HR Metrics & Analytics

Strategic HR

Hire ❖ Develop ❖ Retain

Metric vs Analytics

Metric: A metric is a quantifiable measure that is used to track and assess the status of a specific business process.

Analytics: Analytics is the scientific process of discovering and communicating the meaningful patterns which can be found in data in order to draw conclusions and predict outcomes.

The History of HR and Metrics

The role of HR has changed over time, and therefore the things we measure, or the amount of measurement associated with HR, has also changed.

Decade	HR Role	Metrics
1900's	Find and Hire	Number of Employees
1920's	Payroll	Cost of Employees
1930's	Labor tracking and Negotiation	Work Hours Production
1950's	Policy Development Training	Infractions Number Attending
1970's	Government Rules and Regulations	AA/EEO stats, Applicant Tracking, Work Comp
1990's	Efficiency, Change	Productivity
2000's	More with Less, Best Practices	Cost Savings, Benchmarking
2010's	Talent, Capability, Culture	High Performers, Quality of Hire

The Changing Role of HR

The purpose of HR metrics in the past has been to document activities and how well HR was performing. Now the focus is on demonstrating the value of HR initiatives by aligning those efforts to organizational outcomes.

THEN		NOW
Operational	→	Strategic
Policing	→	Partnering
Administrative	→	Consultative
Function Oriented	→	Business Oriented
Reactive	→	Proactive
Activity Focused	→	Solutions Focused
HR is Nice to Have & We Know It	→	HR is Beneficial to Have & We Show It

What To Measure

"Not everything that counts can be counted, and not everything that can be counted counts."

William Bruce Cameron

Assessing the Current State

What are you currently measuring in your organization?

Who receives the information?

What is changing as a result of this information?

What would you like to be measuring (but currently are not) and why?

Aligning HR Goals to Business Goals

The key to determining what to measure will depend on what matters to your organization. HR goals will align with business goals when you can demonstrate how the HR strategies contribute to the overall success of the business.

Typical Organizational Goals:

- Increase Revenue/Sales
- Increase Market Share
- Increase Profitability
- Increase Awareness/Education/Resources
- Innovation/Cutting-Edge
- Cost Control
- Product Development
- Improve Productivity
- Customer Satisfaction/Retention

