

HR Metrics in Workforce Management

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Unraveling the mysteries of leadership, cohesive teams and organizational capability.

- **Executive Coaching**
- **Leadership Development**
- **Team Development**

Agenda

- ▶ Defining Metrics
- ▶ Sample Metrics/Dashboards/Scoreboards
- ▶ How to get Started

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HR Metrics

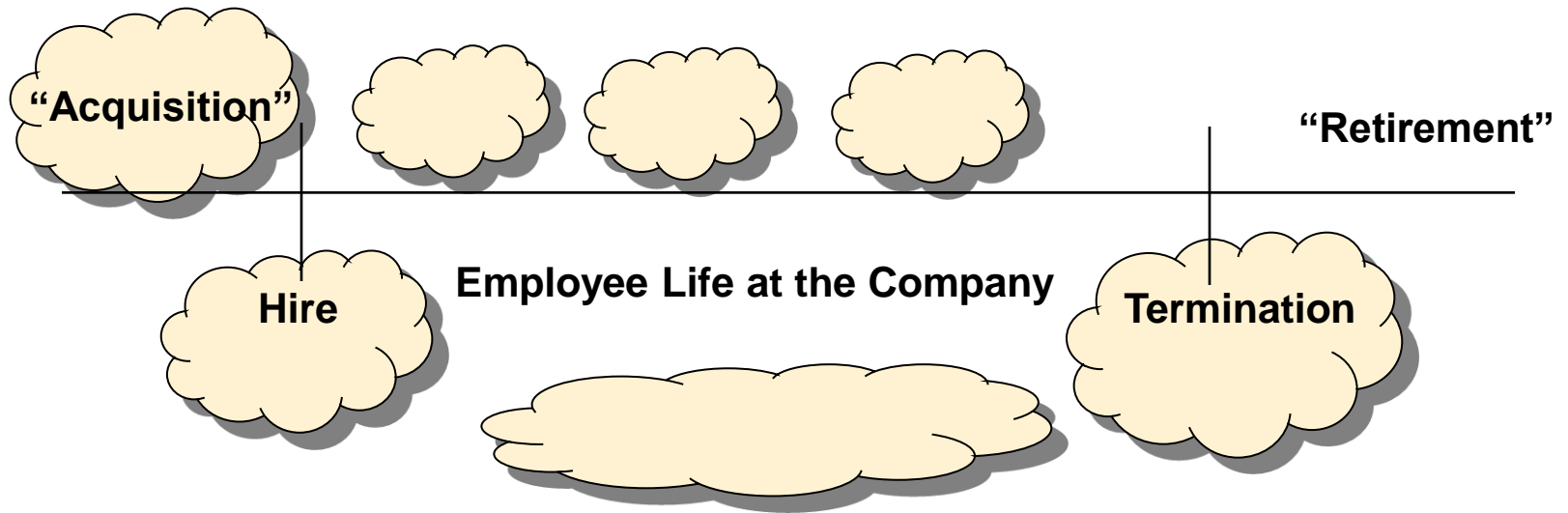
- ▶ Measuring activity
- ▶ Reporting on progress or negative progress for projects & initiatives
- ▶ Workforce analytics

- ▶ What are some examples of metrics?

Employee Life Cycle Slide



What Stages of the Employee Life Cycle Do You Want to Measure?



What is the HR System

- ▶ HR Planning
- ▶ Talent acquisition and retention
- ▶ Rewards
- ▶ Competencies
- ▶ Work organization (teams)
- ▶ Training & Development
- ▶ Performance management and appraisal
- ▶ Compensation and benefits
- ▶ Communications systems

Source: Becker, Huselid, & Ulrich The HR Scorecard. Boston, MA: Harvard Business School Press, 2001.

