

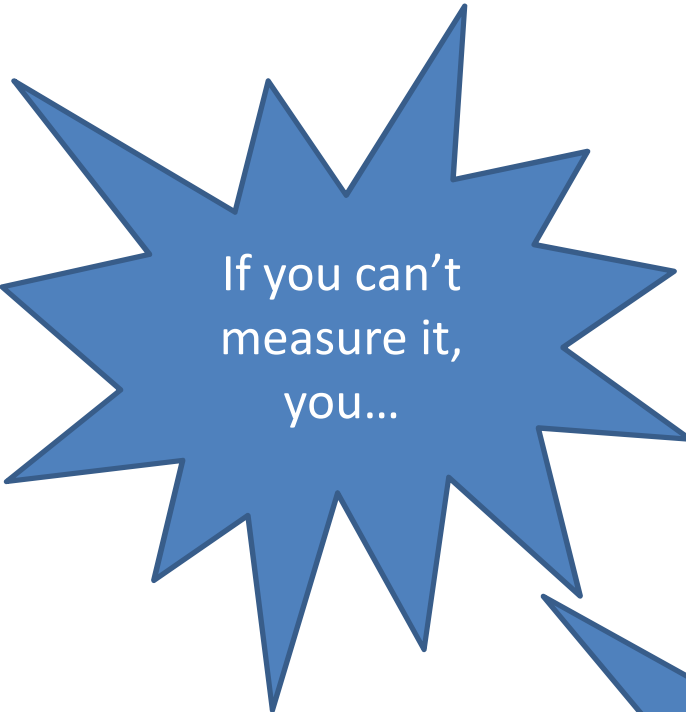
Measuring What Matters a Primer for HR Professionals



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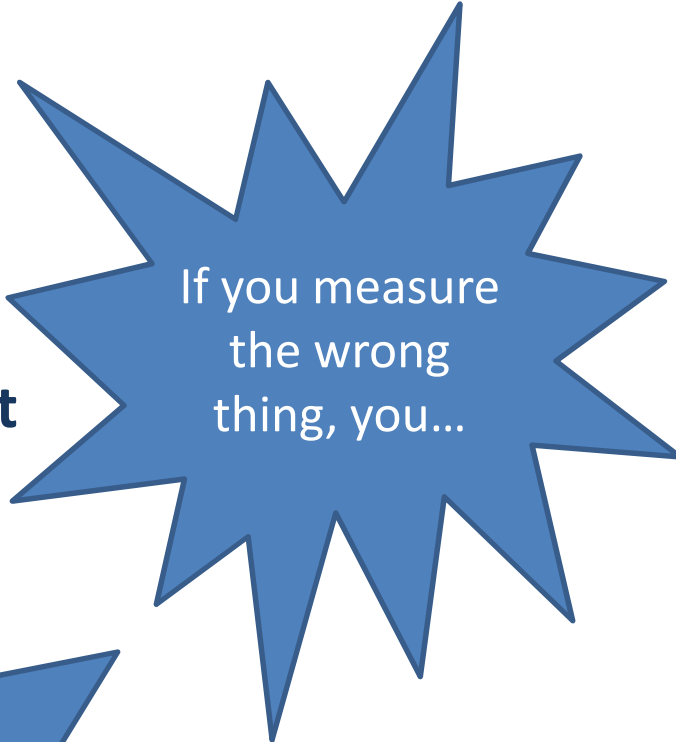
What is she
going to talk
about
anyway?

