

Session 165

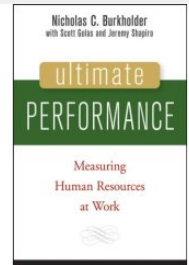
When Good HR Metrics Go Bad

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Jeremy Shapiro

- **About Jeremy**

- Co-Author, *Ultimate Performance*, Wiley, 2007
- Frequent speaker on BI and human capital at SHRM, state events, SAPHR2008
- General Manager, Hodes iQ Talent Management System



- **About Hodes iQ (booth 515), www.hodesiq.com**
 - Leading Talent Acquisition & Management System
 - Hundreds of clients F500, Mid Market and SMB
 - Gartner rated “Visionary” quadrant

A Completely Non-Scientific Poll

- What's the first thing that you think of when I say metrics?
 - “Metrics? I need to get some of that.”
 - “My users tell me they didn't get into HR for the math.”
 - “My CEO won't take anything seriously without ROI.”
 - “My tracking and reporting is all in Excel.”
 - “I don't need the tools anymore. I need to know what to use them for.”

In This Session...

We'll examine problems frequently seen with HR Metrics.

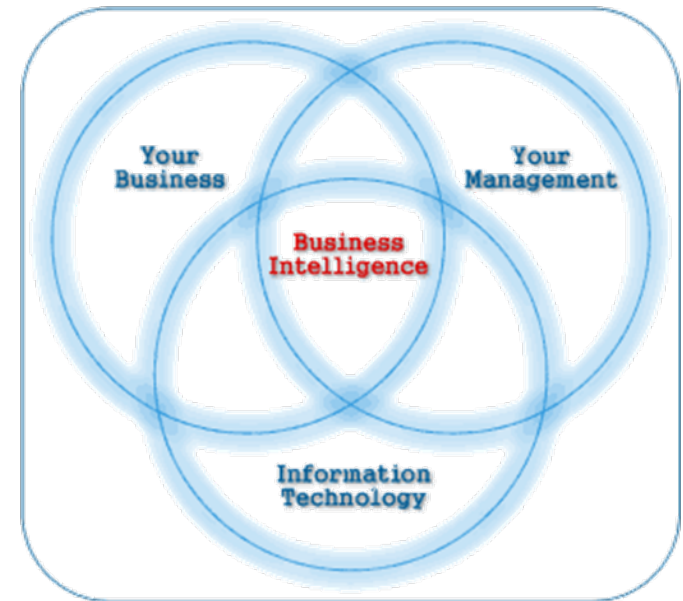
- Poorly Aligned with the Audience
- Are Not Tied to Outcomes
- Spreadsheets and Stats Can be Wrong
- Trust in HR has Eroded

But first a word on the future...



Our Future is Written in BI

- Business Intelligence (BI) is closing the gap between data-driven decision making and “gut” decision making in all of our business areas.
 - What happens when they turn their heads to the HR team?
- HR now has the more data to leverage than any time in the past.

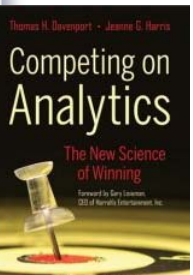




At Stake: Competing on Analytics

Competitive Advantage ↑

Optimization	What's the best that can happen?
Predictive Modeling	What will happen next?
Forecasting/Extrapolation	What if these trends continue?
Statistical Analysis	Why is this happening?
Alerts	What actions are needed?
Query / Drill Down	Where exactly is the problem?
Ad hoc Reports	How many, how often, where?
Standard Reports	What happened?



Poorly Aligned with the Audience

How many of us have run employee satisfaction surveys, read them and then put them in the drawer?



Poorly Aligned with the Audience



Who enjoys getting the big yawn when you present HR metrics to the CEO?

The C-Level is from Venus...

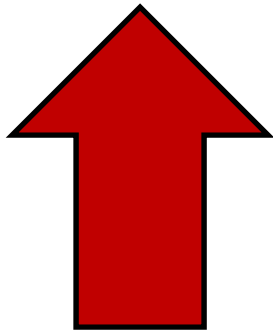


	CHRO	Other C-Level
1	HR Employee to Total Employee Ratio	New Hire Quality
2	Cost-Per hire	Line Manager Satisfaction
3	Time-to-Fill	Recruiting Efficiency
4	Vacancy Rate	Time-to-Start
5	Turnover Rate	Vacancy Rate

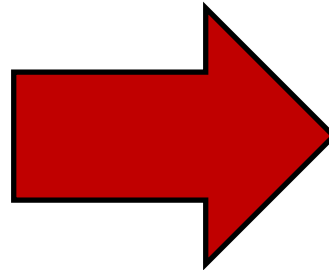
2006 hrmetrics.org survey

Poorly Aligned with the Audience

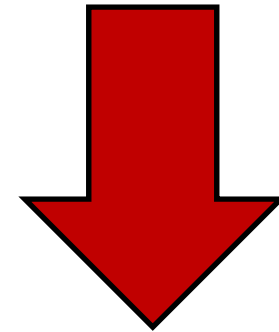
We don't give users what they want.



Managing Up
Executives



Managing Out
Hiring Managers



Managing Down
HR Staff

How Does Your Data Flow?

- Each of the constituent groups need to make specific decisions, and need to be managed by HR teams to execute priorities of the company for talent.
 - Understand what decisions they need to make.
 - Allows you know see what information they need to make it.
- Today, they want a report.
 - But tomorrow, they want real-time data access, the ability to set thresholds and be sent a warning message on their cell phone! (BI 2.0)

Metrics Aren't Tied To Outcomes



It's Not Your Fault

Our managers aren't exactly clear themselves

...the same leaders who exclaim that “people are our most important asset” usually do not think very hard about choosing the right people for the right jobs. They...don't have precise ideas about what the jobs require...

