HR EFFECTIVENESS METRICS

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Here is a second draft of measures to be used to evaluate the effectiveness of an HR function. It includes organization-wide metrics which might not show up in "HR Reports" as well as those which can be used for specific HR programs.

1. Are the people we have the most productive in the industry?

    - What is our productivity (Output) per dollar of people costs spent? (People Costs include: salary, benefits, training, & HR Dept. costs)? Can HR show the trend (over several years and project future years) and compare it to our chief competitors.

    - What is our "People Profit" (The number of dollars of "people" costs we must incur in order to generate a dollar of profit)?

    - What is the trend and how does it compare to our chief competitors?

    - What is our "Revenue per employee"? Is it higher than our competitors?

2. Do we have the right number of people in our organization?

    - Does HR have a metric/ system for ensuring we are not OVER-STAFFED? Do we compare our Headcount per unit of production/ sales to that of our direct competitors to ensure we don't have headcount "fat"?

    - Are we UNDER STAFFED in areas, where if we added people in key areas, we would increase our profitability?

3. Are we overpaying our employees for the output they produce?

    - Can HR show the impact of pay increases? What is the % increase in employee performance as the result of every 1% increase in pay?

    - Does paying top dollar matter? Do the employees paid in the top quartile of the salary range produce proportionally more output than those paid in the middle quartile?

- Demonstrate that we have tied a higher proportion of our total compensation to productivity and company performance than our competitors. How much differently do we treat (pay) our top contributors from our average contributors?

- Who are we over / under paying? Demonstrate we have an effective system for identifying and forecasting whether we are under or over paying our employees.

- Is there evidence that our benefits programs really attract or keep people?

4. Do we improve the people we have? (Make them more skilled and productive)

    - Is Training a Critical Success Factor? Is there a correlation in our industry between the % of all people costs spent on training/ OD and firm profitability?

    - Does Training make a difference in performance? What is the percent increase in performance as a result of every $1,000 spent on training?

    - Training also needs to prove it is closing the gap between current competencies and needed future competencies.

5. Does having great employees really make a difference in our industry?

    - Does HR have evidence that having "the best" employees is a Critical Success Factor (CSF) in our industry because the most profitable firms have a high proportion of "quality" employees and the less successful firms have lower proportion of "quality" employees?

    - Has HR identified the jobs/ functional areas where having great people is essential for corporate success (a CSF)?

    - Does adding more or higher quality HR resources make a difference? Is the Return on Investment in Human Resources higher than the ROI on Capital or for plant and equipment?

    - Do the best firms in our industry have great HR departments and do the mediocre ones have mediocre HR? Does improving the HR department impact a firm's competitive position?

6. Do we attract and hire the very best people we can afford?

    - Did we hire better people this year (more productive per dollar spent in salary) than last?

    - Demonstrate that we are hiring people with competencies and skills that give us a competitive advantage over our competitors.

    - When we compete head to head with our competitors for top tier talent, show that we get a higher percentage than our competitors.

    - Show that you have made our firm the Employer of Choice in our industry.

7. Do we retain our key / most productive people at a higher rate than our best competitors?

    Show that our voluntary turnover rate is lower than our competitors for:
    - Key executives
    - Top performers
    - Individuals with "key" competencies and
    - All individuals in hard to hire positions

8. Do we "fix" our "problem" employees rapidly or get rid of them if they are too expensive to "fix"?

    - What percentage of "poor" performers become "very good" performers within a year, as a result of our employee relations efforts?

    - Show we get rid of our poor performers that can't be "fixed" at a rate faster than our competitors.

    - Is there evidence HR identifies and effectively "fixes"" bad" managers?

9. Is there evidence HR provides guidance and help to strengthen our managers and teams?

    - It is a major contributor (among overhead functions) to our corporate success / profitability?

    - Do we survey our managers and ask them to force rank all overhead functions on how they contributed to departmental and divisional profitability? Does HR rank toward the top?

- Does HR provide evidence it contributes to increasing our shared vision and the strengthening of our corporate culture?
- In our employee pulse survey do employees rate HR as a contributor or a barrier to productivity?
- Does HR give managers multi-options and do its programs allow managers to "adjust" corporate policies to fit "local" needs? We give managers input into policies before they are initiated.
- Do well sell management on the importance of people issues? We educate managers and teams on the HR implications of actions they take (or might take). Do we make a compelling case to managers that people issues should get the most time and attention?
- We give managers options on the "level of service" they receive from HR.

10. Do we forecast and prevent people problems better than the best in the industry?
    - Have HR "smoke detectors" and forecasts given top management sufficient warning of possible "people problems"? Has it allowed us to effectively mitigate their impact upon the business?
    - HR develops programs and solutions before smoke turns into fire and before managers have to request them.
    - Do we provide our managers with sufficient lead-time and a "heads up" on people issues that will/ do face them?

