

Got Results? *Implement a Staffing Metrics Scorecard*

By Sharlyn Lauby, SPHR

Did you hate math in school? Are you dreading the thought of calculating metrics for your management team? This article is an introduction to metrics: why do it, what does it bring to the table and which metrics to start with.

Why track the numbers?

“If the language of business is dollars, then the alphabet is numbers.”
- *Jac Fitz-enz*

For starters, every human resources professional should have a “How to” book about metrics in their library. My personal favorite is “How to Measure Human Resource Management” by Jac Fitz-enz. When I need to initiate a new project or calculate the return on investment for an initiative that I’m proposing, it’s a wonderful reference.

Years ago, I learned about metrics the old-fashioned way...translation: the hard way. I worked for a company where HR had a seat at the table, but was expected to be “seen” and not “heard.” I would watch with frustration as my peers brought new ideas and projects to the table. They would be supported and fully funded. But, when I brought my ideas, they didn’t get the same response.

I spent some time trying to figure out what was different in my approach. Then I realized that to be successful, people should do 3 things:

1. Be good at their job
2. Have a purpose that positively impacts the organization
3. Use their performance to prove that they are good at their job and hence, get whatever they ask for

How did my story end? Well, a few weeks later, I went back to the table with an idea and the numbers to substantiate it. The idea and the resources were approved. And, I learned a valuable lesson: Metrics (i.e. the numbers) help you ‘sell’ your position.

Who wants to see the numbers?

Internally, your senior management team as well as the human resources team will be interested in reviewing your metrics report. There are times that the organization will use your numbers as not only a gauge of performance but as the benchmark to take action.

For example, let’s say that your company plans to open a new plant. Your metrics will help lead the way in terms of when to begin recruiting efforts, how much or how little to

spend on recruitment advertising, scheduling the initial training effort...just to name a few.

People outside the company will be equally interested in your metrics. Using the above example, if the plant you are opening will bring a lot of new jobs to the area, then maybe you can apply for workforce grant dollars.

Your numbers might also be used as supporting documentation for “best practices” awards for your company or industry. Metrics might also be valuable to share with potential applicants – if you have extremely low turnover or a high internal promotion ratio. This might be great to incorporate into your recruitment marketing strategy.

What will metrics do for me and my organization?

As mentioned previously, metrics can be used as an internal gauge of performance.

- They keep us focused on important issues (examples: customer service satisfaction, employee satisfaction, profitability, quality assurance)
- Clarifies expectations (management bonus structure tied to performance)
- Aligns HR with the operational departments (i.e. human resources understands the business)

How do I get started?

Before you begin publishing a metrics scorecard, be sure to familiarize yourself with some key operational metrics.

- Revenue
- Profit Margin
- Market Share
- EBITDA

You will want to be able to show a connection between your numbers and the operation. This is where some people completely miss the boat. They create the numbers but don't link them to the operation. That's like cooking a great meal and not serving it. Metrics must be tied back to business objectives.

Besides obtaining books on the subject, you can reference the SHRM Metrics toolkit for more information. Listed below are a few of the common calculations that you can use as a starting point.

<p style="text-align: center;"><u>Cost Per Hire</u> Costs involved with a new hire</p>	<p style="text-align: center;">[Advertising + Agency Fees + Employee Referrals + Travel + Relocation + Recruiter Pay & Benefits] ÷ Number of Hires</p>
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Practical Example: Cost per Hire is a calculation that you can use any time that you are bringing on new staff. Let's say you are a consulting firm bidding on a big project, cost per hire can help you estimate the costs associated with adding new positions as part of being awarded the new contract.

<u>Turnover Cost</u> Costs incurred when an employee leaves the organization	Cost to terminate* + Cost per Hire + Vacancy Cost + Learning Curve Loss
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**Cost to terminate includes severance, unemployment, exit interviews, legal fees, temp replacements, etc.*

Have you taken your managers thru this exercise?

