# PEOPLE STRATEGY: HR'S APPROACH TO MEASUREMENT AND USE OF METRICS

Jade K. Malone

People Strategy: HR's Approach to Measurement and Use of Metrics

A Thesis

Presented to

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In Partial Fulfillment

Of the Requirements for the Degree

Master of Arts in Industrial Organizational Psychology

Jade K. Malone
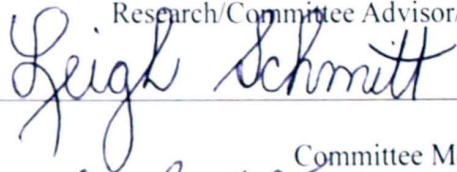
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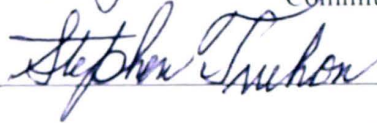
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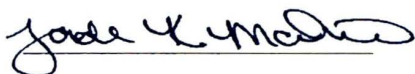Accepted for the Graduate and Research Council
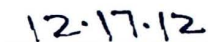
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# ABSTRACT

JADE K. MALONE. People Strategy: HR's Approach to Measurement and Use of Metrics (Under the direction of DR. UMA IYER.)

The role of human resource (HR) professionals has evolved over the past decade. The shift toward a knowledge economy has placed demands on organizations to move focus onto the human capital that is driving the organization forward. Traditional HR professionals primarily had more of a support role, responsible for mainly administrative tasks and organizing company events in an effort to create team cohesiveness. Recently, the responsibilities of HR professionals have shifted. New demands require these professionals to have a big picture, business focus and the ability to relate how people resources impact the overall business outcomes. These requirements have presented many challenges for HR professionals. With a lack of sophisticated measures within the profession and the difficulty of acquiring the newly required skills, there have been many struggles to meet the new expectations. The present study set out to understand the relationship between overall organizational health, as determined by the Human Capital Maturity Survey, and the use of metrics by an organization's HR department. Key differences between organizations were analyzed in terms of varying organizational maturity levels and associated use of metrics. The proposed research is seeking to provide practitioners with an understanding of the characteristics of strategic HR departments and provide insight into how these business partners contribute to the overall organizational performance.

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CHAPTER I

Introduction and Review of Literature

**Introduction**

Human resource (HR) departments have been notorious for being paper pushers,

considered a cost center, and disconnected from the overall business strategy

(DiBernadino, 2011; Srimannarayana, 2010). An organization's HR department is often

viewed as a necessary evil, filled with professionals tasked to police the company to

ensure all employees are following proper policies and procedures. The responsibilities

of HR departments have generally been reactive, transactional, and believed to provide

little value add to the overall organizational performance. In recent years, there has been

a shift in the expectations of HR professionals. There is an increasing demand for HR to

be more technical and analytical, showing they are able to provide reliable insight into an

organization's human capital.

**The Changing Role of Human Resources**

HR professionals are now being asked to make the connection between human

capital and how successful or unsuccessful an organization is. These new demands and

expectations require HR professionals to understand the organizational strategy,

objectives, and goals and assess the human capital implications of these business

components. These new expectations do not stop there. HR professionals are also being

asked to measure the human capital implications as they relate to the business strategy,

analyze the data, and interpret the implications as they relate to the business (Coco,

Jamison & Black, 2011). This is no easy task for a group of professionals whose primary

focus has been on ensuring compliance with all the legal guidelines and requirements and enhancing the happiness of employees.

**HR Challenges with Metrics**

Collecting data on human capital in not completely foreign to HR professionals. Birkman International (2008) reported that the measurements that are most commonly reported by HR are mainly tactical and transactional, which have hindered HR executives from having a seat at the table. HR departments have a tendency to report metrics[1] that do not predict organizational performance (Bassi & McMurrer, 2007). The metrics challenges that HR departments face appear to be similar world-wide. HR professionals in India report on specific measures such as training costs, average salary increases, and employee quit rate, but there is a significant lack of metrics surrounding business driven measurement (Srimannarayana, 2009).

Srimannarayana (2009) surveyed companies in India and found that compensation was the most measured HR domain, followed by training and development, selection, performance management, employee relations, and recruitment. He argued that although the standard HR measures reinforce HR managers for their contributions, there is a significant lack of impact on business outcomes based on these methods. A focus on measuring HR initiatives that improve business results is the necessary focus for HR professionals in order to contribute sustainable efforts to the business.

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[1]

The Society for Human Resource Management (SHRM) defines "metrics" as a measure used to determine effectiveness and value of implemented HR programs in increasing performance and profits.

Further, the same researcher emphasized the importance of HR departments focusing on the benefits of people strategy programs that are implemented in an organization. Through research conducted with companies in India, Srimannarayana (2010) reported that HR monitors and measures routine costs such as absenteeism, turnover, and cost of HR programs, but does not measure the benefits of the initiatives implemented. He found that although HR consistently tracked costs, the cost and benefit comparisons are not developed frequently and return on investment (ROI) in HR is not focused. The way in which HR uses this method tends to be based on intuition, perceptions of senior management, and not based on improvements in productivity. He argued that HR needs to work toward gaining support from top management and senior leaders by being able to show the value of HR's contributions through reports on the benefits of programs that HR has implemented. The adoption of benefits measurement by HR departments will allow for tracked contributions and will provide HR with the ability to provide data to support the people strategy initiatives that are implemented.

Tootell, Blackler, Touslson, and Dewe (2009) reported that measuring HR intangibles is recognized as a valuable, but difficult activity. HR professionals have had difficulty implementing effective HR measures due to lack of awareness and understanding of different models, a lack of skill in designing and analyzing measures, inadequate support for measurement from senior management, a perceived lack of relevance of specific measures, and difficulty with the application of information in the decision-making process. An ongoing struggle for HR professionals is being able to measure HR programs in financial terms. HR metrics need to go beyond turnover rates and cost per hire and truly evolve into human capital analytics that show the value and

strategy behind HR decisions. The traditional HR approach to metrics that has been used for the last several decades is inadequate. In order to contribute to the business goals it is imperative for HR professionals to develop the ability to generate analytics that speak to the human capital implications in relation to the business strategy. Traditional HR metrics tend to provide information that occurred in the past, as opposed to providing strategic data that can drive business initiatives forward (Tootell, et al., 2009).

