A New Measurement Mandate

Leveraging HR and Organizational Metrics to Enhance Corporate Performance

- Aligning Metrics with Business Goals
- Building for Flexibility
- Assigning Ownership of Metrics
- Creating Performance Incentives
- Educating the Organization About Metrics
- Leveraging IT Infrastructure
- Ensuring Metrics Deployment
Note to Members on Confidentiality of Findings

This document has been prepared by the Corporate Executive Board for the exclusive use of its members. It contains valuable proprietary information belonging to the Corporate Executive Board, and each member should make it available only to those employees and agents who require such access in order to learn from the material provided herein and who undertake not to disclose it to third parties. In the event that you are unwilling to assume this confidentiality obligation, please return this document and all copies in your possession promptly to the Corporate Executive Board.
# Table of Contents

Letter to the Membership • v
With Sincere Appreciation • vi
Introduction • 1

Chapter I: Metrics Design • 7

## Step #1: Aligning Metrics with Business Goals • 9

Benchmark Practice #1: Strategic Metrics Cascade Process • 10
The strategic metrics cascade process aligns HR metrics with overall business goals by breaking business strategy into successive layers of HR objectives and actions until it is possible to identify detailed and specific measurement items.

Benchmark Practice #2: Six Sigma–Based KPI Template • 23
A measurement template configured at the corporate level incorporates a set of six sigma–based business performance indicators. The HR function translates this template into high-level HR indicators and creates drill-down options for access to charts with information regarding specific metrics items.

## Step #2: Building for Flexibility • 35

Benchmark Practice #3: Ongoing Metrics Alignment Protocol • 36
Designed to enable rapid adjustments of key HR metrics to changing organizational priorities, the ongoing metrics alignment protocol captures activities for recognizing and assessing the need for alignment as well as procedural steps for adjusting the HR system to the changed requirements.

Chapter II: Metrics Rollout • 47

## Step #3: Assigning Ownership of Metrics • 49

Benchmark Practice #4: Line-Led Workforce Measurement • 52
Business leaders jointly identify pertinent workforce indicators in line with overall HR strategic priorities and are responsible for stewarding their unit’s performance toward achieving specific metrics targets assigned to their portfolios of responsibilities.

## Step #4: Creating Performance Incentives • 61

Benchmark Practice #5: Metrics-Linked Bonus Payouts • 62
The size of bonus payouts for executives is directly linked to the performance of their business units against a portfolio of key metrics, including employee turnover and employee satisfaction. The exact composition of the metrics portfolio varies by business unit according to that unit’s strategic priorities, and executives have some leeway in determining the weighting and targets associated with each metric.

* Pseudonym.
Table of Contents (continued)

Step #5: Educating the Organization About Metrics • 73
Benchmark Practice #6: Metrics E-Learning Program • 74
A multimedia, Web-based e-learning tool educates all managers and executives about the result of the company’s annual employee survey and provides guidance for managers on how to communicate and act on those results.

Chapter III: Metrics Decision Support • 83

Step #6: Leveraging IT Infrastructure • 87
Benchmark Practice #7: HR Dashboard • 88
An online dashboard displays key HR indicators in the context of the overall business scorecard. The dashboard offers drill-down and report-generation functionality. Users can configure scorecard screens according to their preferences and can run individualized reports as desired.

Benchmark Practice #8: Transitional HR Dashboard • 96
The HR dashboard displays key HR indicators through a series of predefined, online reports. This first iteration is explicitly transitional in nature and is designed to get HR started with its measurement initiative while working toward a more optimal solution.

Step #7: Ensuring Metrics Deployment • 105
Benchmark Practice #9: “Code Red” Performance Management System • 107
“Code Red” is a simple yet effective protocol for monitoring performance in HR areas critical to the success of the business. Once a Code Red tag is assigned to a business unit underperforming against key measures, the business unit must take action to improve performance over a one-year period.

Benchmark Practice #10: Strategic Metrics Reporting • 114
Strategic metrics reporting involves a range of services from comprehensive monthly information packs to standard reports for individual metrics and ad hoc responses to line information needs. This process is conducted by a metrics analysis team that acts as a dedicated information center for the business regarding all matters relating to HR measurement.

Metrics Showcase • 123
Across the past eight months, the Corporate Leadership Council has conducted an in-depth inquiry into one of the most daunting challenges facing human resources departments in organizations around the world: how to identify and leverage metrics that will augment the corporation’s performance.

