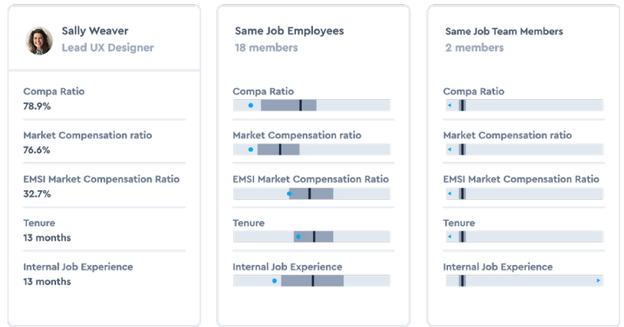
Metrics to measure effective compensation planning

The following people metrics provide a high-level assessment of how effective a manager is at using the resources allocated to them and how well they are balancing compensation across their team. It should be noted, however, that a variance from a planned budget doesn't always indicate a negative situation—it could be due to a big increase in base pay for new hires or due to high supplemental pay payouts for increased work volumes—but it does signal cause for a deep dive.

Direct compensation variance from plan

The primary job of a manager is to get the work done with the resources provided—whether these are financial resources or human resources. Understanding how closely the people costs of a work unit match the plan provides insight into how well a manager is doing at using resources.





Equity check

How an employee compares to others in the same role for compensation is a key driver of fair pay decisions, and enables managers to proactively address bias with an unbiased baseline recommendation and deviation tracking that gives HR a log of rationale. Total rewards leaders can see how managers are considering (or not) these factors when it comes to determining compensation for their employees by how in line the ratios are for considerations such as experience, tenure, and compa ratio.

4

Effective managers actively retain top talent

An employee's voluntary decision to leave an organization is often attributed to their manager, and good managers are able to retain top talent and they have a sense of the drivers of why people leave—from low engagement to a poor job match or lack of goal setting to unsatisfactory compensation, or career progression. But part of being an effective manager also means knowing how to keep the best talent on the team and take active preventative measures to mitigate the risk of turnover contagion after resignations or layoffs.

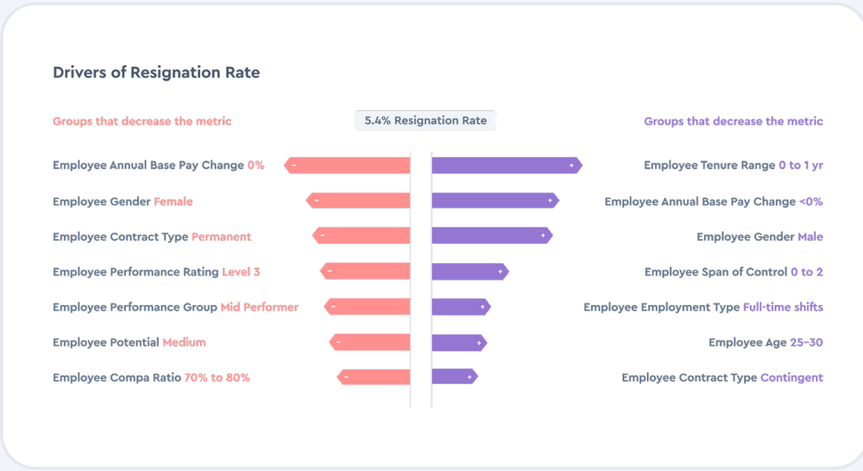
20%

Providence incentivized retention for managers resulting in a 20% improvement

In 2023 as part of their hiring strategy, healthcare organization Providence set up leadership incentives related to retention rather than caregiver survey results as they'd done in the past. Their priority was to ensure that they kept the top talent they already had working for them. "We set a big goal to bring turnover back toward pre-pandemic trends," explains Mark Smith, the insights, optimization, and staffing executive leader at Providence. They created scorecards for leaders so they could see how their line of business was performing against set metrics. The result was a 20% increase in retention.[23]

Why is retaining talent a key habit of effective managers?

Losing a team member is costly to the business and often leads to more than just worker attrition costs that can add up.[24] Turnover also results in missed deadlines, jeopardizes meeting OKRs, and may cause low morale due to the resulting overwork of the remaining team who must pick up the slack. Sometimes a resignation, especially of a critical role, may even hurt business results.