HR professionals must have the ability to play a vital role in an organization's people strategy. The quality of an organization's HR department can have a significant impact on its competitive advantage (Hoon, 2000). HR has access to valuable information. If HR professionals are able to effectively understand and communicate their accessible data, they will be able to significantly help the organization. HR professionals must be able to identify what human capital components need to be measured and how these measures are related to the business strategy. In addition, once they obtain this information it must be analyzed and the workforce impact must be delivered to executive level decision makers. HR decisions should be based on valid data and have the ability to improve efficiency or contribute to revenue growth (Becker & Gerhart, 1996). The use of metrics and analyzing the results allows for more accurate decision making.

DiBernardino (2011) argued that many organizations continue to manage HR as a necessary expense instead of recognizing it as the financial investment that is truly is. He recognized the limitations of HR in measurement, explaining the difficulty of isolating the economic impact of people and the struggle to identify what is driving organizational performance as a whole. Investments in people are shown as expenses on income

statements and the balance sheet does not reflect the people investment as a capitalized asset. In a knowledge economy, companies have increasingly become more dependent on their human capital. It is the responsibility of HR professionals to measure and analyze the potential risks that can be associated with that dependency and share that information with senior management so they are able to truly understand their people investments.

## HR Strategic Partners

It is essential that HR is able to take on the role of a strategic business partner that has the ability to break down the silos and add value by making decisions that will enhance the organization's operation (Becker & Gerhart, 1996). The strategic approach to HR draws heavily on psychology, economics, finance, as well as strategy, and research and practice should take an interdisciplinary focus. Rogers and Wright (1998) identified the major challenge for strategic human resource management as establishing a clear and consistent link between HR functions and organizational performance. The lack of standardized methodology within the area of HR measurement has been a significant challenge for gaining credibility among business peers. HR was being asked to justify their programs and value-add alongside colleagues in accounting and finance, areas that have standardized rules and measures. Undoubtedly a challenge, but researchers and practitioners have been able to move forward making significant advancements over the last several years.

With the increasing focus on the correlation between employee performance and organizational performance, there has become a significant demand for HR professionals to provide viable metrics. Business leaders are turning to HR for robust measures that

shed light on employee specific data so this information can be used to enhance the organization's competitive advantage. Based on this, many HR professionals have found their job demands shift from support function to business partner. HR departments that are able to successfully make this transition are able to provide a significant advantage for their organization. According to the 2008 Birkman report, HR is able to add value, not only when they utilize metrics, but when they are able to interpret the data and communicate informed ideas that will help the organization achieve its overall goals. Although HR is taking the steps to measure certain activities, there has been an absence of reporting results to top management and a lack of taking these metrics beyond their face value by providing follow up strategies based off of these measures (Srimannarayana, 2009). The ability to provide sound metrics to support the business impact of engaged employees, effective leaders, and efficient training creates a game changing opportunity for HR's involvement in strategic planning (Bassi & McMurrer, 2007).

Appropriate HR measures that add value to the organization provide the ability to refocus efforts to leverage resources, while inappropriate measures fail to provide any sustaining worth for the organization (Tootell, et al., 2009). It is the responsibility of HR professionals to assess if human resource management activities are providing value-add services to the overall organizational goals (Hoon, 2000). Although many HR departments fall in a rut of justifying their initiatives and activities, they must discontinue a program if it is not adding value to the organization. It is imperative for HR professionals to identify the purpose and goals of programs implemented and develop measures that will assess if the program is adding value rather than taking the perspective

of how can they show the value add of the program that has already been implemented. It is essential that HR departments realize that not all of the programs they implement are adding value and instead of trying to justify a program, a rational business decision is made when evaluating these initiatives. HR professionals should perform audits to evaluate the impact of HR practices on the overall business (Hoon, 2000).

## HR Analytics

Bassi (2011) described HR analytics as the evidence based approach to the people side of business. She explained the purpose of HR analytics is to improve individual and organizational performance. The use of metrics and analytics allows organizations to take the guesswork out of management approaches and HR initiatives (Davenport, Harris & Shapiro, 2010). While looking at HR data from an analytical perspective, professionals are forced to see the hard facts about what works and what doesn't. Leading edge organizations are focusing more on methods for analyzing employee data to enhance their competitive advantage. They explained that data do not need to be perfect in order to be useful, but there needs to be a sufficient amount of data in order to understand trends that are important to the organization. There is a definite push for HR departments to take on this analytical role. It is imperative that HR professionals take on this challenge for the right reasons and not as an attempt to justify the value of HR initiatives. These added responsibilities of taking on a more analytical/strategic role require HR professionals to develop new skill sets far outside the normal HR capabilities into areas such as IT and finance (Bassi, 2011). Proper development and use of sound metrics requires proper functioning systems that house viable data and foundational

knowledge of finance. HR professionals need to rise to the challenge and acquire the necessary skills to advance their measurable human capital contributions.

HR professionals are also responsible for using metrics and analytics even if they are not required by the chief executive officer (CEO) of the organization. Many top executives do not understand the capabilities of the data collected by HR; therefore they are unaware of what exists (Bassi, 2011). HR professionals need to drive this information to the forefront, so business leaders become aware of the value add that this information can contribute while making business decisions. When developed and analyzed properly, metrics and analytics can provide predictive indicators and correlations that can have a significant impact on the business. In order to make CEO and senior level executives aware of the power of HR metrics, HR professionals must identify key workforce assumptions and bring them to the attention of business leaders along with ways metrics will be developed to obtain hard data to shed light on key workforce information.

Davenport, et al. (2010) cited many common mistakes by HR professionals when using analytics. These mistakes included analyzing HR efficiencies rather than the impact on business performance, assessing employees on simple measures that do not accurately predict success and failing to monitor changes in organizational priorities, creating irrelevant analyses. They also expressed the importance of leader involvement in analytic initiatives, stating that leaders' commitment to the approach is the single most important factor in whether it succeeds. Leaders who support human capital analytics must push for decisions to be made based on analysis of facts and data rather than on tradition or hearsay. Data are more powerful than the information that is shared

anecdotally. The value that is added by adopting and using metrics to full capacity allows organizations to create an extremely hard to replicate competitive advantage.

