What's Important in HR Metrics ...
It's Not Just the Measures

Presentation Slides

College and University Professional Association for Human Resources (CUPA-HR) Webinar
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What's Important in HR Metrics ...  
It's Not Just the Measures 

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Professor John W. Boudreau, Ph.D. 
Center for Effective Organizations 
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“Not everything that counts 
can be counted, and not 
everything that can be 
counted, counts”

Do We Really Measure 
the HR Value Proposition?

Human Capital Objectives: 
- Driven to Win 
- Flexible 
- Embracing Risk 
- Leaders 
- Self-Developing 
- Creative 
- Global 
- Fast 

Actual HR Measures 
- Headcount 
- Turnover Rates 
- Succession Candidates 
- Time-To-Fill, Train, On-Board 
- Training Hours 
- Cost Reductions 
- Training Completed 
- Grievances 
- Client Satisfaction Surveys 
- Performance/Potential Ratings 
- Sales per employee 
- Best Practices Recognition
What’s Really Measured?

Highest-Frequency HC Measures
- Turnover (96%)
- Voluntary Resignation (84%)
- Average Compensation (82%)
- Average Workforce Age (77%)
- Diversity (76%)
- Compensation/Total Cost (76%)
- Average Seniority (75%)
- Work accident frequency (74%)
- Percent with variable compensation (71%)
- Percent with stock options (71%)

Source: Conference Board, “Value at Work,” 2002

“There is no shortage of HR measures. So, improving our measurement systems requires that we do something beyond just creating new measures.”


Hitting the “Wall” in HR Measurement

- Strategic Impact
- Organizational Change
- Validity and Rigor
- Causation
- Leading Indicators
Lighting the “LAMP”

**Rational Talent Strategy**
(Competitive Advantage, Talent Pivot Points)
“The Right Logic”

**Effective Knowledge Management**
(Values, Culture, Influence)
“The Right Process”

**Valid Questions and Results**
(Information, Design, Statistics)
“The Right Analytics”

**Sufficient Data**
(Timely, Reliable, Available)
“The Right Measures”

HR Metrics and Analytics That Are A Force For Strategic Change

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Further Reading

*Talentship And Human Resource Measurement And Analysis: From ROI To Strategic Organizational Change.*


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Consider This ...

Which of the four LAMP elements is the most important?

What are your goals and priorities for HR measurement?
You Compete in 3 Key Markets

| Value Creation Strategy | Product/Service | Talent | Financial |

Value Creation & Allocation
Typically Reflects Only Two Markets

| Value Creation Strategy | Product/Service | Financial |

Value Creation & Allocation
Increasingly Depends on the “Talent” Market

| Value Creation Strategy | Product/Service | Talent | Financial |

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The Evidence:
HR At the Table But Traditional

- HR Considered Very Important for its “Strategic Contribution” by 67% of Executives
- “Strategic Contribution” Is Defined Traditionally
  - Tools for Attraction and Retention
  - Succession Planning
  - Consistency in rewards, training, etc.


What HR Professionals Believe
(CEO-HRPS Survey 2004, Lawler, Boudreau & Mohrman)

<table>
<thead>
<tr>
<th>MEANS</th>
<th>6-7 Years Ago</th>
<th>Current</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining Records</td>
<td>Collect, track, and maintain data on employees</td>
<td>25.9</td>
<td>13.2</td>
</tr>
<tr>
<td>Auditing/Controlling</td>
<td>Ensure compliance to internal operations, regulations, and legal and union requirements</td>
<td>14.8</td>
<td>13.3</td>
</tr>
<tr>
<td>Human Resources Service Provider</td>
<td>Assist with implementation and administration of HR practices</td>
<td>36.4</td>
<td>32.0</td>
</tr>
<tr>
<td>Development of HR Systems and Practices</td>
<td>Develop new HR systems and practices</td>
<td>12.6</td>
<td>18.1</td>
</tr>
<tr>
<td>Strategic Business Partner</td>
<td>Member of the management team. Involved with strategic HR planning, organizational design, and strategic change</td>
<td>9.6</td>
<td>23.5</td>
</tr>
</tbody>
</table>


HR’s Actual Progress Since 1995
(CEO-HRPS Survey 2004, Lawler, Boudreau & Mohrman)

