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**METRICS:
Do They Matter Anymore
Or
Do They Matter More?**

Jac Fitz-enz introduces a weighty theory in his preface to The ROI of Human Capital¹. “The great irony is that the only economic component that can add value in and by itself is the one that is the most difficult to evaluate. This is the human component – clearly the most vexatious of assets to manage. The almost infinite variability and unpredictability of human beings make them enormously more complex to evaluate than one of the electromechanical components that comes with predetermined operating specifications. Nevertheless, people are the only element with the inherent power to generate value. All other variables – cash and its cousin credit, materials, plant and equipment, and energy – offer nothing but inert potentials. By their nature, they add nothing, and they cannot add anything until some human being, be it the lowest level laborer, the most ingenious professional, or the loftiest executive, leverages that potential by putting it into play.”

What is human capital? Dr. Fitz-enz says it is a combination of traits like intelligence, energy, positive attitude, commitment and reliability; it is aptitude, imagination and creativity; it is “savvy”². And perhaps most importantly, it is the individual’s motivation to share information and knowledge. Now that reads to me like nearly every performance appraisal form I’ve ever seen. Can it be that simple?

We have discussed the characteristics of the human beings – human capital if you will, or human workers if you prefer a simpler label – in terms of performance management, appraisal, coaching, and development. But to get to the assessment of the individual in terms of her or his value to the organization, it is necessary first to determine the overarching goals and objectives that define success and/or profit and then to create a set or sets of standards against which we will measure contribution and value. In short, we must establish human resources metrics.

Geary Rummler and Alan Brache³ wrote, “We believe that measurement is the pivotal performance management and improvement tool and as such deserves special treatment.” They argue that without measurement we cannot communicate performance expectations, know what’s happening within the organization, identify performance gaps, provide feedback about

¹ Fitz-enz, Jac, *The ROI of Human Capital: Measuring the Economic Value of Employee Performance* (AMACOM Books, 2000)

² Ibid.

³ Geary A. Rummler and Alan P. Brache, *Improving Performance: How to Manage the White Space on the Organization Chart* (San Francisco, Jossey-Bass, 1990)

meeting established standards, reward recognized performance, and, most critically, support decisions regarding resource allocation.

In most research and writing about measurement of human contributions, the element of profit looms large. Measuring productivity, service levels, and quality are all critical to a “bottom line” that rarely exists in pure scientific research, and that seems a poor match for those “back office” operations that generate no revenue (and we know who we are). The measurement of clinical outcomes, treatment goals, and other service delivery criteria in our health centers and hospitals lends itself more readily to the profit and productivity evaluation, but the academic component of teaching and research certainly complicate the application of even those standards.

As professionals who are engaged with and committed to the “business” of science, education, service and care, what use is data that seems aimed at some bottom line whose purpose is to weigh and measure tangible outcome (product) rather than the intangible quality of service and the transfer of knowledge? In the fall of 2006, Barbara Butterfield, retired Associate Vice President at the University of Michigan, wrote in a Journal Article for the College and University Professional Association for Human Resources (CUPA-HR)⁴ that the stakeholders or “investors” in higher education are legion, and include students, parents, granting agencies, donors, patients, faculty, staff, tax payers, legislators, and affiliated service providers. We all know too well how difficult it is to keep each and every one of these interest groups in mind when it is time to formulate a policy or change an operating practice. Knowing which of our strategic actions will impact which group of stakeholders is both art and science.

Conversations with AMC human resource professionals in recent weeks confirm what the trade journals have been reporting – salary increases are flat, staff reductions are still being made, and recovery is coming very slowly, managed with great caution even where the financial situation shows improvement. A serious question recurs frequently: when we are in a financially reactive phase, cutting staffing costs by significant percentages and often across the board without prior analysis, how can we think about metrics and relate them to projections, trends, or strategic planning? Frankly, many of us are not.

This doesn’t mean that we have lost or abandoned our ability to measure and monitor and provide information. Our ability to produce reports and provide information is a vital component of HR services for most of us. But as we bind wounds and recover our equilibrium, it seems to be a perfect time to not only take a closer look at how the appropriate design and application of metrics might help us take a significant and active role in dealing more positively with future crises, but also enable us to project and address both short term (2 years or less) recovery and future growth (3 years and out).