- ✓ Key Concepts
- ✓ Measures that Matter
- ✓ Actions and Accountability

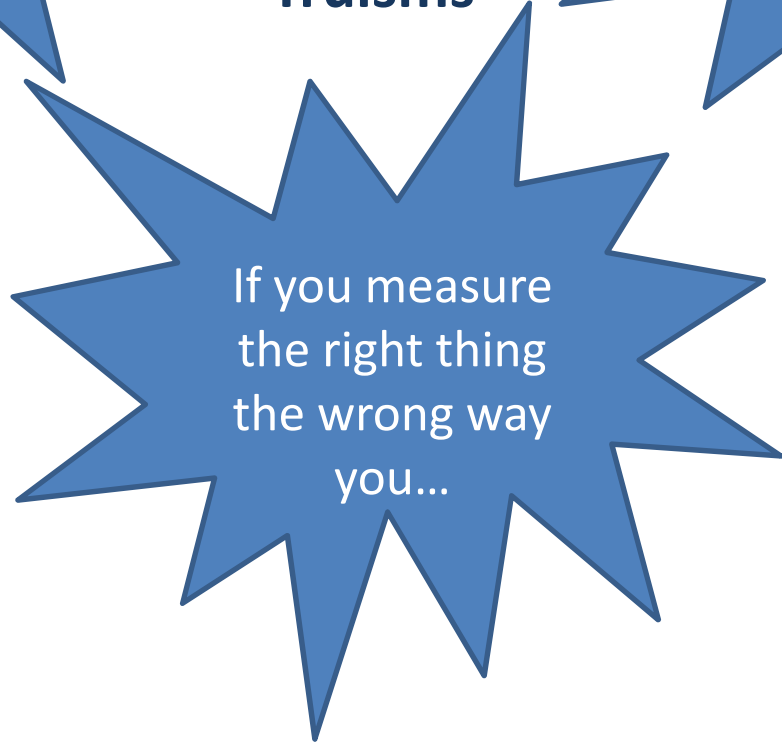


If you can't
measure it,
you...

**Measurement
Truisms**

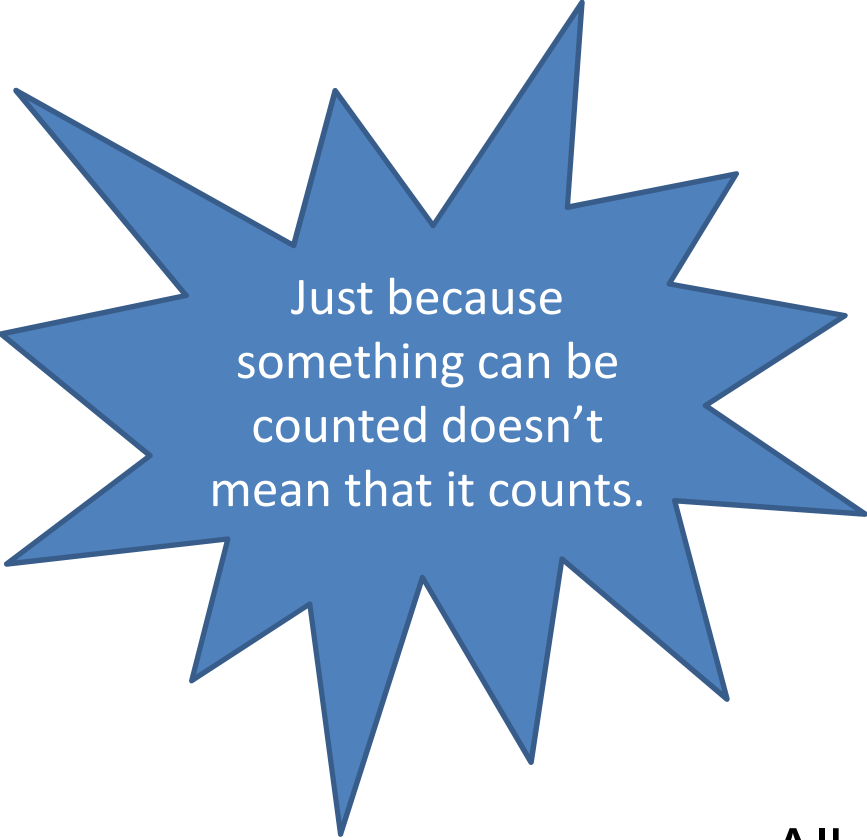


If you measure
the wrong
thing, you...



If you measure
the right thing
the wrong way
you...

**Oh...and one
more....**



Just because
something can be
counted doesn't
mean that it counts.

