

The Value of Measuring People

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September 2011



Our Focus Today

1. Explain the value of measuring talent
2. Outline the basic steps
3. Give examples of how this links to budget and strategy

What are HR metrics?

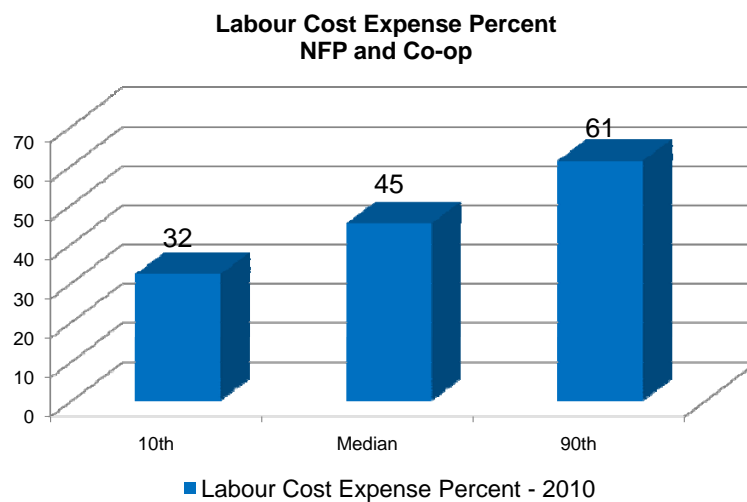
Metric = "A System of Measurement"

- ▶ A method of quantifying the impact of people, HR programs and activities
- ▶ Also referred to as: HR analytics, human capital metrics, Key Performance Indicators (KPIs)

Measuring outcome not input
Measuring results not activities

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Stuck in a cycle

What gets valued gets investment

HR is in a cycle

Lack of measurement leads to....

Limited proof of organizational impact

Therefore impact is under-valued

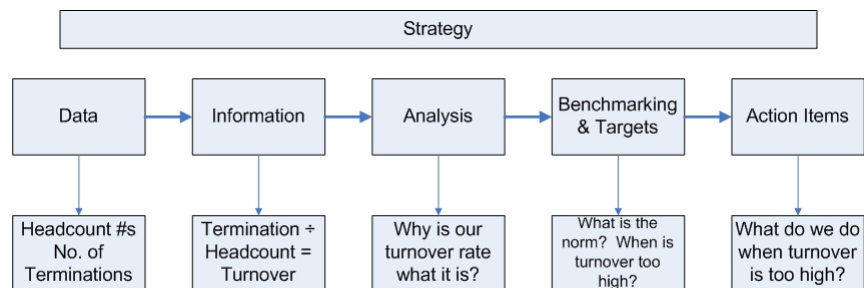
Therefore investment is limited

Therefore impact is limited

.....and on and on

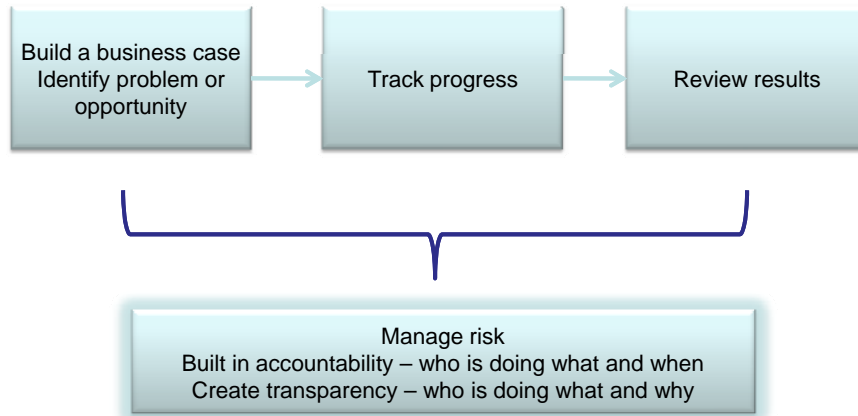
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How to break the cycle