From Execution (p.109)

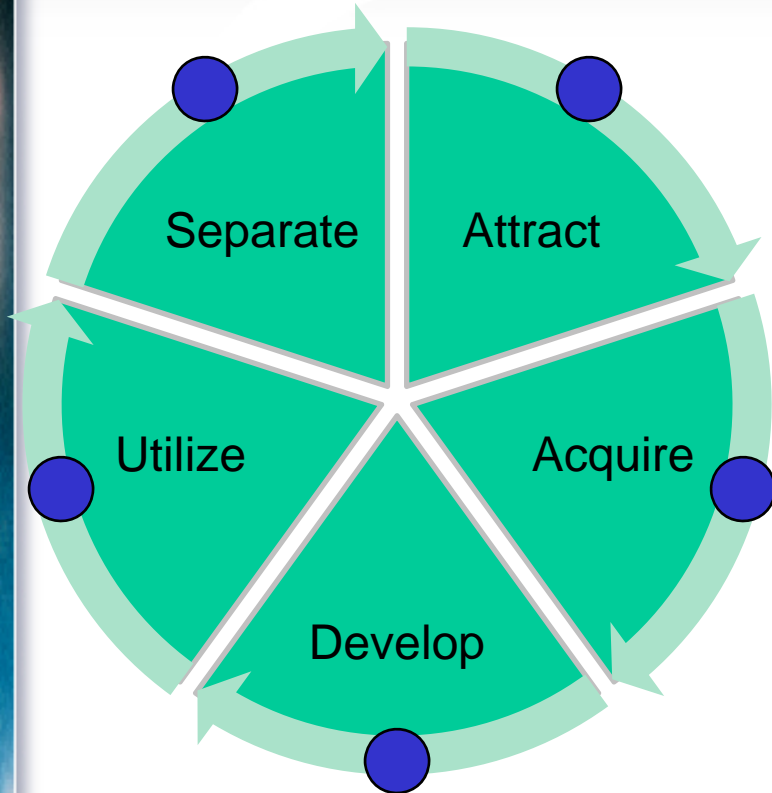
Metrics Are Not Tied to Outcomes

Level of Metric	HR Objective	Sample Metric
What actions are needed?	What training do our people need?	Training/Demand gap
Where exactly is the problem?	Which hiring managers need the most mentoring?	Voluntary Turnover % by Hiring Manager
How many, how often, where?	Did our HM's comply with performance eval deadlines?	% Perf. Eval completed
What happened?	Produce my Applicant Flow log in real time to be ready for OFCCP audits.	Applicant Flow Log

Metrics Are Not Tied to Outcomes

Level of Metric	HR Objective	Sample Metric
What's the best that can happen?	How can I optimize my talent for this new venture?	Best-fit skill matrix, projected 18 months out
What will happen next?	Predict our retirement rate in these 3 key areas.	Retirement probably analysis
What if these trends continue?	Project our management bench strength in 36 months.	Succession Management dashboard
Why is this happening?	How can we reduce attrition in the first 120 days?	Longitudinal surveys of first year attitudes

Metrics Are Not Tied to Outcomes



Attract

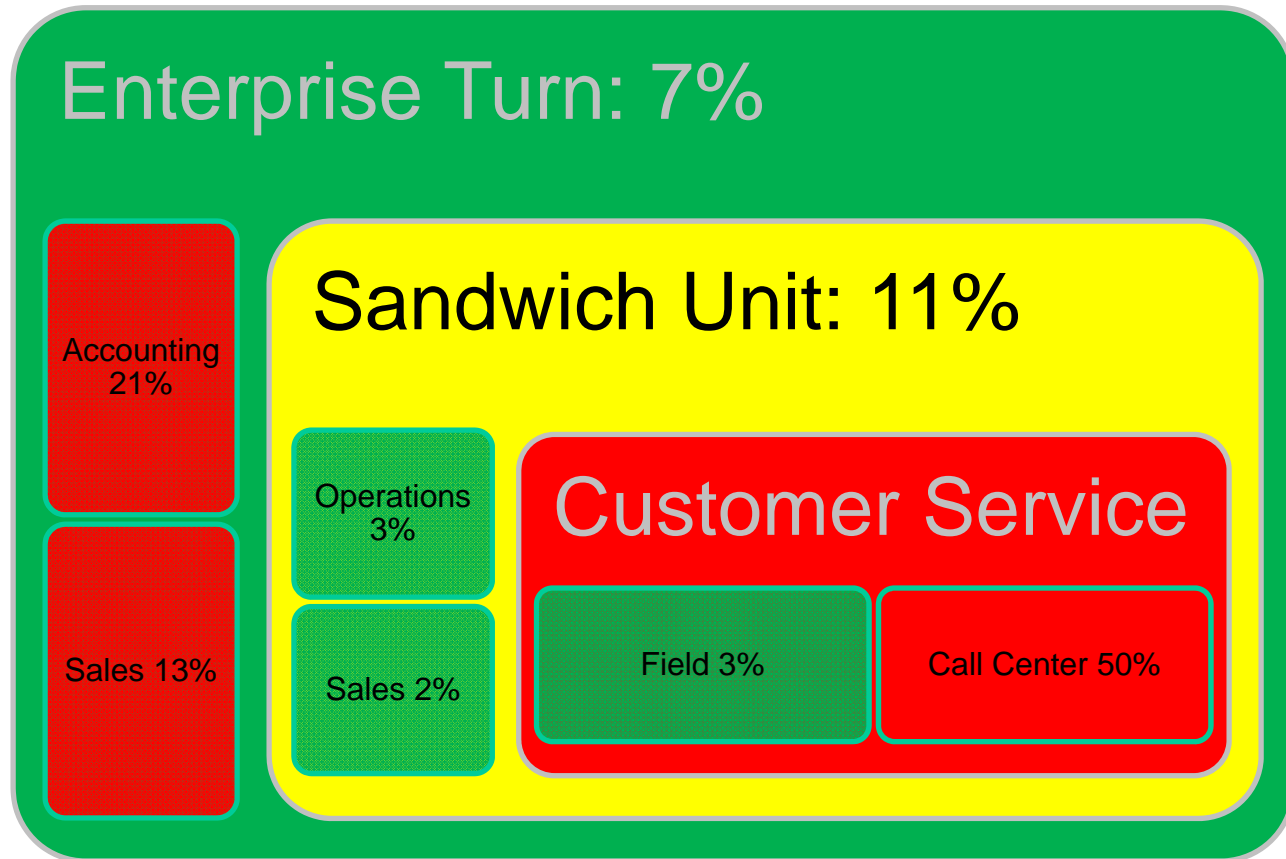
- Employment Brand Strength
- Sources of Top Talent
- Brand Promise / Fulfillment
- Employer of Choice Attributes

