

Metrics have become a vital component of HR and HR service delivery, allowing companies to measure HR program performance while providing actionable insights and information on the function's efficiency and effectiveness. Similar to how an organization's HR programs and strategic choices are made in support of broader business objectives, HR metrics and measurement tools focus on HR's contribution to overall business issues.

While yesterday's data was used to understand *what was* happening, HR measures are now allowing organization to better understand *why it is* happening and provide input into predicting *what could happen*. The three primary characteristics of HR measures in support of High-Impact HR include (1) the ability to explain what is happening within an organization and why, (2) providing information regarding people while creating a link to overall business performance, and (3) assessing issues while driving continuous improvement.

This is a vast improvement from how data was utilized by HR functions in the past. Previously, data was stagnant and siloed within disparate systems across both the HR function and organization as a whole. Now, metrics are paired with additional background and context to create actionable and meaningful guidance and direction. Data driven insights are now uncovering issues, influencing organization decisions and investments, and driving continuous improvement within firms.

In the past, organizations would develop their HR metrics and measurements based on a "bottoms up" approach. This outdated method used an organization's existing tools, systems, and infrastructure to identify what operational reporting could be created from existing data. Since HR measures were (regrettably) often "put on the back burner" when implementing the systems of record of the past, the "bottoms up" approach often created a gap between the HR measures available to an organization (using the existing infrastructure) and the HR measures that an organization should be utilizing to help provide insight into strategic business objectives.

As HR moves from administrative and transactional to operational and strategic, organizations are now moving towards a "top down" approach. In the "top down" approach, organizations first identify the "Measures that Matter" – those HR measurements that are vital to support broader business goals, objectives, and decisions. From there, organizations choose the HR systems and infrastructure best suited to deliver these newly defined HR metrics and measurements. This helps keep HR measurements aligned to overall business objectives, and assists HR by providing actionable information to leadership.

Three Key Trends Driving the Demand for New and Expanded HR Measurements

First, organizations now have access to a greater quantity and quality of internal and external data than ever before. HR Transformations are beginning to provide companies with the accurate, reliable, and integrated data that had been previously unavailable. Without accurate data, metrics and operational reporting may as well not even exist.

What is troubling is that, according to a Bersin by Deloitte studyⁱ, only 15% of surveyed organization gave themselves high marks on HR data accuracy. Potential HR data issues include validity, duplication, outliers, and poorly defined calculations or definitions (for example, what are all of the costs associated with an organization's "Cost to Hire" metric). These limitations can make interpreting metrics difficult for the key stakeholders and reporting end-users.

Second, the increase of SaaS ("cloud") HCM solutions have expanded HR technological capabilities within organizations. HR and HR operational services technologies have traditionally been used to automate processes and drive operational efficiencies which often resulted in a cumbersome user interface. Organizations are now using these new enabling technologies and improved graphic displays to enhance the overall customer experience and help achieve organizational goals and objectives.

The adoption of HR and HR operational services cloud technologies has continued to increase as organizations take advantage of an evolving marketplace and can identify a clear return on the value of investing in new solutions. One of the reasons why organizations are implementing new HR systems is to increase their HR measurement capabilities. According to a recent Bersin by Deloitte studyⁱⁱ, 57% of surveyed organization stated that an inability to generate analytics with their old system was a top reason that they were seeking new HR technology.

Third, enhanced data competencies within HR have allowed organizations to begin to analyze data and metrics internally within their HR function. HR employees are increasingly bringing more and more analytical skills to the job than ever before. The days of HR talent seen as only possessing "soft skills" are over, as the HR function now has the analytical competencies previously only found elsewhere within an organization.

Categories of HR Measurements

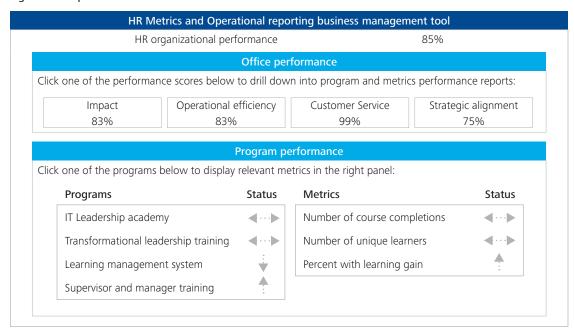
Whether measuring the success of an organization's HR Transformation, gauging employee engagement and satisfaction, or calculating the inputs to help solve broader strategic business objectives, the key is determining the requisite "Measures that Matter" and right-sizing the organization's reporting tools and capabilities to provide insight into the achievement of those objectives.