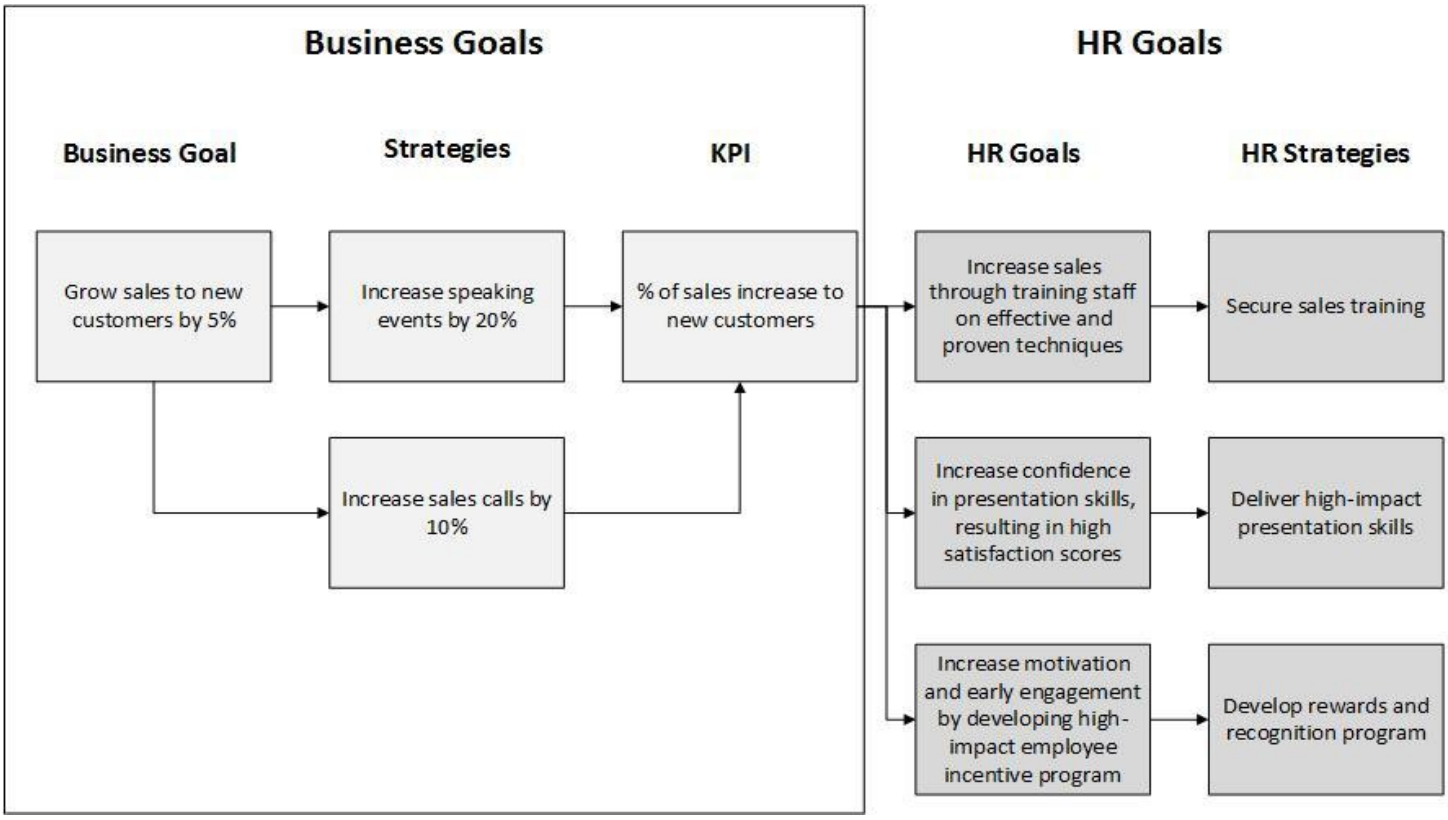
Determining What Matters Most

- Staying profitable
- Having successors ready for key roles
- Driving a culture adaptable to change
- Expanding in the global market
- Losing high performers
- Being on target with technology trends
- Reducing company costs (including turnover costs)
- Engaging employees and leaders
- Addressing underperforming divisions
- Staying competitive
- Being seen as an employer of choice/best place to work
- Overall employee development and productivity
- Being seen as socially and environmentally responsible
- Ethics and integrity of manager decisions
- Acquiring or merging with another company
- Growing the business into niche markets
- Minimizing expenses and risk
- Financial Data

Asking Exploratory Questions

A common ground you can explore between you and your senior leadership is around minimizing risk and retaining talent. Conversations can open up around how the organization is making the right kinds of investment in the right talent to meet future goals. In addition, senior leaders need to know that employee disputes can lead to costly expenses, by way of wage and hour errors and claims of wrongful termination, so it's important to have a defensible practice.

- What are the key business goals – now and in the next 5 years?
- How do people impact the success of these key business goals?
- What internal and external factors impact our sales/expenses/the bottom line?
- How would you describe our company culture?
- Why do our customers stay with us?
- Who is our competition and why would we risk losing customers to them?
- What are your pain points? What keeps you up at night?
- What is it costing the organization to have this pain point?
- What would things look like if this pain point went away? How long do you think the remedy would take?
- What has been tried so far? How has that worked/not worked?
- How can HR help? What role would you like me to play?
- What will be the obstacles?
- What metrics would you like to see? Have you considered….?


Business Goals
HR Goals
Business Goal
Strategies
KPI
HR Goals
HR Strategies
Grow sales to new customers by 5%
Increase speaking events by 20%
% of sales increase to new customers
Increase sales calls by 10%
Increase sales through training staff on effective and proven techniques
Secure sales training
Increase confidence in presentation skills, resulting in high satisfaction scores
Deliver high-impact presentation skills
Increase motivation and early engagement by developing high-impact employee incentive program
Develop rewards and recognition program

Case Study What's The Problem at Widgets and Jigs?

At last week's management meeting, the Sales Vice President discussed a growing concern about Widgets and Jigs 40 percent product return rate. She told Production that this had to stop immediately and suggested that the company implement 100 percent inspection before shipment.

The Quality Manager spoke up and indicated that this would require him to hire another QA Tech full-time. The Production Manager commented back that he would need at least 3 additional people to handle the rejected product that would have to be reworked. He also complained that his current workforce did not have the sills needed to do the job.

HR pointed out that the Production Manager has been sent qualified candidates but his Supervisors ended up not selecting them because they were asking for a higher pay rate than existing employees.

The Shipping Manager remarked that she would most likely be able to save $200/day in reduced shipping costs if the product return rate was cut in half so maybe some of that aings could be used to hire more people. With that, the President turns to HR and asks how the problem can be solved.