**Human Capital Management**

Human capital management (HCM) has evolved over the last decade. HR managers have more resources available now than ever before to guide an organization's investments on people, as well as influence organizational performance through the use of sound metrics (Bassi & McMurrer, 2007). They were able to directly relate the following drivers to organizational performance: leadership practices, employee engagement, knowledge accessibility, workforce optimization, and organizational learning capacity. These researchers developed a survey to measure an organization's maturity level that is able to indicate the company's ability to link improvements in specific HCM practices to improvements in organizational performance. By determining an organization's maturity score, through self-report questionnaires, an organization's strong and weak areas can be identified and a plan can be implemented for workforce changes that will directly impact the overall business outcomes.

Bassi and McMurrer (2007) demonstrated the power of HCM improvements in the financial services industry by showing the relationship between HCM scores and stock performance. HCM maturity data was collected on 11 publicly traded financial services firms and a year later stock performance was assessed. It was discovered that the three firms that had scored below average on HCM maturity, had significantly lower subsequent stock appreciation in comparison to the three firms that scored average on HCM maturity. Making the connection between HCM practices and organizational performance provides focus on the areas of improvement in an organization's people

strategy. These identified improvement areas should be treated with significant importance based on their relationship to business results.

Bukowitz, Williams and Mactas (2004) researched the significant difficulty in measuring the investments in HR contributions such as training and development, compensation and benefits, and organizational culture. It has been implied that these functions add to the overall performance of an organization, but the inability to clearly make the connection has created doubt by many. Managers are seeking better ways to increase their return on human capital. As a result of management demand, there has been an increase in human capital measurement. Bukiowitz, et al. emphasized the importance of HR professionals moving beyond traditional metrics and adopting an approach that is able to direct management teams and provide guidance regarding to human capital initiatives. These measurements need to be focused on performance improving initiatives that can be directly related to human capital. They further argued that in order for HCM to be relevant, it is essential for a tool to be developed and used by functional management.

Fiorelli, Alarcon, Taylor, and Woods (1998) developed an HR metric that was intended to serve as an early warning measure for HR issues that may arise. They discovered the growing concern by executive level management regarding why HR was not able to provide information on issues before they had reached the crisis level. From an HR perspective there had been warning signs, such as turnover and negative employee survey data, but that type of information did not catch the attention of the executive team. The Organizational Health Report (OHR Index) was created to deliver early warning signs of potential problems to upper management. The tool was developed with the

ability to be able to better track and help resolve HR issues closer to real time. This index was able to flag issues early and help HR quantify their functions. HR was able to become more visible to the employees through this process, which in turn built trust and created a positive image for HR among the company. While HR measurement practices are lacking in widely used models, if practitioners do adopt their own methods, it is essential for HR managers to select a method that will align with the organization's operational objectives and strategic direction in order to be fully accepted and utilized to its intended capacity. Although the OHR Index is not a standardized measure, this type of forward thinking is what has helped move HR metrics in the right direction.

**Successful Metrics and Analytics**

Although metrics are difficult for many HR professionals, Lowe's Home Improvement Stores have been able to develop human capital metrics and successfully link these measurements with business outcomes. Coco, Jamison, and Black (2011) acknowledged the involved process of collecting data to develop metrics that are able to numerically capture an employee's daily tasks. Lowe's was able to successfully relate their developed metrics to the impacts on the overall organization. As a result, the company has seen tremendous payoffs and now has the ability to bridge the gap between HR and operations by aligning strategies, prioritizing objectives, setting targets, and tracking progress. Also, driving the area of HR metrics forward, the American National Standard for Human Resource Management has now published the first metrics standard, cost-per-hire (SWP Cost-per-Hire Workgroup, 2012). The cost-per-hire standard was designed as consistent measure to be used by organizations to determine and compare

costs of recruiting. The development of this measure is a testament to the progress that has been made within the area of HR metrics.

The research of Tootell, et al., (2009) was able to identify one organization that was able to successfully measure HR intangibles. One of the characteristics of this organization was a strong commitment from senior management to measuring human capability. Commitment and buy-in from senior management was a critical factor to successful use of measurement within an organization. Another differentiating factor of this company was their familiarity with a theoretical model such as a balanced scorecard. It is essential for HR professionals to be knowledgeable in the area of measurement in order to gain the confidence of senior management. Involvement from senior management in the creation of what measures will be used and for what purpose provides buy in and understanding that contributes to success. Not only is this a relatively new area for HR, but for senior executives as well. For complete success, it is the responsibility of HR to assist senior leaders to understand its value and be comfortable with the accuracy of the results provided. In addition, the metrics savvy company had clearly defined communication pathways within their organizational structure. Finally, this organization had involvement from multiple stakeholders in the design and development of HR measures. This involvement was able to allow for HR measurement to be portrayed in a positive light and provide senior leaders to have a better understanding of the motives behind measurement. Additionally, it was found that if a CEO had some experience in HR and the HR Manager had a business background, it appeared easier for these leaders to view problems from varying perspectives, which in turn reinforced the value of human capital measurement (Tootell, et al., 2009). Similarly,

Srimannarayana (2010) stressed the importance of HR heads reporting directly to the CEO, claiming this relationship provides more communication between the executive level leaders and HR, as well as gives the HR department a higher perceived status among business peers.

**Present Study**

Given the undeniable importance of understanding how an organization's human capital impacts the overall business performance along with the necessity of HR professionals showing the impact, the present study is intended to provide insight into how HR professionals are contributing to business outcomes through the use of metrics. The present study set out to understand the relationship between overall organizational health, as determined by the Human Capital Maturity Survey (Bassi & McMurrer, 2007), and the use of metrics by an organization's HR department. In addition, there was an attempt to understand the current use of metrics among HR professionals. The following hypotheses were made:

*Hypothesis #1:* Organizations with scores of "superior" and "adequate" on the HCM survey will have HR professionals who use metrics "all of the time" or "regularly".

*Hypothesis #2:* "Superior" and "adequate" organizations according to the HCM survey will have HR professionals who have a professional background in an area such as accounting, finance or business.

