

HR MEASUREMENT LABORATORY  
FAST-CYCLE BRIEFING

# HR MEASUREMENT LABORATORY: *Overview and Early Research Findings*



**inform**

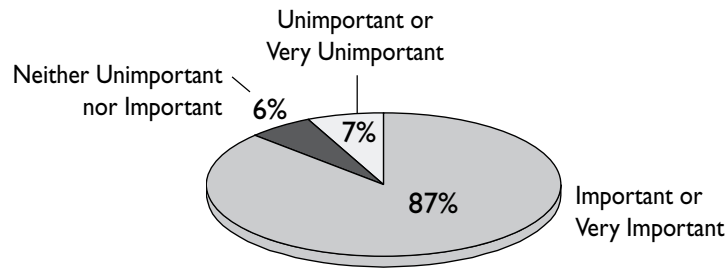
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# IMPORTANT BY ANY MEASURE

## The clear importance of measurement efforts...

Distribution of Responses to the Question:

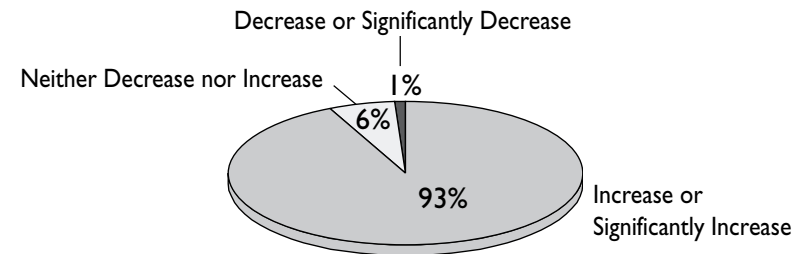
Overall, how would you rate the importance of HR measurement?



## ...is only expected to increase...

Distribution of Responses to the Question:

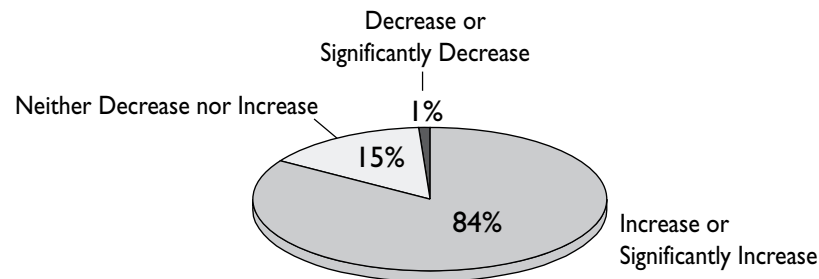
Across the next five years, how do you think that the importance of HR measurement will change?



## ...as reflected in plans for higher levels of investment

Distribution of Responses to the Question:

Across the next five years, how will your company's investments in HR measurement change?

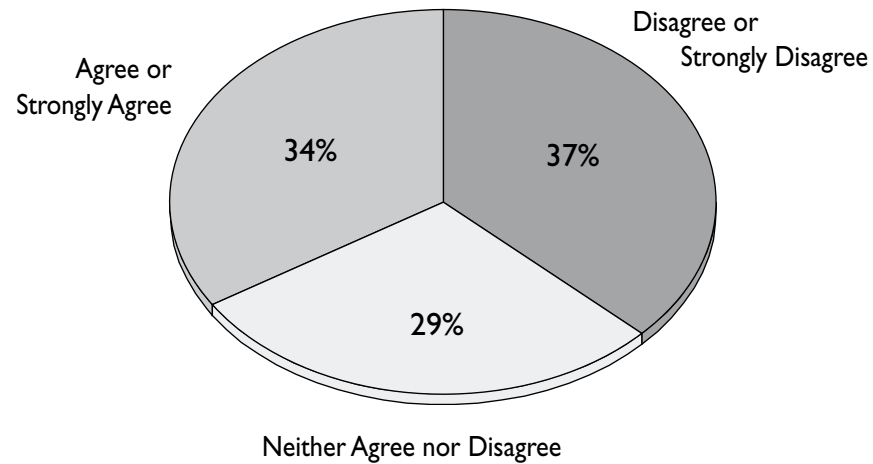


# MIXED CONFIDENCE IN HR'S CORPORATE CONNECTION

## ***Survey Results Indicate Varying Levels of Confidence in the Establishment of a Clear Link Between HR Metrics and Corporate Strategy***

Distribution of Responses to the Statement:

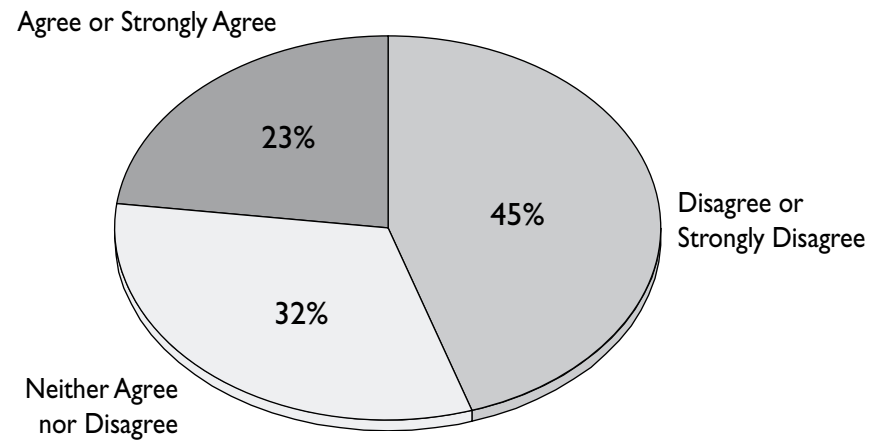
*The HR function's measurement system is clearly linked to corporate strategy*



# LITTLE CONFIDENCE IN LINE MANAGERS' USE OF OUR WORK

***Few HR Executives Have Confidence That Their HR Measurement System Provides Line Managers with the Information They Need to Make Critical Workforce Decisions***