11. Is our HR department efficient and does it continually improve?
    - Is there evidence that HR continually improves its programs? Drops it's ineffective ones?
    - Is there evidence that putting more HR resources in an area dramatically impacts that areas productivity and profitability?
    - What percent of all corporate spending goes to HR? How does it compare to last year and our best competitors? Are our costs per unit of HR service below those of our best competitors given an equal quality of service?
    - Do key departments and products get the most Human Resources help?

12. Are our employees satisfied?
    - Do employees report they are more satisfied this year with the way they are treated? (Compared to last year?).
    - Does HR have evidence of the impact of employee satisfaction on our employee's productivity and retention?

13. Do we rapidly redeploy our people resources from areas of low return in the corporation to areas of high return?
    - What % of our workforce moves internally each year between business units?
    - What % of our workforce have we had to "layoff this year?
    - Is there evidence that we get the most from our talent?

14. Is our over-all HR strategy aligned with our business strategy?
    - What is our over-all HR strategy?
    - Is there evidence it adequately shifts, as our business needs change?
    - Has HR done a competitive analysis (over-all and by function) to see where we need to shift our efforts in order to beat our competitors in every HR category?
    - Does our HR strategy reinforce our corporate values and culture?

15. Is there evidence that HR has significantly added to our shareholders value?
    - Has our stock options program added to or diluted our share's value?
    - Demonstrate what HR has done to increase our over-all corporate.
    - Capabilities, competencies and capacity to beat our competitors. (Since, on average, over 60% of all corporate dollars are spent on people costs).

* These questions are based on the "captain of the ship” approach, where HR assumes responsibility for all corporate "people" performance even though HR does not have direct control over all aspects of it.

Organization wide HR Metrics - some common omissions

There are some metrics that can give insight into what and why things are happening in an organization. Of course these metrics may be available in other reports but including them in the over-all report might improve the over-all perspective of what's happening.

1. Change in the productivity of employees (output less costs)
2. HR customer satisfaction data (courtesy and quality of service)
3. Response time to requests for HR help/ information
4. Quality of our hires (performance of recent hires)
5. People Profit The number of people dollars spent in order to get one dollar of profit
6. The Cost per unit of HR service (this year compared to last) Employee pulse/ satisfaction. What are the employees saying?
7. HRIS related performance and customer service metrics
8. Back fill capabilities in case of turnover and succession planning success
9. Quarterly Human Asset review and overall HR performance index
10. Identifying (and improving) weak / problem managers metrics
11. A list of critical terminations and open positions
12. % of employees that feel challenged, growing, recognized by manager (for retention purposes)
13. List of hi-performing employees that are at risk of leaving
14. Success in becoming an Employer of Choice or improving our recruiting image
15. Competency "gaps' between needed and actual capabilities

Metrics for specific HR Programs

1. Overall people "cost". A metric such as the change in the % of total operational expenses that are people costs. % change in HR operations costs. The % of total compensation that is tied to performance and the change in overall benefits costs are helpful.

2. Compensation metrics are often confusing and are hard to read if your time is limited. Benefits are sometimes excluded. A ranking of the ones employees are most/ least satisfied with is desirable.
3. Training metrics (other than training attendance) are needed. Suggestions include Satisfaction, they learned something, they actually used it in the job, and there was an improvement in performance as a result of training
4. Metrics showing which recruiting sources provided the highest performing employees is a superior metric to a simple listing that groups all employees together
5. Employee Relations. The % of employees whose performance improves as a result of HR's efforts. % of employees with a poor/ great rating
6. Forced ranking of our managers satisfaction with HR as compared to other over head functions
7. Activity/ effectiveness of our Generalists (satisfaction, problems solved, people productivity)
8. Orientation program effectiveness (time to productivity) and satisfaction
9. Speed of HR program improvement/ obsolescence (% per year)
10. Usage of HR services (by department or program)
11. % of HR services shifted to self-service or to managers
12. % of HR information available on the Intranet
13. Globalization - % of services available internationally or 24 hours a day
14. Satisfaction of applicants and new hires
15. % of employees "certified" in their field (software or profession)
16. HR to employee ratio
17. How has HR increased organizational capability and learning
18. How has HR changed the organization
19. Is HR easier to do business with? (Do we have boundaryless service and customer satisfaction data)
20. % of HR that is offered as a fee for service or shared services.
21. "Mystery shopper" or random sampling with "testers" to assess the quality and accuracy of HR advice
22. % of diversity goals met. EEO actions
23. A list of new HR services, products or eliminated services

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