## Glossary Page 1

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In Module 1 we're going to explore the key principles that define human capital and how creating HR metrics can have a strategic impact on your business and how you invest in your human capital. So what exactly is human capital? Economist Theodore Schultz invented the term ‘human capital’ in the 1960’s to reflect the value of our human capacities. He believed that human capital was like any other type of capital and it could be invested in through education, training, and enhanced benefits that would lead to an improvement in the quality and level of production. In other words, human capital is the abilities and skills of any individual, especially those acquired through the investment of education, training, and benefits that enhance potential income earnings. In business terms, we can describe human capital as a combination of the following: traits that one brings to the job – such as intelligence, energy, a general positive attitude, reliability, and commitment; it’s also one’s ability to learn, aptitude, imagination, creativity, what’s often called street smarts or savvy, or how to get things done. It also includes one’s motivation to share information and knowledge, team spirit, and goal orientation. Simply stated, human capital means people. There are however 2 key principles that are central to the human capital idea. The first key principle is that people are assets whose value can be enhanced through investment. As
with any investment the goal is to maximize value while managing risk. As the value of people increases, so does the performance capability of the organization, and therefore its value to the clients and other stakeholders. The second principle is that an organization’s human capital policies must be aligned to support the organization’s shared vision. That is, the mission, the vision for the future, the core values, the goals, the objectives, the strategies by which the organization has defined it’s direction and it’s expectations for itself and its people. All human capital policies and practices should be designed, implemented and assessed by the standard of how well they help the organization pursue its shared vision. For many organizations the lion’s share of the operating costs is devoted to the workforce. For this very reason employees traditionally have been viewed through a budgetary lens, and therefore have often been seen as costs or expenses to be cut rather than assets to be valued. However, a high performing organization in both the private and public sector recognizes that it’s the people in the organization that largely determine its capacity to perform. These organizations understand that the value of the organization is dependent on the value of its people. You could have the best equipment, and/or you could have the best systems in the world – but without people to run or maintain, or to monitor this equipment and/or the systems a business simply cannot operate successfully. Enhancing the value of the employees is a win/win goal for employers and employees alike. The more an organization recognizes
the intrinsic value of each employee, and the more it recognizes that this value can be enhanced with nurturing an investment, and the more it recognizes that employees vary in their talents and motivations and that a variety of incentive strategies and working arrangements can be created to enhance each employee’s contribution to the organizational performance, the more likely the organization will be to appreciate the variety of employee needs and circumstances, and act in ways that will make sense – both for the business and in human terms. Now let’s back up for just a moment and talk about the HR metrics. Now that we understand what human capital is, let’s take a look at what HR metrics are. So how do we measure the ROI – the return on investment on our human capital; how do we know what to implement to increase the productivity and output of our staff? Just as there’s an accounting system to tell us what’s happening on the P&L, you can establish a metric to measure the impact of human capital. HR metrics are a way to measure the economic value of employee performance. This helps you make more informed decisions, addresses issues or problems with personnel, and gives you a way to truly understand and value your employees as investments; and helps measure the degree to which investing in your human capital impacts your business objectives, your vision, and your bottom line. Remember, these two principles go hand in hand. So let’s take a very common problem and metric - the absentee rate. I would like to illustrate what it means to consistently measure certain metrics and the
impact that human capital has on your business’s bottom line. Human capital does not currently appear on most balance sheets, measuring the impact of certain metrics however, can help you identify possible solutions to personnel problems, and help to increase productivity and reduce costs. So again, let’s take a look at the impact of employee absentee rate for example. Have you ever measured the cost of an absent employee? Every absent employee can cost an exponential amount of money – besides the personnel cost, absent workers also put a heavier strain on others since the work must still be done but with fewer people, and this can slow down actual productivity. This can have a chain effect and cause delays in delivering services and/or products to your clients. Research done by the CRF Institute, who studied over 500 employers, found that HR policy did indeed have a profound impact on absentee rate. Since absenteeism is actually a strong indicator of the employees’ health – both physical health and mental well-being – influencing this well-being can mean earning back your investment in HR. Their research showed that companies that did not have the development of people and career opportunities as one of their top 5 business priorities had a 5.2% absentee rate; compared to a 3.7% absentee rate for those employers where development of staff and career opportunities was one of their top 5 priorities. So focusing on the development of people and career opportunities actually dropped the absentee rate. They also found that working arrangements also had a direct impact on the company’s bottom
Their studies showed that working from home is a clear investment in the work/life balance for the employees, and one that pays off. Organizations that offer this option had just a 3% absentee rate, versus a 5% for those companies that did not. And finally, offering counseling to support the work/life balance of employees had a significant effect as well. Those who offered this type of counseling had a 3.1% absentee rate, versus a 4.9% absentee rate for those who did not offer this type of counseling. So these are ways to measure the impact of your HR strategy.

