



# HR Metrics that Matter

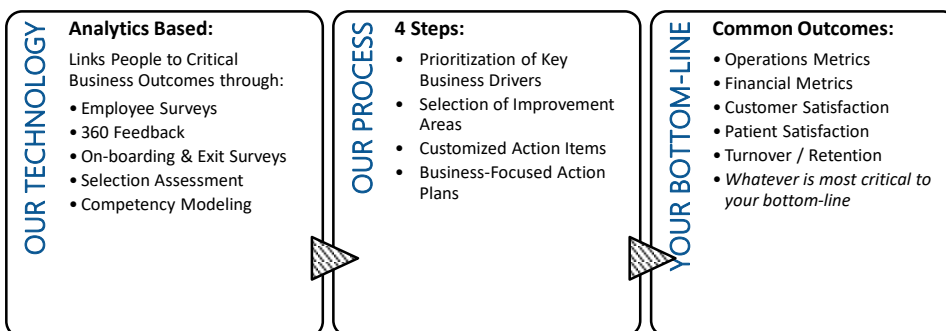
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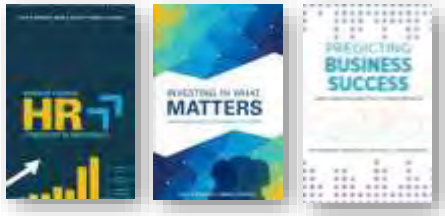
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## SMD OVERVIEW: Driving Business Results Through Surveys & Assessments



## HR Analytics Can Provide the Missing Link...



**2 Million  
Assessments**



We wrote the book on HR analytics – with our third book just released!

We've conducted over 2 million assessments

We'll even **guarantee** to deliver business value

## Exercise #1



- Break up into groups of 5
- What are your key BUSINESS (not HR) outcomes in your organization?
- Take 5 minutes
- Report out to the larger group



## #1 Definition

- ROI does NOT stand for:  
**R**eporting **O**ut **I**nformation
- Also, any requests for time consuming analysis by someone in your organization that start with the phrase “wouldn’t it be interesting...” should be ignored.



## HR Has Lots of Data

Although many questions can be answered using one data source, more strategic questions often require data from two or more sources





## Linking HR to Organizational Strategy



### SMD's Comprehensive Study

#### The Goals:

- Determine which employee attitudes and experiences, as measured on employee surveys, are connected to business metrics that matter to SMD clients.
- Determine how often Engagement is connected to business performance.
- NEW: understand item-level components that provide targeted insights to drive action

#### The Data:

- Rolling 4 Year database of employee survey data connected to business metrics
- A variety of industries were included: healthcare, non-profit, retail, manufacturing, hospitality, and professional services.
- These organizations range in size from fewer than 100 employees to over a hundred thousand employees.
- SMD examined data across 54 organizations and over 850k employees.



## What We Did

We compiled the results of analyses for each client and determined which survey categories & items were found to be key drivers of their business outcomes.

For simplicity in presenting results, we combined various financial metrics under one group, Financial Performance, and combined Customer and Patient Satisfaction (HCAHPS) measures into one Customer Satisfaction group.

We also assessed the linkages of survey categories to employee performance, voluntary turnover, and turnover risk (i.e., organizational commitment).

## Comprehensive Study Results



Survey Category	Voluntary Turnover	Customer Satisfaction/HCAHPS	Financial Performance	Employee Performance	% of Times Sig.
Management	63.2%	18.2%	50.0%	100%	71.2%
Job Fit	60.9%	45.5%	7.1%	33.3%	63.6%
Senior Leadership	54.2%	48.5%	42.9%	11.1%	51.4%
Safety	26.2%	60.0%	7.1%	11.1%	71.4%
Engagement	65.7%	21.2%	38.6%	11.1%	31.0%
Teamwork	39.1%	11.3%	28.6%	22.2%	50.0%
Tech/Resources/Staffing	43.5%	40.0%	21.4%	11.1%	46.2%
Customer Focus	13.0%	48.5%	7.1%	0%	38.5%
Quality	13.0%	48.5%	7.1%	0%	38.5%
Career Development	30.4%	21.1%	25.7%	22.2%	34.6%
Compensation	21.7%	9.1%	35.7%	22.2%	28.8%
Mission/Vision/Values	36.1%	3.0%	7.1%	0%	15.4%
Work-Life Balance	17.4%	8.1%	0%	11.1%	15.4%
Communication	8.7%	1.0%	21.4%	0%	11.5%