<table>
<thead>
<tr>
<th>Percentage of Time Spent in the Role</th>
<th>1995</th>
<th>2001</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining Employee Records</td>
<td>15.4</td>
<td>14.9</td>
<td>13.4</td>
</tr>
<tr>
<td>Auditing and Controlling, Ensuring Compliance</td>
<td>12.2</td>
<td>11.4</td>
<td>13.4</td>
</tr>
<tr>
<td>Providing HR Services and Implementing Programs</td>
<td>31.3</td>
<td>31.3</td>
<td>31.7</td>
</tr>
<tr>
<td>Developing HR Systems and Practices</td>
<td>18.5</td>
<td>19.3</td>
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Talentship is Decisions Not Measures

- To increase the success of the organization by improving the decisions that:
  - Affect, or
  - Depend upon
  - Human Capital

Transition of the HR Function
How Finance and Marketing Systems Support Decisions

- Provide frameworks and tools to guide resource decisions made inside and outside of the function

- Differentiate resources based on the strategic context and potential return

- Identify initiatives to improve the value obtained from the resource

How Human Resources Could Support Decisions

- Provide frameworks and tools to guide talent decisions made inside and outside of the HR function

- Differentiate talent pools and talent based on the strategic context and potential return

- Identify initiatives to improve the value obtained from the human capital of the firm

How Are HR Decisions Really Made?

- External requirement
  - “They tell us we must…”

- Fashion
  - “The gurus are all saying…”

- Fad
  - “Benchmark companies all seem to…”

- Fairness/Equality
  - “Every one is important, therefore…”

- Rational, strategic analysis
  - “Our strategic success is linked to…”
Further Reading


How To Get HR Measurement Past “The Wall”

- Decision Support vs. Service Delivery
- Relevance vs. Elegance
- Prediction vs. Description
- Education vs. Justification
- Targeted vs. Dispersed

Logic Supported by Measures

- Money/Capital:
  Portfolio Theory vs. Bond Ratings
  Options Pricing vs. Financial Reports

- Customers/Products:
  Market segmentation vs. sales reports

- People/Knowledge:
  Talent Strategy vs. HR Reports
THE HC BRidge® FRAMEWORK
(Boudreau/ Ramstad)

Linking Human Resources to Business Value

Three Anchors in Decision Analysis

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<th>Anchor Points</th>
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<tr>
<td>Impact</td>
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<tr>
<td>Effectiveness</td>
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<td>Efficiency</td>
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Three Anchors in Decision Analysis

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• What range of resources (financial and non-financial) should be considered?
• What is the appropriate level of investments?
• How should investable resources be allocated to maximize results?
Three Anchors in Decision Analysis

**Anchor Points**

- **EFFECTIVENESS**
  - What unique combination of policies and practices would best build the necessary talent?
  - What factors link policies and practices to talent enhancement?
  - What attributes distinguish effective from ineffective policies and practices?

- **IMPACT**
  - What is the link between sustainable strategic success and talent?
  - Which talent pools are most critical for competitive advantage?
  - How could improving talent increase value?

**HC BRidge® Framework: A Disney Example**

- Disney Theme Parks!!
**HC BRidge® Framework**

**Anchor Points**

**Linking Elements**

**Impact**

**Effectiveness**

**Efficiency**

---

**How do we compete?**

- What unique value do we create within this industry?
- What makes our advantages difficult to duplicate?
- How do we generate returns from the value created?

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**Example: Disney Theme Parks**

**Sustainable Strategic Success**

“How do we compete?”

**Customer Intimacy**

- Maximum customer delight

---

**HC BRidge® Framework**

**Anchor Points**

**Linking Elements**

**Impact**

**Effectiveness**

**Efficiency**

---

**What must we execute well?**

- What unique resources is our strategy based upon?
- How do our business processes form a value chain?
- Which process constraints are most critical?
Example: Disney Theme Parks

Business Processes
“What must we execute well?”