Absenteeism can be viewed as a financial asset, and offering your employees the right benefits can have a huge impact on absenteeism, which in turn translates directly into business results. So what do I mean by that? Let’s say that if unplanned absences account for a 21% net loss in productivity per day, you want to ask yourself how much is each absentee costing your business per day, or per month, or per year? If you currently have no measure you are probably not aware of the true cost of absenteeism – on the well-being of other employees, on productivity and the efficiency of your company, or on customer satisfaction, or how much it affects the bottom line. In identifying that absenteeism is an issue or a problem you can then start implementing solutions – personal development and career opportunities, flexible working arrangements, offering counseling. But how do you know if a solution works if you don’t have a measure? How do you know the impact? How do you know if or how it affects the bottom line? You can do the same thing for employee
turnover and retention, employee productivity, employee satisfaction, and the list goes on. Knowing what to measure and how to measure it is what we’re going to be focusing on during this program. This can have a huge strategic impact on your business, and it can help you make better informed, more effective decision when it comes to how to invest in your human capital. Remember that human capital is an asset, and it can be enhanced through investment; and with our investment we want to make sure that our human capital policies are aligned with our business objectives and our vision. This alignment and clarity in our company goals and objectives can strategically lead to the best way to enhance and invest in our company’s most valued assets – our employees, which can translate into increased productivity, satisfaction, retention, and profits.

According to the Hackett Group’s 2007 Study of Managing Human Assets, typical Fortune 500 companies net nearly $400 million annually by improving strategic workforce planning and other key talent management functions – so you can see investing in your human capital can make a huge difference in your bottom line. And that completes module number one.

[End of recording]
Module #2 – Methods to Develop HR Metrics.

There are many different ways and methods to developing HR metrics, but without a solid foundation of knowing where your company currently is in terms of adapting human capital strategies, and where you want to be – you could waste tons of time and effort measuring and analyzing metrics that have no real meaning or impact on the strategic decision making. In order to develop your HR metrics it’s useful – first and foremost – for your company to have a clear and fact based understanding of your current human capital situation. You have to know where you currently stand in order to fully develop the HR metrics that suits the needs and the objectives of your company – one size does not fit all. So please be aware and understand that there’s no single recipe for success in human capital management or developing an HR matrix. A lot depends on your industry, your type of business, your business goals and objectives, and a myriad of other factors. So where do you start? The United States General Accounting Office – GAO – has a report called “Human Capital: A Self-Assessment Checklist for Agency Leaders”. It identifies 5 human capital elements and the underlying values that are common to high performance organizations. Companies that seek to comply with the spirit of performance based management should scan their human capital systems to see if these elements have been addressed. You can find this
report on the internet. I’m going to go over this briefly because I believe it gives you a solid foundation for developing your HR metrics, but I highly recommend you download it and use it to assess your current human capital system. Once you have gone through the assessment you’ll have a better idea of what elements are important to your company and which elements you may want to measure and track over time to get a full view of the impact human performance has on your business’s bottom line, and knowing when and where to invest in your human capital. Developing a more fact based approach to human capital management will entail the development and the use of data that demonstrates the effectiveness of human capital policies and practices; thereby improving the manager’s ability to maximize the value of human capital investments while managing the related risks. The GAO Human Capital Self-Assessment Checklist is actually divided into 5 areas, let me introduce you to all 5 of the areas and then we’ll go over each one in depth. The first one is strategic planning – establish your agencies mission, vision for the future, core values, goals, and objectives and strategies. Number two is organizational alignment – integrate human capital strategies with core business practices. Number three is leadership – foster a committed leadership team and provide reasonable continuity through succession planning. And number four is talent – recruit, hire, develop, and retain employees with skills from mission accomplishment. And number five is performance culture – empower and motivate employees while insuring accountability and