*Hypothesis #3:* HR professionals who frequently use metrics will have clearly established department goals that are aligned with the business strategy.

*Hypothesis #4:* There is a relationship between how HR professionals describe their relationship with the business (support, advisor, partner) and the frequency of their use of metrics.

*Hypothesis #5:* There is a relationship between HR professionals reported frequency of metrics use and prior experience in another profession such as business, finance, or accounting.

*Hypothesis #6*: There is a relationship between the HR department having goals and the use of metrics.

# CHAPTER II

## Method

### Participants

HR professionals from varying industries and organizations were recruited to participate. Participants were recruited using the social networking website, LinkedIn. An attempt was made to recruit participants from different parts of the globe. A sample (N = 111) of Human Resource professionals participated in this study. Participants worked for a variety of organizations that included: Services (n = 26), Technology (n= 24), Manufacturing (n=18), Healthcare (n= 10), Consumer Goods (n= 8), Education (n= 6), Financial (n= 6), Energy (n= 5), Construction (n=3), Other (n=5). Sixty-one percent of participants were female and approximately 39% male. Reported metrics use frequency of participants was as follows: 19% reported "all the time (every day)", 17% reported "regularly (2-3 times per week), 16% reported "moderately (2-3 times per month), 25% reported "occasionally (2-3 times per quarter), and 23% reported "never". The overview of participant biographic information is as follows:

Table 1

| HR Professional Overview | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Professional Experience** | | | | | | | | | | |
| Only HR | Accounting | Business | Communications | Finance | IT | Marketing | Operations | Other | | |
| 46.8% (52) | 4.5% (5) | 24.3% (27) | 4.5% (5) | 1.8% (2) | 2.7% (3) | 2.7% (3) | 6.3% (7) | 6.3% (7) | | |
| **Current Title** | | | | | | | | | | |
| HR Manager | Director/VP of HR | HR Generalist | HR Specialist | HR Consultant | HR Recruiter | Training & Development | Other | Compensation Analyst | Benefits Administrator | HRIS Analyst |
| 35.1% (39) | 24.3% (27) | 14.4% (16) | 7.2% (8) | 5.4% (6) | 3.6% (4) | 2.7% (3) | 2.7% (3) | 1.8% (2) | 1.8% (2) | .9% (1) |
| **Education** | | | | | | | | | | |
| High School Diploma | Associates Degree | Bachelors Degree | Masters Degree | | | | | | | |
| 1.8% (2) | 3.6% (4) | 36.94% (41) | 57.66% (64) | | | | | | | |
| **Gender** | | | | | | | | | | |
| Male | Female | | | | | | | | | |
| 38.74% (43) | 61.26% (68) | | | | | | | | | |

Table 2

**HR Professional Experience**

|  | Years In HR | Years In Current Position | Years with Current Organization |
|---|---|---|---|
| >1 Year | 3.60% (4) | 24.32% (27) | 28.83% (32) |
| 1-4 Years | 7.20% (8) | 41.44% (46) | 39.64% (44) |
| 5-9 Years | 26.12% (29) | 25.23% (28) | 23.42% (26) |
| 10-14 Years | 29.72% (33) | 7.21% (8) | 7.21% (8) |
| 15-19 Years | 15.31% (17) | 1.80% (2) | 0 |
| 20-24 Years | 9.91% (11) | 0 | .90% (1) |
| 25+ Years | 8.11% (9) | 0 | 0 |

Table 3

**Participant Organization Overview**

**HR Department Reports To**

| CEO | CFO | COO | Other (Unknown) | Director |
|---|---|---|---|---|
| 53.2% (59) | 16.2% (18) | 13.5% (15) | 12.6% (14) | 4.5% (5) |

**Organization Size**

| >100 | 101-250 | 250-500 | 500-1,000 | 1,000-2,500 | 2,500-5,000 | 5,000-10,000 | 10000 |
|---|---|---|---|---|---|---|---|
| 11.71% (13) | 9.91% (11) | 11.71% (13) | 11.71% (13) | 10.81% (12) | 7.21% (8) | 12.61% (14) | 24.32% (27) |

**Organization Industry**

| Services | Technology | Manufacturing | Healthcare | Consumer Goods | Education | Financial | Energy | Construction | Other |
|---|---|---|---|---|---|---|---|---|---|
| 23.4% (26) | 21.6% (24) | 16.2% (18) | 9.0% (10) | 7.2% (8) | 5.4% (6) | 5.4% (6) | 4.5% (5) | 2.7% (3) | 4.5% (5) |

**Company Location**

| USA | Asia | Europe | Canada |
|---|---|---|---|
| 87% (97) | 3.6% (4) | 8.11% (9) | .9% (1) |

## Data Analysis

The current study used chi square test of independence to analyze professional background and its relationship with HR's use of metrics. In addition, chi square test of independence was used to analyze HR's use of metrics and established department goals. Spearman's Rs was used to analyze the organization's maturity level (as determined by the HCM Questionnaire) and HR's use of metrics.

## Descriptive Analysis

Data collected is input as pie charts below:

Chart 1



**Metrics Use Frequency**

- All of the time (every day)
- Regularly (2-3 times per week)
- Moderately (2-3 times per month)
- Occasionally (2-3 times per quarter)
- Never

19%
17%
16%
25%

Chart 2



**Top 10 Metrics Used**

- Employee Turnover
- Recruiting
- Performance Management
- Average Time to Fill Open Positions
- Employee Engagement
- Average Tenure
- Cost per Hire
- Cost of Turnover
- Total Hours of Training Provided
- Absence Rate

74.77%
62.16%
61.26%
54.95%
45.05%
42.34%
39.64%
35.14%
34.23%

Chart 3



**HR Goals Created**

- HR Individual/Team Input
- Senior Management
- Based on Business/Organizational needs and requirements
- Other
- Strategic Plan
- Previous Year Performance
- Trend Analysis
- Specific Technology
- Employee Feedback Surveys

Chart 4



**No People Strategy Developed**

- Senior Management Does Not See Value In HR Metrics
- Metrics Use is Too New
- Don't know
- Don't Use Metrics
- Metrics Use Is Not Analytical
- Lack of Technology
- Lack of Internal HR Expertise
- Strategy Development In Progress
- Other
- HR is Too Lean
- Lack of Time