Increasingly, many HR functions are under pressure from their CEOs to provide the business with accurate and pertinent workforce measures to enhance the acuity of business decisions and to strengthen the capabilities of the entire organization.

This study comes at a time when many HR functions are just beginning to realize the full potential of the metrics they track, whether as a matter of routine or in response to specific initiatives. In order to assist HR functions in configuring their metrics efforts to respond to the new, strategic measurement mandate, the Council has prepared this document, *A New Measurement Mandate: Leveraging HR and Organizational Metrics to Enhance Corporate Performance*.

The Council’s effort has focused on identifying strategies for perfecting the end-to-end measurement process, from designing HR’s measurement system to rolling metrics out to the business to embedding metrics firmly in organizational decision making. The research yields 10 case studies, which, taken in their entirety, can serve as a blueprint for HR functions seeking to act on the new measurement mandate.

While the best practices profiled herein represent some of the most innovative and effective methods that we found in our research, the Council recognizes that they cannot capture every obstacle that HR organizations may face in their measurement activities. HR professionals seeking further guidance or alternative approaches to the practices and tools profiled on the following pages are encouraged to contact the Council’s research team for additional research and assistance.

The Council’s strategic research team sincerely hopes that this brief will garner further member input and interest in this terrain. In this regard, we look forward to receiving your feedback and extend, as always, our continuing appreciation.

Washington, D.C., and London
June 2001
Special Thanks

The Corporate Leadership Council would like to express its gratitude to the following individuals who were especially giving of their time and insight in the development of this study:

Ms. Suzy Jones
Brio Technology
243 Brooklands Road
Weybridge
Surrey KT13 0RH
Telephone: +44-1932-878-300
Facsimile: +44-1932-878-301
http://www.brio.com

Mr. Richard Neil
Business Objects (U.K.) Limited
Objects House
Vanwall Business Park, Vanwall Road
Maidenhead, Berkshire, SL6 4UB
Telephone: +44-1628-764-600
Facsimile: +44-1628-764-601
http://www.businessobjects.com

Mr. Nigel Sinclair
Cognos Limited
Westerly Point, Market Street
Bracknell, Berkshire, RG12 1QB
United Kingdom
Telephone: +44-1344-486-668
Facsimile: +44-1344-485-124
http://www.cognos.com
The Corporate Leadership Council expresses its appreciation to all of the individuals and organizations who have so generously contributed their time and expertise to our work. Their contributions have been invaluable, and we extend our sincere thanks to all of these advisors. A partial list of participants is included below:

AB Electrolux  
ADP, Inc.  
Aetna Inc.  
American Express Company  
Avaya Inc.  
Best Buy Co., Inc.  
BP p.l.c.  
British Airways Plc  
Cable and Wireless plc  
Cadbury Schweppes plc  
The Chase Manhattan Corporation  
Cisco Systems, Inc.  
Citigroup Inc.  
Corning Incorporated  
Deutsche Bank AG  
Enron Corp.  
Exxon Mobil Corporation  
First Union Corporation  
Geest PLC  
Genzyme Corporation  
Intel Corporation  
Jack in the Box Inc.  
The LEGO Company  
The Longaberger Company  

McDonald’s Corporation  
Motorola, Inc.  
National Institutes of Health  
Nationwide Building Society  
Norsk Hydro ASA  
Office of Personnel Management  
Organización Techint  
Peoples Energy Corporation  
PepsiCo, Inc.  
PG&E Corporation  
Pirelli S.p.A.  
Prudential Financial  
The Royal Bank of Scotland Group plc  
Royal Dutch/Shell Group of Companies  
Royal Philips Electronics N.V.  
Sabre Inc.  
SAP AG  
Skandia Insurance Company Ltd.  
SmithKline Beecham  
Telenor ASA  
TRW Inc.  
USAA  
US Airways Group, Inc.  
Verizon Communications Inc.
INTRODUCTION

A New Measurement Mandate: Leveraging HR and Organizational Metrics to Enhance Corporate Performance

- Aligning Metrics with Business Goals
- Building for Flexibility
- Assigning Ownership of Metrics
- Creating Performance Incentives
- Educating the Organization About Metrics
- Leveraging IT Infrastructure
- Ensuring Metrics Deployment
2 A NEW MEASUREMENT MANDATE
Across the past eight months, the Council has observed the measurement activities at a multitude of HR organizations worldwide. The overarching, if unsurprising, finding is that HR functions today are engaging in fairly extensive measurement efforts, deploying a wide range of transactional and tactical metrics to monitor the performance of the HR function and the organization overall.

