

Managing HR Metrics



WHIRLING CHIEF



Introduction

Through our consulting work and organizational studies over the years, we have come to witness many organizations struggle with how to think about developing and implementing metrics for their Human Resources departments. The other areas of the organizations, who do have an understanding of HR metrics, we also find out, consider their key performance indicators in a vacuum.

The design and development of relevant HR metrics requires reflection and alignment to business objectives in order to determine what it takes for the organization to reach its goals. Any investments in HR processes and initiatives need to culminate into business results. Therefore, we have a distinct need and role to measure HR effectiveness. Measuring effectiveness demonstrates:

- Understanding demands for external context
- Need to drive bottom line
- Sharing impact and external accountability
- Need to establish clear, relevant, sustainable mission and goals
- Strong sense of internal accountability and drive

Alignment to Business Strategy

A critical first step is to ensure that HR priorities are aligned to those of business. When it comes to strategic alignment and cascade, here is how we recommend people think about HR capability:



Characteristics of 'Good' Metrics

A metric is a quantifiable measure (not the measurement itself) made over time, which communicates vital information about the quality of a process, activity, or resource. It is important to note that a metric can be subjective, relative and/or absolute.

A few characteristics of 'good' metrics include, but are not limited to:

- Actionable and Predictive



- Consistent
- Simple, understandable, logical and repeatable
- Unambiguously defined
- Capable of tracked over time
- Capable of comparison (external benchmarks)
- MOST IMPORTANTLY – It should drive appropriate action

Three Levels of Metrics

There is an endless array of HR metrics you can find on research and available to use – around staffing, compensation, training, retention, etc. – all of which can provide valuable insights when designed with an end in mind.

| Impact | Effectiveness | Efficiency |
|--|--|--|
| <ul style="list-style-type: none">• Link to business strategy• Factors for creating competitive advantage• Increased value | <ul style="list-style-type: none">• Policies and practices• Factors link to enhancement• Differentiation between effective and non-effective practice and policies | <ul style="list-style-type: none">• Range of resources• Level of investment• Resource allocation |

In thinking through your HR metrics, we recommend you consider the following three levels to reach the bottom line of results:

1. **Impact:** Refers to the influence or mark left behind as a result of our work. The impact of what we do is highly correlated with our ability to do what is needed to actually achieve the outcome. Therefore, it should come as no surprise that measures of impact are often most sought out by senior decision-makers, and impact measures need to focus on the value and worth of our organizational interventions.
2. **Effectiveness:** Related to 'impact,' yet markedly different, in that it refers to the degree to which something is successful in producing a desired result. Measuring effectiveness is equally important in HR terms; these measures tend to reflect the outcomes of our activities throughout the organization capability-building exercise.
3. **Efficiency:** Refers to the state of achieving maximum productivity with minimum wasted effort and/or expense. Although measures of effectiveness and impact will have most relevance for leadership groups and the organization as a whole, a small number of headline efficiency indicators are needed for us to measure our cost-effectiveness.



Conclusion

When designed and implemented thoughtfully, HR metrics and measures can be a wonderful strategic tool for any organization, any size. As Laszlo Bock, Chief People Officer of Google, Inc., recently said during an interview, "It seems like there's a huge opportunity for HR to be able to honestly describe what's really going on and to present the science and the facts that solve some of those issues – to prove freedom makes people more productive."¹ We tend to agree.

For more information on how to manage HR metrics, please contact us at our website.

¹ <https://www.shrm.org/publications/hrmagazine/editorialcontent/2015/1115/pages/1115-bock-google-hr.aspx#sthash.LgDCV5NH.dpuf>



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