Talent Acquisition and Retention

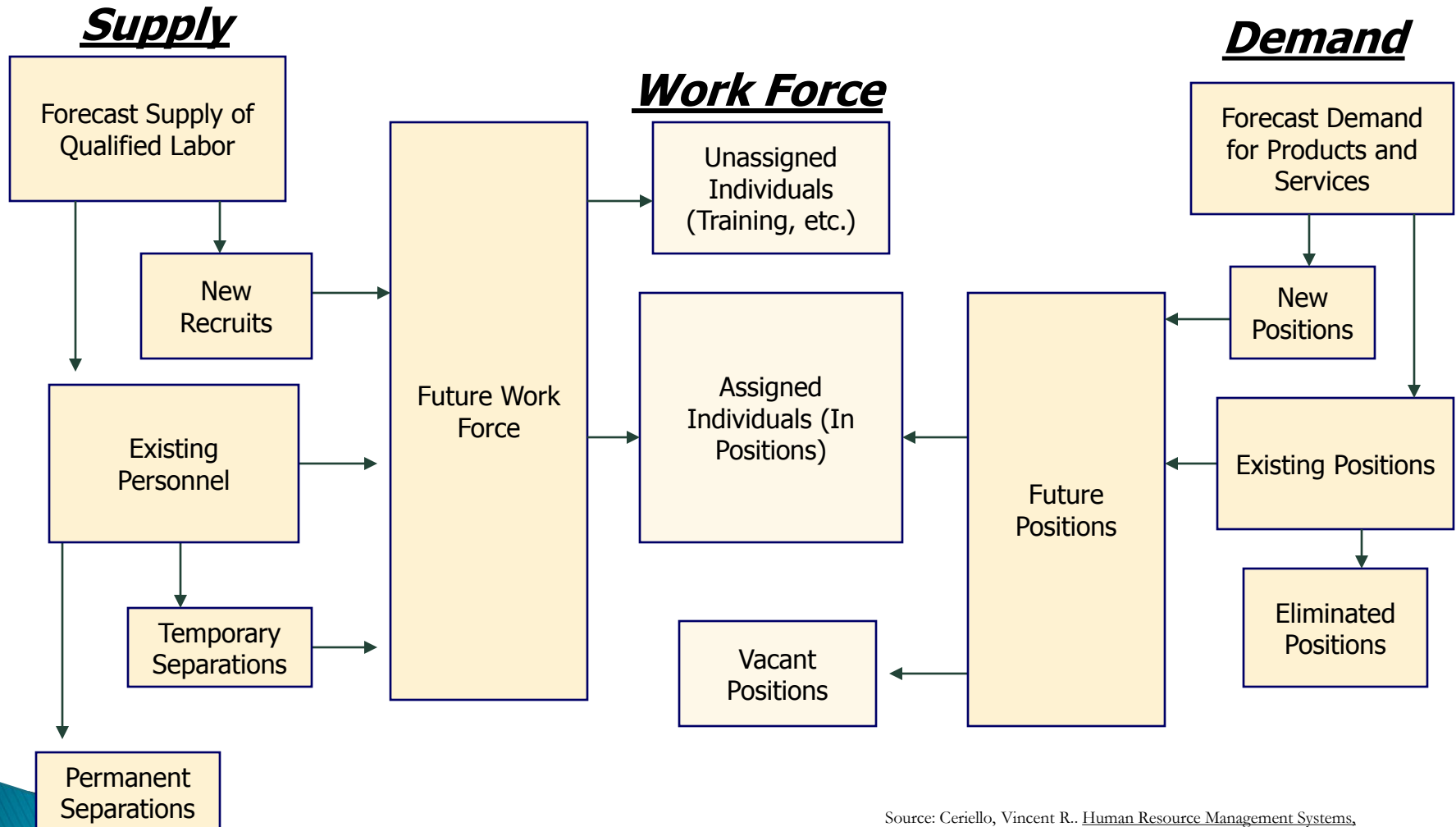
If we take a supply chain orientation to the talent planning and acquisition process, we get a different view of the processes involved. You have demand and supply and forecasting for each.

Talent Acquisition and Retention

Demand Forecasting (who will we need): The structure of an organization's workforce, including the number of employees that may be required, with specified skills, in defined positions should be determined from the organization's strategic/business plans.

Supply Forecasting (who is available): The availability of human resources to meet these demands, whether from within the organization, or from the external labor market.

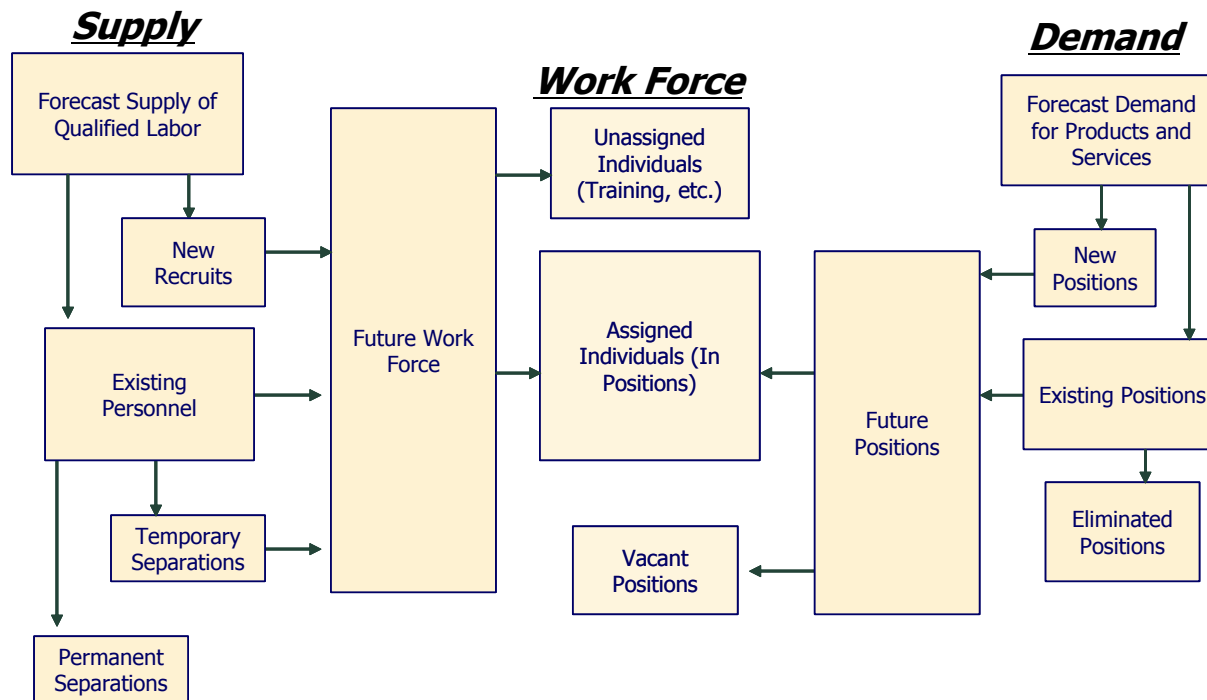
Supply and Demand of Work Force



Source: Ceriello, Vincent R. *Human Resource Management Systems, Strategies, Tactics and Techniques*. San Francisco: Hossey-Bass Publishers, 1991.