Distribution of Responses to the Statement:  
*The HR function's measurement system provides line managers with the information they need to make critical workforce decisions*



n = 269 companies

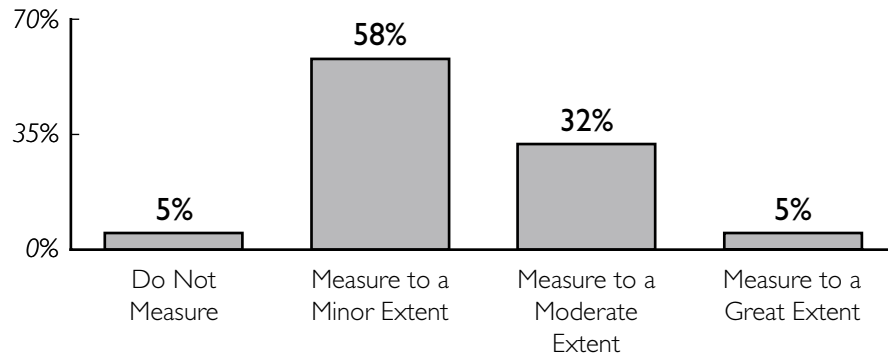
Source: Corporate Leadership Council 2001 Metrics Survey.

# DIFFICULT TO UNDERSTAND HR'S CONTRIBUTION

## **Few HR executives measure the impact of HR activities...**

Distribution of Responses to the Question:

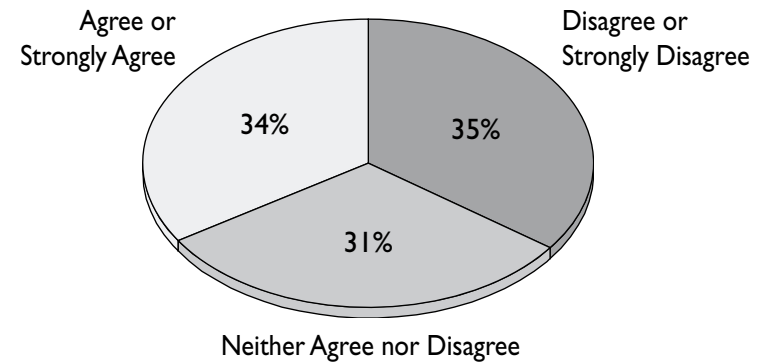
*Currently, to what extent does your organization measure the impact of specific HR policies, programs and activities?*



## **...or express confidence in the contribution of HR metrics to corporate performance**

Distribution of Responses to the Statement:

*The HR function's measurement system contributes to the improvement of overall corporate performance*



n = 271 companies

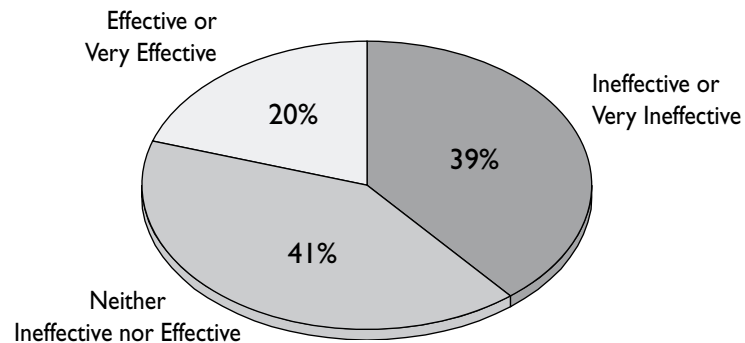
Source: Corporate Leadership Council 2001 Metrics Survey.

# CLEAR CONCERN THAT HR DOESN'T MEASURE UP

**Most respondents consider their HR measurement system to be ineffective...**

Distribution of Responses to the Question:

*Overall, how would you rate the effectiveness of your current HR measurement/metrics system?*

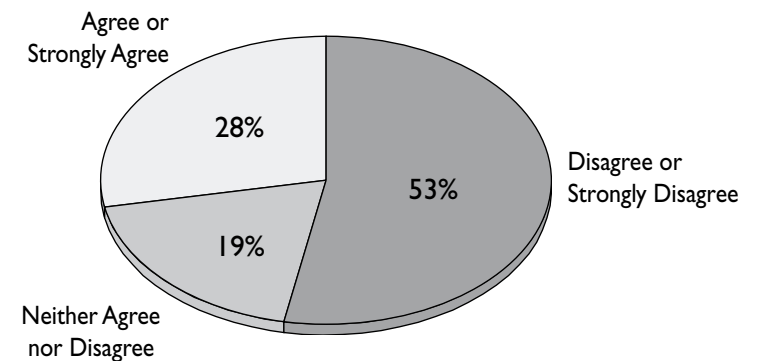


n = 268 companies

**...and few believe their metrics system is as effective as those of other corporate functions**

Distribution of Responses to the Statement:

*The HR function's measurement system is at least as effective as the measurement systems utilized by other corporate functions (e.g., finance, marketing)*