Metrics Are Not Tied To Outcomes

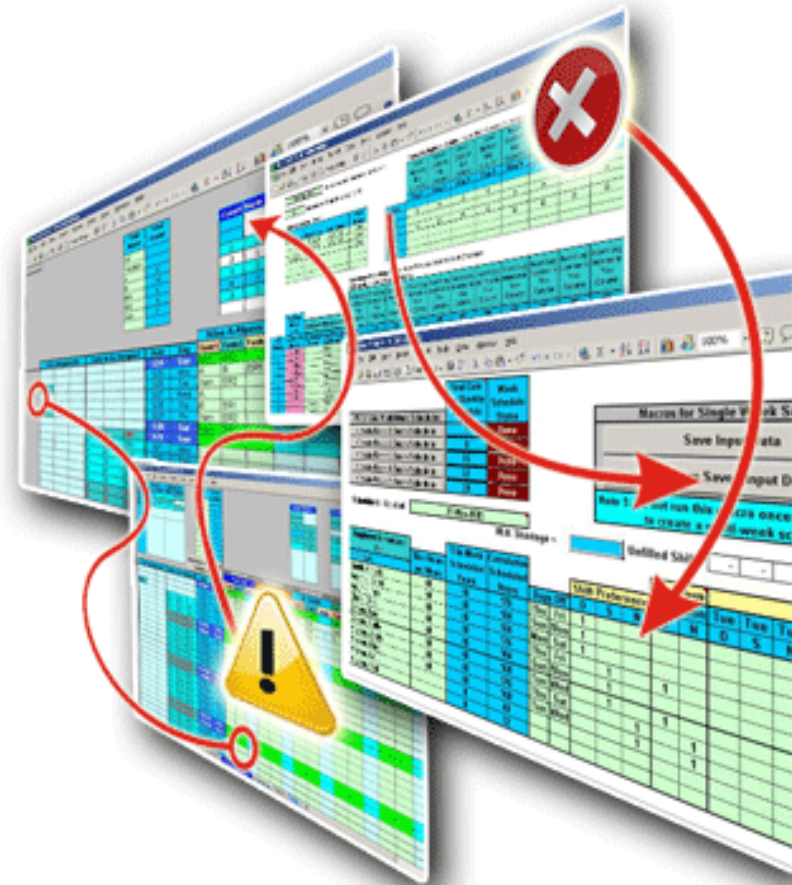
- Example: Voluntary Turnover
 - Without a goal, turnover is a statistic that is glanced at and then ignored.

Metrics Are Not Tied To Outcomes

- Example: Voluntary Turnover, 7% goal



Spreadsheets and Stats Can be Wrong



Spreadsheets and Stats Can be Wrong

5% of all spreadsheets have errors simply from the manual process of typing information.

Spreadsheets and Stats Can be Wrong

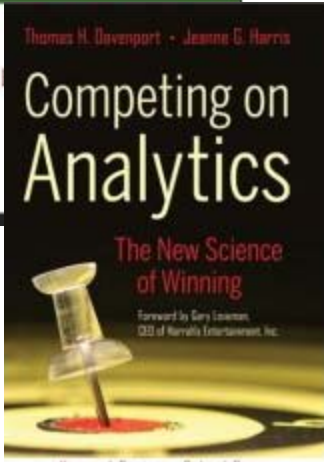
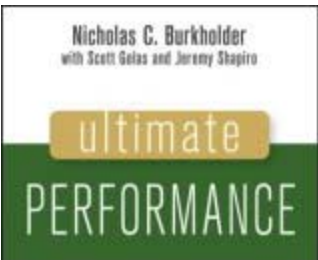
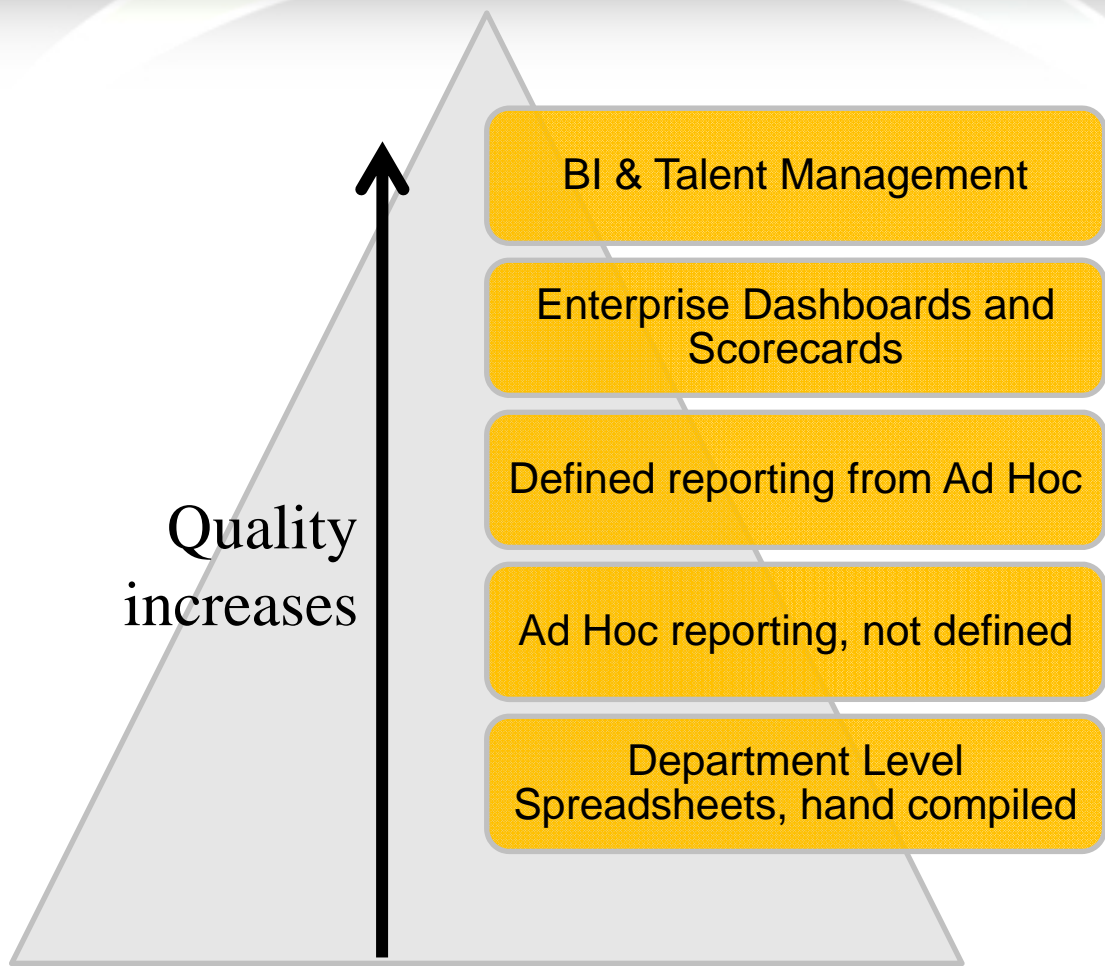
A University of Hawaii study found that in corporate financial spreadsheets...