fairness in the workplace. Let's start with strategic planning — establish your agency's mission/vision for the future, core values, goals, objectives, and strategies. Remember, in Module 1 we mentioned that one of the core underlying principles of human capital is an organization’s human capital policies must be aligned to support the organization's shared vision. The first key question is: does your business have a clear defined and well communicated shared vision? That is, a mission, a vision for the future, core values, goals, objectives, and strategies by which your business has defined its direction and its expectations for itself and its people. We're going to be covering some of the traps to avoid in Module 3, but one of the biggest ones is not linking your metrics to your company’s goals and visions. If you don't have a clearly defined mission, goals, and objectives—what do you link your metrics to? What are you measuring and why? Having a shared vision is a key foundation for your business and everything that your business does. If you’re going to develop HR metrics, be sure you’re clear on this first. The second question to ask yourself is does your business have a human capital focus — does your business create a coherent human capital strategy? That is, a framework of human capital policies, programs, and practices specifically designed to steer towards achieving its shared vision, and is this strategy integrated with the agency’s overall strategic planning? This goes hand in hand with the first question about shared vision. To utilize effective HR metrics it’s not just a matter of looking at a number; again,
we’re shifting the focus and our mindset – remember, employees are no longer looked at as an expense, employees are now assets and the training, development, and benefits we offer are now investments in our most valued asset. Has your company made that shift? We have to treat our employees as an asset, and what we measure will help us make better decisions on where and how to invest to increase the value of our assets and minimize the risk. The next area to look at is organizational alignment. In order to develop relevant HR metrics you must have organizational alignment, which also requires a shift from the old mindset and role of HR. Does your business integrate the HR function? This means that what has been traditionally been called the personnel or human resources, HR, function has undergone a fundamental re-orientation from being strictly a support function involved in managing, personnel processes, and insuring compliance with rules and regulations to taking a place at the table with the businesses top management team. They should now be more appropriately called human capital professionals. The other question to ask yourself is does your business have an explicit workforce planning strategy to identify its current and future human capital needs – including the size of the workforce, it's development across the organization, and the knowledge, skills, and abilities needed for the agency to pursue its shared vision. Once again, these are important elements to have in place to develop the appropriate metrics. The next area is leadership. Ask yourself has your business
defined the kinds of leaders it wants? For example, their roles, responsibilities, attitudes, and competencies, and the broad performance expectation it has for them in light of the company’s shared vision. You’ll also want to ask has your business defined an explicit strategy to promote teamwork and communicate the business’s shared vision in clear, consistent terms to all levels of the organization – including opportunities for feedback for new, existing, and exiting employees through focus groups or employee surveys. You’ll also want to ask has your business taken the steps to insure continuity of leadership through executive succession planning. This includes a review of your current and emerging leadership needs in light of its strategic and program planning, and identify sources of executive talent both within and outside the agency. Investments in an executive development program that includes planned developmental opportunities, learning experiences, and feedback for executive candidates. Here are some metrics you may want to consider: what are your attrition rates; retirement eligibility and the retirement rates of your executives; what is the percentage of leaders brought in through external recruitment or promoted internally; what is the effectiveness of mentoring programs, shadowing, or training programs in developing your future leaders; and what skill sets do you measure to identify or evaluate current and emerging leadership. The next area that you’ll want to look at is talent: does your business have a recruiting and hiring strategy that is targeted to fill short and long term human capital needs, and specifically to
fill the gaps identified through its workforce planning efforts. Next – does the agency make appropriate investments in education, training, and other developmental opportunities to help its employees build the competencies needed to achieve the business’s shared vision? Also ask does your business have a compensation system to help it attract, motivate, retain, and reward the people it needs to pursue in its shared vision. Also ask, is your business an employee friendly workplace – does it provide the flexibility, facilities, services, and work/life programs to help compete for talent and insure employee satisfaction and commitment to your business and its shared vision. These are some areas to consider when creating your metrics: How do you measure the effectiveness of your compensation plan? How do you make appropriate investments in training and development? How do you measure employee satisfaction? How do you know or measure the skills to reward, retain, and motivate your employees? And the last area is performance culture – as we go through these, think of ways that you may be able to measure each one of these: performance initiatives – are meaningful performance initiatives in place to support your business’s performance management system? Also, continuous learning and improvement – does your business encourage and motivate employees to contribute to continuous learning and improvement? Job processes, tools, and mission support – are job processes, tools and mission support structures tailored to help employees effectively, economically, and efficiently pursue their work?