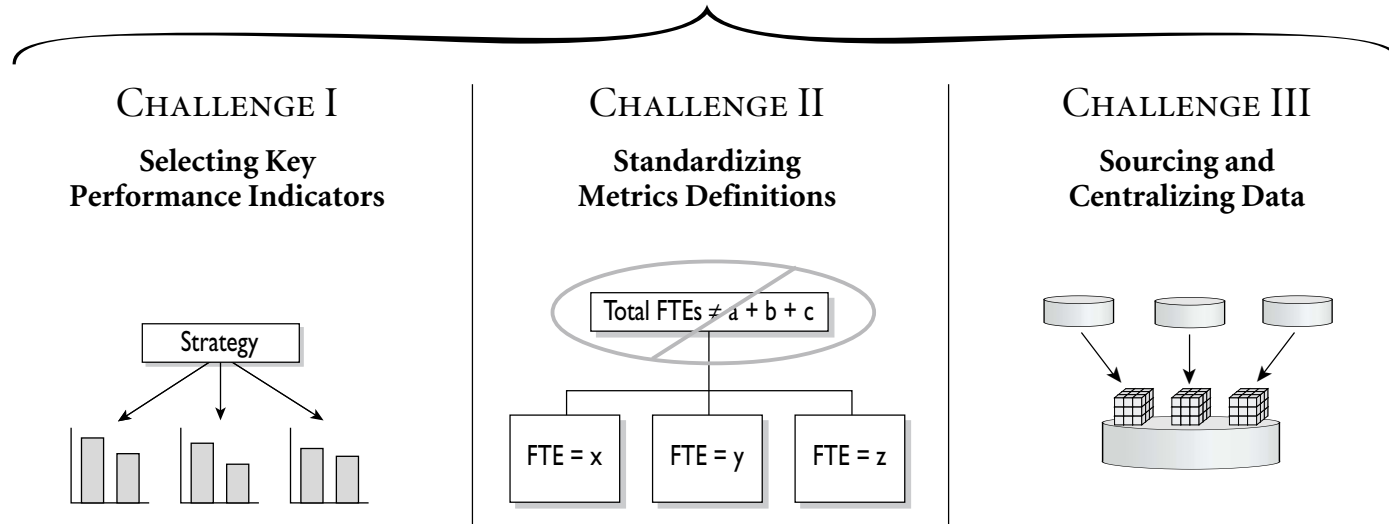


n = 271 companies

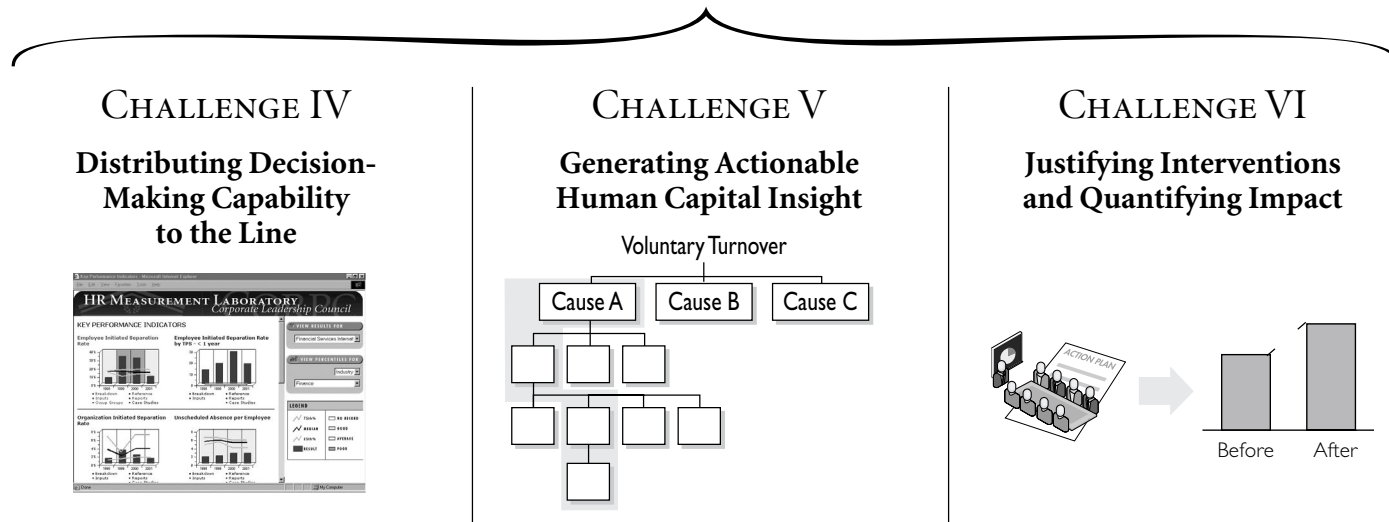
Source: Corporate Leadership Council 2001 Metrics Survey.

# AN URGENT MANDATE AND COMMON CHALLENGES

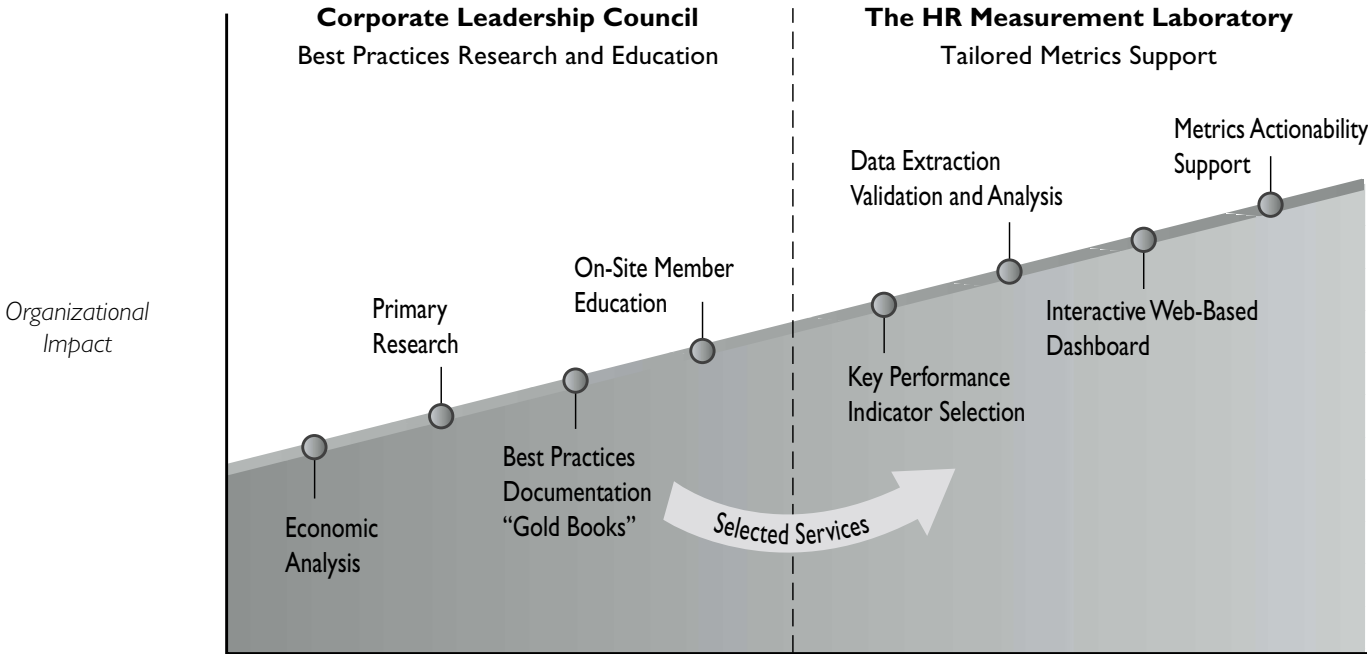
## Delivering a Strategic Workforce Dashboard