1. Share your recruiting expenses with your operational managers.
2. Divide the total recruiting expense by the number of people you've hired...that's a rough estimate of cost per hire.
3. Have your managers multiply cost per hire by the number of people they've hired in their departments during the year.

They will be surprised. Trust me. My operational teams gained a greater understanding of the investment that the company makes into an employee. And they became better at weighing the cost of training an employee versus terminating an employee.

<u>Turnover Rate</u> Measures rate that employees leave an organization	[# of separations during month ÷ Average # of employees during the month] x 100
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Please note: Define what status of employee you will monitor. It might not make sense to monitor on-call or temporary employees. This could skew the statistics for your full-time staff and lead you to false conclusions. If necessary, you might need to consider conducting a position-specific analysis.

<u>Time to Fill</u> Number of days from job requisition approval to new hire start date	Total days to fill requisitions ÷ Number Hired
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Practical Example: You work in a hotel. You know that it takes an average of 3 weeks to fill a job requisition. In addition, housekeepers (once they are hired) take 2 weeks of training to become fully productive.

Department managers need to realize that at the point human resources finds out about the job opening...that could leave them 5 weeks without a fully productive employee. In this scenario, it's important for the department to let HR know of an opening as soon as they are aware (not after the employee has left) so you can fill the opening sooner.

Last one to consider:

<u>Length of Employment</u>	Data Collection Options: <ul style="list-style-type: none"> • Exempt/Non-Exempt • Job Title • Department
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How do I compile the data?

As you begin to determine what calculations you will make, ask yourself some questions about data collection.

- ✓ Decide who will be responsible for collecting the data. Talk with that person and get their buy-in. They need to know the why's and what for's in order to make this a success.
- ✓ Determine what infrastructure is necessary to collect the data (i.e. log sheets, computer system, etc.)
- ✓ Establish a starting point for the metrics. Sometimes it can be a daunting task to go backwards in time to capture historical data. Don't let that hinder your metrics initiative.
- ✓ Choose a frequency for distribution (weekly, monthly, quarterly, or annually)

Since this could be something new for your management team, make your initial reports easy to read. One human resources executive that I know puts a 'red light or green light' next to metrics, so managers can quickly interpret the results. As you get more historical data, another option might be to include a trend summary.

The key in reporting data is to find out what your managers want to see. This is an opportunity to demonstrate value.

Lessons Learned

Be sure to exercise caution when evaluating what the numbers mean. Here are a couple examples to demonstrate the importance of looking beyond the surface when it comes to metrics.

Example 1: Comparison of 2 Recruiting Programs	
<u>Program A</u> <ul style="list-style-type: none"> • Cost \$100,000 • # of New Hires 10 • Cost Per Hire \$10,000 	<u>Program B</u> <ul style="list-style-type: none"> • Cost \$100,000 • # of New Hires 5 • Cost Per Hire \$20,000
Which is better – Program A or Program B? What if I told you that employees hired under Program A stay with the company for 2 years and under Program B stay for 5 years? Change your mind?	

Example 2: Turnover Rate Analysis
A company has 75% turnover. Is that good or bad?
Let me provide some additional information. Listed below is turnover rate by length of employment: 3 months to 6 months – 90% 6 months to 1 year – 40% 1 year or longer – 25%
Does that change the situation?

Last example: What should this company do?
A company analyzes its turnover by length of employment: 1 year – 10% 5 years – 50% 10 years – 10%
Might want to look at retirement plan vesting rules. Something happens at the 5 year mark.

Is it possible to “over quantify?”

We’ve all heard the term “analysis paralysis.” Be sure to keep your metrics simple, easy to read, and pertinent to company goals/objectives. If you send out too much data, it is possible that people will not read it. I’ve had that happen – I created pages of great data only to find out that it was more than my senior management team wanted. Once I trimmed it down to a few key statistics, I got better feedback.

It’s really not hard.

Metrics are a necessary part of business. If you start simple and align your numbers with the business goals and objectives, you are sure to get results.

“You cannot manage what you don’t measure.”
- Peter Drucker

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