Metrics Question

What should you measure and why?



Turnover

“Our turnover was 13% last year.”

- ▶ Is 13% turnover a good number?
 - What was the movement from last period?
 - What was voluntary?
 - What were we desiring for this period?
 - How many talented employees were in that number?
 - What capacity have we lost or gained?

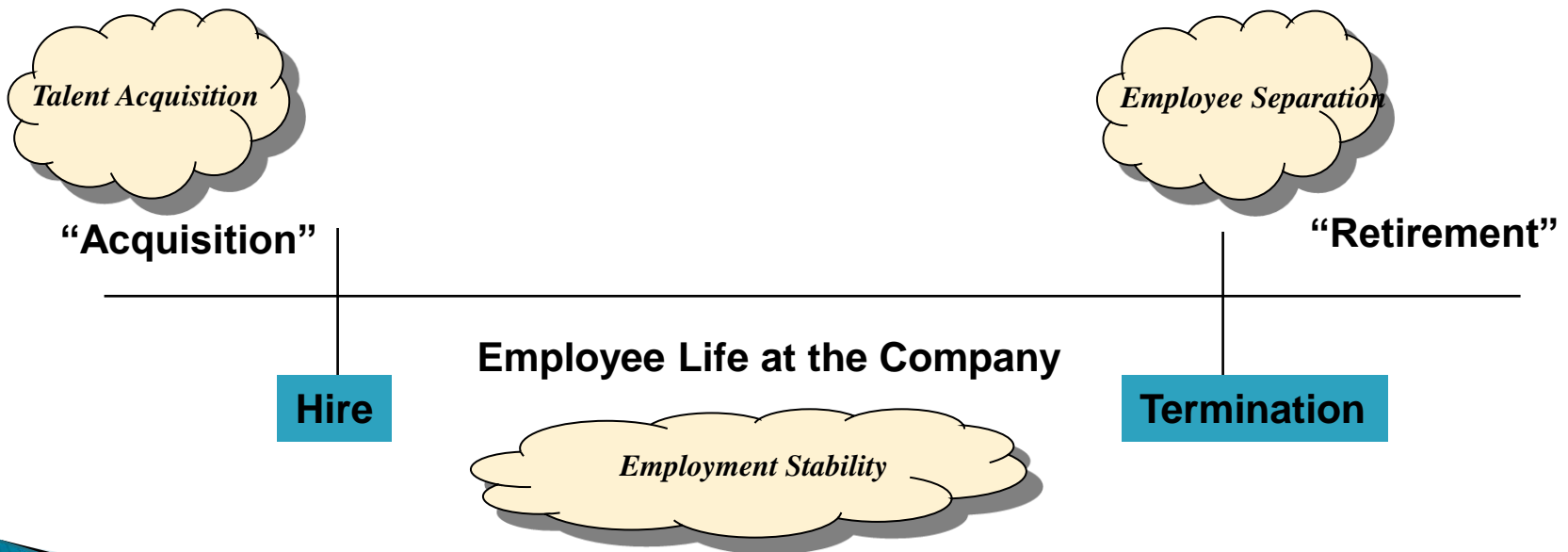
Or Is It Retention?

“Our employee stability was at 87%.”

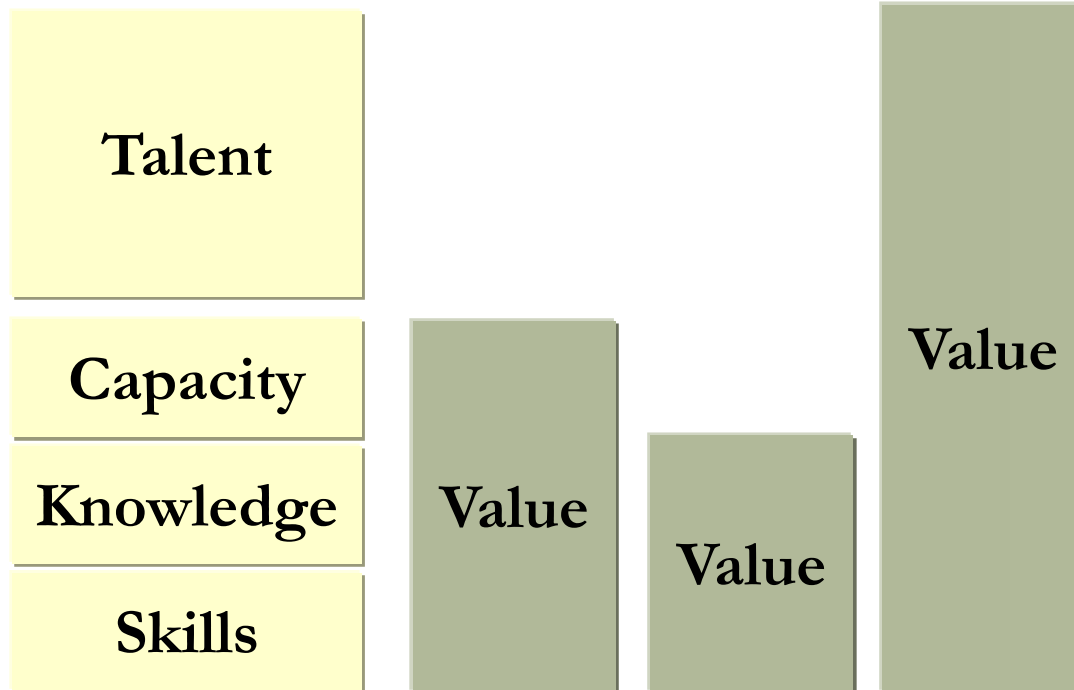
- ▶ We should be focusing on how well we are acquiring talent and retaining talent to increase the value of our employee asset.