## Building Workforce Analysis Capability



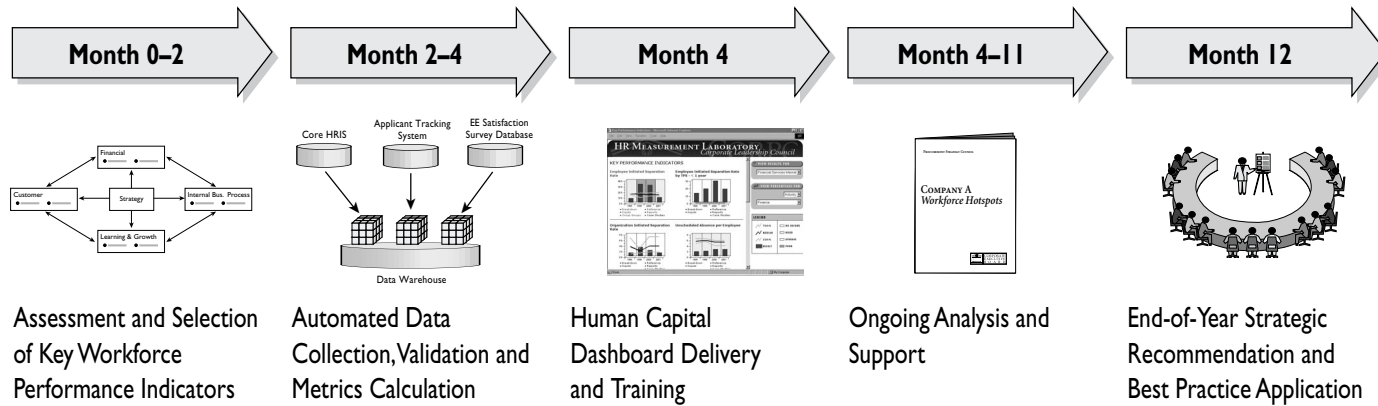
# EXTENDING OUR MODEL FOR DIRECT IMPACT



# ENCOURAGING STRATEGIC WORKFORCE ANALYTICS

## Model HR Measurement Lab Measurement Timeline

Year One



# HR MEASUREMENT LABORATORY

**Aetna, Inc.**  
*Hartford, Connecticut*

**Allstate Insurance Company**  
*Northbrook, Illinois*

**American Family Insurance Group**  
*Madison, Wisconsin*

**AmeriCredit Corp.**  
*Forth Worth, Texas*

**ArvinMeritor, Inc.**  
*Troy, Michigan*

**AT&T Corporation**  
*New York, New York*

**BlueCross BlueShield of Michigan**  
*Detroit, Michigan*

**BlueCross BlueShield of North Carolina**  
*Durham, North Carolina*

**BMC Software, Inc.**  
*Houston, Texas*

**BP**  
*Houston, Texas*

**Bristol-Myers Squibb Company**  
*New York, New York*

**Ciba Specialty Chemical Corporation**  
*Tarrytown, New York*

**CIGNA Corporation**  
*Philadelphia, Pennsylvania*

**Cingular Wireless**  
*Atlanta, Georgia*

**Cisco Systems, Inc.**  
*San Jose, California*

**CNA Financial**  
*Chicago, Illinois*

**Duke Energy Corporation**  
*Charlotte, North Carolina*

**FleetBoston Financial Corporation**  
*Boston, Massachusetts*

**Fortis Health**  
*Milwaukee, Wisconsin*

**Genentech, Inc.**  
*San Francisco, California*

**The Hartford Financial Services Group, Inc.**  
*Hartford, Connecticut*

**Health Net, Inc.**  
*Woodland Hills, California*

**Horizon BlueCross BlueShield of New Jersey**  
*Newark, New Jersey*

**International Truck and Engine Corp.**  
*Chicago, Illinois*