Organizations should develop a comprehensive HR measurement and reporting strategy that is vertically aligned with the overall business strategy (leveraging the "top down" approach) and can provide varying levels of information as needed. There are three categories of HR measurements, each with different objectives and uses:

HR Reports: HR Reports are the least mature of the
three categories of HR metrics and measures, and
are focused on transactions. HR Reports consist of
a formatted and organized presentation of data
relating to the performance of daily operations.
These operationally-focused metrics utilize standard
data extracts to provide a detailed analysis about
a particular aspect of the organization. HR Reports
enable more immediate, short-term decision making
in support of optimizing the specific operations being
measured.

- HR Dashboards: HR Dashboards provide a more advanced way to assess metrics and Key Performance Indicators (KPI's), allowing organizations to present information in a more interactive and user focused fashion. HR Dashboards are designed to be dynamic and visual, including charts and graphs that illustrate key trends and insights and enable stakeholders to filter information according to their needs. HR Dashboards help "manage the business" and are used to monitor and drive performance improvements across HR processes in support of broader leadership and organizational objectives.
- HR Scorecards: HR Scorecards, the most mature
 and innovative method of visualizing HR metrics
 and measures, use KPI's focused on areas of critical
 performance to help "direct the business." An
 HR Scorecard provides a snapshot of overall HR
 performance against strategic goals at a particular
 point in time, allowing executives and business
 leaders to monitor and manage the results of HR's
 key objectives. This strategically focused category
 of HR metrics and measures should be updated
 periodically, based on the timeline of an organization's
 strategic goals.

Figure 1: Sample HR Scorecard



Within the three primary categories of HR measurements outlined above, there are four key performance areas:

- Customer Metrics: Customer Metrics quantify a
 company's internal "customer" satisfaction with HR
 services and HR's ability to meet its users' needs. These
 customer focused metrics are effective at identifying
 improvement opportunities to enhance the quality
 of HR services and range from general (for example,
 overall employee satisfaction) to specific (for example,
 the percentage of leaders citing leadership training
 as a driver of satisfaction) depending on the broader
 business questions these figures seek to answer.
- Process Metrics: Process Metrics measure the output and efficiency of HR processes and address high-level issues such as the effectiveness of process execution, the identification of opportunities to improve efficiency or reduce errors, and determining the overall volume of transactions being measured. Process Metrics include insights such as job offer acceptance rate, number of HR data errors, and variance from compensation guidelines. This type of metric is especially helpful in identifying opportunities to improve HR processes and delivery mechanisms.
- Talent Metrics: Talent Metrics help to identify competency gaps in a company's workforce, recognize the implications of different hiring, attrition and promotion strategies, and seek to understand which talent characteristics foster high performance. Talent Metrics include succession plan promotion rates, retention of high performers or critical segments, and the share of new hires who receive top performance ratings or leave within six months. Talent Metrics quantify the strength of the talent pipeline and identify improvement opportunities that will ultimately help with overall retention and employee productivity.
- Financial Metrics: Financial Metrics quantify the cost and impact of HR processes and programs, and include information such as the cost of turnover, training spend per employee, return on investment of an HR initiative, and the realization of business case savings from an HR Transformation project. These insights answer important business questions involving the monetary success of a program relative to industry benchmarks or previously determined goals.

HR Measurement Stakeholders

Whether it is a report focusing on financial measurements or a scorecard highlighting talent issues, HR metrics and measures should be tailored to the specific stakeholders who will receive the information, as well as the functional objectives that the measurements are trying to assess:

- HR Leaders: HR leaders will require insights and information that outlines how the HR function is being run and operated. Metrics relevant to HR leaders include the time it takes to fill a vacant position, measures of employee diversity, and basic efficiency information such as determining the total cost of hiring or measuring number of delivered training hours.
- Non-HR Leaders: Non-HR leaders (for example, business leaders who work in functions outside of HR) includes stakeholders such as divisional managers and site leaders, and will require metrics that outline information pertinent to their day-to-day roles. These measures will be unique to each business function, and should be used to determine an underlying cause of an issue or to track progress towards a goal. For example, information on a non-HR manager's report, dashboard, or scorecard includes key insights related to compliance data, open position metrics, span of control, and operating revenue per full-time employee.