94% of all spreadsheets had at least 1 error.

I'm never going to Hawaii again.



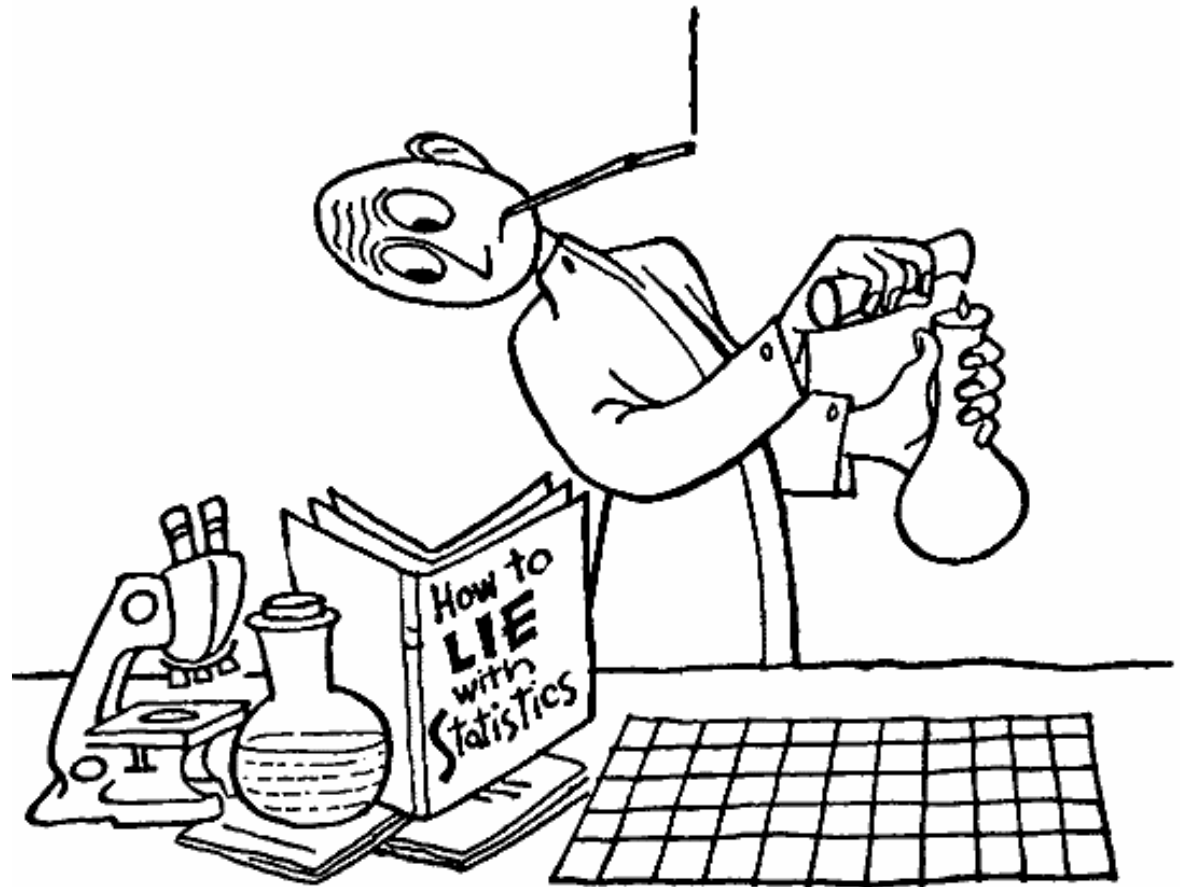
Spreadsheets and Stats Can be Wrong



Statistics Can be Wrong

76% of conference attendees enjoy Merlot.

And, 42.7% of all statistics are made up on the spot.