Albert Einstein

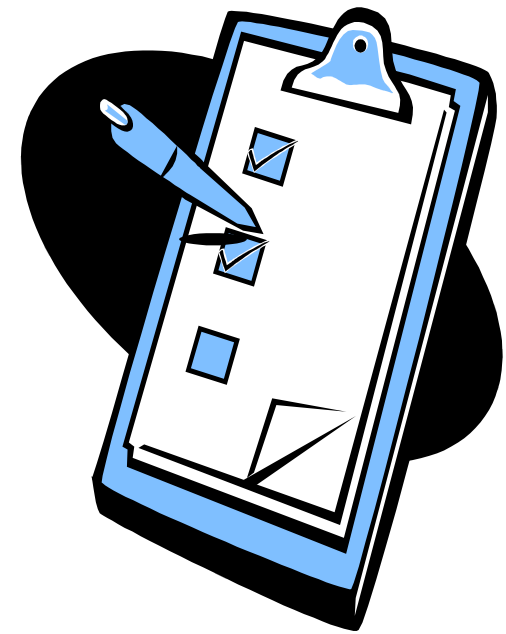
POLL: Where are you at with respect to your HR metrics and measurement program?

A: We're still in the process of defining what we want to measure.

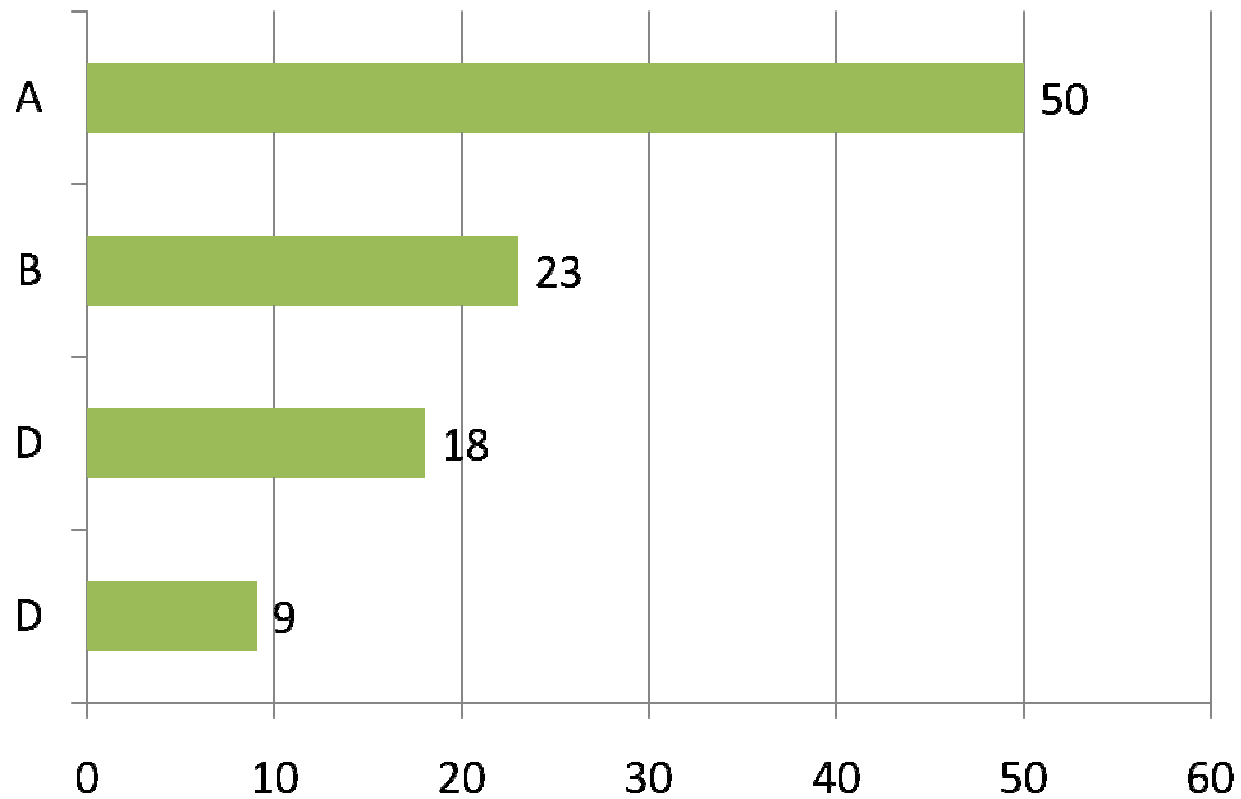
B: We measure all sorts of things but are not quite sure we are measuring the right things.

