

## HOW TO...



## ... assess HR's contribution

Much of what HR does contributes to the achievement of an organisation's key performance indicators or targets, but too often HR is unaware, unsure or even unable to demonstrate this contribution. The link between what HR is responsible for and achieves and what line managers are responsible for and achieve is implicit rather than explicit. Here is how HR can use and talk about data to show that it is making a real contribution to solving business problems.

**1 UNDERSTAND THE METRICS**

Organisations usually have a basket of metrics to measure their performance. So the first step is for HR to understand these metrics, and to identify which ones HR has an effect on. By doing this it will be better placed to demonstrate its contribution. HR needs to show the link between reduced turnover, for example, and reduction in overall costs.

**KEY POINTS**

- ◆ Work on the issues that matter to the organisation.
- ◆ Understand and demonstrate how HR has made a contribution.
- ◆ Use a range of measures that are relevant to managers.
- ◆ Collect the right data, not just the data you have available.

**THE EXPERT**

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**2 COLLECT THE CORRECT DATA**

Rely on relevant data, not simply that which is easily available from your enterprise resource planning or other system. Use data that is linked to strategic outcomes: don't just give the percentage reduction in turnover, but also the cost reduction of turnover. These can be easily calculated by using CIPD figures or other HR data sources as a starting point. How HR reports itself to the business helps shape how it is perceived.

**3 REPORT THE RIGHT DATA TO THE RIGHT PEOPLE**

Managers at different levels in the organisation use a variety of data to help them to make decisions, so it's appropriate they use different measures. Heads of functions won't have the same targets as line managers; understand what these measures are and show causal relationships between HR activity and the achievement of targets.

**4 USE A BASKET OF MEASURES**

HR should report data that is both quantitative and qualitative, and report on both efficiency and effectiveness measures. Often HR uses too limited a range of measures, mostly efficiency and quantitative measures, when senior

management is interested in effectiveness and qualitative measures. For example, HR might report on staff satisfaction, when the organisation is actually interested in quality of service. This disconnect reinforces the view of HR as being out of touch with what is important to the organisation. In this example, HR should be showing the link between staff satisfaction and quality of service.

**5 DEVELOP LEADING AND LAGGING INDICATORS**

HR has traditionally used lagging indicators in its measurements, but it needs to move to a mix of lagging and leading indicators. Identify the strategic HR deliverables and show how they are linked, for example, how a training programme will enable staff productivity. Use measures in relation to each other – together they tell a new story. Reporting that costs per employee have gone up may get your finance director worked up but if, alongside that, revenue or profit per employee is going up at a faster rate than employee costs, then this is a good story.

**6 DEALING WITH THE DATA**

Having the right data doesn't on its own demonstrate HR's contribution. Persuading and influencing managers and the board require a different skill set. Dave Ulrich has estimated that 20 per cent of HR people are already working like this, 60 per cent could if trained and 20 per cent never will. Being able to show the link between people management activity and business results is key if HR is to be taken seriously. The function can't afford not to have people skilled in data gathering, data analysis, strategic thinking and influencing.

**LINKS****Conference**

Ken Stewart will be speaking at the CIPD's annual conference and exhibition, taking place in Manchester, 17-19 November  
[www.cipd.co.uk/ace](http://www.cipd.co.uk/ace)

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