Visualizing the drivers of resignation in Visier features employee groups that contribute to the resignation rate and groups that decrease it

Metrics to measure effective retention efforts

Awareness of resignation risks is only part of a winning retention strategy; business leaders must also possess the means to measure the effectiveness of retention efforts. By understanding the key metrics and methodologies for gauging the success of a manager's retention initiatives, CHROs can assess performance in retaining talent, and fine-tune and scale winning strategies to cultivate a workplace culture that fosters loyalty, engagement, and long-term commitment among their team members.

Resignation rate of high performers
A clear indication of a problem with manager engagement and satisfaction is when the high-performer resignation rate is greater than the overall resignation rate. If this rate is significantly higher for one manager as opposed to others, you can view it as another red flag.

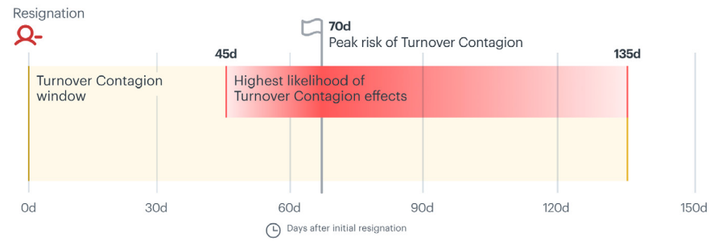
Employee experience
To understand the connection between people and business results, pull both employee and business data to produce holistic insights. For instance, consistent expressions of frustration within a particular work group via an employee experience platform may be a sign that the manager is constraining the team's ability to serve customers which may affect NPS scores.

Turnover trends among new hires
New hires are expensive both from a recruitment and a training and development perspective. Understanding where the organization may be at risk for losing new employees can help them put strategies in place to minimize this risk.

Absence days per full-time equivalent
Absenteeism is often a "sleeper" issue that, when monitored, can provide great insight into which managers are demanding too much of their people or have an engagement problem. There is a level of absence which is considered normal. For example, sick days happen. Monitoring this metric allows you to identify patterns that don't fit with what's expected and understand what is causing this abnormal behavior.

Watch out for "Turnover Contagion" because resignations are contagious

"Turnover contagion" is a term used to describe the process by which an employee's intent to resign influences the attitudes and behaviors of their colleagues, potentially leading them to consider leaving the organization as well. Visier research[25] found that voluntary turnover can lead to social contagion of their peers, meaning that a person's resignation can increase the likelihood of further resignations by 9.1% by members of the same team. We observed that the highest risk of further resignations by others on the team is 70 days after the first resignation and lasts 135 days.



Critical time frame for turnover contagion

5

Effective managers develop talent

Effective managers understand the value of growing and developing top talent and the impact it has on their employees and the business. Employees want opportunities to work on new challenges and to grow their skills. Respondents of a recent Visier survey said developing new skills in their workplace is important—96% of respondents agreed, and 65% strongly agreed.[26]

People managers develop, motivate, and engage talent to ensure employees are engaged and challenged, are recognized for their work, and have career path options to stay within the organization. Effective managers recognize potential in their direct reports and know how to motivate and support their employees. These managers proactively plan for succession events, following the rule of thumb to aim to have replacements ready for 90% of all key positions at any time[27] in case a critical role unexpectedly becomes vacant.

Why is developing and growing talent a key habit of effective managers?

Developing talent is critical for the business. A high performer can deliver 400% more productivity than the average performer.[28] In a survey by 15Five, more than half of employees (56%) named supportive management or a good boss as one of the most critical factors for staying at a company.[29] Effective managers prioritize talent development, learning and development (L&D) initiatives, and engage in regular career pathing discussions with their reports. Research shows that external hires take longer to adapt and have higher rates of voluntary and involuntary exits than internal hires, who tend to have higher levels of adaptation and success rates.[30]

Learning and Development (L&D) programs offer training and development plans and resources to ensure that employees are able to grow their knowledge and skills over time, allowing them—and the company—to remain competitive. L&D programs are a core part of strategic workforce planning and are directly tied to companies' long-term profitability.

