

A SUPPLEMENT TO

HRfocus[®]

SPECIAL REPORT ON HR METRICS

Survey Looks at Reasons for Using Metrics, Functions Most Measured

HR professionals increasingly are gaining a voice in corporate strategic planning initiatives by demonstrating the positive contributions their departments can make to the bottom line. One of the ways in which HR professionals have been able to get the attention of top management is through the use of HR metrics that measure the effectiveness of HR programs in increasing performance and profits.

HR metrics tend to focus on data about employees, including information on turnover, salaries, benefits, absenteeism, and hiring. Metrics often are represented as a ratio or percentage. Ideally, metrics drive a company to change.

In its latest survey, conducted in late spring, *HRfocus* examines the reasons HR professionals are using metrics in their organizations, as well as the types of metrics used most often, broken down by industry, region, and organization size.

Breakdown of respondents. The largest group of respondents were in the financial services industry (21.5 percent), followed by government/education/nonprofit organizations (20 percent). These groups were followed by the business services/consulting and health care industries (both at 15.4 percent). Manufacturers represented 7.7 percent of the respondents, and wholesale/retail/distribution represented 7.7 percent. Other industries made up 13.8 percent of the respondents.

Of the respondents, 29.2 percent work for companies with over 1,000 employees, 16.9 percent work for companies with 501 to 1,000 employees, 21.5 percent work for companies with 251 to 500 employees, 13.8 percent work for companies with 101 to 250 em-

Respondents by Business Type

Manufacturing	7.7%
Wholesale/ Retail/ Distribution	6.2%
Financial Services	21.5%
Health care	15.4%
Govt./Education/Non-profit	20.0%
Business Services/Consulting	15.4%
Other	13.8%

A BNA Graphic/HRFa071a

Respondents by Employee Size

Up to 100	18.5%
101 to 250	13.8%
251 to 500	21.5%
501 to 1000	16.9%
More than 1000	29.2%

A BNA Graphic/HRFa072a

Respondents by Region

Northeast	17.2%
Southeast	26.6%
North Central	35.9%
South Central	14.1%
West Coast	6.3%

A BNA Graphic/HRFa073a

ployees, and 18.5 percent work for companies with up to 100 employees.

Regional representation was headed by the North Central region of the United States, which had 35.9 percent of the respondents. That was followed by the Southeast region, with 26.6 percent of the respondents; the Northeast region, with 17.2 percent; the South Central region with 14.1 percent, and the West Coast, with 6.3 percent.

Why are metrics used? Overall, the majority of respondents (61.5 percent) said one reason for using HR metrics is to indicate the achievements and progress of their departments. An assessment of the success or failure of various initiatives was indicated as another reason by 47.7 percent of the respondents overall, followed by the need to compare performance with other organizations (40 percent), or to gather information for return on investment (ROI) calculations (27.7 percent). Respondents were able to provide more than one reason for using metrics.

Among the other reasons for using metrics, cited by 15.4 percent of the respondents, were to support key performance indicators, to address the internal performance of their talent attraction and retention efforts, and to monitor costs.

Broken down by industry, 92.3 percent of government/education/nonprofit organizations use HR metrics to indicate department achievements and progress. The health care (80 percent), manu-

facturing (60 percent), and financial services (57.1 percent) industries also had this as their primary reason for using HR metrics. However, 75 percent of the respondents in the wholesale/retail/distribution industry said metrics are used to gather information for ROI calculations, and 60 percent of the respondents in the business services/consulting industry had assessing the success/failure of its initiatives as the top reason for using metrics.

Looking at company size, all of the organizations surveyed, except those with fewer than 100 employees said the top reason they use metrics is to indicate HR department achievements and progress. The main reason cited by those respondents with fewer than 100 employees is to assess the success/failure of initiatives.

How do the responses tie in with HR efforts to be a part of strategic planning? Clearly, in those organizations where HR has been given a stronger voice at the table, they have first had to demonstrate the