Statistics Can be Wrong

Not Your Father's Pay: Why Wages Today Are Weaker

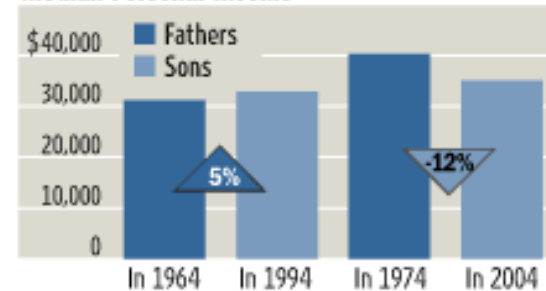
(WSJ: 5/25/07)

“In 2004, the median income for a man in his 30s, a good predictor of his lifetime earnings, was \$35,010, the study says, 12% less than for men in their 30s in 1974 -- their fathers' generation -- adjusted for inflation. A decade ago, median income for men in their 30s was \$32,901, 5% higher than 30 years earlier.”

Mixed Picture

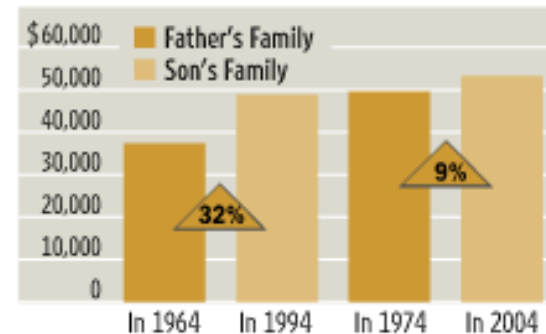
Today, **men** in their 30s have less income than men in their fathers' generation...

Median Personal Income



...But **families** with men in their 30s have more income today than their parents' generation

Median Income



Source: Brookings Institution analysis Current Population Survey of the U.S. Census Bureau. Figures are inflation adjusted.

Uh Oh, a Median, huh...

Let's go back to 7th grade math class
and your time to fill data

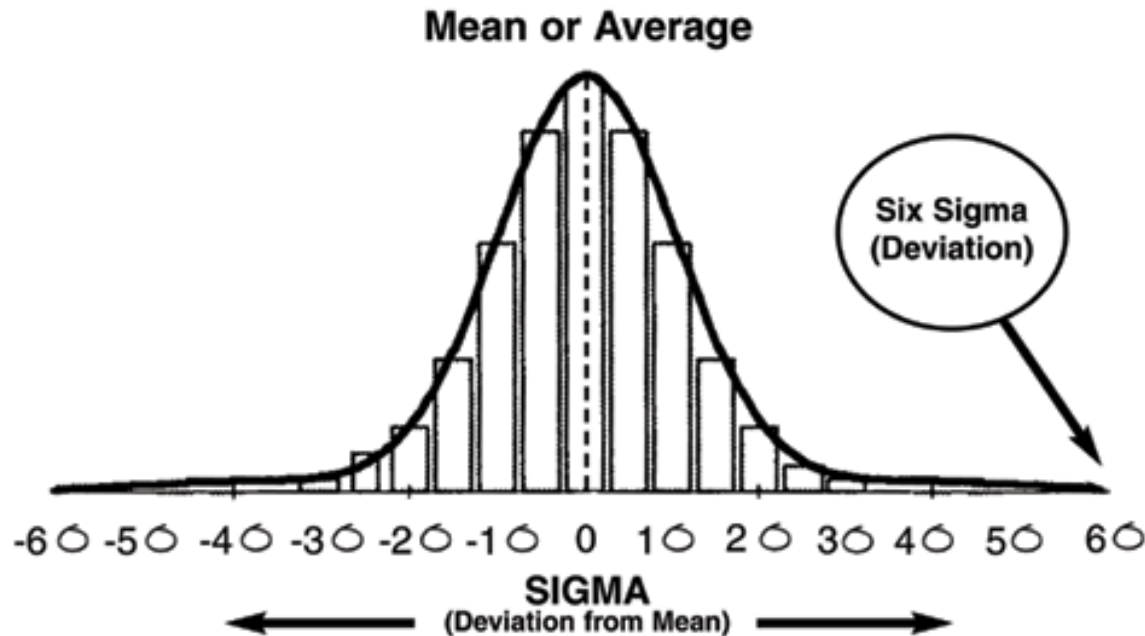
2 10 10 12 18 26 31 32 32 | 41 54 55 60 240 366 366 543

Average Time to Fill (Mean) = 125 days

Average Time to Fill (Median) = 32 days

Predictive Analytics: *The Black Swan*

- Many analyses used to predict our next business decision come from statistics based on the bell curve



“Every swan observed out of 1,000,000 swans are white.”
“We can safely predict that all swans are white.”

Predictive Analytics: *The Black Swan*

Our data predicts our worldview nicely...
... until you meet this guy.

Sorry to subvert your idea
of swan-ness.



Predictive Analytics: *The Black Swan*

- Sometimes our statistics don't only miss predicting a big change. It actively helps to obscure the hints of a trend!
 - Examples
 - Your report's data didn't change, but the market did.
 - You have the industry's top C++ developers, in a C# world.
 - You have the most efficient recruiting process in the company, but your competitor is now responding to candidates in real time.
 - You're waiting for the company's final web strategy, when Web 2.0 companies are taking your clients.



Statistical Problems Turkeys Face

- On the farm, turkeys are widely regarded as excellent statisticians.
 - They use industry-accepted tools for prediction.
 - They use all of the data they believe to be available and they make frequent appearances as experts on the specialty TV news channel for the farm.

They've been assigned to predict the future employment prospects on the farm for their turkey constituents.



Statistical Problems Turkeys Face

- What does our statistician see?
 - Every day at 9:00, a nice farmer brings us food.
 - Farmers have always acted kindly to turkeys.
 - New turkeys seem to be treated fairly.
- What our turkey-statistician can't see is a life-or-death problem



Statistical Problems Turkeys Face

- What happens if our statistician opens up his scope to not just looking at averages? Not relying exclusively on the past for future predictions?
- New market opportunities.
 - Sell “Eat Beef” t-shirts to other turkeys.
 - Write best selling books about the upcoming doom.
 - Arrange a mass escape plan.