Information technology – are employees making the best use of information technology to perform their work and gather and share knowledge? And inclusiveness – does the agency maintain an environment characterized by inclusiveness and a variety of styles and personal backgrounds; and is it responsive to the needs of diverse groups of employees? Again, this 5 part assessment is an excellent starting point to determine where you currently are, where the gaps are, and what you may need or what you may want to measure so that you can make more informed decisions. And that completes module number two.

[End of recording]
Unfortunately, measurements and metrics can easily go awry. Most data pulled by organizations are not very informative or interesting, so as we struggle to create reports that will help our organization leaders solve business problems how do we know that we’re pulling the right data and assessing the right information? Here are some of the most common metric selection mistakes and traps to avoid. Long story short, you want to make sure that you ground all your metrics in how much money is it going to cost me, how is it going to make me new revenue, or how is it going to save me in reduced expenses. So how do you select the right metrics? Avoid selecting metrics that are easily accessible but don’t solve real problems for your business, and shun the ‘nice to know’ metrics that don’t translate into business imperatives. They’re a waste of your time and a waste of your effort. Instead, start with your organizations unique business problems. Design your workforce analytics to help solve those problems and then select your metrics. So here are the pitfalls or the traps to avoid: Dr. John Sullivan write an article entitled “Do You Have Inefficient HR Metrics: 25 Reasons Why You Might”. I’ve combined and narrowed down these 25 reasons into 7 key traps that many businesses
fall into when beginning to establish effective HR metrics. The first mistake, or trap, is not linking your metrics to company goals. Metrics measure results associated with objectives. Continue to ask: are our metrics associated with our objectives? Why are we measuring that? You may be surprised to find out that you’re measuring things that are not associated with your objectives and therefore are a waste of resource and can cause you to lose focus. Remember that executives have a narrow agenda, so don’t forget to tie each reported HR metric directly to a business goal or problem. A business problem – not an HR problem. HR metrics are not measuring day to day activities like how many phone calls somebody made – that’s left to managers; your HR metrics are measuring your human capital typically in terms of time, quality, cost, satisfaction, retention, and engagement. The second trap, or pitfall, is selecting too many metrics. More metrics does not always lead to more knowledge. Too many metrics measure activity and not results – this is a big issue, especially if they’re not tied to particular business goals. Rather than developing a metric for every little whim, limit metrics to one for every major HR goal and major people management problem or opportunity. Only report the handful that directly impact items on the executive’s current agenda. That usually means the cost of poor hiring, or weak retention, or lack of leaders; and never the cost per hire, or the training hours per employee. Mixing powerful metrics with low impact ones can cause the best ones to be missed. With too many metrics managers get
bogged down in tracking and implementing all of them – figure out which ones really matter, which ones really demonstrate HR’s impact on the business. Often, companies get bogged down by focusing on tactical metrics. Tactical or transactional metrics help you improve the operational aspects of specific functions or programs. In contrast, HR or strategic metrics highlight areas of opportunities that directly impact a major business goal. It’s a mistake not to use the 80/20 rule and spend 80% of your time and resources on the 20% of your metrics that are truly strategic. Metrics should be limited to 3 to 5 for any objective. Don’t get trapped in measurement overload – take 3 to 5 metrics that are best associated with your objectives and forget the rest. I know that’s hard to do. Chances are that some of the other measurements are good activity indicators that you can use to help manage your day to day business, but they fall short when it comes to associating them with your objectives, which are typically broader in scope and longer in execution. So forget them, and don’t look back until you’re at the stage of goal setting and refinement. The third trap is that metrics are not driving their intended action. Make sure that every metric you select has an intended action behind it. Pre-test each metric reported to executives to insure that they are powerful enough to cause the managers and executives to want to take action immediately. Non-compelling metrics get only an hmm, so what; or hmm, that’s interesting reaction from executives. Merely collecting and reporting metrics can have a powerful impact on behavior