**J.P. Morgan Chase & Co.**  
*New York, New York*

**KeySpan Energy**  
*Brooklyn, New York*

**Kimberly-Clark Corporation**  
*Irving, Texas*

**Level 3 Communications**  
*Broomfield, Colorado*

**Lowe's Companies, Inc.**  
*Wilkesboro, North Carolina*

**Marsh Inc.**  
*New York, New York*

**The McGraw-Hill Companies, Inc.**  
*New York, New York*

**Merrill Lynch and Co., Inc.**  
*New York, New York*

**National Association of Securities Dealers, Inc.**  
*Rockville, Maryland*

**Pearson Education, Inc.**  
*Upper Saddle River, New Jersey*

**QVC, Inc.**  
*West Chester, Pennsylvania*

**Qwest Communications International Inc.**  
*Denver, Colorado*

**Raytheon Company**  
*Lexington, Massachusetts*

**SAFECO Corporation**  
*Seattle, Washington*

**Sovereign Bancorp**  
*Philadelphia, Pennsylvania*

**Starbucks Coffee Company**  
*Seattle, Washington*

**Trigon Healthcare, Inc.**  
*Richmond, Virginia*

**TRW, Inc.**  
*Cleveland, Ohio*

**Washington Gas Light**  
*Washington, D.C.*

**Washington Mutual, Inc.**  
*Seattle, Washington*

**Xerox Corporation**  
*Stamford, Connecticut*

HR MEASUREMENT LABORATORY  
FAST-CYCLE BRIEFING

# DIFFERENT PATHS TO A COMMON GOAL

*Preliminary Analysis of Selected Workforce Indicators*

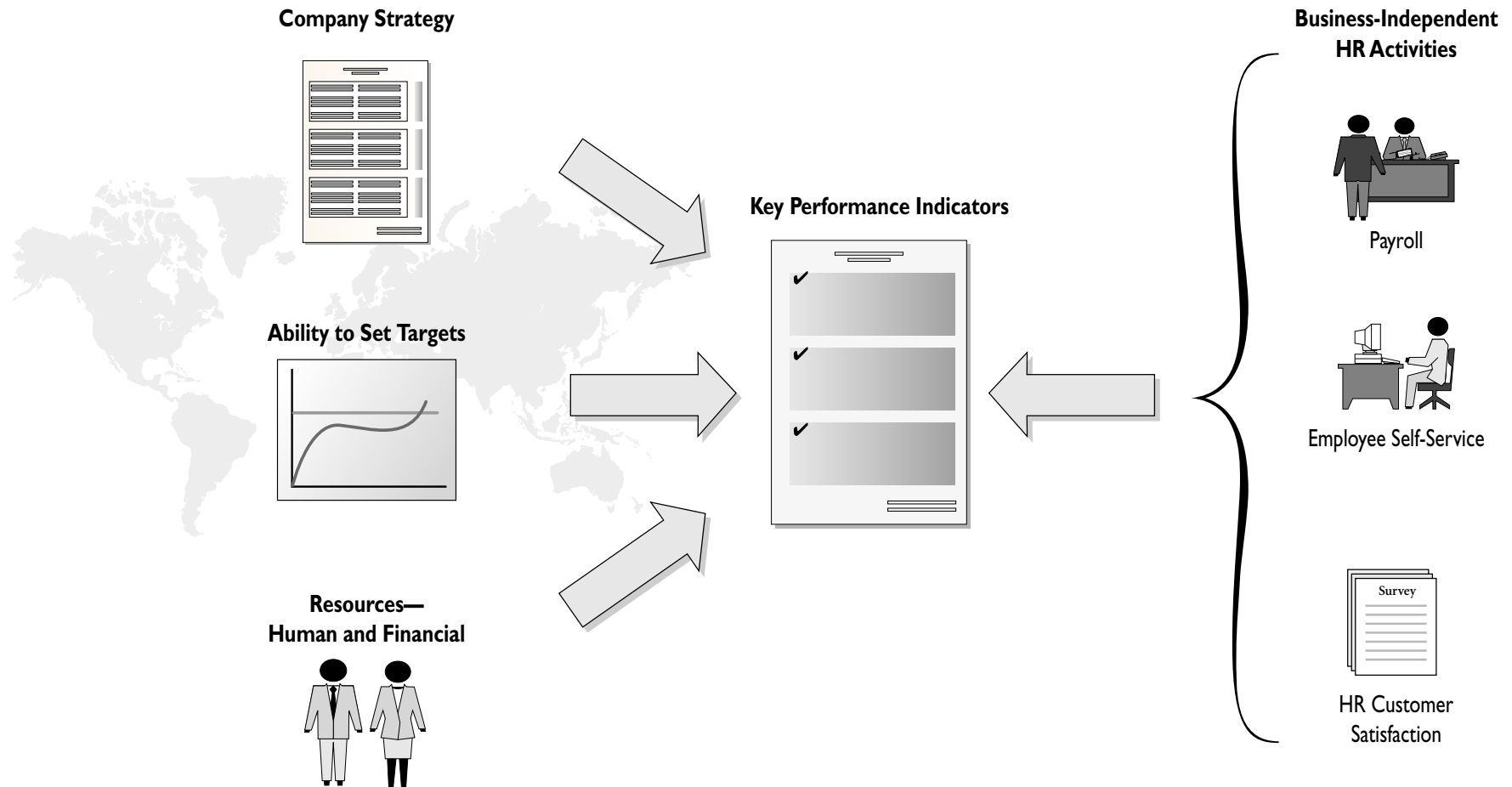


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# WHAT ARE KEY PERFORMANCE INDICATORS?

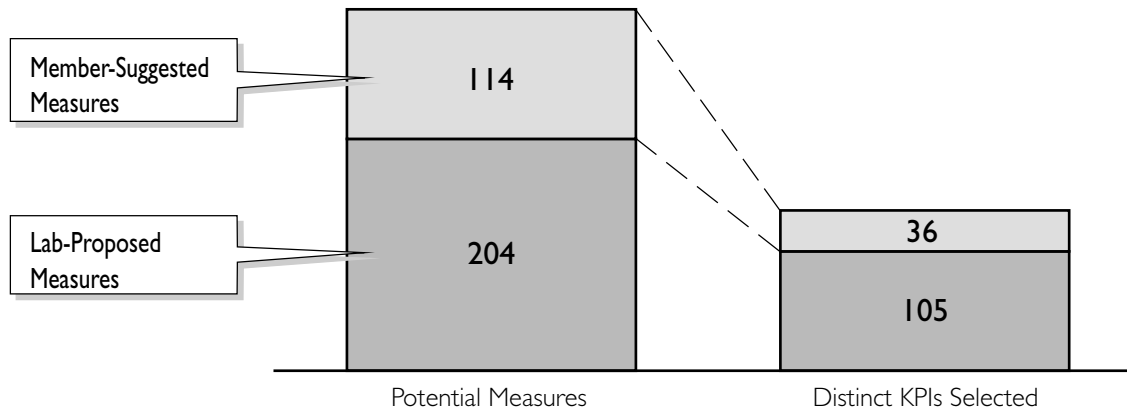
*Moving from the World of Possible Measures to the Realm of Real Progress*