Chart 5



Primary Reason for Using Metrics

Legend:
- Track progress and Identify Improvement Areas
- Other
- Show HR Value Add
- Metrics Are Not Used
- To Assist In Decision Making
- Evaluate specific HR functions
- Show Business Impact
- Assist With More Strategic Planning
- Quantification
- Help create and streamline organization standards and procedures
- Funding/Budget Tracking
- Don't Know

Values shown: 31%, 14%, 11%, 9%, 9%, 8%, 5%, 3%, 3%, 3%, 2%, 2%

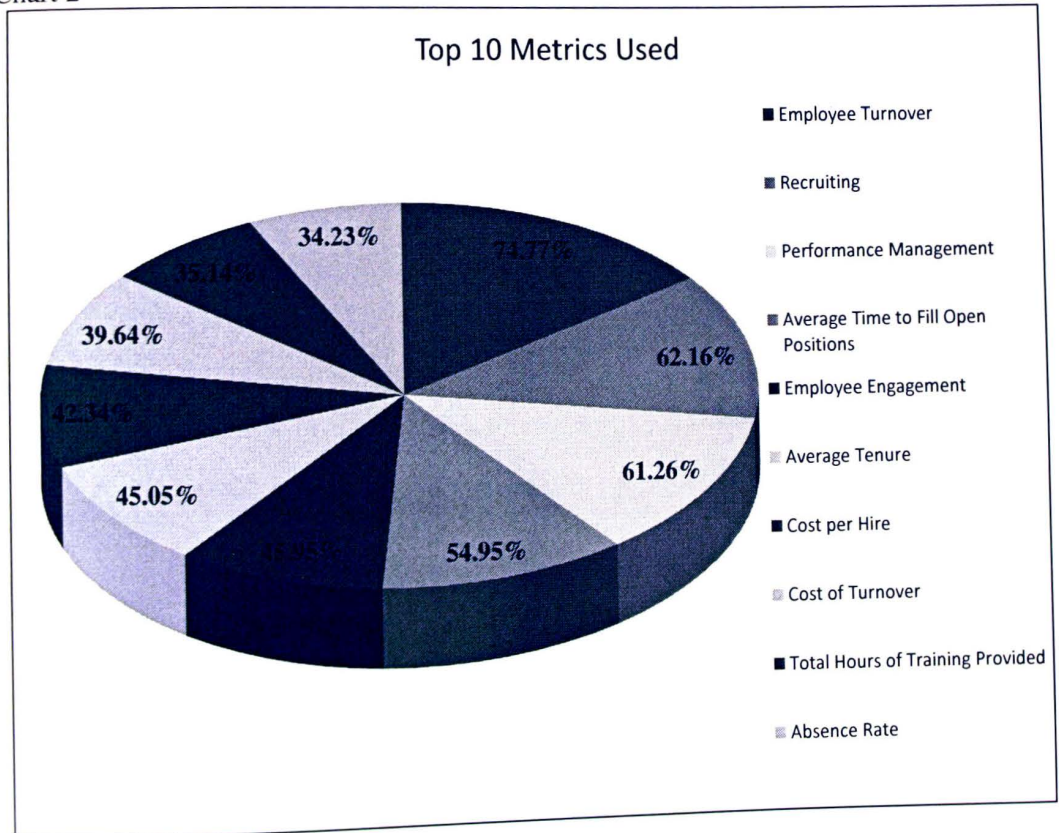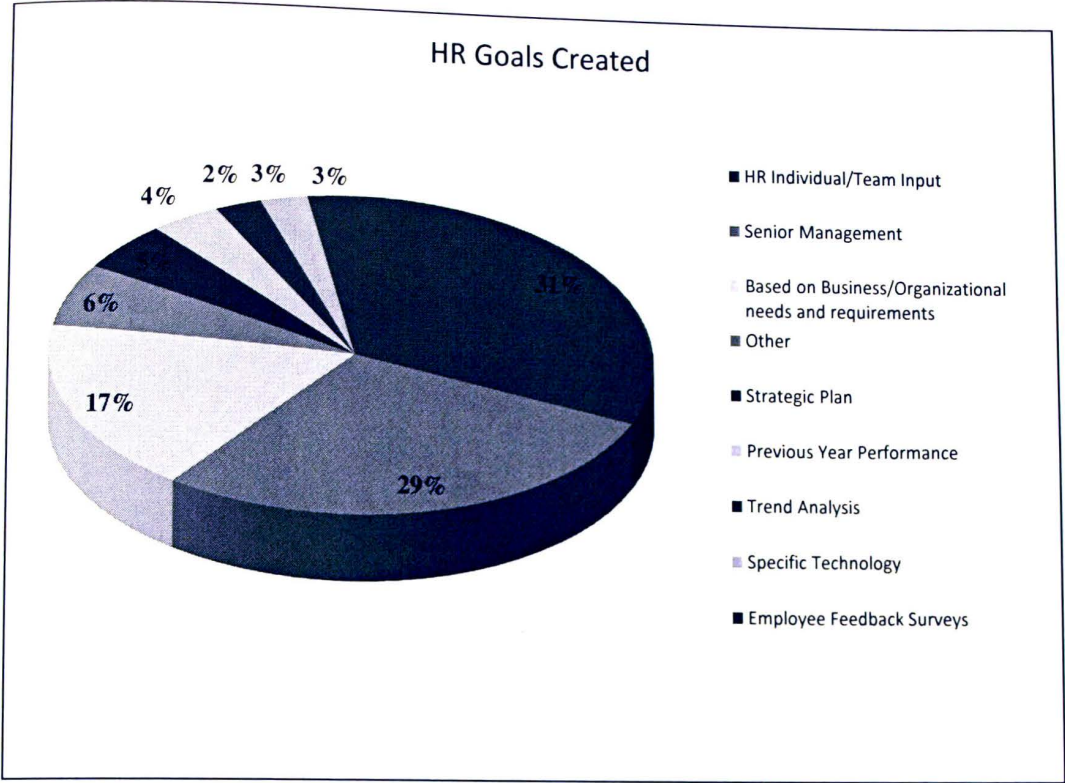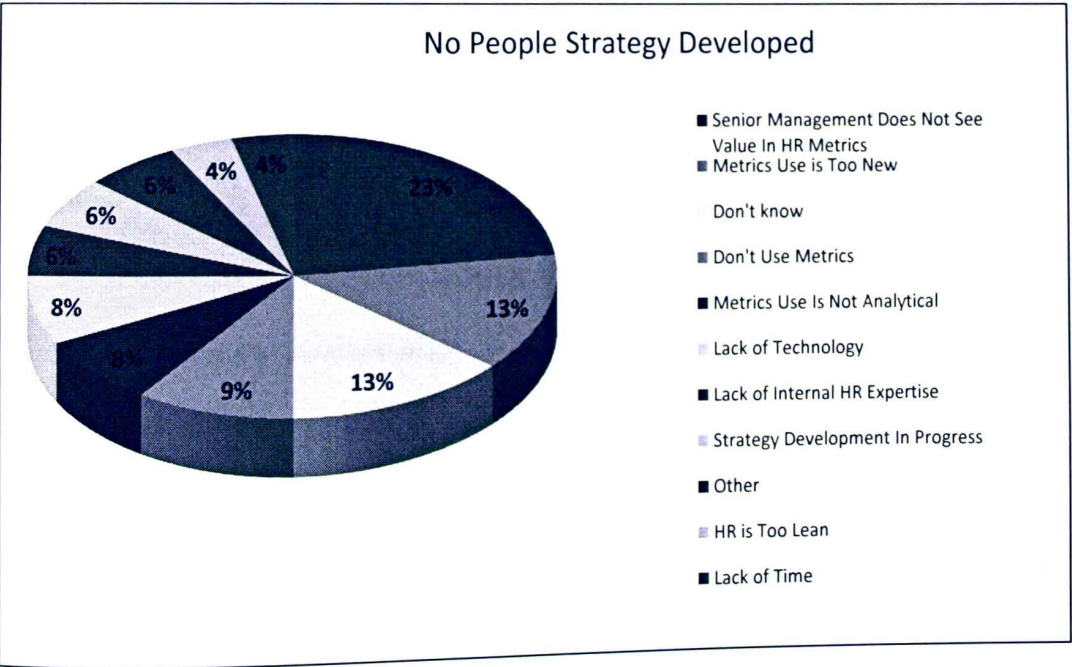## Measures