“We reduced our talent acquisition cycle time by 50%.

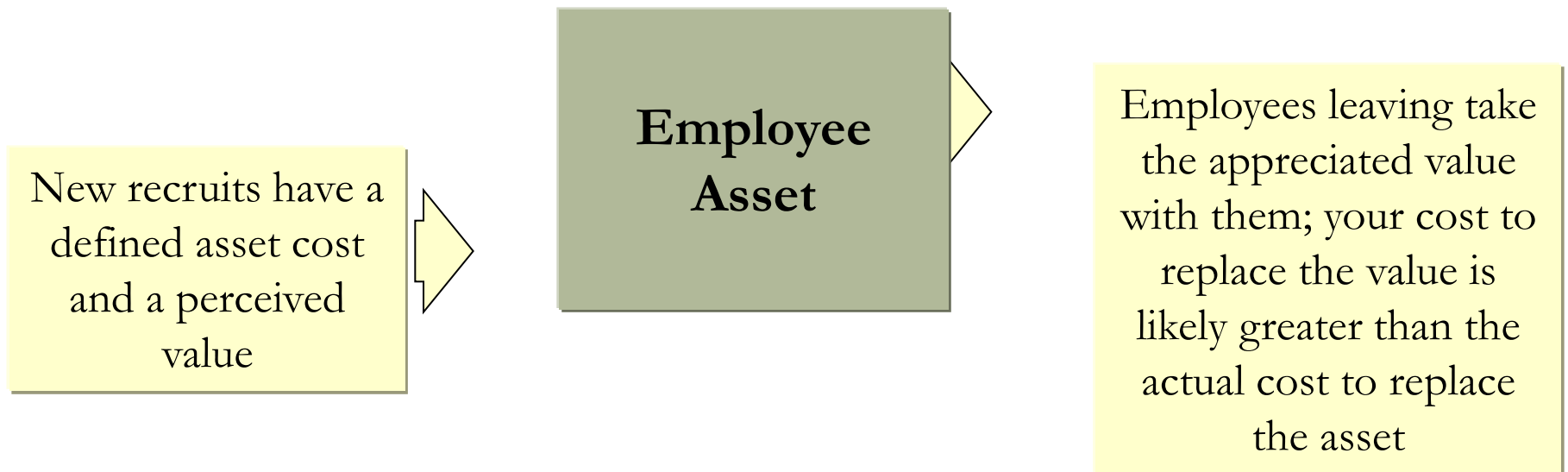
Our employee stability decreased to 82% from 93%?”



Employee Asset



Flow of the Asset



What About the Employee Asset is Important

- ▶ Are you at full capacity?
 - Number of openings
 - Number of critical openings
 - Employment Stability/retention
- ▶ What is the value of the asset?
 - Value of talent (as derived from performance metrics)
 - Strength and capacity utilization of management
 - Number of special projects for high potential employees
- ▶ What is the flow of the asset?
 - Cost/value of inflow greater than outflow?

You Should Measure High Performance Measures Such As

- ▶ How many exceptional candidates do we recruit for each strategic job opening?
- ▶ What proportion of all new hires have been selected based primarily on validated selection methods?
- ▶ To what extent has your company adopted a professionally developed and validated competency model as the basis for hiring, developing, managing, and rewarding employees?
- ▶ How many hours of training does a new employee receive each year?
- ▶ What percentage of the workforce is regularly assessed via a formal performance appraisal?

Source: Becker, Huselid, & Ulrich The HR Scorecard. Boston, MA: Harvard Business School Press, 2001.

High Performance Measures Continued

- ▶ What proportion of merit pay is determined by formal performance appraisal?
- ▶ If the market rate for total compensations would be the fiftieth percentile, what is your company's current percentile ranking on total compensation?
- ▶ What percentage of your exempt and nonexempt employees is eligible for annual cash or deferred incentive plans, or for profit sharing?
- ▶ What percentage of total compensation for your exempt and nonexempt employees is represented by variable pay?
- ▶ What is the likely differential in merit pay awards between high-performing and low-performing employees?