so you want to make sure that you’re rewarding your managers and HR professionals. If you fail to reward them for producing superior metrics results you are missing a powerful opportunity to further drive behavior and decision making. Whatever you measure and reward gets done faster and better. Even when your metrics have the desired effect of causing managers to want to take action, they may still hesitate or may even take the wrong action. In order to avoid this problem you need to provide decision makers with guidance as to the most and least impactful actions that are available to them. Another trap, or pitfall, is using only standard measures. Avoid using standard metrics. Instead, really try to focus and figure out what metrics are important based on your organization’s unique needs and opportunities. A common error is to over benchmark to the point where the metrics you select are merely a reflection of the metrics that every other firm is using. Unfortunately, because there’s little connection between common metrics and effective metrics, copying can result in metrics that do not fit your organization and its problems. Although many HR software packages, metrics providers, and consultants provide an excellent set of metrics it is a mistake to rely 100% on them. It may be necessary to supplement them with a few high-value metrics and measures that fit specifically to your organizational needs and problems. One size does not fit all. The next trap is using metrics that are too complicated. Don’t provide metrics that are too complicated for the average executive to understand within a minute. If
necessary, continually refine your metrics until they’re very easy to understand. Metrics should be easily calculated – they don’t need to be complex. In fact, the simpler that they are the more likely they are to be focused on an objective. Having complex metrics also leaves plenty of room for error, and lack of understanding throughout the organization. Also, you want to define the formulas behind the metrics and where the data is coming from – because it drives confidence in the data. Record which metrics you’re measuring and how you’re measuring them and keep records of your methodology, formulas, and definitions. The next trap is not comparing figures over time with other factors. Benchmarking and trending are very helpful. Current numbers are important to know, but it’s more important to know your figures are improving or worsening. Almost all HR metrics are historical. Unfortunately, executives can care more about the future than the past so focus on metrics that are forward-looking and that alert managers about upcoming problems and opportunities. For example, key employee turnover will likely increase 8% in the next quarter. Most metrics serve a single purpose that tell you what happened; in order to fix a problem you need to know the cause or the why something is happening. As a result, for critical statistic metrics you need to gather supplemental data that reveals the cause. For example, turnover numbers that can be supplemented with exit interview data or why people quit. To really understand the number and what it means, you have to understand how it changes over time. This goes for any type of
metric that you’re looking at – attrition, retention, absenteeism, and even head count. You want to know if you’re getting better or if you’re getting worse. Is a particular initiative working, or is it not working? You also want to see the patterns and the trends. Trending provides the needed historical context. Understanding what happened in the past and what happened after a particular event such as a merger or a specific training. This will allow you to make better decisions in the future. And the last one is not designing metrics for decision making. The primary purpose of metrics is to improve the quality of people management decision making. However, when you provide only stand-alone, year-end, historical metrics you’re not supporting better decision making because the actual problem might not have occurred at the very end of the year. By supplementing the statistic year-end metrics with an alert or a heads-up warning system managers can be made aware of problems when they’re actually occurring. Recording a single number by itself usually has little meaning, while including a benchmark comparison number this can instantly excite managers and executives. For example, our turnover is 9% but it was 4% last year, and the industry average is 2%. Include a failure, passing, and excellent score for each metrics. Other powerful comparison numbers might include the percentage of change and the best and worst within the firm, or even within the industry. I would also like to add that once we know what is to be measured, and we launch the measurement, and we report and analyze the results it would be a total waste of resources if not
acted upon. Gathering metrics for metrics sake makes no sense. If something is worth doing, it’s worth measuring; and if it’s worth measuring, its work analyzing to squeeze out every ounce of meaning and apply it to your business processes. So here are the 7 traps to avoid: not linking metrics to company goals, selecting too many metrics, metrics that are not driving their intended action, using only standard measures, metrics that are way too complicated, not comparing figures over time with other factors, and not design for decision-making. So instead, you want to start with your organization’s unique business problems and design your workforce analytics to help solve these problems and select your metrics.