1. What is the main business problem?

2. Is this a problem worth solving? Why or why not?

3. Which potential HR focus could provide a solution and how?

- Recruiting

- Learning & Development

- Performance Management

- Compensation/Benefits

- Organizational Development

- Risk Management

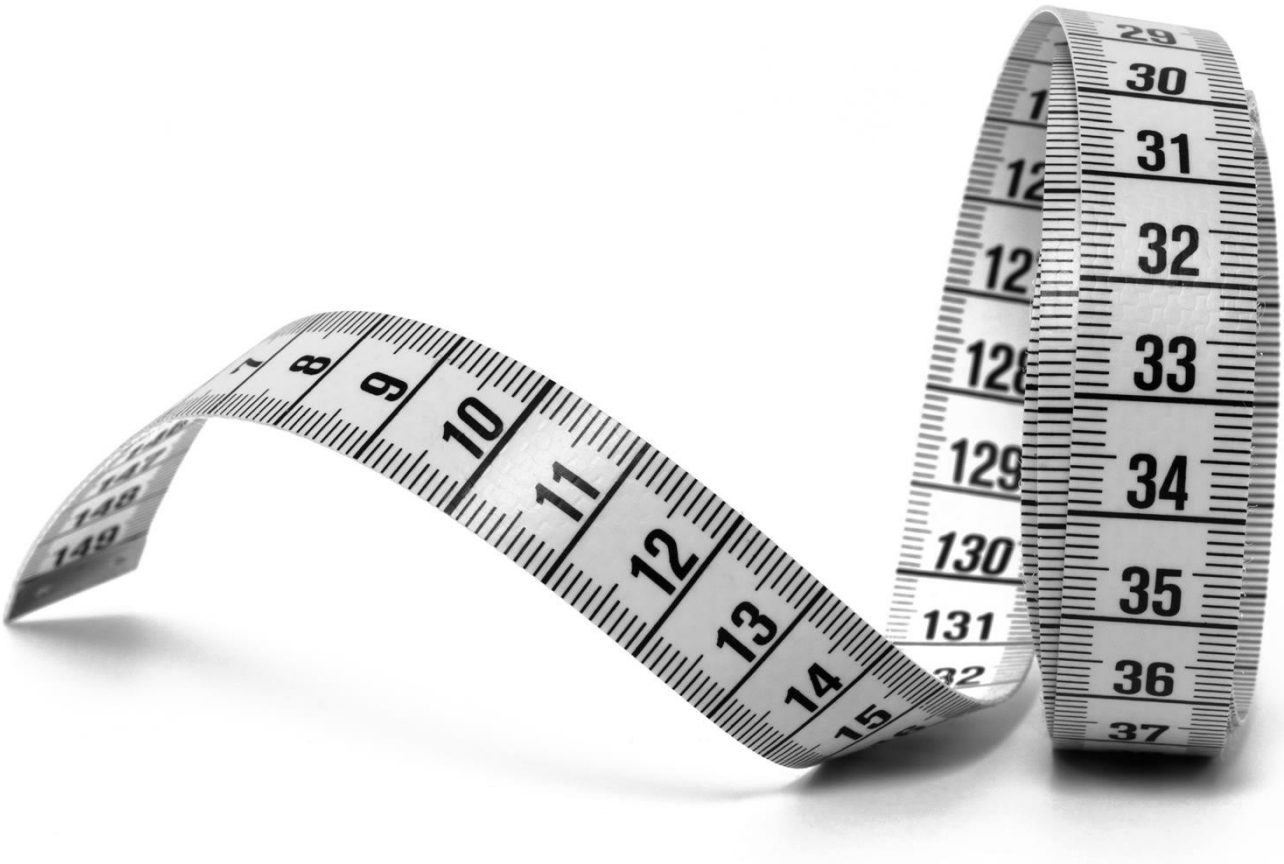
4. How will you determine which HR deliverable is the best option?

Key Takeaways

1. Every business goal or problem has a people implication. Based on the goals of your organization, define how those goals will be delivered through people.

2. Before HR professionals focus on calculating metrics and other data, they must first determine how their activities link back to the business strategies.

How to Measure



"Without data, you're just another person with an opinion."

W. Edwards Deming

Data

There are primarily two types of data:

Quantitative is data that can be counted or expressed numerically; for example, number of employees. Quantitative research is based on numbers and mathematical calculations. Quantitative data defines.

Qualitative is data that can be observed but cannot be measured; for example, employee engagement. Qualitative research is based on written or spoken narratives. Qualitative data describes.

Where Does Data Come From?