We have to ask ourselves, “Where do we need to start and/or where to strengthen?” Albert Einstein is reported to have said, “Many of the things you can count don’t count. Many of the things you can’t count really count.” This is where the line between data and metrics is drawn. It is relatively easy to record and report on actions: number of hires, cost per hire, length of employment – this is information that is easily captured, relevant to the budget, and quickly reported. But what impact these data have when combined, analyzed, and related to one or

⁴ http://www.cupahr.org/newsroom/journal/archive/vol_57_2.pdf

several variables is much more difficult to produce and requires effort and time to present in a meaningful way. Impact -- that is the information metrics can help us provide.

Using metrics, here is a way to look at those short term recovery problems. What is your organization's (or department's) specific goal or objective relative to a particular issue? Surprisingly, there are many people in positions of authority and accountability who cannot state this simply and precisely. Remember, we are not talking about the organization's mission, vision, or reason for being. Rather, what is the compelling, urgent and immediately presenting issue – what is the purpose that the measurement will serve?

Think about what and who might be necessary elements for creating a sustainable measurement for this problem. Begin with three key actions:

- 1 Identify
 - a. What would we like to have happen instead of current state?
- 2 Investigate
 - a. What information will help us establish criteria to get there?
 - i. Benchmarking
 - ii. External data
 - iii. Internal reports
 - b. Who can provide that information?
 - c. How soon can we get it?
- 3 Implement
 - a. Who will analyze the information?
 - b. To whom is the report directed?
 - c. What will the report look like?
 - d. How often will it be refreshed?

Once these three components are completed, it is time to design or realign process, practice, and policy. Once established and acted upon, metrics become a barometer – an indicator that might trigger manipulations or minor adjustments to the process(es) that address the issue. This is a simplistic approach, to be sure, but it is easy to communicate and understand. The most important part of any metric is not the formula, the components, or the design, but rather the *purpose*. What can use of this metric help us to change for the better?

But what about the longer term? What if what we really need is a “quantum leap?”

Jac Fitz-enz proposes creating a decision-making team for this kind of organizational future-think. Simply put, the activity plan is composed of four significant questions:

1. What will be important five years from now?
2. What will our competitors/peer institutions be doing?
3. Where do we find data to answer these questions?
4. What can we start doing about it today?

Again, this is the simplest explanation of the longer term approach. But there is power in planning, and progress in small and practical steps forward.

At the end of this article, which of course is much too short to fully address the topic of metrics and their application, I have included some additional reference material. Appendix A is a sample listing of just a few of the metrics (with formulas) that might be helpful as you think about what, if any, relevance metrics might have for your HR department in your organization at this time. Note these are simpler and more direct measures of cost. With some additional reading from the recommended books, it's possible to derive impact metrics, and extrapolate many more formulas to help measure what may have seemed immeasurable and elusive. Appendix B contains a short list of reading materials that I have found quite helpful on the topic of human capital, metrics, and performance.

Dr. Butterfield⁵ reminds us that it is important to think about both the capacity and capability of your HR organization as well as the institution's readiness for the implementation or augmentation of a "metrics practice." She credits Phil Smith, senior director for HR Strategy and Planning at the University of Michigan with creating the following categories to help you analyze whether the required key indicators for success exist:

"Support: Do you have executive understanding of the possibilities and support for strategic metric design? How will your HR efforts support your institution's metrics foundation? If there is no institutional scheme, will you (can you? – MDB) enact HR metrics of your own?"

"Investment: Have you engaged HR staff in seeing metrics as mission critical?"

"Knowledge: Are your HR staff and university colleagues (institutional research, finance, IT, etc.) collaborative and metrics savvy?"

"Credibility: Do you and your HR colleagues deeply understand the university (School, center, college, or institution – MDB) and the standards to which it aspires?"

"Capability: Can you form the metrics that tell a story and extract appropriate data from your enterprise system?"

"Capacity: Do you have the staff and infrastructure to deliver on a continuous basis? Are you able to deliver the story (interpretation of meaningful data) with high impact?"

"Execution: Have you developed a communication and interaction plan that will orient users to your metrics practice and maximize utility of your investment in measurement?"

One of the readings listed in Appendix B is an article written by Allison Vaillancourt, who at the time she wrote was Associate Vice President of HR at the University of Arizona. Ms. Vaillancourt's article⁶ contains a helpful table of sample metrics for particular segments of human resource management. She summarizes ten of the most common mistakes that are made when applying metrics to organizational management.