Figure 2: Varying Reporting Needs within HR

Centers of Excellence Business HR HR Operational Services

- Develop and implement overarching HR metrics and reporting strategy
- Collaborate with Business HR to deliver datadriven people and organizational insights for decision making
- Leverage multiple data feeds to define workforce gaps to manage supply and demand requirements (HR owns the planning process and the business owns the scenarios/plans)
- Provide insight into all Talent programs
- Combine Performance Management reporting with recruitment and retention to provide focus on workforce planning

- Review workforce/business data to diagnose and create solutions for workforce business problems
- Leverage performance data to support the business in identifying emerging leaders and critical talent who meet high-success factors, and develop these individuals for succession planning
- Combine data for sourcing, recruiting and monitoring the employment brand to access factors such as employee engagement and talent flight risks
- Build internal capability to interpret data to develop actionable business insights

- Implement data integrity and data governance protocols to establish complete, accurate, and reliable data stores
- Support complex data changes (e.g., restructure, organization modelling, plant closing, new legal entity) to facilitate HR measurements and reporting
- Provide data to support HR reporting initiatives
- Generate ad-hoc management reports to support special projects (e.g., M&A) and inform workforce reporting

HR Measurements – The Building Blocks of Workforce Analytics

Workforce analytics is a high priority, as well as a tremendous opportunity for organizations. HR and people analytics is a rapidly accelerating trend — part of a new set of critical skills for HR, business, and leadership. Companies that devote the proper time and resources to build workforce analytics capabilities will be better positioned to out-perform their competitors in the coming years.

Figure 3: Talent Analytics Maturity Model



Unfortunately for companies, progress in developing full analytical capabilities is a slow, multi-year process. According to Deloitte's 2015 Global Human Capital Trends report, over the past year only 8% of organizations believed that they have a strong HR analytics team in place. Research^{III} shows that the evolutionary journey to mature analytics typically lasts five to seven years.

While most companies are slow in developing this full analytical maturity (for example, developing predictive models, scenario analysis, and statistical modeling), organizations are now beginning to build out foundational HR metrics and operational reporting, laying the groundwork for more mature analytical capabilities. Companies taking advantage of operational measures and tactical and advanced reporting are beginning to realize tangible benefits to both their business and HR customers.

HR "Measures that Matter" can be immensely valuable to an organization when they are aligned to specific HR and broader business objectives, and have shown the ability to be able to provide actionable insights and real results to key stakeholders.

Figure 4: HR "Measures that Matter" Organization Case Studies

Case study 1

Case study 2

Case study 3

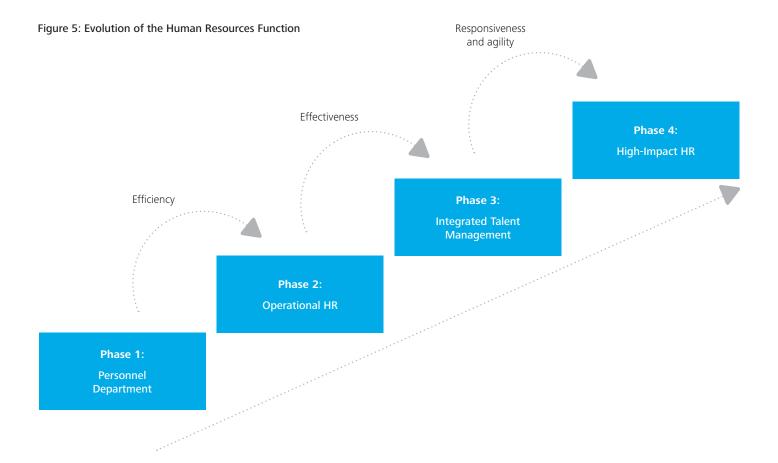
- Organization issue: Leadership at a packaged foods company had difficulty understanding their cost of talent, including overall workforce costs.
- HR measurement Solution: Leveraging a cloud-based system, the company was able to identify, map, and aggregate all available cost data, and developed a standardised classification for total workforce costs.
- Business impact: HR (and the broader organization) can now assess and optimize workforce investments on a detailed level (e.g., by location), and perform "on demand" reports in a single interactive tool.

- Organization issue: A large utilities company had poor data quality, leading to unreliable reports and information.
- HR measurement solution: Moving to an integrated Enterprise Resource Planning (ERP) platform, the organization was able to integrate data from various departments all into one system, and worked with IT to audit (and improve) the accuracy of organization information and data.
- Business impact: Data error rate dropped from 22% to 3%, allowing the company to have accurate, real time information about its employees, leading to staffing projects with the right number of employees (with matching skills) faster than in the past.
- Organization issue: HR at a professional services firm had been collecting disparate data for years, without knowing what questions needed to be answered to make the best use of the wealth of information.
- HR measurement solution: The company answered strategic business questions, and used that insight to identify several "Measures that matter" which were tracked using a cloud based reporting tool integrating data from multiple systems.
- Business impact: The tool provided the HR leaders with the visual reports and specific and strategic insights needed to make informed decisions.