Green cells indicate when the category was a significant predictor more than 50% of the time. Blue cells indicate when the category was a significant predictor between 25% and 50% of the time.

For the fourth year in a row:

Management, Job Fit, and Senior Leadership outperformed Engagement and all other employee attitudes in driving outcomes

Engagement was not one of the strongest or most consistent drivers of business outcomes



## Results

The overall results of our 2018 Study replicate and reinforce all prior study results – regarding the primary drivers of outcomes



Management



Job Fit



Senior Leadership

- These three key drivers are consistent with SMD's earlier work and remain critical factors in organizational outcomes.
- These findings underscore the pivotal role that leaders play in an organization to set the employee experience in a way that drives organizational outcomes. As such, it is important for leaders to have a clear understanding of how their employees view these topics.
- Having employees that enjoy their work and when their skills and abilities are used effectively is a key component to organizational success



## New Findings

- **Engagement fell a spot in this year's analysis** – and its impact is still largely on voluntary turnover.
  - Setting aside this connection, engagement only contributes to the other outcomes less than **29%** of the time.
  - Engagement as a topic certainly has merit – in SMD's last version of this study, engagement was discussed as a leading indicator of the potential for voluntary turnover, and a good gauge of general morale
  - However, continuing to look to engagement as the silver bullet to drive organizational success is misguided and inaccurate **71%** of the time
- New experiences rose to the top:
  - **Safety** perceptions were strongly related to customer/patient satisfaction – largely driven from the healthcare clients in the study
  - **Teamwork** dynamics are proving to be critical components of driving customer/patient satisfaction, as well as how employees contribute to meeting financials goals.



## Practical Takeaways

- While **management**, **job fit**, and **senior management** are areas consistently related to outcomes for SMD's clients (ahead of engagement), it is still important to validate drivers of outcomes in your own organization.
- These same areas may come up as drivers, but other nuanced drivers may be found in your organization depending on the survey focus, organizational culture, and employee makeup.
- The bottom line is that there is consistency in the results, but every organization is different – including what drives business outcomes.



## Employee Experiences Influence Outcomes

- ***Voluntary turnover and customer satisfaction were more likely*** to be influenced by the employee experience than financial performance or even employee performance.
- This makes sense when you consider that an employee's experience at work is likely to have a strong impact on his or her desire to remain with an organization.
- Moreover, frontline employees are the direct connection to an organization's customers (or patients) and play a pivotal role in the customer's experience with a company.



## Typical Approach to HR Processes...

### Issues and challenges:

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Focuses on execution/compliance of individual HR processes

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Assumes that people investments drive business performance...but unable to demonstrate impact

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HR is customer-driven based on leaders requests, but limited ability to influence leaders without a true business case

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Limited resources and focus on execution limits ability to take actions that drive business performance

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Often viewed as a barrier by front-line leaders

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## Exercise #2

- Based on your 2-3 key business outcomes at your organization:
  - What people data do you currently have available?
  - What question do you want to answer with HR analytics?
  - Take 5 minutes and let's report out





## Current State of HR

- HR is in **transition**
  - Moving from – concentration on meeting internal metrics
    - Number hired, Attrition number
  - Moving toward – identifying the links between metrics
    - Hiring the 'right' people to decrease turnover

*Problem is, there really isn't time for transition; for companies to stay viable and navigate the competitive pressures they face, **HR must do it now, and do it right.***



## 3 Types of HR Metrics

1. HR Efficiency (HR Tracking/numbers internal HR Dept)
2. HR Effectiveness (HR Programs)
3. Business-Focused Metrics (outcomes based on investment in human capital)



**What are you currently measuring in regards to HR/Human Capital?**



## **HR Metrics**

### **HR Efficiency Measures**

- Cost per hire
- HR staff per employee
- Days to hire
- Training cost per employee
- Accidents rates
- Name others:

What is wrong with using JUST efficiency measures?