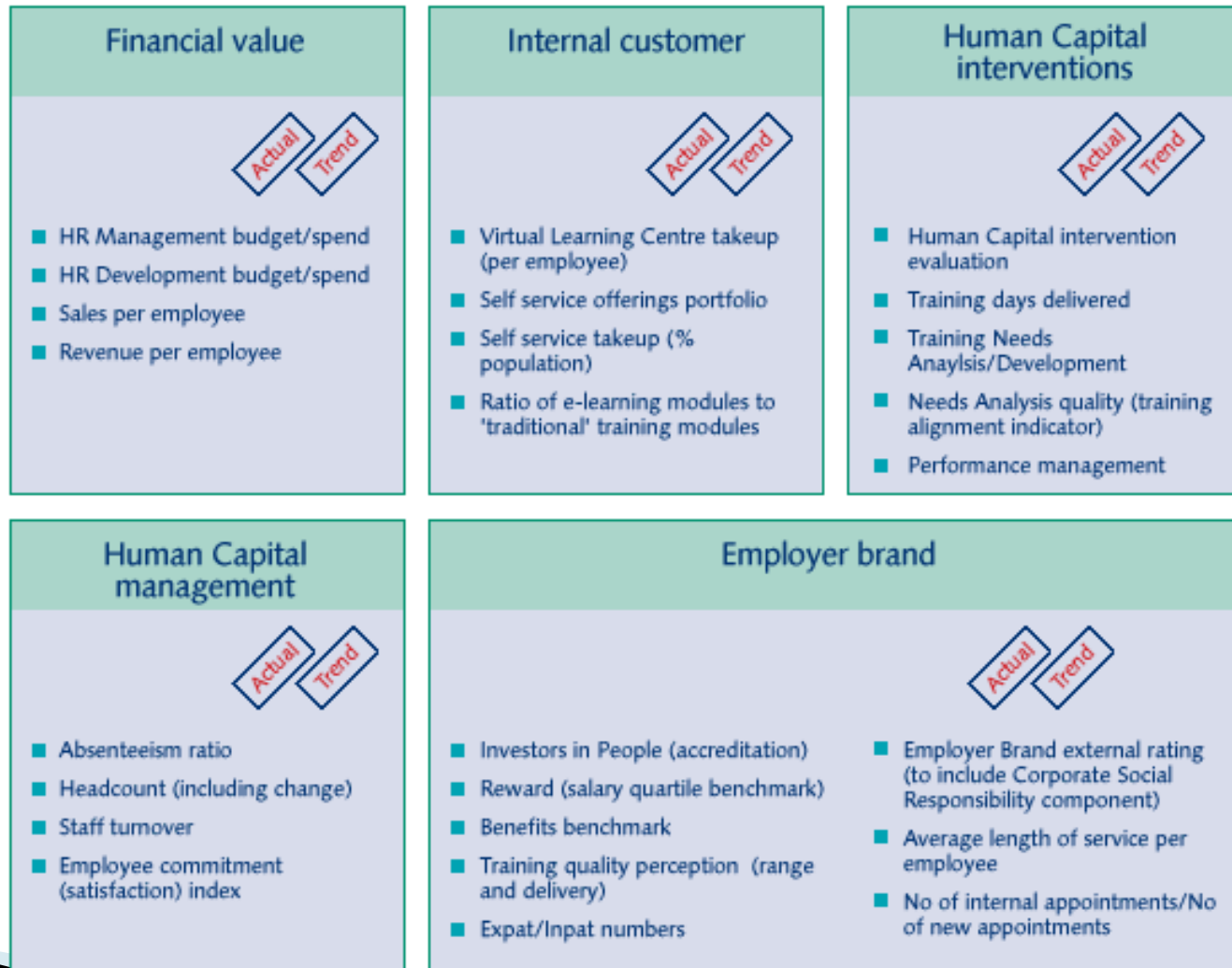
Source: Becker, Huselid, & Ulrich The HR Scorecard. Boston, MA: Harvard Business School Press, 2001.

Sample Dashboards and Scoreboards

Simple Metrics

Turnover	18.75%
New Hires	12
Terminations	23
Training Classes	5
Fringe Costs	29.32%
Days Lost – Absent from Work	55 days
Performance Reviews Completed	30