People analytics equips managers with the data and insights they need to make the best strategic decisions for their team. By using people analytics, people leaders can monitor skills requirements, provide support to help close gaps, and ensure that the company has the required skills on hand to meet current and future strategic goals. High-performing organizations are 1.5 times more likely to use learning analytics to measure the business impact of their initiatives.[31]

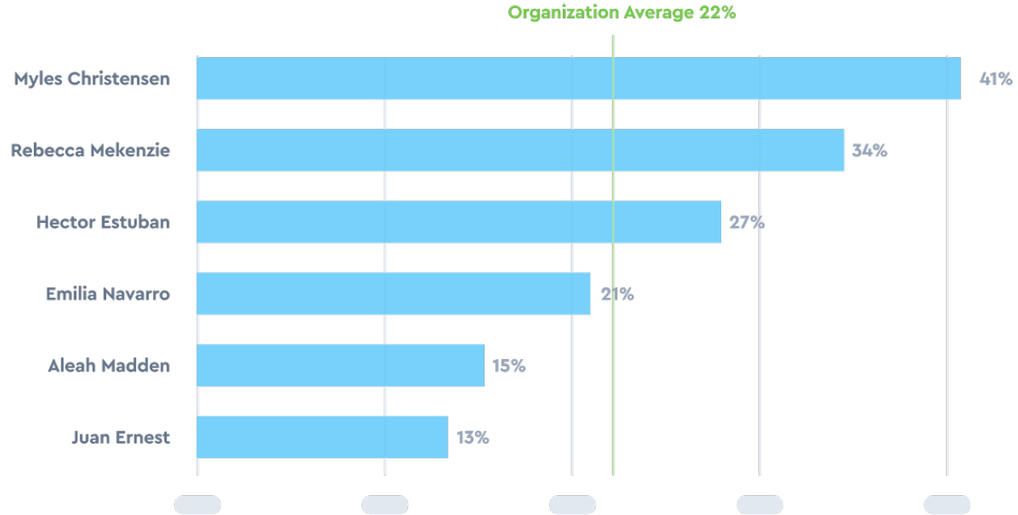
400%

A high performer can deliver 400% more productivity than the average performer.

Metrics to measure effective talent development

Promotions rate

To understand whether a manager is good at growing talent or not, you need to know if their employees are being promoted—both within their team or to another team within the company. Analyzing promotions across the organization reveals which managers excel at fostering talent, aiding in the identification of effective leadership. Lateral moves can also serve as indicators of a manager facilitating talent development, skill expansion, and growth opportunities.



Coaching equity

As managerial roles increasingly focus on coaching, organizations must be vigilant against affinity bias—a mental shortcut that causes people to favor individuals with similar characteristics. For instance, tendencies for men to hire men can inadvertently seep into coaching dynamics, undermining diversity and inclusion efforts. Use people analytics to analyze coaching time spent per report, breaking it down by attributes such as gender and tenure. If a manager has lower engagement scores among underrepresented groups, it may signal affinity bias.

Conclusion

In conclusion, leveraging people analytics to measure the effectiveness of managers across hiring, onboarding, compensation planning, talent retention, and development emerges as a strategic imperative for organizations aiming to thrive in today's competitive landscape.

By harnessing data-driven insights in these key areas, organizations can not only enhance decision-making but also optimize resource allocation, mitigate risks, and cultivate a culture of continuous improvement. Through comprehensive analytics, leaders gain the ability to identify patterns, trends, and areas for improvement, enabling them to refine their strategies and align their efforts with broader organizational goals. Ultimately, the integration of people analytics empowers managers to cultivate high-performing teams, foster employee engagement, and drive sustainable growth, thereby positioning their organizations for long-term success in an ever-evolving talent landscape.

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About Visier

Visier is the recognized global leader in people analytics, providing on-demand answers to people-powered businesses. At the core of Visier's innovations is a simple premise: People impact is business impact and that's why Visier provides the tools and insights organizations need to drive productivity, performance, and business outcomes through their people.

Founded in 2010 by the pioneers of business intelligence, Visier has over 50,000 customers in 75 countries—including enterprises like BASF, Panasonic, Experian, Amgen, eBay, Ford Motor Company, and more. Visier is headquartered in Vancouver, BC with offices and team members worldwide.

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