# NARROWING THE FOCUS

## ***Distilling the Canon Down to Most Relevant Measures***

Number of Metrics: Proffered and Chosen



### Guidance from Our Membership

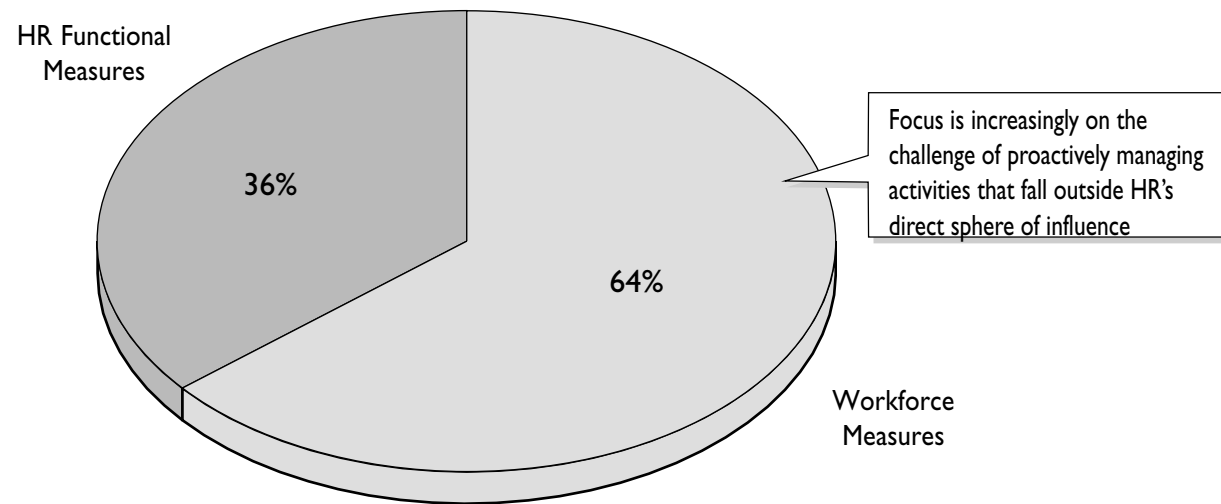
*Sample Measures Proposed During KPI Workshop Process*

- Total Mobility Ratio
- Performance Rating Distribution Factor
- Cost of Outsourced HR Services
- Diversity of Recruiting Pipeline
- Tuition Reimbursement Penetration Rate
- PTO Liability
- Interview to Offer Ratio
- Teamwork Measure
- Training Investment in High Potentials
- Ethnic Diversity of High Potentials
- Employee Commitment
- Total Labor Cost as a Percentage of Sales

# A SPLIT LENS

## **Shift from HR Management to Human Capital Management Is Evident in KPIs Selected**

Breakdown of Selected KPIs by Category

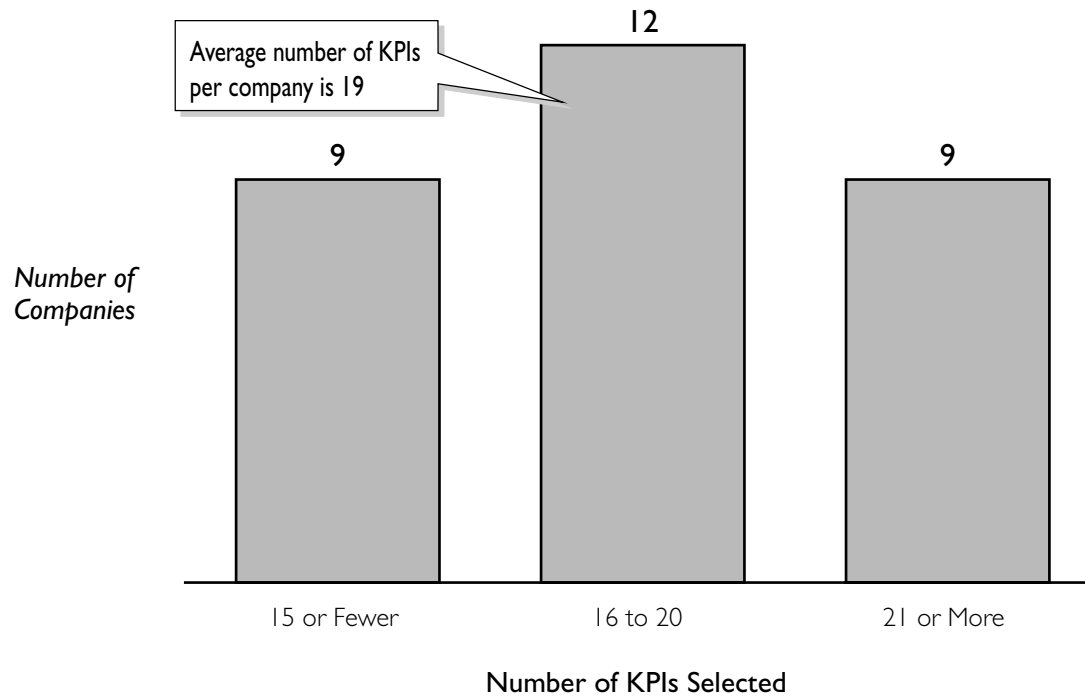


n = 105 distinct measures.