## HR Metrics

### HR Effectiveness Measures

- Quality of hire
- Employee Engagement
- Training quality-Kirkpatrick's four measures
- % of employees with certain knowledge
- Name others:

What is wrong with using JUST effectiveness measures?

What type a measure is turnover?



## HR Metrics

### Business-Focused Measures

- Through analytics the drivers of business outcomes have been identified
- Metrics are still focused on the “softer” things we often measure in HR (e.g., employee experiences) – BUT, we know their impact on outcomes that matter to the business
- Being able to articulate & quantify the impact is key



## Business-Focused Metrics

- Onboarding:
  - Uncover the key aspects of the onboarding process that most impact <1 year turnover and performance
  - Metrics should then focus on:
    - Scores on the key performance/turnover drivers from your onboarding survey
    - Time-to-proficiency
    - 6-month/12-month turnover



## Business-Focused Metrics

- Employee Surveys:
  - Uncover the key attitudes that drive important business outcomes; communicate the key drivers to ALL leaders
  - Metrics should then focus on:
    - Scores on the key business outcome drivers from your employee survey
    - Behavior Change from your EE survey initiatives that drives results



## Business-Focused Metrics

- Recruiting/Hiring:
  - Uncover the labor pools/competencies etc. that yield the best hiring decisions
  - Metrics should then focus on:
    - Scores in the hiring process on key competencies
    - % of candidates/hires coming from best labor pools
    - Time-to-proficiency
    - 6-month performance scores



## Business-Focused Metrics

- Learning (LMS):
  - Uncover the courses that actually drive performance improvement and business outcomes
  - Metrics should then focus on:
    - Participation, Knowledge/Behavior Gains from those key courses that impact performance
    - Do NOT focus on general LMS usage—that is not a business case



## Business-Focused Metrics

- Succession/Workforce Planning
  - Uncover how your key talent performs on key business drivers (performance goals, competencies, skills, attitudes, personality)
  - Metrics should focus on:
    - Talent pool effectiveness on the key drivers
    - Overall talent bench strength—based on performance on the key business drivers
    - Time-to-fill on key leadership roles
    - % of internal hires for leadership roles
    - % of key roles with ready now replacements



## Guiding Principles for Business-Focused Metrics

- There are no magic metrics that work for everyone
- Every element on the scorecard should be directly linked to business outcomes
- HR Efficiency Metrics are fine for Internal HR tracking, but not for senior business leaders
- HR Metrics should be predictive
- For every metric (e.g. Time-to-hire):
  - Can I articulate why this really matters to the business?
  - Do I know what a good number should be?
  - Can I articulate the business value of moving this number?
  - Why would senior and front-line leaders care about this metric?



## SMD Approach to HR Metrics

1. HR processes and investments must be directly **linked to critical business outcomes** (e.g., sales, productivity, customer satisfaction, safety) to understand their impact how they drive those outcomes.
2. By quantifying the relationship between HR processes and critical business outcomes in the past (lagging indicators), algorithms can be created to **predict future impact of HR investments** (leading indicators).
3. HR must **look holistically at all HR processes** and potential investments to understand their HR priorities and make investment decisions like other lines of business/functions.
4. When principles 1-3 have been followed, **an expected ROI can be calculated** to help HR leaders make investment decisions.



Questions?  
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**Your opinion matters!**

Please take a moment now to  
complete the evaluation.

Thank You!