HR Functions Measured with Metrics, by Business Type

	Manufacturing	Wholesale/ Retail/ Distribution	Financial Services	Health care	Govt./ Education/ Non-profit	Business Services/ Consulting	Other	Overall
Employee skills	0.0%	50.0%	7.1%	20.0%	7.7%	30.0%	0.0%	13.8%
Employee attitudes toward job/organization	20.0%	25.0%	21.4%	60.0%	30.8%	30.0%	11.1%	29.2%
Recruiting	40.0%	25.0%	28.6%	70.0%	69.2%	50.0%	33.3%	47.7%
Hiring	60.0%	50.0%	50.0%	80.0%	84.6%	40.0%	66.7%	63.1%
Onboarding	20.0%	0.0%	21.4%	30.0%	15.4%	20.0%	22.2%	20.0%
Turnover	60.0%	50.0%	78.6%	90.0%	84.6%	50.0%	88.9%	75.4%
Training use	40.0%	50.0%	42.9%	50.0%	30.8%	10.0%	22.2%	33.8%
Training return on investment (ROI)	20.0%	25.0%	14.3%	20.0%	15.4%	20.0%	0.0%	15.4%
Promotions	20.0%	0.0%	35.7%	50.0%	30.8%	30.0%	22.2%	30.8%
HRIS return on investment	0.0%	0.0%	14.3%	10.0%	0.0%	0.0%	0.0%	4.6%
Outsource vendor performance	0.0%	0.0%	7.1%	30.0%	7.7%	10.0%	11.1%	10.8%
Service center operations	0.0%	25.0%	7.1%	10.0%	7.7%	20.0%	0.0%	9.2%
Feedback about HR from other departments	0.0%	0.0%	42.9%	30.0%	23.1%	0.0%	33.3%	23.1%
Use of HR consultants	0.0%	0.0%	0.0%	0.0%	7.7%	10.0%	0.0%	3.1%
Other metrics (please specify)	20.0%	0.0%	21.4%	50.0%	15.4%	0.0%	11.1%	18.5%
No metrics used now and no plans to do so	20.0%	25.0%	7.1%	0.0%	7.7%	10.0%	11.1%	9.2%
No metrics used now but the department plans to begin using metrics in the next 12 months	20.0%	0.0%	14.3%	10.0%	0.0%	20.0%	0.0%	9.2%

A BNA Graphic/HRFa074a

HR Functions Measured with Metrics, by Employee Size

	Up to 100	101 to 250	251 to 500	501 to 1000	More than 1000	Overall
Employee skills	33.3%	0.0%	0.0%	18.2%	15.8%	13.8%
Employee attitudes toward job/organization	25.0%	22.2%	21.4%	27.3%	42.1%	29.2%
Recruiting	41.7%	0.0%	57.1%	63.6%	57.9%	47.7%
Hiring	41.7%	55.6%	71.4%	72.7%	68.4%	63.1%
Onboarding	16.7%	0.0%	28.6%	9.1%	31.6%	20.0%
Turnover	41.7%	77.8%	85.7%	81.8%	84.2%	75.4%
Training use	33.3%	22.2%	28.6%	18.2%	52.6%	33.8%
Training return on investment (ROI)	33.3%	0.0%	7.1%	9.1%	21.1%	15.4%
Promotions	25.0%	11.1%	21.4%	36.4%	47.4%	30.8%
HRIS return on investment	0.0%	0.0%	0.0%	0.0%	15.8%	4.6%
Outsource vendor performance	8.3%	0.0%	7.1%	9.1%	21.1%	10.8%
Service center operations	25.0%	0.0%	0.0%	9.1%	10.5%	9.2%
Feedback about HR from other departments	8.3%	11.1%	35.7%	18.2%	31.6%	23.1%
Use of HR consultants	8.3%	0.0%	0.0%	9.1%	0.0%	3.1%
Other metrics (please specify)	8.3%	0.0%	0.0%	18.2%	47.4%	18.5%
No metrics used now and no plans to do so	25.0%	11.1%	7.1%	9.1%	0.0%	9.2%
No metrics used now but the department plans to begin using metrics in the next 12 months	8.3%	11.1%	7.1%	9.1%	10.5%	9.2%

A BNA Graphic/HRFa075a

department's capabilities. The finding that 61.5 percent of firms use metrics to indicate achievements and progress may be part of an effort to become a greater part of strategic planning initiatives.

HR functions measured. The average number of metrics tracked was highest (19.3) among government/education/nonprofit organizations, according to the survey findings, while the median number was highest (15) among manufacturing firms. The average number tracked was lowest (2.8) in the wholesale/retail/distribution industry, while the median number was lowest in the financial service industry, the survey found.