And this completes module number three.

[End of recording]
Module #4 – How to Align Measurements to Meet the Organizations Objectives

We are now going to take a look at the recommended processes of developing an HR metrics to meet your organizations objectives. Let’s start by looking at the most common process for using HR metrics. This illustration comes from Dr. Kevin Carlson, who’s an Associate Professor of Management at Virginia Tech. One of the common first steps is that we measure a bunch of stuff. We have a lot of data. Now you may have an excellent human resource management system that tracks everything; and there’s a tendency for companies to start with the data that’s already available. How many people are in each department; how many training hours have you provided; what’s your absentee rate, your turnover rate, etc.? So you take that data, and let’s say it’s the number of training hours – you’ve tracked all of the hours that employees have spent in training and now you pull up the information. You now turn the data into a metrics, so now you look at the information and you see that you’ve provided an average of 24 hours of training per employee – great. You have the information. Then we try to figure out what kind of analysis we can do on this data – what knowledge can we glean from this metric? We may compare it to other company’s standards and we may now consider that we’re doing too much training, or not enough training, or just the right
amount of training. From here we look at a problem to solve. Well, if most companies in our industry provide an average of 30 hours of training and we’re only providing 24 hours of training, then the problem is that we’re not providing enough training for our employees, so we need to get them into more training classes. If you look at this chart, it’s a solution looking for a problem. It’s looking for a justification and a reason for measuring what you’re measuring. It has no foundation in the company’s shared vision or its strategic objectives. And it becomes ‘nice to know’ information. It may or may not lead to action, and if it does lead to action is it leading to the right action, or is it just action for action’s sake? Just like we’re collecting the data for the data’s sake. We need more training just because our data metrics and analysis says we need it. That’s really a backwards approach to establishing HR metrics. So now let’s take a look at the recommended process of developing HR metrics. Instead of a solution looking for a problem, we should start with the problem and look for a solution. This is a little different approach. Instead of starting with the data that’s available, we actually need to talk to our business leaders, our HR leaders, and find out what challenges or workforce issues they’re facing and what’s the highest priorities based on the business goals, objectives, and shared vision that’s associated with that problem or challenge. Once you’ve identified the problem or the challenge, then you take a look at the analytics and carefully select what you need to analyze and the scope of the particular problem. From there you then choose the
metrics and then finally the data elements that make up the metrics. So you can see this is a different way of thinking. So let’s take a look at an example to drive this home a bit. Let’s say that one of the company’s objectives and priorities is the retention of key talent. And perhaps not only is this a high priority initiative, but maybe it’s also a current problem that you’re facing within the organization. So the first thing that you want to identify is the company objective and what is the problem or opportunity that you’re solving. Next, you would ask what type of analytics – or what do you need to know in order to solve the problem or measure the success of fulfilling on the company’s objectives. You would need to understand the extent of the problem, or the opportunity. Is it a large issue company wide, or is it a problem within a specific region, or within a specific department? How has it changed over time, and are there any special circumstances that affected turnover – such as a merger or a change in leadership? Where is it the most prevalent? Again, is it companywide or is it within a particular department or division? What population is it occurring in? Is it affecting a particular age group, or maybe it’s only one manager’s organization. Is it getting better, or is it getting any worse? You also want to look at what may be causing the retention issue. Is it employee satisfaction? Is it working conditions or environment? Is it the lack of rewards, benefits, challenge, or advancement opportunity? Or is there some other factor involved? Once you are aware of the information that you need in order to identify if you
indeed are fulfilling on your company’s objectives or solving the problem, then you want to take a look at what metrics you need to measure in order to answer these questions or get those analytics. Attrition rate, involuntary or voluntary termination rate, employee engagement and satisfaction rate, identifying top performers, etc. From there you then need to look at the data elements to support these metrics that you need to be sure to collect and track. Things such as terminations, head count, voluntary and involuntary terminations, employee engagement scores, employee’s ages, departments, managers, divisions, hire date, termination date, employee performance rating, etc. So again, we want to start with the business objective and the problem or opportunity connected to it. Then ask what do we need to know in order to make the decisions and accurately know if we’re fulfilling on the objective, solving the problems, or taking advantage of the opportunity. Then from the questions, ask what do we need to measure in order to inform our decisions and know that we’re fulfilling on the objective, solving the problem, or taking advantage of the opportunity. And finally, what data do we need to collect to provide the measures or the metrics in order to inform our decisions to know if we’re fulfilling on the objectives, or solving the problems, or taking advantage of the opportunity. So you see how this works? Ultimately you want to be able to report something like this: the turnover rate of our top 25% rated employees is below 5%. Employee survey results show that the performance bonus system put into place to recognize top rated employees, as well as flexible