Data can come from a number of sources including:

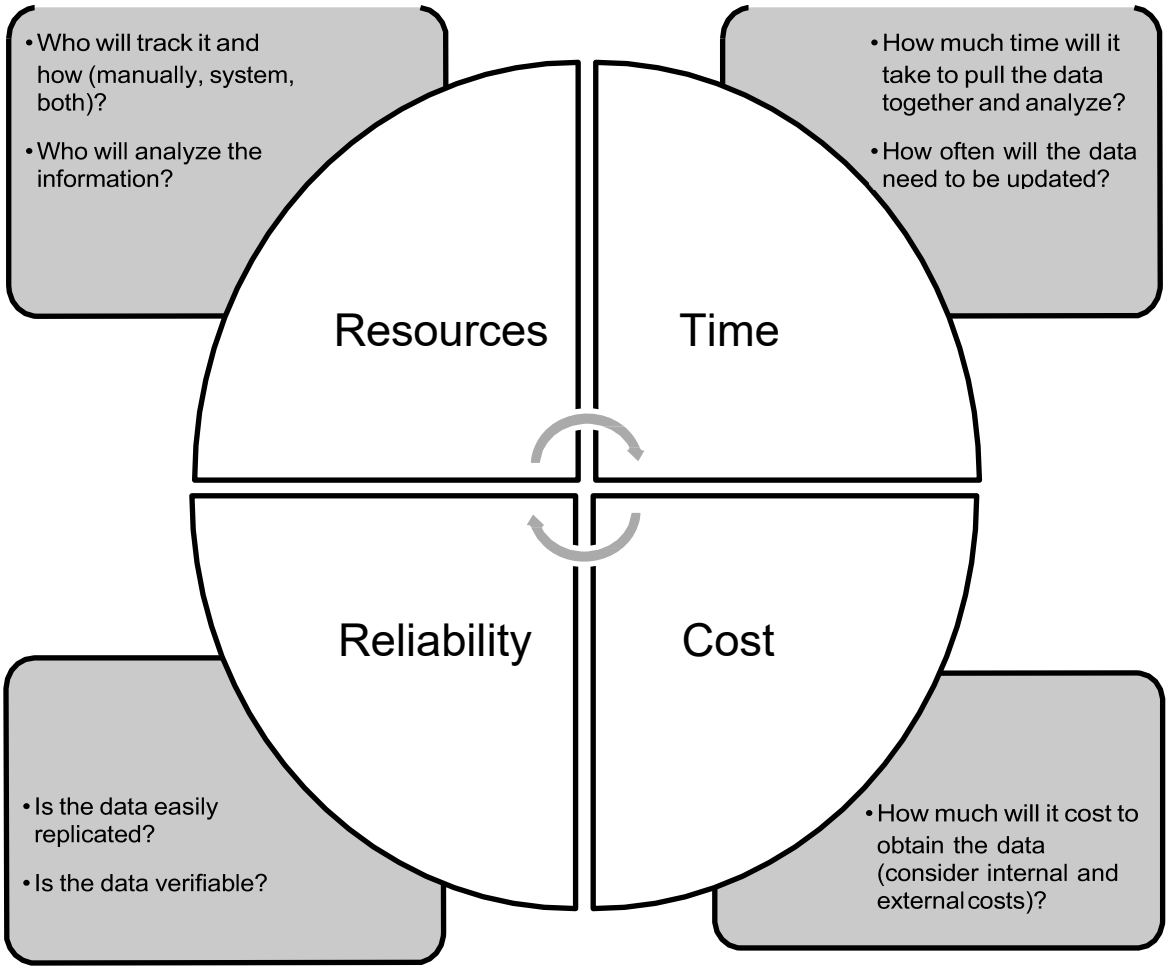
- Personnel records
- Observations
- Interviews
- Focus groups
- Questionnaires
- Third party surveys
- Company reports

Where Would You Get Data?

Employee Engagement	Time-to-Productivity
Productivity Level	**Quality of Hire**

Cost of Turnover	Turnover/Retention
Cost of Training	**Time-to-Fill**

Considerations for Gathering Data



Measuring the Value of HR

HR can collect three different kinds of measures in order to better understand and evaluate the impact of HR activities and to influence business strategy and performance.

Efficiency: Quantifying the performance of the HR function. Focus is on reportable numbers with documented processes.

- Time to fill
- Cost per hire
- HR cost as % of total operating expense
- Training cost per employee
- Health care cost per employee

Effectiveness: How well HR initiatives deliver on intended results. Focus is on monitoring trends and summarizing what happened.

- Health care costs after introduction of a wellness program
- Performance improvement after attending training
- % of turnover after the rollout of new onboarding program

Impact: How well the HR initiatives met the priority and future needs of the organization. Focus is on long-term strategic value (i.e.: analytics).

- Using a model to predict which employees are most likely to leave
- Identifying attributes that indicate high potential

Common HR Metrics

1. ***Revenue per Employee***. Helps determine the value of employees to your business.

   Total revenue ÷ Total number of employees

2. ***Cost per Hire***. Measures what you're paying to recruit and onboard each new employee.

   All recruiting and HR staffing costs ÷ Number of new hires

3. ***Employee Turnover.*** Used to determine if your employees are happy or not.

   Number of employee terminations ÷ Average number of employees

4. ***Overtime Percentage***. Tells how efficient scheduling is

   Overtime pay amount ÷ Total payroll

5. ***Absenteeism***. A measure of either your employees' health and wellness or happiness level of employees.