C: We have defined some key HR metrics but our information infrastructure is still under construction.

D: We have a well established HR metrics program (track, monitor, analyze), the resources needed to make it work and the "buy in" of our leadership team.



Current Maturity Level of HR Metrics/ Measurement Program



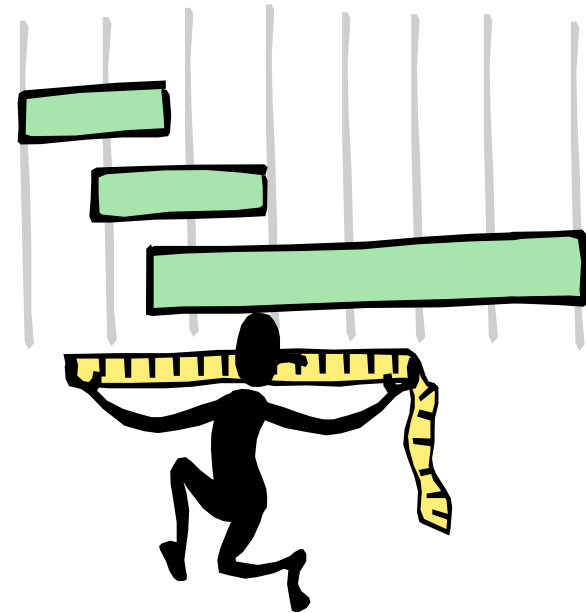
Source: HR.com survey, 2009



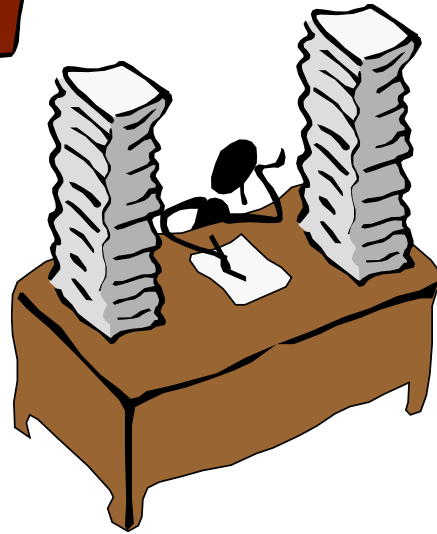
What workforce metrics does your organization keep track of?

Key Concepts

- Activity vs. Results
- Lagging vs. Leading Indicators
- One time vs. Ongoing
- Summary vs. Segmented
- Cost Control vs. Value Creation
- Inconsequential Many vs. Critical Few
- Tactical vs. Strategic



Activity vs. Results



Activity vs. Results

- Activities easiest to count and keep track of.
- Results tell you about the impact of your activities.
- If going to track activities...track activities that lead to results
 - # of cold calls vs. prospecting calls resulting in a sale
 - # of employee referrals vs. percentage of employee referrals that result in quality hire
 - # of IDPs vs. # of completed IDPs and impact on promotability

Lagging vs. Leading Indicators



Lagging vs. Leading

- **Lagging** - past tense, tells you how well you have done
 - Cost per FTE
 - Time to fill
 - # of managers attending coach training
 - # of diverse candidates in director level hiring pipeline
- **Leading** - future tense, tells whether a direction or strategy is working
 - % decrease in cost of hire
 - % of key positions not filled within 60 days
 - % improvement in coaching effectiveness of managers attending coach training
 - % women and minorities hired into director level jobs
- Need a balance of both

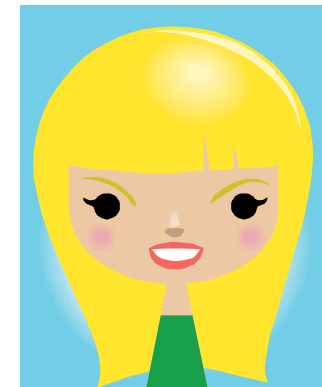
One Time vs. Ongoing



One Time vs. Ongoing

- One time results are easy to dismiss
- Ongoing measurement signals commitment to the metric - what gets inspected gets respected
- Track over time and look for trends
- Analyze reasons for gaps or discrepancies between “current state” and “desired state”