⁵ ibid

⁶ http://www.cupahr.org/newsroom/journal/archive/vol_58_2.pdf

From my perspective, and expanding on Phil Smith and Dr. Butterfield's ideas, the most critical "mistake" we can make (number 3 on her list) is measuring activity rather than impact. Here's why: information about activity provides data, but measuring and reporting on impact tells a story. Telling a compelling story is one of the most effective and important tools we in human resources have to persuade leadership into action and to initiate required change when the acceptance of change is so difficult to encourage. "Tell me a story," still works well for all of us!

How are you/Are you working with metrics? Can we talk about it?

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*Appendix A

*from: Jac Fitz-enz and Barbara Davison, *How to Measure Human Resources Management* (McGraw-Hill, 2002)

Recruiting

Requisition Rate (RER) equals New requisitions (NR) added in a month divided by Total requisitions open at the beginning of the month (TR/M).

$$RER = NR / TR(M)$$

Cost per Hire (CPH) equals [Advertising costs (AC) plus Agency fees (AF) plus Referral bonus (RB) plus Travel costs (TC) plus Relocation (RE) plus Recruiter costs (RC) plus unsolicited no-cast resumes received (NC)] divided by number of Hires (H)

$$CPH = [AC+AF+RB+TC+RE+RC+NC] / H \text{ (then add 10\% for miscellaneous costs}$$

Printed materials, mailing, etc.)

Cost of Interviewing (CTI) equals Staff time (ST) plus Managerial time (MT) divided by number of Interviews (I)

$$CTI = [ST + MT] / I$$

Response time to requisition request (RT) equals the Date the first candidate was sent to the department for an interview (RD) minus the Date the job requisition was received (RR), reported as number of days

$$RT = RD - RR$$

Training and Development

Cost of a specific training program per trainee (TCF) equals Consultant costs (CC) plus Training facility rental (TR) plus Supplies (S) plus Refreshments (RC) plus Travel and lodging costs (TL) plus Trainers' salaries and benefits (TS) plus Participants' salaries and benefits (PS) plus Training department overhead (OH) divided by number of People trained (PT)

$$TCF = [CC + TR + S + RC + TL + TS + PS + OH] / PT$$

Career path ratio is a metric that compares the number of employees promoted (P) versus the number of employees transferred (T) and can be measured by a double equation: Career promotion ratio (CPR) equals the number of Employees receiving promotion (P) divided by the number of employees promoted (P) plus the number of employees transferred (T) – or vice versa for the Career transfer rate (CTR)

$$CPR = P / [P + T]$$

$$CTR = T / [T + P]$$

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Employee Relations

Identifying a problem with departmental management or engagement? Consider comparing the counseling time HR spends in departments this way:

Departmental counseling percent (CP/D) equals Sessions per department (SD) divided by Department population (DP)

$$CP/D = SD / DP$$

From the example above, you can also measure and compare counseling by the reason for the consult, and even the cost based on the length of time spent in consultation.

For example:

Counseling time by Reason (CT/R) equals Total session time per topic (RT) divided by the number of sessions (N)

$$CT/R = RT / N$$

Appendix B

Recommended Readings

Marcus Buckingham and Curt Coffman, *First Break All the Rules* (Simon and Schuster, 1999)

Jac Fitz-enz, *The ROI of Human Capital: Measuring the Economic Value of Employee Performance* (AMACOM Books, 2000)

Jac Fitz-enz and Barbara Davison, *How to Measure Human Resources Management, Third Edition* (McGraw-Hill, 2002)

Robert S. Kaplan and David P. Norton, *The Balanced Scorecard* (Harvard Business Press, 1996)

Geary A. Rummler and Alan P. Brache, *Improving Performance: How to Manage the White Space on the Organization Chart* (San Francisco, Jossey-Bass, 1990)

Internet Resources:

From the archives of the College and University Professional Association for Human Resources (CUPA-HR):

http://www.cupahr.org/newsroom/journal/archive/vol_57_2.pdf

http://www.cupahr.org/newsroom/journal/archive/vol_58_2.pdf

From the Saratoga Institute (Now part of Price Waterhouse Coopers):

<http://www.pwc.com/us/en/hr-saratoga/publications/index.jhtml>

From The Corporate Leadership Council:

<http://www.corporateleadershipcouncil.com>