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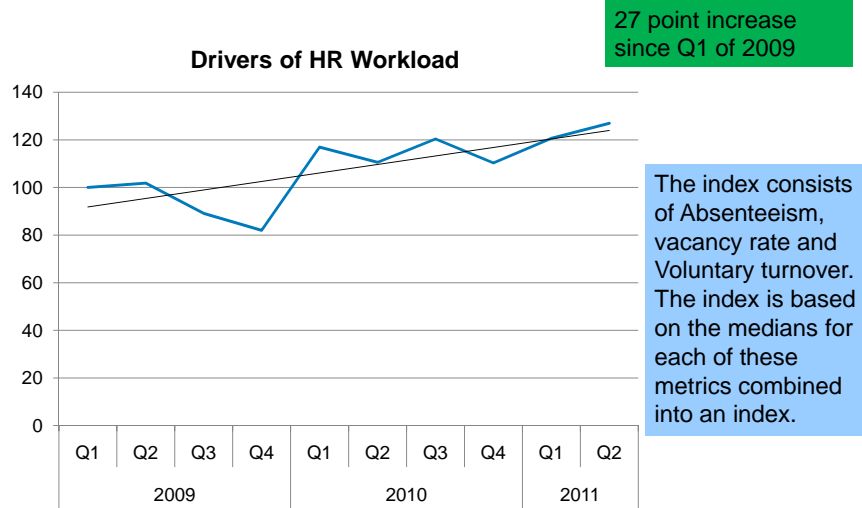
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Metric	10 th Percentile	Median	90 th Percentile
Absenteeism	5.3	7.9	13.2
Benefits as percentage of Total Comp	13%	14.3%	17.5%
Turnover	4.4%	6.3%	8.5%
Resignation Rate	1.9%	2.9%	5.8%
HR Costs per Employee	\$584.	\$1717	\$4712

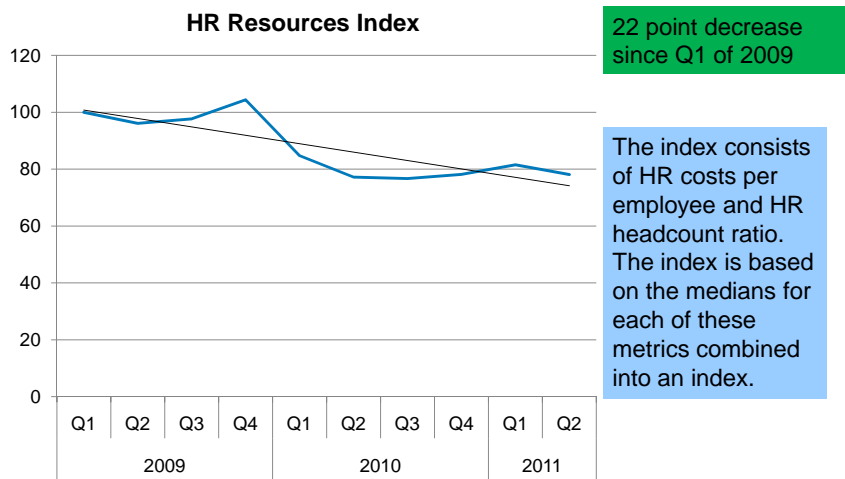
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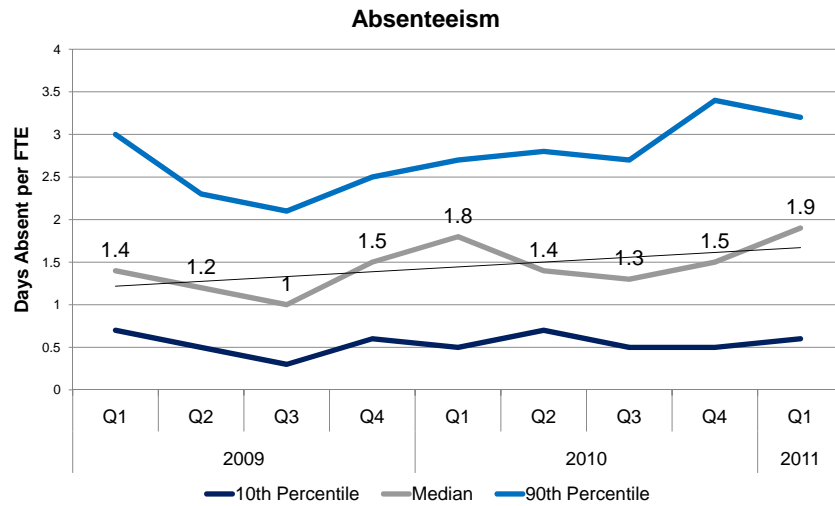
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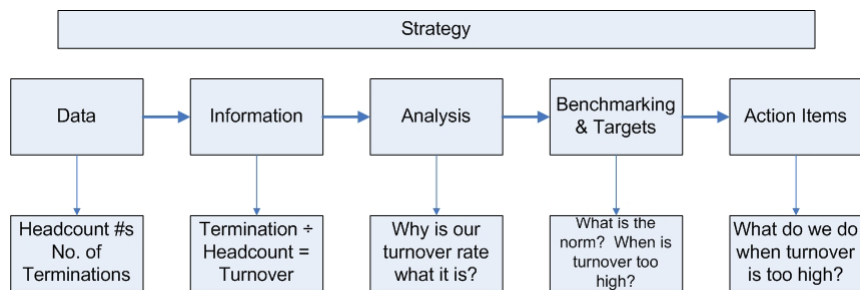
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The foundations