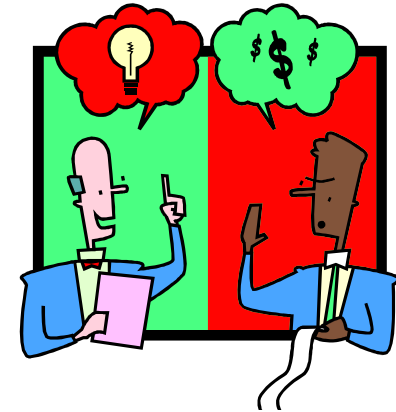
Summary vs. Segmented



Summary vs. Segmented

- Summary data can hide important variations
- Important to segment data to manage important variables - “A” vs. “B” players, new hire vs. tenured employee, etc.
 - Engagement
 - Turnover/retention
 - Promotions/internal movement
 - Diversity
 - Retirements
- Go beyond averages to look for patterns in the data and then proactively address

Cost Control vs. Value Creation



Cost Control vs. Value Creation

- Both measures are important and can lead to greater profitability
- Priority relates to company strategy and financial condition
- Cost control is easier to do but the company can't save its way to prosperity
- Value creation grows the top line - increased sales, new markets, loyal customers, etc.

One Measure of Value - Labor Productivity

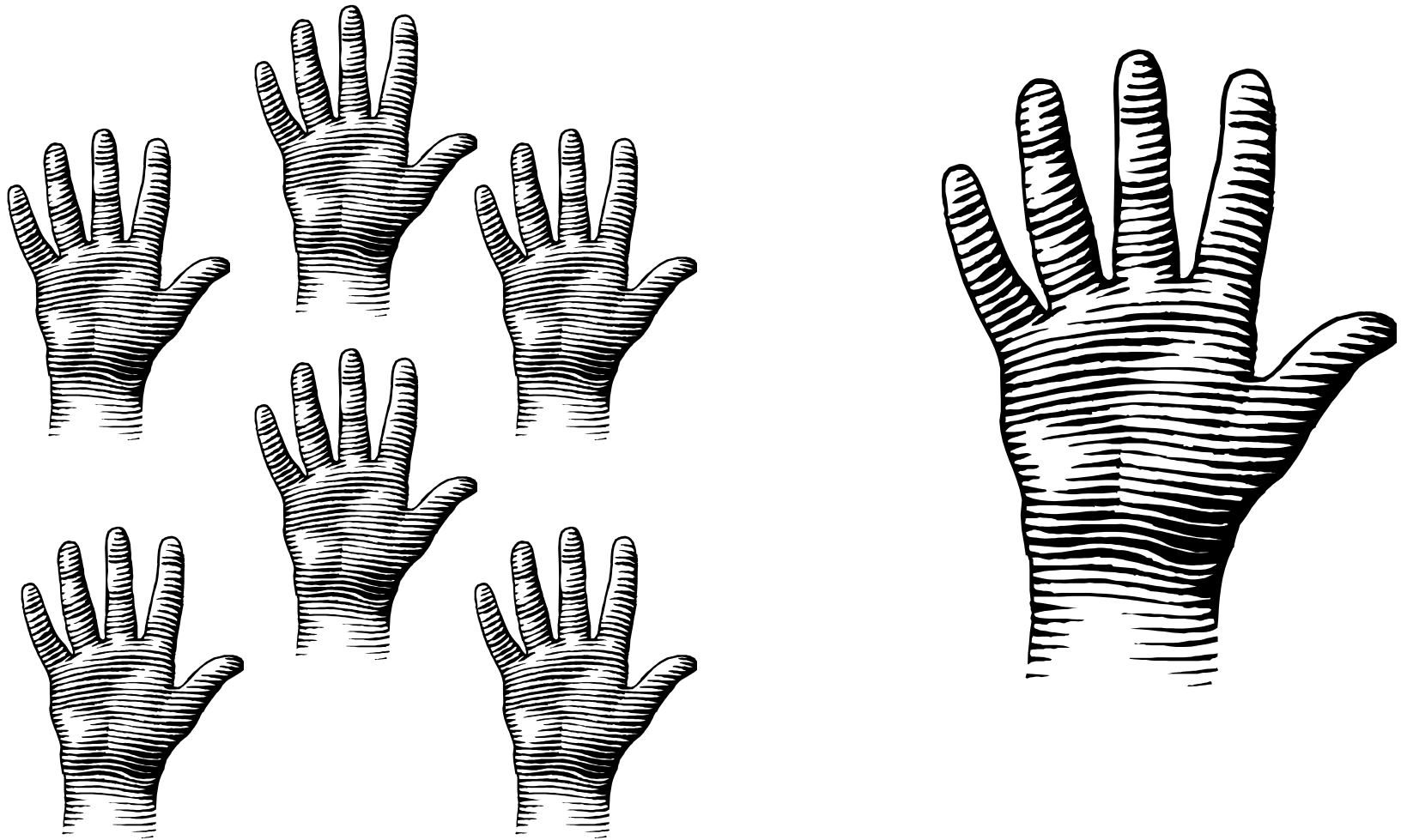
- Recent study - America's Most Productive Companies
 - 1600+ US-based, publically traded companies
 - Grouped companies into 175 sub-industries
 - Rank ordered
- The formula = **Adjusted Revenue/FTE**
- **INTANGIBLES** account for high productivity
 - People
 - Strategy
 - Operations