Statistical Problems Turkeys Face

- Ideas on Finding Your “Black Swans”
 - Be skeptical! Actively look for information that disproves an assertion vs. looking only for data that proves it.
 - What do I learn if I group my data into common traits? (Data Clustering)
 - Pay more attention to the extremes, don’t allow an extreme data point to be discarded.

Hey, these are our sales hires,
and their turnover is 200%
We have trouble!

2 10 10 12 18 26 31 32 32 41 54 55 60 240 366 366 543

Trust in HR Has Eroded

A man in a dark suit, red shirt, and purple tie, wearing glasses, is pointing directly at the camera with a slight smile. A large speech bubble is positioned to his right, containing two paragraphs of text.

Whaddya mean, you don't trust my data? It's good data, I mean look at it.

It's pretty, it's all formatted in the same column. What's not to love?

The Importance of Trust

“If the decision maker doesn’t trust the analyst ... nothing will happen and the statistics might well never have been computed.”

Competing on Analytics, 2007

Trust Has Eroded for a Reason...

What's my log
in again?

Account Manager	32
IT Representative	-24
Manager, Services	100
Sales Representative	8

Our Time to Fill is 29 days

See, if I put in
that, you'll judge
me on it.

Oops, I meant to put
that info in last week,
Sorry.

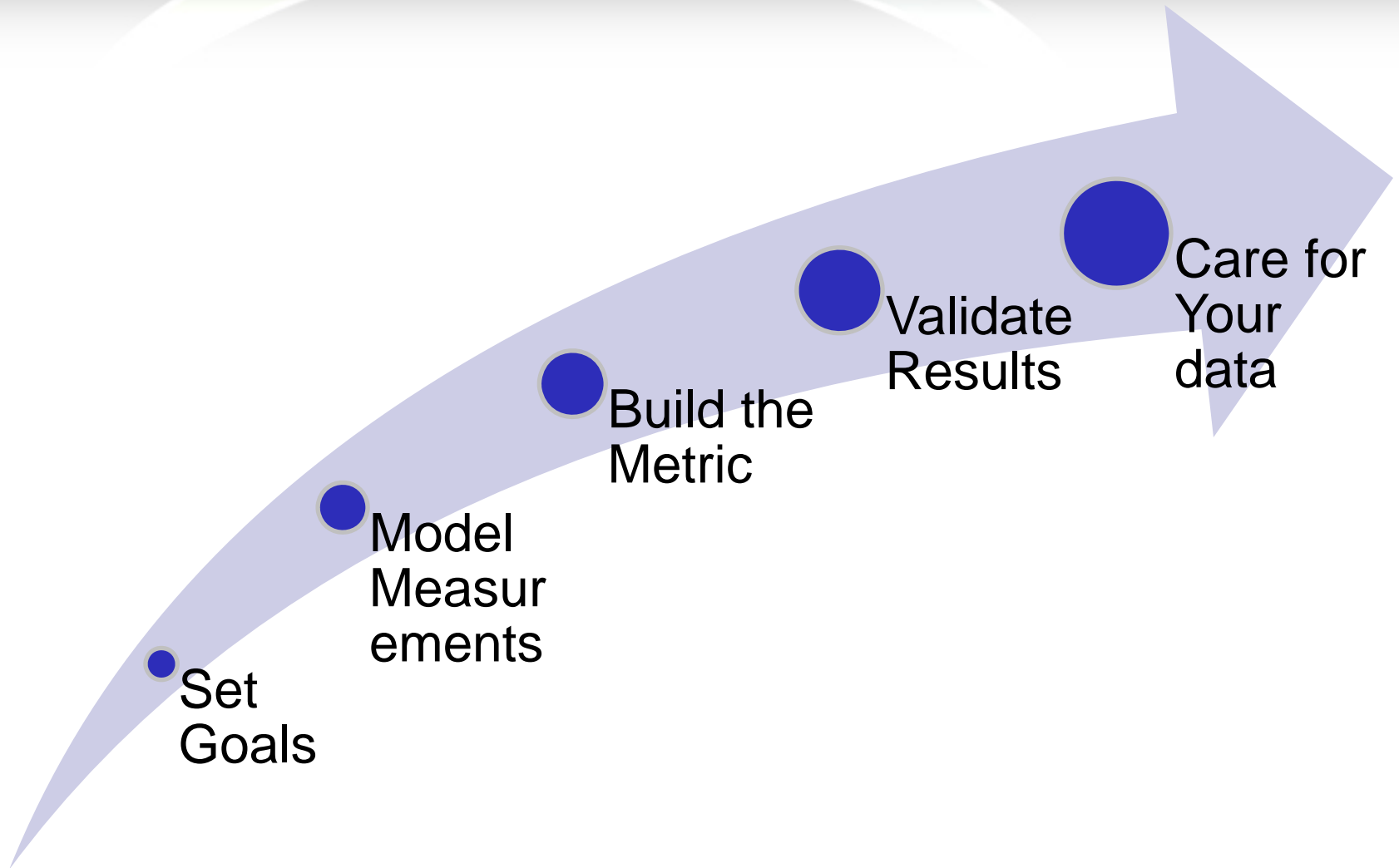
Why Has Trust Eroded?

1. Reports come inconsistently.
2. They don't think we know how to manage systems.
3. There is no clear method to the metric.
4. My data doesn't match their intuition.

Trust Building Steps

- Have a transparent process and defined data.
- Spot check Your Data
 - Throw it into Excel and run some tests.
 - Sort numerically. Try using Excel functions (MIN)
- If the reports are automated, always run reports on time.
- Make them relevant.
- Define every formula.
- Meet with your constituents.