   Workdays missed ÷ Total workdays scheduled

6. ***Length of Service (Tenure).*** Indicator of employee job satisfaction

   (Today's date – Employee's hire date) ÷ 365

7. ***Job Satisfaction Rate***. Can be measured on an employee satisfaction survey; measures level of engagement.

   Number of people who report being satisfied ÷ Total number of employees

8. ***Profit per Employee***. Helps ensure you are not understaffed.

   Business profit ÷ Number of employees

9. ***Health Care Costs per Employee***. Helps understand how much of your budget is being spent on employee health insurance costs.

   Total health care costs ÷ Number of employees signed up for health care

10. ***Benefits Cost per Employee***. Helps understand how much of your budget is being spent on benefits.

    Total benefits costs ÷ Total number of employees eligible for benefits

11. ***Average Time Until Promotion or Pay Increase***. Measures how long it takes for an employee, on average to be promoted or receive pay increases.

    Date of pay increase or promotion – hire date

12. ***Cost of HR per Employee.*** Tells you how much you spend in HR support and can help with HR staffing.

Total HR salary and benefits ÷ Number of employees

13. ***Training Spend per Employee***. Determines how much money you spend on employee training.

Total training costs ÷ Number of employees

14. ***Time to Hire.*** Determines how long it takes to fill positions.

Start date – Date of first interview

15. ***Offer Acceptance Ratio.*** Shows percentage o people you offer jobs to that accept them vs how many decline.

Number of offers accepted ÷ Total job offers extended.

16. ***New Hire Fail Rate.*** Shows how many employees voluntarily leave, or quit, shortly after starting (could be 30, 60, 90, 0r 180 days). Is an indication if change is needed in the selection process

Number of new hires that quit or are fired ÷ Total new hires in that time frame

17.

18.

19.

20.

What Metrics to Use?

The best metrics to use will be dependent on what your organization wants to achieve and what needs to improve. The best metrics are:

- Aligned with HR Goals
- Tracked over time
- Easily defined
- Compared to benchmarks
- Actionable (if you aren't going to take action on it – don't measure it)

Analyze What it Means

"Nobody questions the importance of knowing what happens outside, but such knowledge should be preceded by knowing what happens inside."

Jac Fitz-Enz

How Do You Know What You Know?

Gathering data and figuring out what to measure is not the ending point. To provide insight, HR must be able to analyze the information using critical thinking skills to determine if the data is solid and whether the numbers/percentages going up or down are good or bad for the organization.

Is the Data/Information Empirical or Anecdotal?

- Empirical data is evidence, fact, research based, repeatable, tested
- Anecdotal data is stories, casual observations or information passed along by word of mouth

Does the Information Show Correlation or Causation?

- Correlation is the mutual relation of two or more things or parts. It can be positive or negative. As one factor increases, another increases or vice versa – as one factor increases, the other decreases.
- Causation is the action of causing or producing; the relation of cause to effect. Logically, for one event to cause another, it must occur first in time.

When analyzing information, ask yourself:

- Do I know the who, what, when, where, how, why?
- Am I jumping to conclusions or accepting information at “face value?”
- Am I ignoring any key information? What else could be going on in the organization that would impact this measurement: group/department, individual, culture? What about external factors: economy, new legislation, technology, competition?
- Do I need more information? Brainstorm with others – do a SWOT analysis

Analyzing the Data – Turnover Example

Turnover rate is a number and without digging deeper, we really don't understand who is likely to leave and when they are likely to leave. To gain insight into underlying causes, it is necessary to ask questions and be a detective. Go beyond basic metrics to find the story it is trying to tell you – find out the who, what, when, where, and why.

Turnover Rate – in this case the turnover rate is increasing over time:

Q: What is the description of the metric OR put another way, What does it tell you?

A: % of individuals who have left the organization in a year.

Q: How do you know – How did you get the metric?

A: Took the number of termed employees in a year / the average number of employees in a year and multiplied by 100

Q: What kind of metric is it?

A: Efficiency

Q: How reliable is the data? How do you know?

A: Reliable. Pulled from the current HRIS with verified term codes.

Q: What does that number mean?

A: It means people are leaving the organization for some reason.

Q: Why does it matter – Why should HR care?

A: Turnover causes more hiring which is costly to the organization, and impacts morale which in turn impacts overall productivity (in a negative way).

Q: What happens if we do nothing about turnover?

A: We will be continually replacing employees which means recruiting and training.

Q: What happens if we improve our turnover rate?

A: If turnover decreases, we can translate that into the organization saving money through decreased hiring costs.

Q: What's the cause of the turnover rate (assuming it's high)?

A. It might be bad management

Q: How do you know what the cause is?

A: Exit interviews and gossip (this is where you are collecting data)

Q: How confident are we in the data?