Dashboard Example

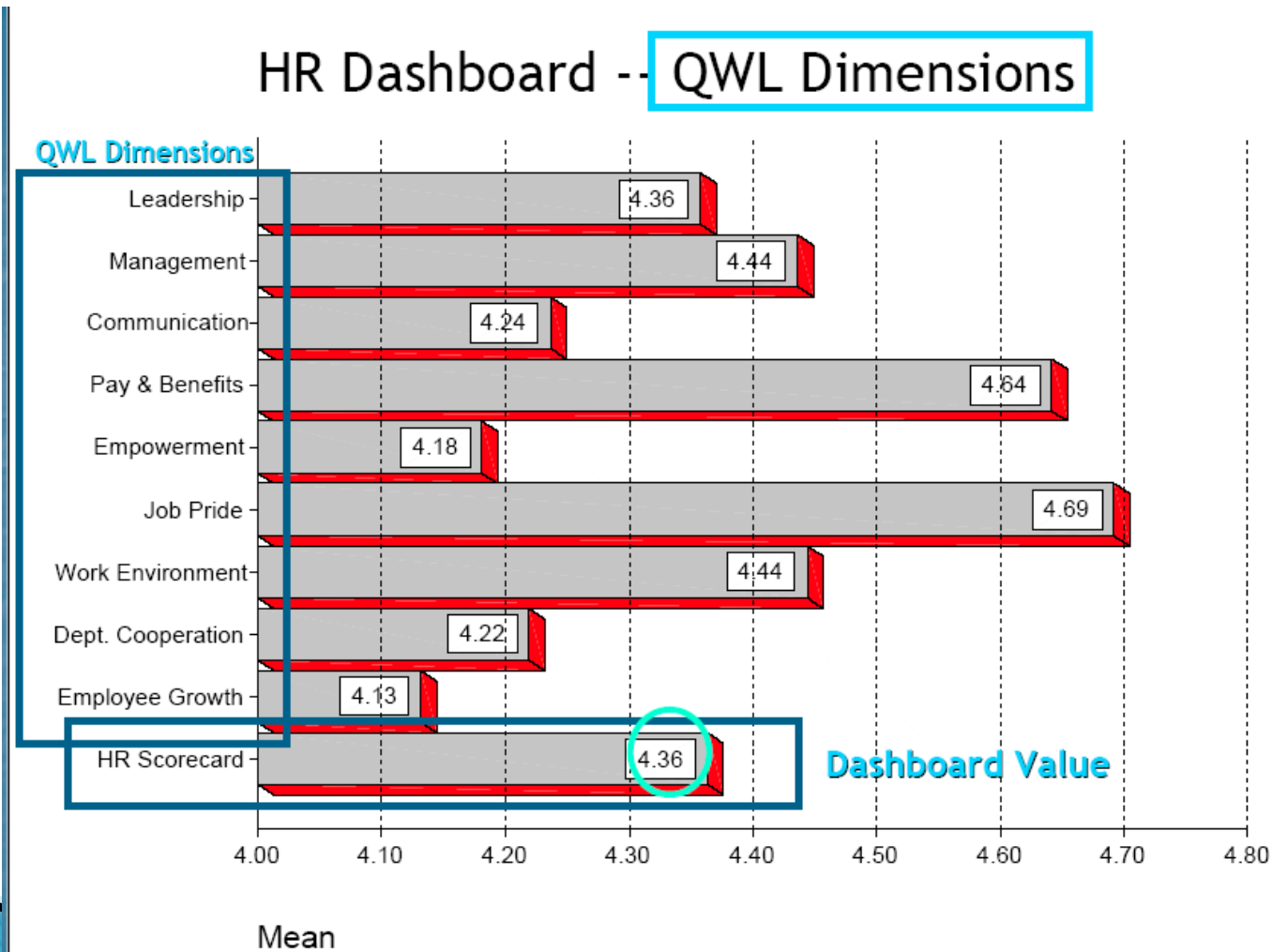


HR Dashboard Example - Health/Satisfaction of Employees



Source: www.russellconsultinginc.com/docs/PDF/HR%20Scorecard.pdf

Supporting Data for Dashboard Item

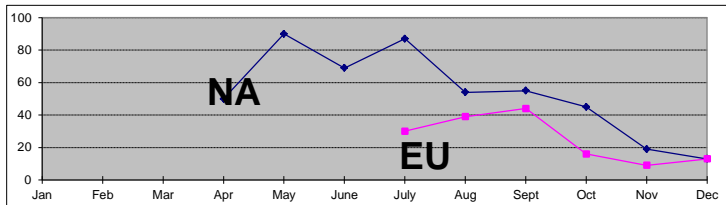


Sample HR Scorecard

See Handout

Sample Dashboard – Services Company

New Hires

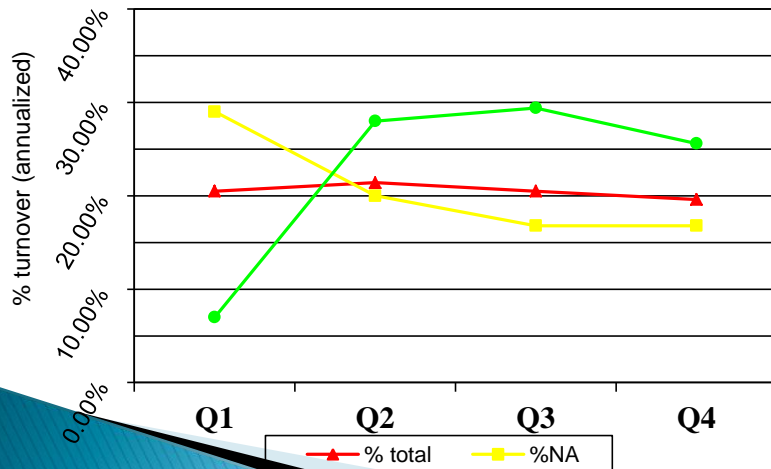


As recruiting numbers dropped significantly, we focused on minimizing external costs, significant staff reductions, better reporting, and skill upgrades to keep costs low.

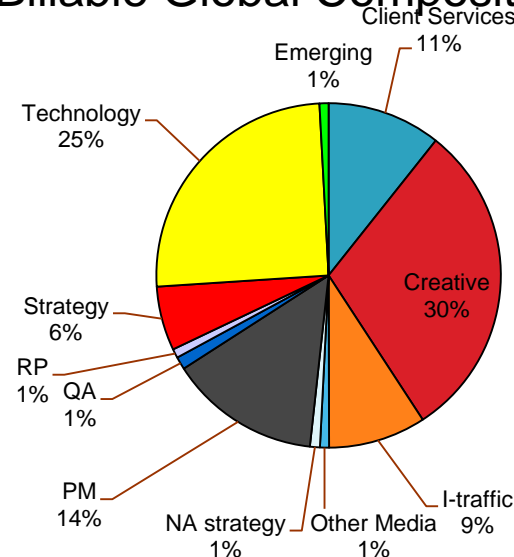
Global Headcount

Total Staff	1,545
Billable	1,179
Billable NA	806
Billable EU	373
% change from prev. quarter - 5%	

Q4 Turnover (pre-scrubbed)



Billable Global Composition



* For Q4, we have revised the formula to calculate turnover.