scheduling, were the key reasons for the drop in turnover. When compared with our industry, we are well above our competitors. Remember, the reporting and the metrics should be easy to explain so executives can understand the information and its impact quickly. Also remember, it should be designed for better informed decision making and drive the intended action of the company’s objectives. In this case, it’s retaining key talent. Now, if you reported that the turnover rate of our to 25 rated employees has increased in the past month by 2%, and the employee exit survey results indicated that the lack of flexible schedule and the lack of advancement opportunity were the key reasons for this increase in turnover, and that when compared with our industry we have dropped below our competitors – this is going to have executives sit up and take notice. They now also have solid information to make some informed decisions on what they need to do in order to fulfill on the company’s objective of retaining key talent within the organization. Ultimately we want to use our metrics for this type of reporting. So once again, in order to align measurements to meet the organization’s objectives you start with the objective. You then solve the problem, you create the analytics, you create the metrics, and then you collect the data that you need in order to ultimately create reports that executives can use to make informed and powerful decisions. Use this same process to go through each one of your company objectives in order to find the metrics that you need to track in order to create the reports.
Module #5 – Ways to Implement an HR Measurement Program

We are now going to wrap things up by taking a look at the 4 steps to implementation. The first step is to establish ownership and accountability. Determine who is on board with your HR measurement program and who is responsible for collecting the data, reporting the data, evaluating the data, and most importantly – using the data. HR is not responsible for everything. Metrics are not a scorecard, but a reflection on the people management skills of all of the managers. If HR doesn’t make this point very clear from the very beginning, managers will simply respond by saying okay HR, come back to me and tell me when you fix the problem. You don’t want that. And for that reason, it’s recommended to establish a steering committee to develop and implement the metrics. The committee should be driven by its HR representatives, but it should also contain representatives from payroll, accounts payable, IT, and finance. For example, line managers could fudge their figures to make themselves and their functions look better than they really are; and accounts payable and finance will be aware of some of the uses – such as using contractors; and the technical expertise of IT is essential to advise you what is feasible in the way of metrics and the best ways to use it, and the best way to do it. Key leadership – such as the CEO or the President – should be involved at some level. If metrics are to be aligned with the
company’s shared vision and strategic objectives it’s important to stay on top of the measures that they need to steer the company in the right direction. Consult the stakeholders and bring a plan to the table. Approach your stakeholders with a proposal that outlines what metrics you believe would be the most valuable to them. You should use this proposal as a starting point and allow the stakeholders to provide feedback and adjust the plan based on it. They will prefer that you interact with them as if you have a clear plan, rather than developing the plan mutually, totally from scratch. That way you can get their input and their feedback and their support and also their buy-in. The second step to implementation is to determine the scope of the HR metrics and choose the metrics to measure. In The Human Resource Metric Blog Fred Pratt gives a very simple process for choosing the metrics to measure. He suggests that you start by asking the question ‘if I were stranded in the board room with my CEO, which 5 metrics would I choose to discuss’. Now keep this question in mind as you go through the exercise. Here is his step by step process that will help you separate and prioritize your metrics. It may seem very simple, but it’s necessary and can provide some very valuable insight. The first step is to list the top 3 to 5 objectives of your organization as stated by your CEO. So what would your CEO consider to be the top 3 to 5 objectives. Then list the top 3 to 5 objectives of your HR department. Remember, one of the key pitfalls is not linking your metrics to company goals and objectives, so this is an important starting point. So