A: Not very, We haven't done that many exit interviews and the gossip has not been verified by solid facts or incidents

Q: What else could it be? What other variables could be at play?

A: Could be pay, could be working conditions, could be bad management

Q: Why:

A: Rumors

Q: Who could you ask to find out? How long would it take?

A: Could ask managers or current employees. Would probably take a few months.

Q: Is that an acceptable timeframe or is there an immediate need to solve a problem?

A: Yes, it's an acceptable timeframe

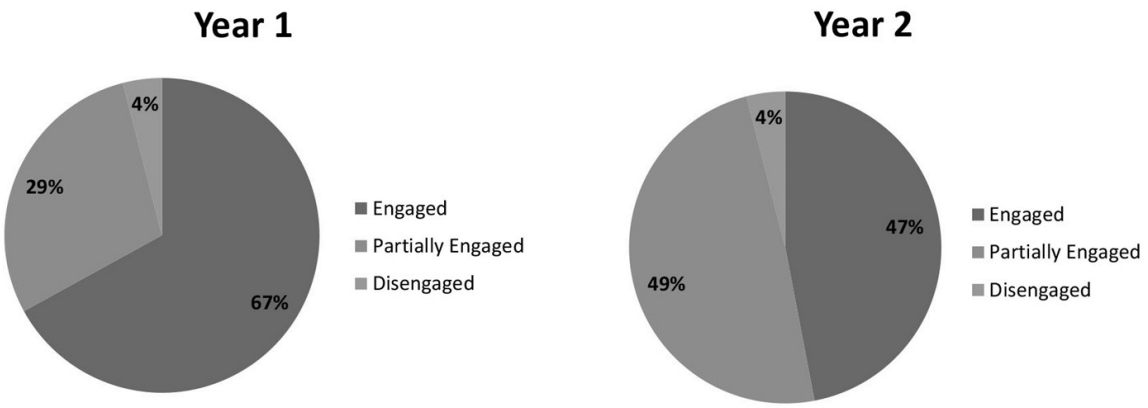
The basic elements of critical thinking include: separating fact from fiction, evaluating several alternatives, reaching a conclusion based on sound reasoning.

Drawing Insights From the Data – Case Study

Showing gaps between survey scores between two different departments is a way of analyzing data. However, if HR isn't going to step further to provide insights into how a gap impacts the business, then all you are doing is ranking departments on scores. You need an appropriate level of analysis so you can say "So What – Now What."

How would you start to analyze the information below? What do the numbers seem to say? What don't we know from the numbers that would be a logical ask?

Engagement by Year



Turnover by Year

Total Turnover	
Year 1	Year 2
25%	19%

Department	Age 60+
Finance	55%
Human Resources	53%
Sales	48%
Operations	12%
Warehouse/Distribution	16%

Years of Service	Year 1	Year 2
Less than 1	30%	28%
More than 1 less than 2	25%	26%
More than 2 less than 5	21%	15%
More than 5 less than 10	15%	9%
More than 10	6%	4%

Evaluate the Cost

When analyzing and solving business problems, senior leaders will expect HR to have a profitability-centered point of view, meaning they will want to know what a proposed solution will cost and how it will benefit the organization through ROI or cost-benefit modeling. The following is a simple model that could be followed:

Six-Part Planning Model

Business Challenge. First, a business challenge needs to be clearly stated. It could be an issue with productivity, turnover, managerial effectiveness, sales or a myriad of other business challenges that every business must successfully handle in order to enhance profitability.

Cost of Business Challenge. It is not enough merely to specify a business challenge that needs to be handled. That would be a passive and not profit-oriented approach. Instead, HR must determine how much it is costing the organization to have this business challenge. Only by having such cost figures can HR measure the cost-beneficial effectiveness of solutions to the business challenge being tackled.

Solution to Business Challenge. What specific HR solution would overcome the business problem? For instance, if productivity is the business challenge, then some solutions might be better selection methods, quality circles or productivity improvement programs, incentive pay systems, teambuilding training or many other solutions.

Cost of Solution. HR should determine the dollars that need to be spent to implement the solution. This step provides an important check in that almost all of the time the solution should cost less than the challenge.

Improvement/Benefit Stemming from Solution. To create a worthwhile, cost-beneficial solution, the dollar improvement stemming from the solution should be more than the cost of the problem and the cost of the solution. If it is not, then the solution was not worthwhile from a cost-benefit standpoint.

Cost-benefit ratio. The final step provides the crucial bottom line measure of how successful the solution proved. The cost-benefit ratio is similar to a return on investment figure. It tells how much money was earned compared to how much money was spent on the solution. For example, if a $100,000 improvement results from a $10,000 solution, then the cost-benefit ratio was 10:1. That is, for every one dollar spent on the solution, the organization reaped $10 in benefits (a great return on investment).