Six Sigma Based Performance Scorecard

	<u>2002 act</u>	<u>2003 Plan</u>	<u>2003 est</u>
Financials (\$ millions)			
New Orders			
Products	0.0	0.0	0
Services	0.0	0.0	0
Sales			
From Backlog	0.0	0.0	0
From New Orders	0.0	0.0	0
Indirect Variable Costs			
	0.0	0.0	0
Contribution Margin			
CM%	0.0%	0.0%	0.0%
Base Costs			
BC%	0.0%	0.0%	0.0%
Operating Margin			
OM%	0.0%	0.0%	0.0%
ROTC			
Inventory	0.0	0.0	0
Receivables	0.0	0.0	0
Headcount			
Frontroom	0.0	0.0	0
Backroom	0.0	0.0	0.0
Contractors	0.0	0.0	0.0

	<u>Metric</u>	<u>2003 plan</u>	<u>2003 est</u>
Operations			
Quality & Customer Centricity			
Six Sigma engagement	% empl w / closed project	0%	0%
Customer satisfaction	Survey score	0	0
Market & Growth			
Segment Share	ARC study	0%	0%
Hit rate - Systems	Wins/(total bids)	0%	0%
Hit rate - Services	Wins/(total bids)	0%	0%
Global penetration	# new countries sold	0	0
Product viability (NPI sales)	NPI sales	0	0
Technical compliance to std	vs. KEMA standard	0%	0%
Order profitability level	% Applied Margin	0	0
Offer standardization	% hrs customization	0%	0
Repeat orders	# repeat customers	0	0
Grow th	new applications	X	X
Execution			
Contribution margin vs. "as-sold"	Delta	0	0
Delivery SPAN	SPAN per 6ξ rules	0days	0
Cycle time improvement	Time for std build	0%	0
Program w rite-dow ns	dollars	0	0
ISO process compliance (v2000)	Audit results	0%	0%
Scope creep	TBD	0	0
Human Resources			
Employee satisfaction	Employee survey	0	0
"T" management	# controllable losses	0	0
"L" management	% on PIP	0%	0%
Leadership training	Hrs / leader	0	0
Contractor management	% reduction	0%	0
Communications			
Product visibility	TBD	0	0
Internal Communications	quarterly, monthly, w eekly	on-going	0
Visibility on the community	Elfun, PR's in local paper	on-going	0

Legend

ON-TRACK
Proceed

CAUTION
Needs extra attention

RISK
Needs tiger team

Breakout of HR Metrics

Operations

	<u>Metric</u>	<u>2003 plan</u>	<u>2003 est</u>
<u>Human Resources</u>			
Employee satisfaction	Employee survey	0	0
"T" management	# controllable losses	0	0
"L" management	% on PIP	0%	0%
Leadership training	Hrs / leader	0	0
Contractor management	% reduction	0%	0
<u>Communications</u>			
Product visibility	TBD	0	0
Internal Communications	quarterly, monthly, weekly	on-going	0
Visibility on the community	Elfun, PR's in local paper	on-going	0

Legend

ON -TRACK
Proceed

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Performance Management Individual Dashboard

Name Jane Doe

Business Widget Manufacturing

Position Manager

QUALITY

Staffing

Measurement	03 Baseline	04 Commitment	04 YE
• # BBs-salaried	6	6	6
• # BBs-hourly	0	2	1-2
• # GBs	77	200	200
• # MBBs	2	2	2
• GB+BB+MBB as %exempt	41%	100%	100%
• Support - statistician	0	1	1
• Support - finance	1 (shared)	1	1 (shared)

Projects

Measurement	03 Baseline	04 Commitment	04 YE
• Projects completed	61	128	180
• Annual Savings (\$CDN)	\$1.5M	\$3.2M	\$3.2M

Training/Employee Participation

Measurement	03 Baseline	04 Commitment	04 YE
• OJT (# employees)	273	607	615
• OJT (% of all employees)	45%	100%	100%
• MAIC-Suppliers (#BBs)	8	12	15
• DFSS Awareness (% Engineers)	100%	100%	100%
• Modules 1+2 (% Engineers)	0%	100%	20%

Communication

Measurement	03 Baseline	04 Commitment	04 YE
• Employee Surveys	1	4	4
• % favorable on surveys	33%	66%	66%
• Celebration	4	4	3
• Tollgate Reviews	weekly	weekly	regular basis
• BB Project Report Outs	12	12	8 (format change)
• Board and web site	50%	100%	100%
• Communication with GM	periodic	weekly	regular basis

Performance to Customer CTQ's

CTQs	Measurement	03 Baseline	04 Commitment	04 YE	Note
• Customer Responsiveness/ Communication	Proposal Quality	2.50	3.00	3.00	
• Market Place Competitiveness Product/Price Value	Hit rate new units	30%	20%	20%	Metrics have been reviewed The firm will use a set of 42 metrics to track its performance. IM integration will be essential.
	Hit rate services (Canada)	60%	60%	60%	
	Hit rate services (USA)	10%	30%	30%	
• On-time, Accurate and Complete Customer Deliverables	Meet Product schedules	3.16	3.50	3.50	
	Drawing revisions (Turbines)	2.60	3.50	3.00	
	Drawing revisions (Generators)	1.30	1.60	1.63	
	Suppliers meet Schedules	3.99	4.25	4.20	
• Product/Service Technical Performance	Meet Specification (Factory)	3.96	4.25	4.20	
	Cost of Quality (\$CDN)	\$4.8M	\$4.1M	4.10	

How to Get Started

- ▶ What helps create value for the business strategy
- ▶ Take you current metrics and ask deep questions regarding the value of the information:
 - Why is this being measured?
 - What is the goal for the measure and why?
 - What will I do with changes in the measure?
 - How is the value of the human capital asset impacted by this metric?
- ▶ Using one measure, create a roadmap that ties that metric to a business goal. (see The HR Scoreboard (Becker, Huselid, Ulrich))
- ▶ Force rank the metrics against your goals and time spent on HR issues to determine alignment.