once you have those objectives, then list all of the things that you currently measure. What type of measurements are you doing already; what type of metrics are you already tracking? Then besides each measurement state briefly why you actually measure it. And then match each of the measurements with each of the objectives – both from the CEO and your HR department. If you have measurements that are not associated with any of the objectives you listed then throw them away. Yes. Get rid of them and stop measuring them because they’re a waste of time and a waste of resources. Then you want to pick the top 3 to 5 measurements that most strongly identify whether or not you are achieving the specific objectives. And those are your metrics. And that’s how you choose your metrics. Another good question to ask stakeholders is what measurement would you like to receive that would help you perform your job better? Again, start with the company objectives; start with the shared vision; start with those strategic objectives. The additional measures that are left are what we call activity indicators – the number of sales calls, the number of training hours, etc., and they may be important to running day to day operations of the business but they are not metrics associated with objectives. Pratt believes that some of the top metrics can be associate with the most common company objectives, and that there’s optimal ways to measure each. There are clearly others, but here are some of the metrics that can help you get started: metrics inside of time, quality, cost, satisfaction, retention, and engagement. So once you have determined
the scope of your HR metrics and you’ve chosen the metrics to measure, the third step to implementation is to determine how you will implement the program and track the metrics. Will you do it yourself with your own resources? Will you evaluate software solutions, or do you currently have software solutions that you need to modify; or are you going to hire a consulting firm to help you do it all? Which solution you use typically is determined by the size of your company. In general, a number of different data capture methods are available. The most common are manual reports, Excel spreadsheets, and human resource management systems, or HRMS. Less common but still used are proprietary management information systems, MIS; enterprise resource management systems, ERP; and simple databases such as Microsoft Access. The larger the organization, the more likely you are to store reporting in an HRMS or an MIS system. The smaller the organization the more likely you are to depend on manual reports and Excel spreadsheets. Although typically organizations of all sizes have some dependence on Excel and manual reports for record keeping. So how do you currently track your data, if at all? If you currently have a human resource management system or other type of software solution, does it need to be adjusted to track your new measures? If you don’t have any type of software solution, do you need one? You will need to do quite a bit of research here – there are tons of companies out there that are offering solutions, be sure you select the one that best suits your company’s needs and objectives, and has some
flexibility to measure data specific to your company and gives you the type of reporting that you want or that you need. Another route, especially for larger companies, is to hire a consulting firm. Again, you need to do your research here – there are a lot of consulting firms out there that offer lots of bells and whistles and razzle dazzle; once again, make sure the consultant you choose fits the requirements of your specific company. I can’t emphasize this enough – one size does not fit all. Consultants can help you find the metrics to measure, recommend the software solution to use, and help you and hold your hand through the entire implementation process start to finish. If you have a larger company and the budget to spend, this might be the best solution. And the fourth and last step to implementation is to start slowly and be patient. Approach the adoption of metrics in phases. Steven Moore, the Managing Director of the consulting firm Optimum Performance estimates that a good HR metrics system will take around 18 months to set up properly. He suggests starting out with just 5 of the most important metrics, and then adding another 5 around 6 months, and the rest at least 12 months later. A phased approach is best to determine long-term, sustainable change. Introducing a lot at once is likely to overwhelm people, and if there are initial bugs, the credibility of the entire project will be damaged. Fear of the unknown and resistance will dominate if change is dramatic, and your energy will be focused on dealing with that issue rather than your metrics and objectives. This approach also allows you to focus on the components of the measurement
process instead of the entire process all at once. So it’s recommended to start with a narrow focus, gain some advocates and some small centers of excellence that you can highlight to others. You should also stick to your guns – avoid making any changes to content for at least the first 6 months. Remember, we need to track metrics over time – and this also gives users sufficient time to understand the key performance indicators and the rationale behind them. Which means that they’ll be less likely to ask for changes in the future. So remember to start slow and be patient.

So the four steps to implementation is to establish ownership and accountability, determine the scope and choose your metrics, determine the implementation method and how you're going to track your metrics, and then start slow and be patient. And that completes module number five.

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