Creating Great Metrics: Method



Set Goals

- The Management Interview
 - Business Decision Support
 - What dimension of investment decisions have talent components? What will be decided over the next year?
 - Talent Direction
 - What areas is management most concerned about? Why?
 - HR Direction
 - Operational measurements + Frequency
 - What keeps the CHRO up at night?

Set Goals

- What measurements make up the company's performance "secret sauce"?
 - Defining Decision Support
 - Defining risk areas
 - Defining operations objectives

Set Goals: Sample Outcome

Goal	Description	C-level	VP HR	Hiring Mgrs
Reduce Time to Fill by 15%	Currently at 42 days avg. Move down to 36. For engineering to 40.			X
New Hire Quality measure, then improve	No metrics established, but feedback from the field is poor. Establish and benchmark monthly.	X	X	X
Monitor voluntary turnover for patterns	Keep tracking, but also flag patterns in managers.	X	X	

Model Measurements

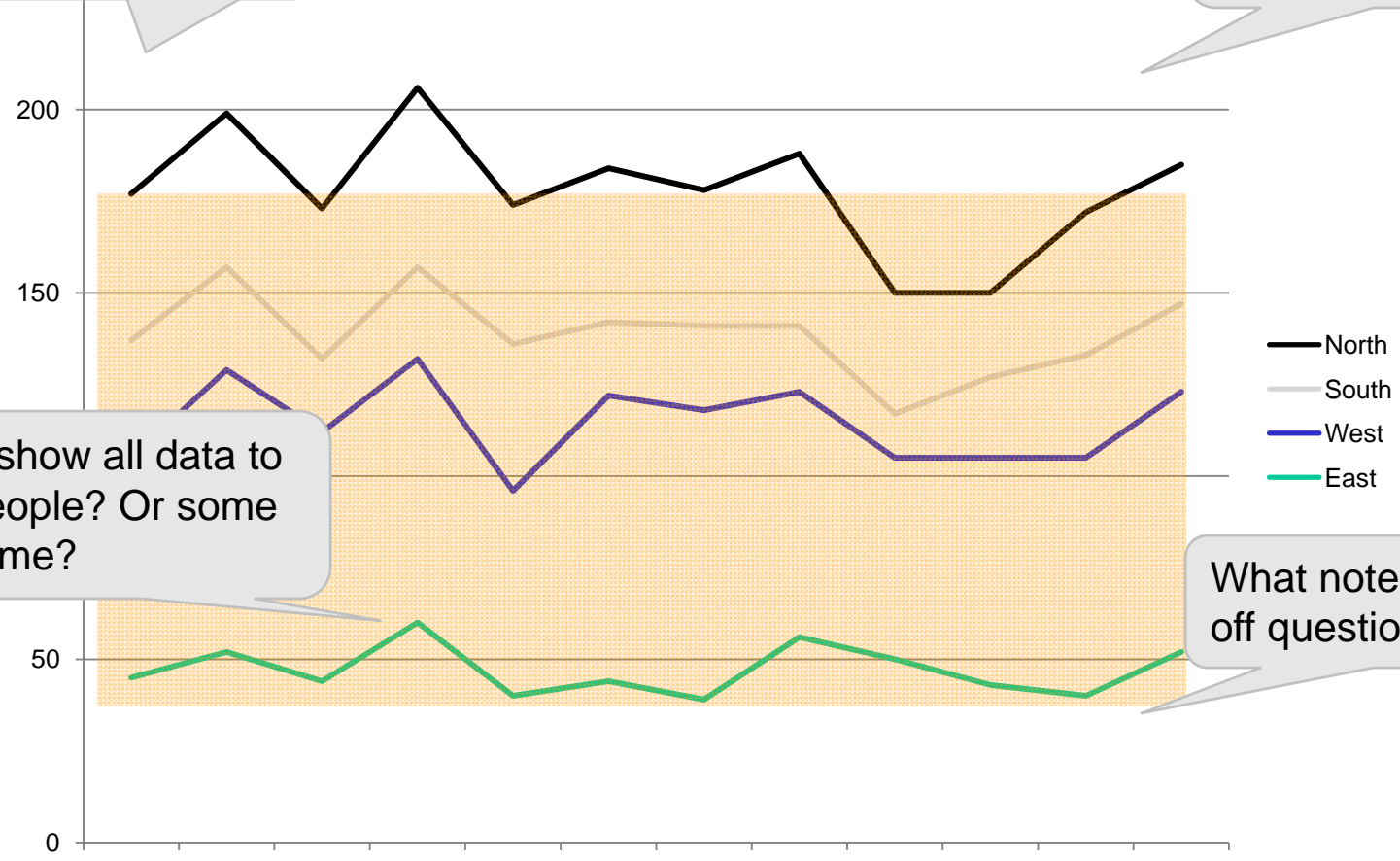
Model Item	Detail
Objective	Reduce time to fill by 15%
Metric	Time to Fill
Goal	By tracking this for reduction, we forecast 4MM in increased revenues.
Formula	Median (Date Hired -- Date Req Approved) Where the req is in the operations unit
Data Source	Talent Management System
Will Support	Vice President, Engineering
Frequency	Monthly
Tool	Ad Hoc reporting system
Owner	Project Manager, HRIS

Model Measurements

Time to Fill, 2006 Year to Date. All Divisions

How do I express the tolerance level?

What type of chart best expresses progress to goal?