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Example

Start with turnover

Turnover > Cost of voluntary turnover

Example:

Resignations = Preventable turnover

- Organization's Resignation Rate is 26% this quarter
- Industry benchmark is 10%
- Jump in resignations in 30-35 years age group
- Exit interviews say: going to work for competitor for better pay
- Research says turnover costs 1.5x an employee's salary on average

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Example

Example continued:

- 10 employees resigned per quarter, their salaries total \$450,000

Projected Annual Base Compensation Cost:

$$\$450,000 * 1.5 = \$675,000$$

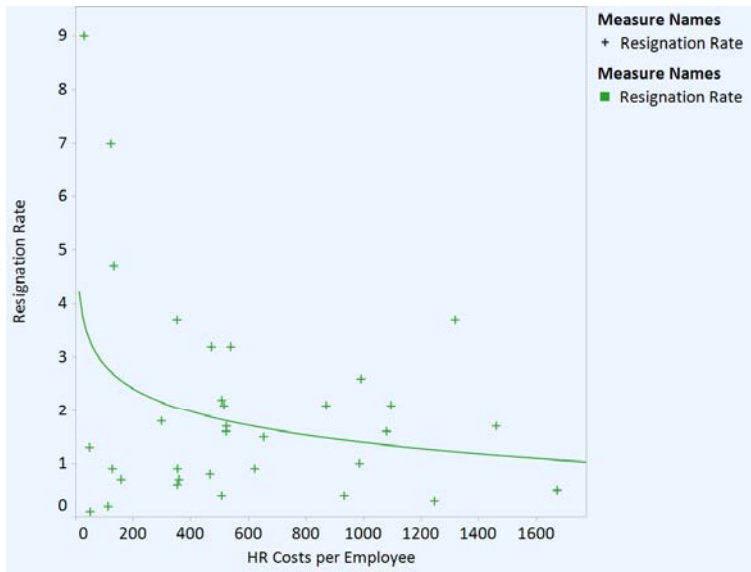
$$\begin{aligned} \text{Cost of Voluntary Turnover} &= \$675,000 / 10 \text{ employees} \\ &= \$67,500 \text{ per employee} \end{aligned}$$

If you cut the Resignation Rate in half to 5 employees you could save:

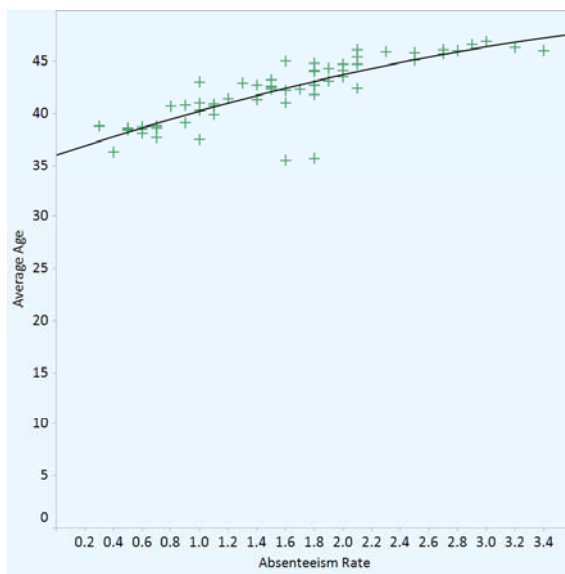
$$(5 \text{ employees} * \$37,500) = \$337,500$$

What could you invest to achieve this cost saving ?

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Strategic metrics in real-life

Goal or KPI

Strategy is to provide timely service
ED is paying attention to:
On-time performance

Tactic /
Approach

Target: To have no vacant positions in
client facing staff for longer than 5 days.

HR Monitoring

You're paying attention to recruitment stats:

- Time to Fill
- Vacancy rate
- 90 Day Voluntary Turnover

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Metric selection tool - example

Definition	90 Day Voluntary Turnover
Linkage to Strategy	Timely client service
Ability to Quantify	Objective measure
Benchmarks Available?	Yes. HR Metrics Service
Accessibility	Tracked through payroll data
Ease of Understanding	Metric is easily understood across organization therefore is easy to communicate – easy to link to service objective
Counter-balanced?	If time to fill is too quick you may be sacrificing quality for time
Relevance	Indicates whether you are likely to have enough staff in place or how much of an impact poor hiring is having on your goals.

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Questions?



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- Additional resources
- Standards and Glossary
 - <http://www.hrmetrics.com/resources/>
- HRVoice.org
- First Reference Talks
 - <http://blog.firstreference.com/>

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