Number of Metrics Tracked, by Business Type

	Average	Median
Manufacturing	14.0	15.0
Wholesale/ Retail/ Distribution	2.8	3.5
Financial Services	11.9	3.0
Health care	9.8	10.0
Govt./Education/Non-profit	19.3	12.0
Business Services/Consulting	10.1	10.0
Other	6.6	6.0
Overall	11.5	8.0

A BNA Graphic/HRFa076a

Number of Metrics Tracked, by Employee Size

	Average	Median
Up to 100	8.4	6.0
101 to 250	3.1	2.5
251 to 500	7.1	5.0
501 to 1000	20.5	15.0
More than 1000	15.3	12.0
Overall	11.5	8.0

A BNA Graphic/HRFa077a

By employee size, the average number of metrics tracked was highest (20.5) among those firms with 501 to 1,000 employees; the median number tracked also was highest (15) among firms of this size, the survey showed. The lowest numbers were found in organizations with 101 to 250 employees, with the average number of metrics tracked being 3.1 and the median number being 2.5, according to the survey.

Overall, turnover was the metric tracked the most by survey respondents, with 75.4 percent indicating that they do so. Turnover is a metric that can track not only the number of employees leaving, but why they are leaving and how much it costs the company annually. The survey indicated that, across all of the industries, this was the most important metric that

Why Does Your Organization Use Metrics? by Business Type

	Manufacturing	Wholesale/ Retail/ Distribution	Financial Services	Health care	Govt./ Education/ Non-profit	Business Services/ Consulting	Other	Overall
To gather information for ROI calculations	20.0%	75.0%	35.7%	40.0%	23.1%	10.0%	11.1%	27.7%
To compare performance with other organizations	40.0%	25.0%	50.0%	70.0%	15.4%	30.0%	44.4%	40.0%
To indicate HR department achievements and progress	60.0%	25.0%	57.1%	80.0%	92.3%	30.0%	55.6%	61.5%
To assess the success/failure of initiatives	20.0%	50.0%	42.9%	70.0%	46.2%	60.0%	33.3%	47.7%
Other	20.0%	25.0%	7.1%	30.0%	0.0%	10.0%	33.3%	15.4%

A BNA Graphic/HRFa078a

was being tracked in organizations. This was also true regardless of company size.

Hiring was second on the list of metrics most tracked, according to the survey, which found that 63.1 percent of respondents overall track this metric. As with turnover, that was the case across all industries and regardless of size. This was followed by re-recruiting, which 47.7 percent of the respondents indicated that they measure with metrics. These two functions look at the actual number of people brought into an organization, and the amount of time it takes to get them into the organization. For example, tracking hiring can help organizations determine where the talent in the organization is located, and the importance of those functions in helping the organization succeed. Tracking hiring can help organizations determine where they are most likely to find talent, how much it costs to attract that talent, and how long it takes to find the talent.

The least tracked HR function, according to the survey, is the use of HR consultants, with only 3.1 percent of the respondents overall mentioning that they track this function. Looking at the industry breakdown, only business services/consulting (10

percent) and government/education/nonprofit (7.7 percent) track it at all. By industry size, this broke down to 8.3 percent of the companies with up to 100 employees, and 9.1 percent of the companies with 501 to 1,000 employees.

The survey found that 9.2 percent of the respondents do not track metrics and have no plans to do so. The wholesale/retail/distribution industry had the highest percentage of respondents (25 percent) stating that metrics are not used. All of the respondents from the health care industry use metrics. The highest percentage, by company size, that does not use metrics is those companies with fewer than 100 employees (25 percent).

Another 9.2 percent of respondents overall said they do not use metrics, but that they plan to begin using them in the next 12 months. The highest percentages in this group, by industry, were manufacturing and business services/consulting firms, both with 20 percent stating their plans to do so in the next 12 months. By company size, 11.1 percent of those with 101 to 250 employees, and 10.5 percent of those with over 1,000 employees don't do so now, but intend to begin using metrics in the next 12 months.

Why Does Your Organization Use Metrics? by Employee Size

	Up to 100	101 to 250	251 to 500	501 to 1000	More than 1000	Overall
To gather information for ROI calculations	25.0%	22.2%	14.3%	36.4%	36.8%	27.7%
To compare performance with other organizations	33.3%	11.1%	50.0%	45.5%	47.4%	40.0%
To indicate HR department achievements and progress	25.0%	44.4%	71.4%	81.8%	73.7%	61.5%
To assess the success/failure of initiatives	58.3%	22.2%	42.9%	45.5%	57.9%	47.7%
Other	0.0%	33.3%	14.3%	9.1%	21.1%	15.4%

A BNA Graphic/HRFa079a

Copyright of HR Focus is the property of Institute of Management & Administration and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.