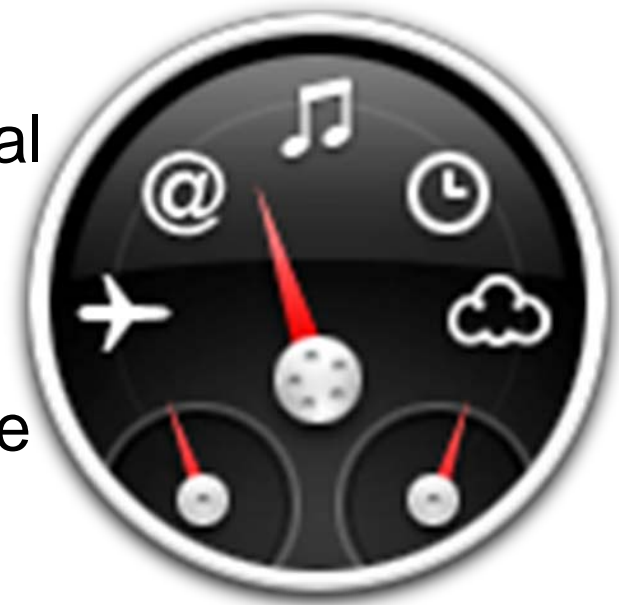


Do I show all data to all people? Or some to some?

What notes will head off questions?

Model Measurements

- Good
 - Use visuals if it can be summarized in one visual
 - One table should satisfy one goal
- Bad
 - Dashboard clutter
 - Unclear reason for displaying the metric
 - Wrong metric for the audience



Great Visualizations Are Actionable

Activity Report: TFS002G5, Collections Customer Service Representative - CSCE Owings Mills, MD

Job Posting Details

Company Name: TOYOTA FINANCIAL SERVICES
Req Number: TFS002G5
Estimated Launch Date: 8/26/2006
Estimated Expiration Date: 9/19/2006

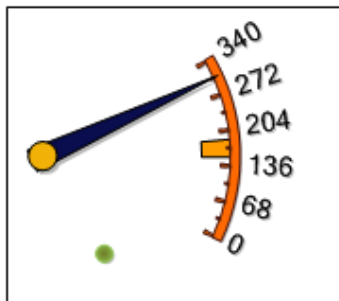
User: Import User
Job Type: Direct
Industry: Financial Services General
Function: Banking General
Location: BALTIMORE, MD UNITED STATES

Total Cost: \$1,239.00 [?](#)
Number of Days Posted: 24
Number of Sites Used: 12 [?](#)
Total Views: 373
Total Apply Attempts: 194
Cost per Apply Attempt: \$6.39 [?](#)
Total Percentage of Crossover - Views: 0%
Total Percentage of Crossover - Apply Attempts: 0%

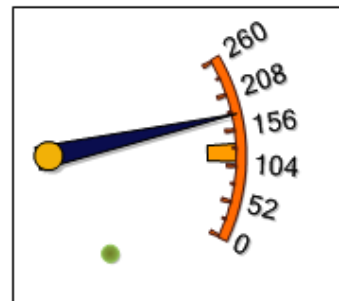
Job Details Comparison

[Change Comparison Details](#)

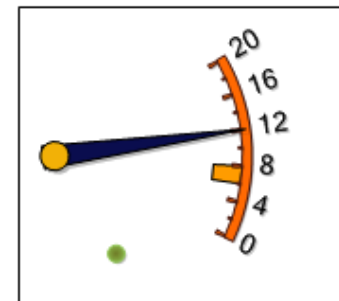
Sourcing Effectiveness Summary*



Total View
versus
Average Views



Total Apply Attempts
versus
Average Apply Attempts



Total Number of Sites Used
versus
Average Number of Sites Used

Great Visualizations Are...

Clear and Relevant



Gaining a Seat at the Scorecard Table

[Home](#) [Manage Website](#) [Documents and Lists](#) [Create](#) [Site settings](#) [Help](#) Up to Demo

MsD: demo | **Management Dashboard**

[Demo Homepage](#) [Management Dashboard](#) [Managing the Company](#) **[Business Scorecard](#)** [Tutorial](#)

SALES

Order Intake Total ●

Sales North ●

Sales Middle ●

Sales South ●

Bid to Bill (%)

64

Disputes Value ●

Disputes Number ●

Customer satisfaction ●

6

PRODUCTION

Productivity ●

Workshop repair time ●

SUPPLY CHAIN

Delivery reliability

0 25 50 75 100

FINANCE

Turnover Total ●

Turnover North ●

Turnover Middle ●

Turnover South ●

Gross Margin ?

Average Payment time invoices ●

HRM

FTE's ●

Absence ●

Training ●

Employee satisfaction ●

7

OHSE ●

QA

Number of open Audit findings ●

Turnaround time ●

Improvement Projects

Project 1 ■

Project 2 ■

Project 3 ■

0 100

Click for detailed information.

Detailed information is presented in dynamic charts using single or multiple popup windows.

Management dashboard:

- a collection of performance indicators
- the indicators are connected to sharepoint list data from anywhere within the root website
- The indicators are dynamically updated when the list data is modified

Read more.

Coming next:

Connect charts and indicators to other databases that are available in your network

Build the Metric: Tips

- Start with current data.
- Don't overwhelm users with multiple pages.
- Once you start reporting on a metric, keep reporting on it.
- Answer questions before they are asked.
- Let a manager draw their own conclusions.

Validate Results

- The “Test Run”
 - Meeting with Executives on the prototype or first dashboard.
 - Set expectations of first run glitches
 - Show the right dash to the right audience!!

Making Good Metrics Great

Before	After
Poorly Aligned with the Audience	Managers see the data they need ...
Are Not Tied to Outcomes	... to make meaningful business decisions...
Spreadsheets and Stats Can be Wrong	...and the data is right, because you have a great process...
Trust in HR has Eroded	... so they trust the data, and act on it!

Resources

- *Ultimate Performance*, Wiley
- *The Black Swan*, Random House
- *Competing on Analytics*, HBR
- *The Workforce Scorecard*, HBR
- *The HR Scorecard*, HBR
- *Utterly Confused Guide to Statistics*, McGraw-Hill
- More whitepapers posted at: www.hodesiq.com

For more information on this topic

Go to www.ihrim.org

Learning Center

IHRIM Publications



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Session 165
When Good HR Metrics Go Bad

Jeremy Shapiro
Vice President
Hodes iQ

Thank you!