All measures were assessed through self-report questionnaires via online survey.

Bassi and McMurrer's (2007) Human Capital Maturity Score Questionnaire (Appendix

A) consists of 23 items to assess an organization's human capital effectiveness.

Reliability and validity information for the Human Capital Maturity Score Questionnaire

takes an economics-based approach and the measure was assessed based on how well the

questionnaire linked to key outcome measures within organizations or industries. Bassi

and McMurrer reported with great confidence that the measures have consistently predicted a wide variety of outcomes (sales, safety, and customer service) across a wide range of industries. Biographic and current practices questions (Appendix B) were asked as a method to understand similarities and differences between human capital effectiveness, the use of human resource metrics, and human resource professional's experience and background.

**Procedure**

Austin Peay State University (APSU) IRB was approached for approval of human subject research and approval was granted. Links were sent to HR connections on LinkedIn and posted on Group pages on LinkedIn. Instructions were provided at the beginning of the survey and participants were informed that the present study is an attempt to understand the use of metrics by human resource professionals and contributing factors of the use of metrics by human resource professionals. Confidentiality was emphasized in the written instructions in an effort to increase the likelihood of truthful self-reports. Informed consent forms were included in the online link, and participants were informed that by clicking on the "start" button they are indicating they have read the informed consent and they consent to participate in the survey. Participants were notified in the instructions that there are several aspects to this study and that it would take approximately 15 minutes to complete per participant. The first portion was to complete Bassi and McMurrer's (2007) HCM Maturity Survey. Participants rated their organization on a scale of 1(strongly disagree) to 5(strongly agree) on each statement. Next, participants answered several questions regarding their professional experience, educational background, and current use of HR metrics. At the

completion of this section of the survey, participants clicked submit and responses were

captured.

# CHAPTER III

## Results

*Hypothesis #1:* Using Spearman's rho, no significant correlation was found between organizations with overall scores of "superior" and "adequate" as determined by the HCM survey scoring and HR professionals who use metrics "all of the time" or "regularly".

*Hypothesis #2:* Using chi-square analysis, no signification relationship was found between organizations with overall scores of "superior" and "adequate" as determined by the HCM survey scoring and HR professionals who have a professional background in an area such as accounting, finance or business, ($x^2$= 3.4, df=3, p=.325).

*Hypothesis #3:* Chi-square analysis shows that there is no significant relationship between "high use metrics" professionals and having clearly established goals that are aligned with the business strategy, ($x^2$=.44, df=2, p= .978).

*Hypothesis #4:* Participants were asked to describe their working relationship with the business. Using chi-square analysis, it was found that there was a significant relationship between how HR professionals describe their relationship with the business and the frequency of their use of metrics, ($x^2$= 23.2, df=8, p= .003).