Employee Productivity

COMPANY	INDUSTRY	INTANGIBLES	REV/FTE
Dow	Plastics	Supplier Relationship	\$1,166,979
Caterpillar	Heavy Equipment	Customer Service	\$443,666
Hasbro	Games	Innovation	\$650,441
AFLCA	Insurance	Agent Network	\$1,912,649
Peets	Specialty Beverage	Product Freshness	\$67,809
Shutterfly	Internet Content Provider	Online community	433,179
Samuel Adams	Beer	Quality	\$592,924

Source: 2009 America's Most Productive Companies, Profiles International

Inconsequential Many vs. Critical Few



Inconsequential Many vs. Critical Few

- Data paralysis can set in if too many variables are measured
- Its easy to try to measure everything without thinking through why
- Remember the “Rule of Seven” - fewer things measured, easier for organization to take action
- Ask yourself...
 - Does your CEO care about what you are measuring?
 - Do your measures relate to your human capital strategy?
 - Do these measures inform you of the right actions to take?

Tactical vs. Strategic



Deloitte Questions for the CEO

- Which segments of the workforce create the most value? How do we ensure they stay engaged?
- Which parts of your business will be most impacted by retirements? What are you doing to prepare successors?
- In what areas is the talent market heating up? What segments of your workforce will be most impacted?
- What new skills will you need over the next several years? How will you get them?
- What is your turnover in critical areas? What is it costing you and what are you doing about it?

Measure What Matters to the Business

Shift from Tactical Metrics to Business Value Metrics

Tactical Metrics

- Time to fill
- Cost per hire
- # of open positions
- # of diverse hires
- # women/minorities in workforce
- Turnover

Business Value Metrics

- Employee engagement
- Quality of hire
- % of “ready now” talent in key roles (depth of bench)
- Diversity in leadership roles
- % jobs filled from internal promotions



Do you have the measures in place to answer the following types of questions from your business leaders?

Workforce Planning

Key Questions

Are we staffed at the right levels?
Are we fairly & competitively compensating people?
Do we know our talent supply and demand two years out?
Have competencies been identified for critical jobs?
Is there bench strength in our critical jobs?

Measures that Matter

- Competitive staffing levels
- Competitive salary levels
- Workforce plan for key jobs for next two years
- Number of critical jobs unfilled
- Competencies defined for key positions
- Readiness levels for critical roles

Talent Acquisition

Key Questions

Can we attract top talent?
Is our employee value proposition compelling?
Do new employees get off to a fast start?
Do people we hire do a good job?
Is our hiring process effective?

Measures that Matter

- Quality of initial candidates
- Offer acceptance by talent levels
- Quality of hire
- Time and cost to hire
- Effectiveness of sourcing channels

Talent Development

Key Questions

Do we challenge top talent to develop?
Are we offering interesting and exciting opportunities for growth?
Are workplace learning and network building programs in place?
Are individual development plans in place?
Are our development programs effective?