At the same time, HR functions are facing a new, more strategic measurement mandate issued by CEOs who are increasingly recognizing that human capital today provides one of the most sustainable sources of competitive advantage. Indeed, CEOs often expect the HR function to provide the organization with relevant workforce-related data and analysis that can enhance the acuity of strategic business decisions and strengthen the capabilities of the organization as a whole.

In trying to satisfy the CEO’s information needs, many HR organizations seek recourse in new metrics such as human capital value-added or the ROI on intellectual capital to complement their existing metrics. However, Council research suggests that the translation into practice of such “new metrics” often does not fulfil the promise of the concept. Elementary definitions for these metrics, such as revenue divided by number of full-time employees, do not provide differentiated insight into the value contribution of the workforce.

The Council therefore posits that the most successful approach to executing against HR’s new measurement mandate is to leverage the power of existing workforce metrics by tying them directly to corporate priorities and performance. Such an approach involves the identification and deployment of a small number of HR metrics that are aligned with business goals and can thus help to generate compelling business outcomes.

Aligning metrics with business strategy forces HR functions to revisit and hone their end-to-end measurement processes. This, however, also presents HR with the very obstacles that have worked against value-added measurement in the past. Specifically, Council research highlights a series of obstacles in designing, rolling out and embedding metrics in organizational decision making that can derail or stall new strategic measurement initiatives.

Drawing on the experience of senior HR practitioners at more than 50 preeminent organizations worldwide, the Council has charted 10 case studies of companies that have successfully addressed specific obstacles. Taken in their entirety, these case studies can provide a blueprint for perfecting the metrics process and realizing HR’s new measurement mandate.
A NEW MEASUREMENT MANDATE

Metrics Design

#1—Aligning Metrics with Business Goals
The HR function aligns workforce metrics with overall business goals by breaking business strategy into successive layers of HR objectives and actions until it is possible to identify detailed and specific measurement items.

#2—Building for Flexibility
The HR function continually monitors the level of alignment of HR metrics with business goals and priorities and conducts swift realignments where necessary.

Metrics Rollout

#3—Assigning Ownership of Metrics
Although HR drives the overall metrics effort and is accountable for its own metrics, ownership and accountability for specific workforce metrics is devolved to line managers where metrics naturally fall within their domain of responsibility.

#4—Creating Performance Incentives
The HR function ties a set of key organizational indicators, including selected HR metrics, directly to the management bonus plan, so that performance against the metrics drives the size of annual bonus payouts.

#5—Educating the Organization About Metrics
HR provides tailored online training tools that enable both line and HR managers to work through and “test drive” the application and utility of metrics results in a self-directed learning environment.

* Pseudonym.
#6—Leveraging IT Infrastructure

The HR function automates the reporting of metrics to the organization by posting metrics reports online. The software used allows for graphic representation of numbers and trends and provides basic analytic capabilities.

**Metrics Showcase**


- Quarterly People Measurement Results*
- Organizational Movements Reports*
- Quartet
  (Top-line metrics review supplement to annual report)
- Management Information Pack*
- HR Dashboard Presentation*
- Navigator
- HR Operating Statement*

* All information in these reports has been edited. Although the reports provide an accurate reflection of the organizations’ metrics and reporting formats, any data presented is hypothetical.

#7—Ensuring Metrics Deployment

HR complements metrics reports with sophisticated analyses of the impact of specific trends. HR is also able to offer ad hoc metrics information and analysis services to the line as required.