Source: Adapted from Michael Mercer's book Turning Your Human Resources Department into a Profit Center

Widgets and Jigs Case Study

Flip back to Widgets and Jigs Case Study and answer the following:

1. Based on the proposed solution, what data will you need? How will you get it?

2. Walk through the steps you will take to analyze the data.

3. How will you determine the cost of the solution?

4. What metrics will show that the solution was successful?

Communicate Recommendations

"That which is measured improves. That which is measured and reported improves exponentially."

Karl Pearson

Creating a Dashboard:

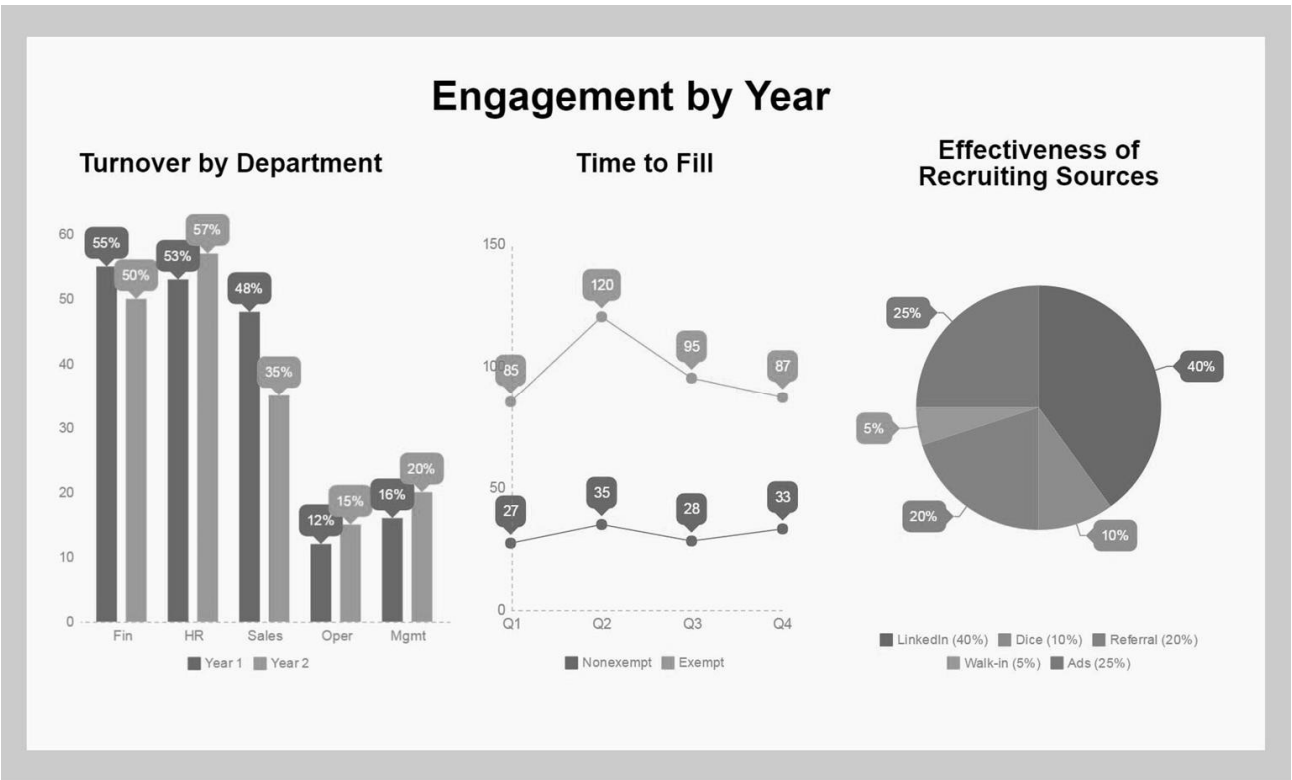
Being data driven is critical in today's metric-centric world but it doesn't mean the message has to be boring or lengthy to present. Dashboards and HR software can help you present data in ways that will grab attention.

Keep it Simple – The human brain typically can't hold more than 3-5 major concepts or facts at a time. Be simple and direct. Use pictures, graphs, and charts when possible.

Keep it Meaningful – Focus on highlighting what the audience needs – highlight the key facts that relate to the story. Is there a metaphor or anecdote to make the data more memorable and specific? This will help them take notice.

Keep it Actionable - Data is most valuable when it's actionable. It will help if you can explain: Are we making progress; what caused the change; how do we improve?

Keep Modifying – The dashboard should be providing data that will help drive decisions and promote discussion. If it doesn't, keep modifying it until it does.