Measures that Matter

- Internal promotions
- Internal mobility
- Completion of IDPs
- Percentage of inside vs. outside hires for leadership and critical roles

Talent Engagement/Retention

Key Questions

How engaged are the different talent levels and departments?

How can engagement scores improve?

Why do people leave?

What type of turnover is acceptable or even desired?

Are we retaining our best performers?

Measures that Matter

- Engagement scores by level and department
- Effectiveness of actions taken to address problem areas identified in engagement survey
- Turnover rates by talent levels
- Reasons people leave by talent levels
- Accountability for losing top talent

Actions and Accountabilities

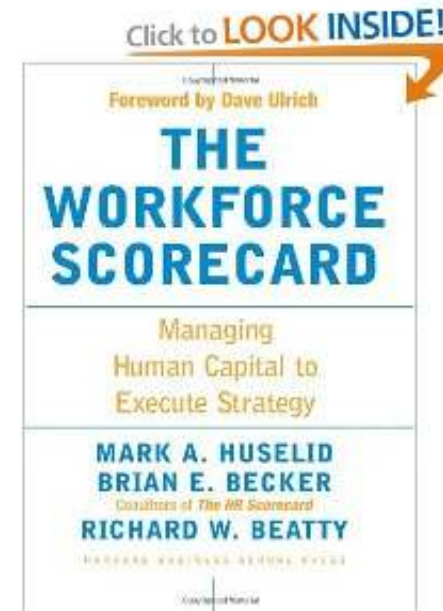
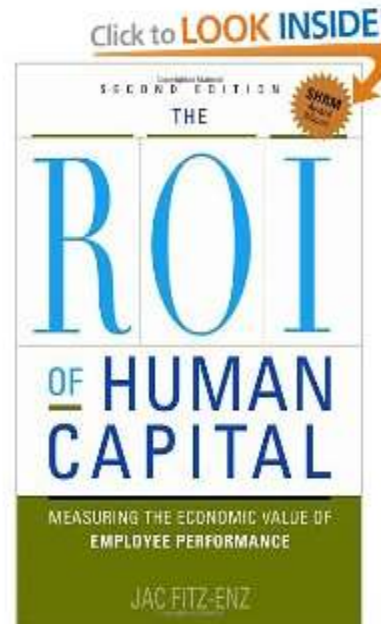
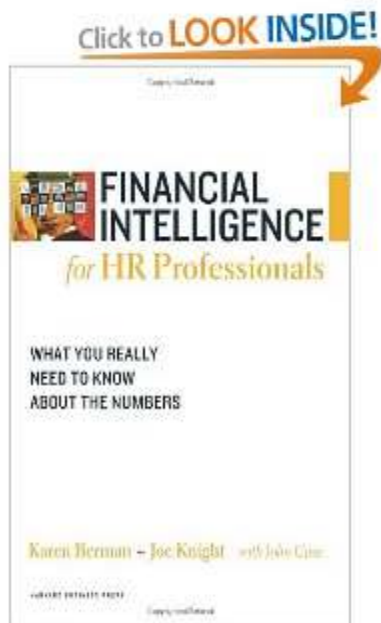
- Metrics by themselves don't matter
- Need upward visibility and downward action
 - Corporate Boards are asking hard questions and looking for results
- Hold leaders accountable
- Recognize and reward the right results



Examples of Accountability

- Dell - annual engagement results reported to board, managers held accountable for improvements
- Intuit CEO - had engagement scores in a notebook for all people managers. Talks to managers about results and actions being taken to improve.
- Global manufacturing business holds managers accountable for:
 - retention and mobility of Hi Pos
 - human capital plans in place
 - participation of Hi Pos in development programs
- Yours?

Suggested Resources - Metrics



Additional Resources

- **Human Capital Institute:** www.hci.org, sign up for free membership, lots of white papers and great webinars to attend at your desk
- **HR.com:** www.hr.com, sign up for free membership, lots of great webinars to attend at your desk
- **Toolbox for HR:** <http://hr.toolbox.com>, free resources from Corporate Leadership Council, great place to pose questions and get answers from the community
- **HR Job posting list:** Contact Joe Laudari at Joe@joesearch.com. Let him know that Marty Jordan referred you to his list.