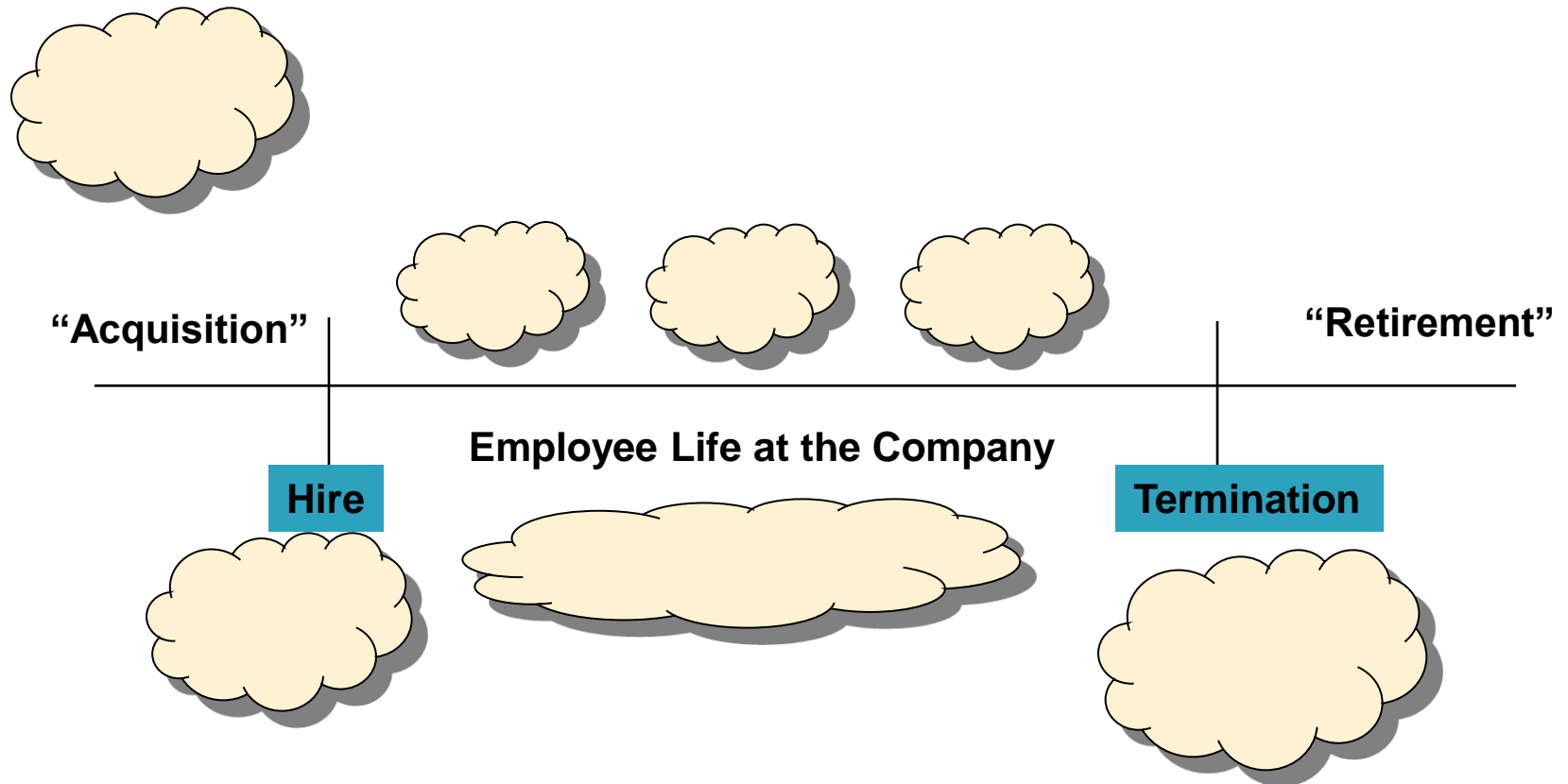
Link HR to the Strategy

- ▶ Do we have the talent we need to be successful in the future?
- ▶ How is HR helping the company to position itself to meet the needs of external customers?
- ▶ Is HR viewed as an enabler to attracting and retaining top talent at the company?
- ▶ Are we managing the cost of turnover/churn?
- ▶ What is the company's return on investment in people?

Source: *The HR Scorecard*;

Source: Becker, Huselid, & Ulrich [The HR Scorecard](#). Boston, MA: Harvard Business School Press, 2001.

What Measures Would you Use at the Different Stages of the Employee Life Cycle?



Consider Leading vs. Lagging Indicators

Time Off  Health Program Participation

Time Off  Retention of Critical Human Capital

Ideas

▶ Employee Satisfaction

- Use SurveyMonkey (www.surveymonkey) or Outlook to automate the delivery of periodic employee surveys to rank the health of the culture or employee satisfaction.

▶ Talent Onboarding

- Use assessment tools to increase quality of talent acquisition, increase employee stability index and increased desired retention.

▶ Leadership Capacity

- Use 1st Break All The Rules 12 questions every manager should ask as survey tool for leaders.
- Force rank all leaders and develop an index of positive vs. negative impact on the organization.

Ideas

- ▶ **Employee Asset**
 - Create a value for each departing employee and a value for each hire and net the two figures to create a barometer on the movement of the asset value.
- ▶ **Learning**
 - Calculate the value of training as compared to the level (A, B, C player) of the employee.

Just Get Started with ONE Metric!!!

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