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People Insights, Inc.

14313 – 91st Avenue

Surrey, BC V3V 7T7

604-585-6608

www.peopleinsights.com

HR Metrics - A Passing Fad or Valuable Tool?

How every organization can benefit from carefully measured people statistics



By
Neil B. Zambik, CHRP
President,
People Insights, Inc.

In this issue of *People Insights*, we will examine how Human Resources metrics can be used by organizations in a strategic manner to effectively allocate resources, anticipate trends, examine the value of HR programs, and ultimately use this data to impact the bottom line of the organization. The question is, will organizations see the value in measuring HR or is this just another attempt by the Human Resources profession to justify its worth.

Corporations have always worked with metrics to measure success. Finance and Accounting produce financial metrics for sales, profitability, and business trends. Operations have looked at productivity rates and cost per unit of output. Sales have looked at increases in units sold, margins, and revenues. HR, for the most part, has often only been able to provide "gut feel" metrics. Examples of such "metrics" include:

- We feel that our employees aren't as committed to the company as they use to be.
- We think that many employees are looking for jobs.
- We seem to have a hard time keeping good people once we hire them.

What if there were ways to provide specific measures for HR activities that could assist organizations in making more informed and better business decisions that would improve financial results. The good news is that there are proven HR metrics that can do just that and many of these metrics are not new. However, they are now coming to the forefront with HR professionals and organizations as effective business decision tools.

Since HR has always had difficulty proving its worth in organizations, why has it taken so long for HR metrics to become seen as a valuable resource to the business? For many in the HR profession, it is difficult for them to accept the idea of quantifying people in any way with numbers. Also, some HR people are not comfortable with working with figures. However, true HR professionals have no trouble adopting the use of HR metrics. These metrics allow HR to speak to other business executives at the same level and perspective at Senior Management meetings.

The BC Human Resources Management Association is now, on a quarterly basis, tracking over 85 different HR metrics for several companies across western Canada. This information allows organizations to compare their results with trends in industry. They are tracked in the following categories:



How can your organization effectively implement the right and most effective HR metrics?

This will require some in-depth conversations and the expertise of a Strategic Human Resources partner. Contact the President of **People Insights, Inc.**, Neil Zambik at 604-585-6608 to assist you with developing the right HR metrics that will be most appropriate for your organization.

People Insights, Inc. continues to provide strategic Human Resources and innovative People Development programs and processes for organizations.

Phone: 604-585-6608

Email:
neil@peopleinsights.com

Website:
www.peopleinsights.com

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HR metrics can greatly assist organizations in making better business decisions

- Productivity
- Compensation
- Recruitment
- Retention
- HR efficiency
- Workforce Demographics
- Learning and Development

For most organizations, it would be too onerous a task to measure so many metrics and there would be too much data to effectively analyze. Therefore, it is recommended that there should be at least 3 metrics per program to be measured that include both efficiency and effectiveness measures as well as leading and lagging indicators.

For the purposes of illustration, let's look at an example. One measure could be absenteeism rate. This is measured as the number of work days missed due to illness per full time equivalent employees (FTE). Examining this further, what might be the causes of increased absenteeism? Some suggestions might include decreased employee engagement, poor managers, or a perception that other opportunities elsewhere might be better. This would suggest that a rising absenteeism rate is a leading indicator for decreased employee commitment to the organization. Given such a trend, HR could lead management discussions on how to improve employee commitment which could result in improved productivity and decreased turnover.

Some key indicators that could assist any organization in more effectively managing their people might include:

- Revenue or profit per FTE (Full Time Equivalent)
- Job Vacancy rate – how long does it take to fill roles
- Turnover rate – measured by voluntary and involuntary turnover and by how soon new employees leave the company (i.e. 90 days, first year, first 2 years, etc.)
- Cost of turnover (See other People Insights articles on the cost of turnover).

Given the thoughts outlined in this article, organizations **must** adopt HR metrics for their organization. These measures must be appropriate to the business. They must be monitored and reviewed on at least a quarterly basis and they must be applied in a consistent manner to accurately reflect the trends in the company.

What HR metrics will you integrate into your business?

If this has sparked your interest in the value of HR metrics, People Insights, Inc. would be pleased to meet with you to discuss how to effectively use HR metrics in your business decisions to ultimately complement your existing metrics and improve your operation from a people and financial perspective.