Figure 1a



**Business Relationship & Metrics Use**
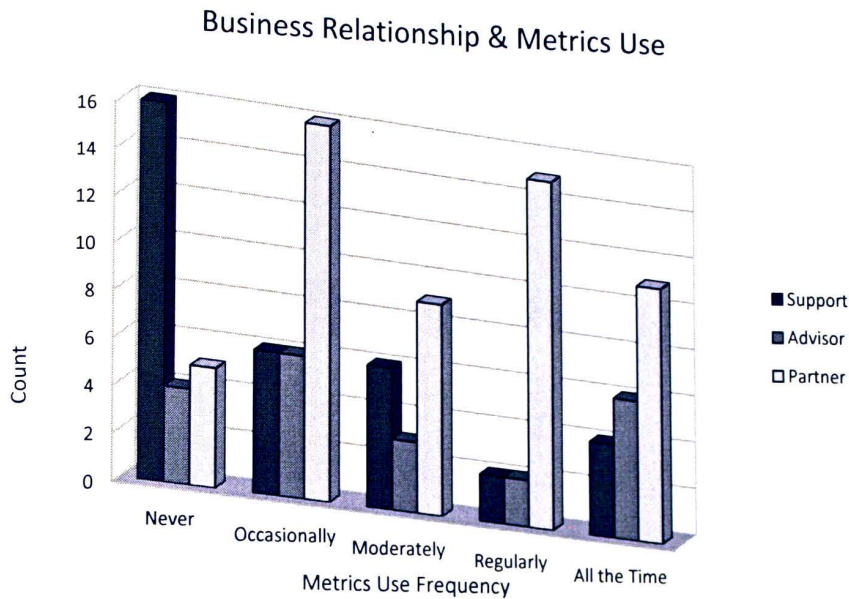
Figure 1b

**Business Relationship & Metrics Use Chi-Square Tests**

|  | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 23.246[a] | 8 | .003 |
| Likelihood Ratio | 23.062 | 8 | .003 |
| Linear-by-Linear Association | 10.096 | 1 | .001 |
| N of Valid Cases | 111 |  |  |

a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is 3.41.

***Hypothesis #5:*** Using chi-square analysis it was found that there was no significant relationship between an HR professionals reported frequency of metrics use and prior experience in another profession such as Business, Finance, or Accounting, ($x^2=$

3.2, df =4, p= .525).  (N= 86; Only HR n= 52; Experience in BA, Finance, or Accounting n= 34)

*Hypothesis #6:* Using chi-square analysis, a significant relationship was found between the HR department having goals and the use of metrics. ($x^2$= 19.37 df =4, p= .001).

Figure 2a



HR Department Goals

Figure 2b

HR Department Goals & Metrics Use Chi-Square Tests

| | Value | df | Asymp. Sig (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 19.366[a] | 4 | 001 |
| Likelihood Ratio | 17.460 | 4 | 002 |
| Linear-by-Linear Association | 7.853 | 1 | 005 |
| N of Valid Cases | 111 | | |

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 4.22.

Eighty participants responded that the HR goals are related to the overall business strategy. However, based on analysis of this question, these professionals are not able to clearly articulate how the two are actually related. Fifty-five percent of the responses are extremely generic in nature. Eleven percent of participants were able to clearly define the HR department goal, but did not make the connection of how it is related to the business strategy. Five percent reported that HR talent strategy goals related to organization growth and revenue. Two percent reported employee retention initiatives related to overall organizational growth. Perhaps this indicates that HR wants to be aligned with the business, but this raises questions to whether they actually are.

# CHAPTER IV

## Discussion

It is imperative for HR departments to move toward a more strategic role and utilize measurement tools that can show organizational needs that can enhance overall performance. Sustainable people strategies need to be developed and implemented in order to maintain an overall competitive advantage. The current study indicates relationships between how HR professionals describe their relationship with the business and their use of metrics. This indicates forward movement toward the necessary partnership described by Rogers and Wright (1998). Results of the current study show a lack of support from senior management as a reason for a people strategy not being developed from metrics use. This challenge is aligned with those reported by Tootell, et al., (2009). HR professionals need to be equipped with the knowledge, skills and tools to show the significance of what these metrics can provide to the business. HR departments are reporting more focus on department goal indicating that they are making efforts toward thinking differently about their role within the organization. While results of the present study indicate HR professionals are using metrics, 25% of participants reported that they never use metrics, indicating the practice has not been fully adopted within the profession. In addition, the top 10 metrics that participants reported using did not include metrics that are require more complex data analysis and calculation such as Revenue Per Employee, Percent of Performance goals met or exceeded, Workforce Optimization, Leadership Practices, Knowledge Accessibility, or Organizational Learning Capacity. Finally 80 participants reported that their HR department goals were aligned with the business strategy, however when asked to describe how the two were related there was a

lack of ability to clearly articulate the link between the two. The results of the present study suggest that there is awareness among HR professional that the expectations of their roles are changing, but there is not an indication that the metrics use of HR professional is at the level that aligns HR with the overall business strategy.

## Limitations

There were some data limitations specific to the HCM Survey data. Survey results showed unbalanced data and small sample size representing "adequate" and "superior" rating on the HCM survey (n=14). Participants who were classified as "adequate" or "superior" and who reported using metrics "all of the time" or "regularly" also had a small sample (n=7). In addition, participants who were classified as "adequate" or "superior" and had a professional background in an area such as accounting, finance or business was a small sample (n=11).

## Future Research

Suggestions for future research include taking a closer look at how HR professionals describe their relationship with the business and the frequency of their use of metrics in an effort to understand specifically how the metrics use differs among the described relationship. In addition, further research is suggested in taken a deeper look at the alignment of HR goals and the business strategy. HR participants reported that the HR goals were aligned with the business strategy, but when asked to explain further there was a lack of clear connection raising concern as to whether there is true partnership and alignment.

# CHAPTER V

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# HCM Maturity Score Questionnaire

Rate your organization on each statement, using a 1-to-5 scale (1, strongly disagree; 2, disagree; 3, neutral; 4, agree; 5, strongly agree).

Offer your best guess for any item that you are uncertain about, and make sure to check the "Not Sure/Don't Know" box that corresponds to it.

## Leadership Practices

**Communication.** Senior executives and managers are open and honest in their communications; have an effective process in place for communicating news, strategies, and goals to employees; and ensure that employees know what is expected of them.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Inclusiveness.** Senior executives and managers seek and use employee input, work in partnership with employees, and treat them with respect.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Supervisory skills.** Managers demonstrate organizational values, eliminate unnecessary barriers to getting work done, offer constructive feedback, provide employees with performance appraisals, and inspire confidence.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Executive skills.** Senior executives demonstrate organizational values, eliminate unnecessary barriers to getting work done, offer constructive feedback, and inspire confidence.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Systems.** Highly effective systems and processes are in place to identify and develop the next generation of leaders and ensure smooth leadership transitions.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

## Employee Engagement

**Job design.** Work is effectively organized, makes good use of employees' talents and skills, and is interesting and meaningful. Employees have appropriate responsibility to determine how best to do their work, and creative job designs help make jobs fit employees' needs.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Commitment to employees.** Employees are secure in their jobs, recognized for their accomplishments, and provided with opportunities for advancement.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Time.** The workload allows employees to do their jobs well, make thoughtful decisions, and achieve an appropriate balance between work and home.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Systems.** Systems help retain good performers by continually evaluating trends in employee engagement and providing information that can be used to determine the key drivers of productivity and customer satisfaction.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