HR's Evolutionary Process

HR's transition from administrative and transactional to operational and strategic was (and still is) an evolutionary process. As HR functions shift from old-school, purely transactional shared services work to higher value "Operational Services," it is vital that HR focuses metrics and reporting on the right areas.

As Figure 5^{iv} illustrates below, it is helpful to think about HR's transition from the "old world" personnel departments of the past to "new world" High-Impact HR along a spectrum with four unique phases.



The Role of Metrics and Measurements in HR Maturity

While the evolution of an HR function requires a comprehensive, holistic HR assessment and approach, HR metrics and measurements can be a key driver and "progress check" in facilitating this transition. Each of the four phases of HR maturity require various types and use cases of HR metrics and operational reporting.

Phase One to Phase Two: Organizations with their HR functions firmly rooted in Phase One (typically executing mostly transactional and administrative activities) should focus their measures on improving *efficiency* to help make the transition to Phase Two.

Structurally, organizations in Phase One are often setting up HR operational services and developing HR business partners to help reduce inefficiencies and redundancies in overall HR service delivery. This is in contrast to Phase Two, when organizations begin to introduce new HR service delivery models, reengineered HR processes, newly introduced automation, and outsource non-core HR activities. HR measures in Phase One need to be focused on actions that increase the efficiency of the HR operations. Examples of measures in this phase include:

- Number or % of HR processes that are automated
- Number or % of HR processes with reduced cycle time

Phase Two to Phase Three: When an HR function possesses the capabilities to deliver streamlined, efficient services to its customers, an organization can begin to introduce both new HR structures and metrics that continue to increase efficiencies and begin to focus on HR effectiveness. Leveraging HR operational services, HR functions begin to shift their metrics and efforts on service delivery *effectiveness*.

During this phase of HR maturity, talent becomes increasingly important. As the overall business is focused on Talent Management strategies, HR shifts its focus to building world-class talent programs and embracing new technologies (often external platforms, even including "social" applications) to share the company's employment brand, connect open jobs to the external workforce, facilitate learning and collaboration, and build leadership within the firm. As HR functions begin to move into Phase Three, examples of measures include:

- · Quality of hire
- · Time to fill
- Training utilization

Phase Three to Phase Four: As companies complete their HR maturity moving from Phase Three to Phase Four, organizations will have an established, efficient, and effective HR function that is capable of generating and integrating reliable, quality data. During this shift to increased HR maturity, organizations begin to focus HR operations on being responsive and agile.

The transactional tasks executed in previous phases now take significantly less time (or even eliminated altogether), allowing HR to concentrate on providing strategic insight into the business. Rather than leveraging data and metrics to provide historical context to past events, HR can utilize its new analytic and modeling abilities to project future trends and provide business impact. Examples include:

- Predictive workforce modeling (for example, highpotential employee voluntary turnover)
- Risk scenario analysis

Starting the Journey

Developing and implementing HR measurement is a journey. As an HR function matures and evolves, so will the corresponding metrics and measures. When beginning to set sail on the next steps in the HR measurement voyage, it is important to keep impact (for example, strategic and business value, business "action-ability," and collaboration potential) and feasibility (for example, business readiness, data quality, timeliness, cost, and risk) in mind when developing and evolving metrics and measures.

While there are countless considerations that will help guide the planning process for an organization, the following seven leading implementation practices will aid an organization in staying focused and aligned on results during the development of HR Measures that Matter:

- Start Where You Are: Assess the organization's current HR metrics capabilities and needs to gain clear insight into potential gaps. Focus first on the "lower hanging fruit," while developing a longer-term analytics road map.
- **2. Ask the Right Questions:** Understand which questions matter most to HR, as well as the broader business (including strategy and priorities).
- **3. Right-Size Metrics:** Match the metrics and measurements with those right questions that need to be addressed.
- **4. Accelerate Insights:** Automate the delivery of key information to HR (and organization) stakeholders.

- 5. User Engagement and Visualization: Create outputs that deliver insights end-users truly need in the forms and designs that will enable HR and the business to execute fact-based decision making.
- Fact-Driven Culture: Embed metrics and reporting capabilities into HR decision-making processes and procedures.
- 7. Remember Change Management: Knowing how and when to communicate change to users and HR customers takes significant planning and strategizing. Whenever changes are made, additional business risk is always introduced.

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Endnotes

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