Total Quality Service
Key constraint: Number of minutes in the park
• Immediately know customers’ needs
• Maximize delightful responses
• Minimize ‘defects’ in response

HC BRidge® Framework

Anchor Points

Linking Elements

Sustainable Strategic
Processes & Systems

Talent Pools & Structures

Which talent pools make or break key business processes?
• Affects the critical constraint
• Builds and protects strategic resources
• Variance in performance has the greatest strategic effect

Example: Disney Theme Parks

Talent Pools
• Affects Key Resource
• Relieves a Key Constraint
• Performance Differences Matter

Park Designers?
Ride Engineers?
Characters?
Sweepers!!
**HC BRIDGE® Framework**

**Anchor Points**
- Sustainable Strengths & Success
- Resources & Processes
- Talent Pools & Structures

**Linking Elements**
- Aligned Actions

**Effectiveness**
- What employee behaviors make the biggest difference?
  - What are the "Moments of Truth"?
  - Which behaviors most affect business processes?
  - Which behaviors most affect key constituents?

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**Example: Sweeper at Disney**

**Aligned Actions**
"What employee behaviors make the biggest difference?"

**Sweepers**
- Stop sweeping and talk to guests
- Give accurate information
- Create delightful encounters
- Fix problems before they occur
- Bring information to product design teams

---

**At Disney Mickey Mouse Quality Not as Pivotal As Sweeper Quality on the Street**

- Best Mickey Mouse
- Worst Mickey Mouse
- Best Sweeper
- Worst Sweeper

There is more value in improving Sweepers than Mickey Mouse.
Pivotal Talent Defined

Important effects occur where a CHANGE in a resource has a significant effect in CHANGING organizational effectiveness.

For HR, this means finding places where the CHANGE in talent can have a significant effect.

<table>
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<th>Quality Pivotal</th>
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<tr>
<td>Changes in talent quality or performance affect strategic success.</td>
<td>Changes in talent quantity or availability affect strategic success.</td>
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Further Reading


Preliminary version available as Working Paper #G04-18: Center for Effective Organizations, University of Southern California, Los Angeles, CA.


HC BRidge® Framework (Boudreau/Ramstad)

What people elements must exist? (COM)

Capability
Can they do it?

Opportunity
Do they get the chance?

Motivation
Do they want to?
Human Capacity
“What people elements must exist?”

Capability
•Service skills
•Know key information
•Know how to share new ideas

Opportunity
•Be where customers are
•Freedom to stop sweeping
•Cross-functional teams

Motivation
•Desire to help
•Performance motivation
•Value team effort

Example: Sweeper at Disney

HC BRidge® Framework
(Boudreau/Ramstad)

What work practices support high performance?
• How do the practices work together?
• What are the targets: organization, group, team or individual?
• What are the necessary & sufficient conditions?

Example: Sweeper at Disney

Policies & Practices
“What work practices support high performance?”

Rewards/Recognition
•Pay for delighted customers
•Celebrate the defects
•Team-based rewards

Development
•Train on service skills
•Train on key information
•Sweeper/product careers

Staffing
•Select for “service”
•Recruit for top talent

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CUPA-HR Webinar
Measuring HR Value with Talentship

John Boudreau
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HC BRidge® Framework
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Anchor Points
Linking Elements

Efficiency
Policies & Practices
Investments

EFFICIENCY
- What range of resources (financial and non-financial) should be considered?
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HC BRidge® Framework
(Boudreau/Ramstad)

Anchor Points
Linking Elements

Impact
Sustainable Strategic Success
Resource & Processes
Human Capacity
Talent Pools & Structures
Aligned Actions

Efficiency
Policies & Practices
Investments

How do we allocate scarce resources?
- Money
- HR staff
- Employee time
- HR influence
- Leadership attention

Example: Sweeper at Disney

Investments
"How do we allocate scarce resources?"

Rewards/Recognition
- Enhance incentive pool
- Technology to track delight

Development
- Hire training vendor
- Cross-functional career mentors

Staffing
- Staff time to design new tests
- Purchase testing technology
Think about your organization’s current strategic and business initiatives.
- What talent pools may be pivotal to those initiatives?
- Do you have adequate measures of Impact, Effectiveness and Efficiency?
- Where are your measures and decisions concentrated now?
- How could you better measure the pivot-points?
Lighting the “LAMP”

- Rational Talent Strategy
  (Competitive Advantage, Talent Pivot Points)
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Metrics And Analytics at the Center for Effective Organizations

CEO Web Site:
http://www.marshall.usc.edu/web/CEO.cfm?doc_id=611

Further Information

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