# Knowledge Accessibility

**Availability.** People have the necessary manuals, tools, and information they need to do their jobs, and there are procedures in place that enable employees to access training when they need it.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Collaboration and teamwork.** Teamwork is encouraged and facilitated; there are places for people to meet informally; and time is set aside for people to share with and learn from one another.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Information sharing.** Best practices and tips are shared, improved, and circulated across departments.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Systems.** Effective systems are in place to collect and store information and make it available to all employees.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

# Workforce Optimization

**Processes.** Processes for getting work done are well defined and continually improved, and employees are well trained in how to use them.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Conditions.** Employees have access to the materials and technologies they need, and working conditions contribute to good performance.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Accountability.** Employees are held accountable for producing high-quality work; promotion is based on competence; poor performers are terminated; and employees trust their coworkers to get the job done.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Hiring decisions.** Selection is based on skill requirements; new hires receive adequate orientation, induction, and description of required skills; and employees provide input into hiring decisions.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Systems.** Highly effective systems and processes are used to manage employees' performance and talents, view the overall proficiency of the workforce, help employees realize their full performance potential in their current jobs, identify development opportunities for those experiencing performance difficulties, and prepare motivated employees to progress in their careers.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

## Learning Capacity

**Innovation.** New ideas are welcomed; employees are encouraged to find new and better ways to do work; and employees' input is sought in solving problems.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Training.** Training is practical, supports organizational goals, and is provided for employees on work-related technologies.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Development.** Employees have formal development plans in place, and they use those plans to achieve their career goals.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Value and support.** Leadership behavior consistently demonstrates that learning is valued, and managers consistently make learning a priority.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

**Systems.** A learning management system automates the administration of all aspects of training and learning events, provides reports to management, and includes features such as content management and skill or competency management.

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| strongly disagree | disagree | neutral | agree | strongly agree |

Not Sure/Don't Know

## Scoring

Take the sum of the five subtotals from the sections above (note that the sections with five categories are multiplied by 0.8 in order to weight them equally with the sections that have four categories), then refer to the chart below for interpretation. The interpretation will be accurate only if your answers are honest and if others in the organization would agree with your assessment.

Total score Your HCM is:
- 90 to 100 **Superior**
- 80 to 89 **Adequate**
- 70 to 79 **Marginal**
- 69 and below **Poor**

Appendix B

## Biographic and Current Practices Questionnaire

1. Gender:     Male          Female

2. How many years of experience do you have in Human Resources?

    >1 year        1-4 years        5-9 years        10-14 years     15-19 years

    20-24 years              25+ years

3. Do you have any experience working in any other profession? If yes, please select all that apply.

    Accounting    Operations    Business Administration     IT      Finance

    Marketing    Communications       Other: Please Specify

4. Please select the industry of your current organization:

    Healthcare    Utilities       Financial      Consumer Goods      Services

    Technology              Other: Please Specify

5. How many years have you been in your current position?

    >1 year        1-4 years        5-9 years        10-14 years    15-19 years

    20-24 years              25+ years

6. What is your current title?

    HR Specialist          HR Generalist        HR Manager          VP of HR

    Benefits Administrator         Training and Development Specialist

    HR Recruiter          Compensation Analyst        Other: Please Specify

7. How many years have you been with your current organization?

    >1 year        1-4 years        5-9 years        10-14 years     15-19 years

    20-24 years     25+ years

8. How many employees does your current organization employ?

>100   101-250        250-500        500-1,000      1,000-2,500   2,500-5,000

5,000-10,000        10,000+

9. Please select the highest level of education you have completed:

High School Diploma        Certificate Program        Associates Degree

Bachelor's Degree        Master's Degree        Ph.D

10. Does your department have established goals? Y/N

- If yes, how were these goals determined?

- If no, please explain why your department does not have established goals.

- If yes, are these goals related to the overall business strategy/goals?

- If yes, Please summarize how they are related to the business strategy.

11. Please describe the frequency that you use metrics:

All of the time (every day)        Regularly (2-3 times per week)
Moderately (2-3 times per month)    Occasionally (2-3 times per quarter)
Never

12. Please select which best describes the role of your department:

I am an advisor        I am a support        I am a partner

13. Which of the following do you currently utilize metrics to measure: (Please select

all that apply)

Employee Turnover                     Average time to fill open positions

Total hours of training provided       Tenure

Leadership Practices                   Employee Engagement

Knowledge accessibility                Organizational learning capacity

Workforce Optimization                 Performance Management

Recruiting

Cost of Turnover

Cost per Hire

Absence Rate

Revenue Per Employee

Percent of Performance goals met or exceeded

Other:

14. Has your current use of metrics resulted in the development and successful implementation of a people strategy? Y/N

- If yes, please explain:

- If no, please describe reasons:

15. Please explain your primary reason for using metrics.

16. Where is your company office located?

USA          Canada          Asia          Europe          South America

Other

17. Who does your department report directly to?

CEO          CFO          COO          Other:     Please specify

Appendix C

September 4, 2012

RE: Study number 12-050: HR's Approach to Measurement and use of Metrics

Dear Ms. Malone

Thank you for your recent submission of requested revisions. We appreciate your cooperation with the human research review process.

This is to confirm that revisions for Study # 12-050 have been approved. This approval is subject to APSU Policies and Procedures governing human subject research. The full IRB may still review this protocol and reserves the right to withdraw approval if unresolved issues are raised during the review.

Your study remains subject to continuing review on or before September 1, 2013, unless closed before that date. Please submit the appropriate form prior to September 1, 2013..

Please note that any further changes to the study must be promptly reported and approved. Some changes may be approved by expedited review; others require full board review. If you have any questions or require further information, you can contact me by phone (931-221-7467) or email (davenportd@apsu.edu).

Again, thank you for your cooperation with the APSU IRB and the human research review process. Best wishes for a successful study!

Sincerely,

Doris Davenport, Chair 2011 - 12
Austin Peay Institutional Review Board

Cc: Dr. Uma Iyer, Faculty Superviosr