# LESS IS MORE!

## Participants Actively Pursuing Identification of Small Portfolio of Indicators

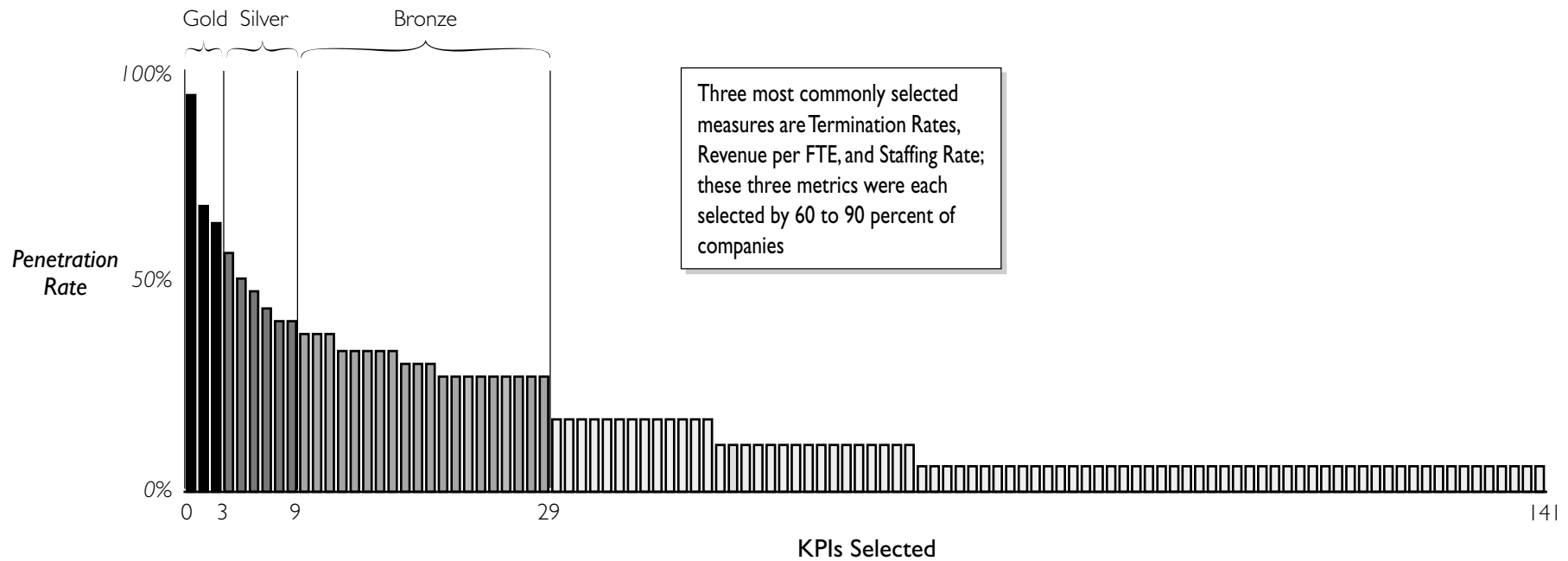
Number of KPIs Selected by Company



# A MODERATE SET OF CLEAR WINNERS

**Despite Diversity of Lines of Business, Strong Evidence of Shared People-Related Business Drivers**

Proportion of Members Selecting Each Measure as a KPI



# OUR COMMON CONCERNS

## ***Common Measurement Concerns Identified by High KPI Penetration of Laboratory Membership***

### The Gold Standard: 60 Percent or Greater Penetration

- Termination Rate
- Revenue per FTE
- Staffing Rate

### The Silver Standard: 40 to 60 Percent Penetration

- HR Customer Satisfaction Rate
- Termination Value
- HR Expense per FTE
- HR Operating Expense Rate
- Managerial Bench Strength

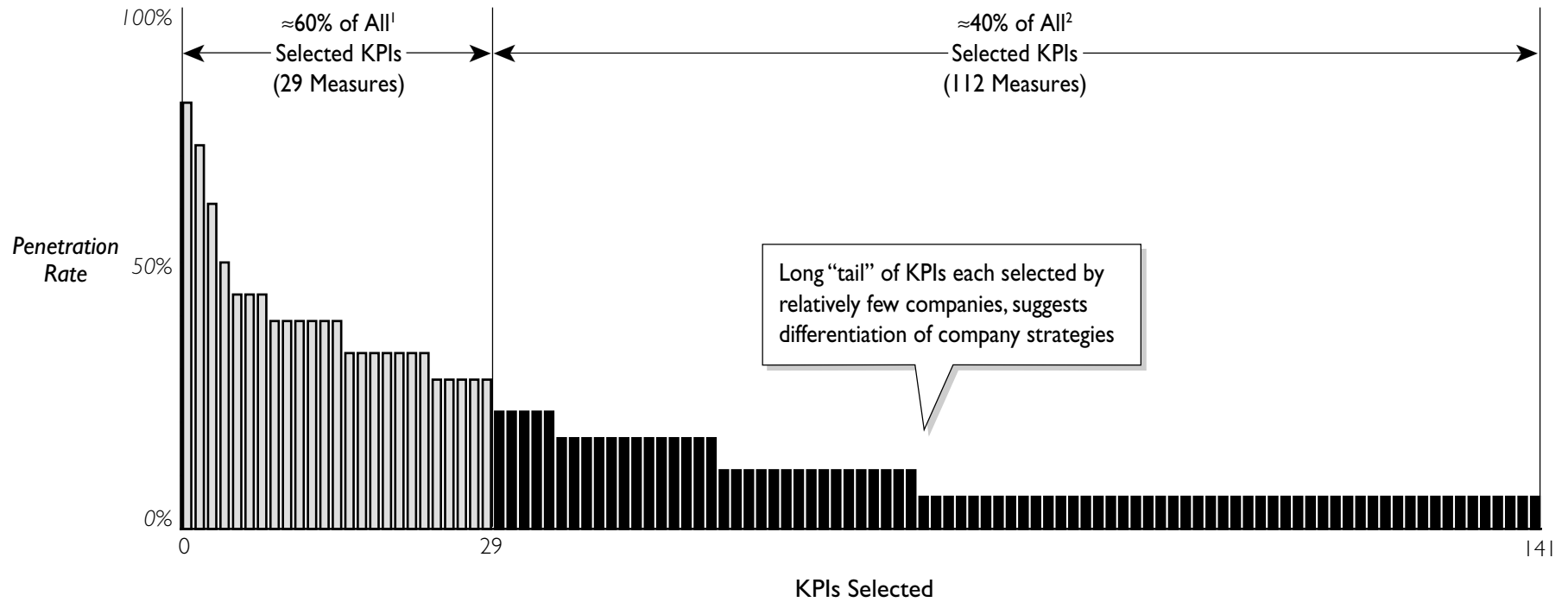
### The Bronze Standard: 25 to 40 Percent Penetration

- Expense per FTE
- Return on Human Investment Ratio
- Profit per FTE
- Total Productivity Rate
- Training Investment per Employee
- Recruitment Cost Rate
- New Hire Performance
- New Hire Failures
- Employees at Risk Factor
- Net Workforce Growth
- Employee Satisfaction
- Employee Engagement
- Gap Between Current and Required Workforce Skills
- Time to Fill
- Employment Brand Strength
- Performance-Based Pay Differentials
- Management Performance
- Employee Self-Service Penetration Rate
- HR Staffing Ratio
- Performance Appraisal Penetration

# SUBSTANTIAL VARIATION AT THE MARGIN

**Variety of Additional Measures Selected Suggests Differentiation Based on Strategic Issues**

Proportion of Members Selecting Each Measure



<sup>1</sup> 60 percent = N times selected + 555 cumulative measures selected.