Telling The Story

Everyone who has data to analyze has stories to tell, whether it's figuring out the reasons behind a high product return rate or figuring out why customer satisfaction ratings are down. It's tempting to present the data and facts and hope the story tells itself but HR needs the "what" (facts and data) along with the who, how, why and so what. It's these story elements that will make the data relevant to the senior leaders.

Original Story	Better Story
We have kicked off 3 training series aimed at helping develop our people. Currently 75% of our employees have attended the training.	We have kicked off multiple training classes and have identified that the Excel to Lead program has the highest relationship to high performance on the job after the training.
Investing in a new onboarding program will make us more efficient and productive.	Our conservative estimates show that if we reduce our average time-to-productivity from 6 months to 3 months, and streamline our training, we will save the organization $500,000 in labor costs and rework.
We don't have a lot of bench strength and our recent employee engagement survey indicated an overall lack of satisfaction around career progression opportunities.	Due to our recent announcement to open a new facility, we estimate a need to hire 50 individuals to operate. Based on the information we have, only 5 of those positions could be filled with our current qualified staff.
It takes us over two months to cobble together applicant tracking information for our affirmative action plan. We need to centralize our systems to save time.	Unreliable data increases our risk of our plan being non-compliant. This creates lack of confidence from our Board and could have a direct impact on our ability to obtain future contracts.

Influencing Others

Research from leadership experts James Kouzes and Barry Posner finds honesty to be the most important trait of an effective business partner and leader. Without it, the ability to influence others is diminished. In addition, it has been found that people are influenced when they perceive the following elements in others:

- **Passion –** Dedication to a cause
- **Credibility –** Believed and believed in by others.
- **Integrity –** Actions are consistent with beliefs and values
- **Empathy –** Emotional connection with others' points of view
- **Openness –** Willingness to share information and actively listen
- **Reciprocity –** Expectation that others will respond in kind
- **Transparency** - Thinking about the information people need and finding ways to make it available in an open and honest way

When HR need to persuade senior leaders to support their recommendations or ideas, the following three strategies have been found to be effective:

1. **Involving** the senior leader in designing a recommendation or implementing a decision
2. **Appealing** to the senior leader's ideals or what matters most to him or her
3. **Persuading** the senior leader by presenting a compelling case

Remember:

- Data gives you the what, but HR should know the why. The best business decisions come from insights informed by data.
- Data visualization should be designed for readability and to quickly educate others, but it's not the end of the story. It's the starting point to explore what is going on and HR needs to explain what it means and how it is impacting the success of the organization.
- The role of is to ask good questions, use data, tell the story and make recommendations that will improve the business.

Top Tips to Put it All Together

1. **Start Small.** You could measure a thousand different things but it doesn't mean you should.
2. **Identify What Matters Most to Your Organization.** Don't cut and paste what others are doing. Determine the best fit for your organization based on your workforce data.
3. **Make Use of What You Currently Have**. Critically analyze the people data you already look at and determine what it means. Ask the question "Why does this matter to the organization?" If it doesn't, stop measuring it.
4. **Tell the Story**. Numbers can give us a common language to review at but the story makes the difference. Move from the "So What" to the "Now What." Don't get lost in the data. Be concise and if you need help analyzing, ask for it.
5. **Be Patient.** HR metrics and analytics is a journey, not a destination so it will take some time. Don't try to do everything at once. Start with one thing, learn from it, build credibility and scale from there.

Your Action Plan

"Start where you are. Use what you have. Do what you can."

Arthur Ashe

Action Plan

Part one

1. What are 1-2 top business goals in your organization?

2. What matters to your organization?

3. How well are the current HR goals aligned with achievement of those goals?

4. What is missing?

5. Reflect on what you are currently measuring. Why do those metrics matter?

6. Any disconnects?

Part Two

1. Identify which purpose your current metrics are addressing. Efficiency? Effectiveness? Impact?

2. Reflect on where you are currently getting data and how reliable it is

3. Anything you would consider doing differently?

Part Three

1. What questions do you need to ask about the data and metric you currently track?

2. reflect on connecting the dots between your HR initiatives and the performance (ie: productivity and profitability) of your organization. How will you make that connection?

Part Four

1. Who needs to know this information and in what format do they want it?

2. Who will you need to influence? How will you approach the conversation?

3. Reflect on how you would like to visually tell stories with data. What will you need to do to make it happen?

Five Steps to Get You Started Right Now

Start Measuring …	Stop Measuring …	Continue…

What's the first thing you will need to do when you get back to your office?

What aspects of this journey are you most excited about?

Goals for Change:

List 3 things you learned today that will help you become more effective in your role:

1.

2.

3.

List 2 things you will do differently back at work:

1.

2.

List one 1 thing you will commit to change in the next month:

1.

Notes:

Membership

Talent Acquisition

HR Consulting

Background Checks

Training

Organizational Development

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