Foundations CONSULTING

The HR SCOOP

MAY 2021

Using HR Metrics to Make Business Decisions

As HR processes are automated and more data is stored electronically, organizations can capture and analyze metrics on the “people side” of the business with greater detail and accuracy than ever before. Including HR-based measurements into strategic and annual planning practices creates a more informed process that moves from ‘hunch-based’ to fact-based recommendations that can move the organization forward.

Business decisions are often based on an estimated return on investment (ROI). ROI answers the question of ‘how much benefit will this investment in time or resources create for customers, employees or the community?’

Human Resources has historically lagged behind other business units when it comes to measuring ROI. However, there have been great improvements over the past few years. While external benchmarking is helpful, internal trending data can capture the impact of different investments. Following are some ideas of internal data that can be leveraged to inform business decisions.

TOTAL REWARDS AND ORGANIZATIONAL PERFORMANCE

One of the most expensive budget items is employee salaries and benefits. Organizations can capture the amount of money invested in compensation, health benefits, recognition programs, training and other perks.

This information is likely readily available in your accounting systems. Those salary and benefit expenses can then be compared to an applicable performance measure specific to your business. This could be Average Daily Balance or Revenue. The relationship between salary and benefit expenses and organizational performance can increase understanding of the impact of investments on the people-side of the business and help determine how the current investment in various total rewards (compensation, benefits, training) compares with business outputs. This metric is best used as an internal benchmark comparison across years to see how changes in total rewards impact business outcomes.

Total reward metrics are a foundation to assess the ROI in employees. However, these metrics do not take into account individual employee preferences or allow the organization to see how employee reactions to specific benefits will impact the business. Many organizations utilize employee engagement surveys to better understand, from an organizational perspective, what employees value and how they perceive the organization as an employer.

MEASURING ROI THROUGH ENGAGEMENT

Employee surveys have evolved from measuring an employee's happiness to measuring engagement and the level of discretionary effort exhibited by employees. Quality employee engagement surveys are rooted in theory and tested with organizational psychologists who understand human behavior and study what differentiates average and excellent employees.

Analyzing engagement data helps the organization understand its strengths and opportunities – in the eyes of their employees. Employee responses to specific questions about leadership, communication and benefits can be analyzed to better understand the impact of recent changes or initiatives.

Typical engagement survey results include reports to compare various employee demographics (age, tenure, gender, race, FLSA), leadership vs individual contributor status, and department/function. This information gives the organization insight into what is going on across various groups. Organizations are then able to identify and create and implement targeted strategic action plans that will make a positive impact.

Organizations may also benefit by comparing other data to engagement results. For example, comparing overtime reporting to levels of engagement can draw connections between hours worked and engagement for non-exempt employees. Organizations can also analyze how engagement scores across various locations compared to customer satisfaction scores for those same locations. What factors of engagement scored consistently high in locations that also had high customer satisfaction scores? Those areas may be important aspects to pay attention to, in order to increase engagement (and customer satisfaction) at other locations.

TURNOVER

Many organizations calculate their ongoing turnover rates through a monthly or quarterly metric. Medium and large organizations can find more value in turnover data by analyzing location, job function, tenure, gender, generation and/or race of employees leaving the organization compared to those still in the organization. This level of data helps uncover hidden trends that can inform business decisions moving forward and reduce unwanted turnover.

Exit interviews are often completed on a case-by-case basis. This is helpful for capturing real-time data on why individual employees left the organization and what they liked and did not like about their work experience. Taking time to gather trends across multiple exit interviews will provide HR and leadership with specific actionable information. It moves the data received from exit interviews from "general thoughts from HR" to a "trend analysis from HR based on real data collected over the past 12 months."

Third-party administration of exit interviews and surveys give the departing employee an opportunity to share their story with a neutral person. The data can be analyzed without unconscious bias based on past experiences.

ONBOARDING- TIME TO PRODUCTIVITY

Creating metrics for employee development takes an investment in time. For new hires, organizations can capture time to productivity measurements through surveys from hiring managers at specific points in time, and by setting benchmarks of productivity for common positions within the organization. Sample benchmarks for an Accountant may be time to efficiency for:

- Able to key in GL entries on their own
- Understands the accounting system
- Completes month-end activities with minimal supervision

By creating standards, the organization can capture information on time to productivity for new hires. If there are differences in time-to-productivity across the organization for similar positions, what onboarding and training methods should be altered to create a faster time to productivity?

TRAINING EFFECTIVENESS

Training programs can be a significant investment for organizations. Capturing the ROI on these efforts can be difficult. A best practice is to survey participants immediately following a training and a few weeks later. Administering surveys immediately following the training provides feedback for the training facilitators and can give them information to improve future training sessions. By incorporating an additional survey 4-6 weeks later, organizations can identify how much information from the training was retained and how much is being used on the job. Organizations can also survey managers to gather information on any changes in employee performance as a result of training received. Based on this feedback, the organization can make changes to training and development programs and increase the ROI.

Online survey technologies make administering and reporting on survey information much easier than it has been in the past.

Leadership training effectiveness can be measured in several ways. Organizations can use data from employee engagement surveys to compare engagement data for employees reporting to managers who attended a training program to those who did not. Data can also be gathered to track the number of promotions for individuals completing a leadership development program.

DIVERSITY, EQUITY AND INCLUSION

A demographics dashboard can help organizations visually see representation across the organization. A sample dashboard would include charts and graphs that show the demographic breakdown by generation, race, and gender/ethnicity across leadership/individual contributor roles, FLSA, location, job function and executive leadership. The dashboard can also include turnover by demographic group. Regularly reviewing this data can inform recruiting, onboarding, development and retention strategies for the entire organization.

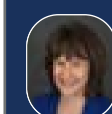
Employee engagement surveys typically have specific questions related to inclusivity of the work environment that can also be used to understand and drive future work on diversity, equity and inclusion. Trending analysis helps organizations understand the ROI on those efforts.

Conducting a pay equity analysis provides the organization with important information to identify unfair compensation practices and minimize future potential legal liability. The data provided within these reports can save the organization significant money in potential liability and future turnover.

SUMMARY

As your organization utilizes technology to compile and store more data, opportunities will open up to utilize the data in decision making. We suggest starting small and analyzing data in one or two areas that will have the most impact on the business. Using data to provide key insights will strengthen the HR function and ensure business decisions are based on real data rather than hunches.

Meet the Foundations CONSULTING TEAM



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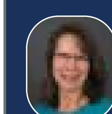

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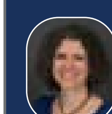

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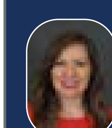

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