<sup>2</sup> 40 percent = N times selected + 555 cumulative measures selected.

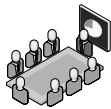
## WHERE TO FROM HERE?

- Early findings from limited data: Lab recommends reflection, not reaction
- Diversity of selected measures a positive indication of companies linking KPIs to unique strategic goals
- Variety of KPIs provides a robust laboratory of HR experimentation across the coming year
- Lab staff will continue to update and report on trends in measure selection as the Lab grows

# AN END-TO-END SOLUTION FOR BUILDING WORKFORCE MEASUREMENT CAPABILITY

**I.**

## ***On-Site Facilitation, Training, and Action Planning***



**Working Session #1 (Project Kickoff):  
KPI Strategy Alignment Testing and Selection**



**Working Session #2:  
Data Interpretation Skills Training**



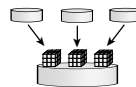
**Working Session #3:  
Workforce Performance Gap Diagnostic  
Planning**

**II.**

## ***Strategic Workforce Analysis and Benchmarking Technology***



**Dynamic Web-Based Reporting  
and Benchmarking Dashboard**



**Data Extraction,  
Validation, and Storage**



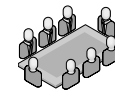
**Benchmarking Scorecards**



**Semiannual Management  
Analysis Briefs**

**III.**

## ***Human Capital Measurement Networking***

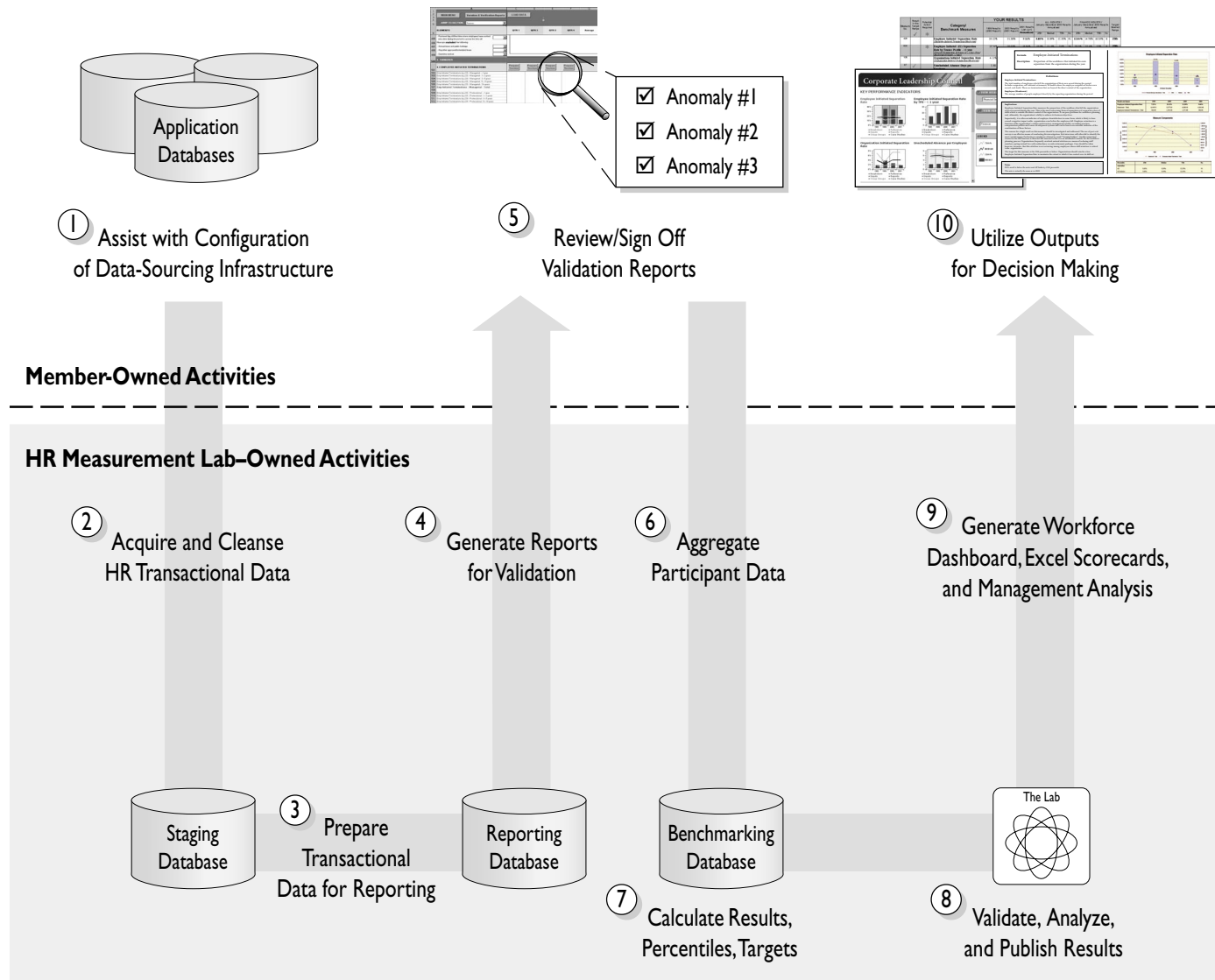


**Cohort Roundtable #1:  
KPI Selection Trend Analysis**



**Cohort Roundtable #2:  
Practices for Calculating the Return on  
Measurement**

# OVERVIEW OF DATA EXTRACTION AND VALIDATION PROCESS



# HR MEASUREMENT LABORATORY: DISTINCTIVE FEATURES

- An End-to-End Solution
- Focus on Quantifying the Impact of HR Initiatives
- Shared Cost of Technology Utilities Across Participant Network
- Fast-Cycle, Ubiquitous Deployment of Workforce Dashboard
- Dynamic, Transaction-Level Benchmarking
- Leveraging CLC Best Practices to Move from Insight to Execution
- IT System Agnostic
- Incubation of Leading Indicators of Workforce Performance
- A Shared-Learning Journey
- Building Enterprise-Wide Workforce Analytics Capability