**Metrics Decision Support**

**Prudential Financial**

- HR Dashboard
  Page 88

**Transition**

- HR Dashboard
  Page 96

**AVAYA communication**

- Organizational Movements Reports*

**Deutsche Bank**

- Quartet
  (Top-line metrics review supplement to annual report)

**Nationwide**

- Management Information Pack*

**“Code Red” Performance Management System**

- HR Dashboard Presentation*
  Page 107

**Strategic Metrics Reporting**

- Navigator
  Page 114

**Navigator**

- HR Operating Statement*

**Prudential Financial**

- HR Dashboard Presentation*
  Page 114

**Skandia**

- Navigator

**Verizon**

- HR Operating Statement*
CHAPTER I: METRICS DESIGN

• Step #1: Aligning Metrics with Business Goals
  • Benchmark Practice #1: Strategic Metrics Cascade Process
  • Benchmark Practice #2: Six Sigma–Based KPI Template

• Step #2: Building for Flexibility
  • Benchmark Practice #3: Ongoing Metrics Alignment Protocol
A NEW MEASUREMENT MANDATE
**Step #1: Aligning Metrics with Business Goals**

*Benchmark Practice #1*

**Strategic Metrics Cascade Process**

**Description**
The strategic metrics cascade process aligns HR metrics with overall business goals by breaking business strategy into successive layers of HR objectives and actions until it is possible to identify detailed and specific measurement items.

**Goal**
The goal is twofold. The first goal is to identify the right metrics to measure HR’s performance and contribution to the bottom line. The second goal is to provide a line-of-sight between business strategy, HR strategy and HR metrics.

**Key Differentiating Feature**
Rigorous cascading is the most robust approach to identifying HR metrics in alignment with business strategy. Although many organizations are aware of cascading in principle, few have developed a similarly replicable and documented protocol for operationalizing this strategy.

*Benchmark Practice #2*

**Six Sigma–Based KPI* Template**

**Description**
A measurement template configured at the corporate level incorporates a set of six sigma–based business performance indicators. The HR function translates this template into high-level HR performance indicators and creates drill-down options for access to charts with information regarding specific metrics items.

**Goal**
The goal is to ensure that all corporate functions monitor performance by using the same kinds of processes relating directly to key company success factors.

**Key Differentiating Feature**
A measurement approach explicitly designed around the six sigma performance management framework provides for alignment of HR metrics with business priorities and places HR measurement directly in the context of improving process quality and efficiency.

* Key Performance Indicators.
A New Measurement Mandate

Strategic Metrics Cascade Process

Verizon Communications is a leading provider of local, wireless and other telecommunications services in the United States. The company employs approximately 260,000 individuals and generates revenues of approximately $64 billion.

Situation

- The 2000 merger between GTE and Bell Atlantic brings together two HR departments with independent approaches to operationalizing the balanced scorecard in an HR setting.
- The challenge for the merged HR function is that the two measurement systems must not only be amalgamated but must also be recalibrated to align with the corporate goals and priorities of the new company, Verizon.
- The need for recalibration presents the HR function with the most fundamental of problems of HR measurement, namely determining what are value-added metrics from a business perspective and then operationalizing these metrics by identifying suitable items of “raw data” to measure.

Action

- The HR function decides that it must repeat the set of exercises that had previously led to the identification of pertinent HR metrics at GTE and Bell Atlantic. To this end, Verizon’s HR function forms a core team in charge of adjusting and implementing the balanced scorecard to the requirements and strategy of the new organization.
- Drawing on a rigorous process pioneered during the balanced scorecard effort at GTE, the core team reiterates the metrics cascade process for Verizon.
- The strategic metrics cascade process involves a series of steps to break down overarching business priorities into successive smaller sets of goals for HR that eventually lend themselves to quantitative measurement.

Result

- Owing to its leverage of the pre-existing protocol, the core team can implement the balanced scorecard for Verizon within six months, a very compacted time frame for such a complex process at a large organization.
- Following the creation of a joint scorecard, HR can explain and defend project and staffing decisions that may be out of the ordinary or counter to perceived strategic necessities.
- Verizon anticipates that HR will be able to conduct sophisticated impact modeling and analyze performance trends as soon as the company’s transition to a new HRIS is complete.
**Overview**

The HR function recognizes that measurement can only add value to the organization if it captures HR’s performance in terms that are relevant to the business. The core team driving the metrics effort therefore elects to adapt Kaplan and Norton’s balanced scorecard model, already in use across other business functions, to HR measurement. The next, and biggest, challenge is finding a strategy to populate the “blank” model with metrics that are aligned with (i.e., speak directly to) business imperatives.

*Addressing the challenge of how best to populate the blank scorecard with strategically aligned metrics…*

**HR Balanced Scorecard Model at Verizon**

---

**…HR makes three critical decisions that will shape the metrics selection process**

**HR’s Framing Decisions**

<table>
<thead>
<tr>
<th>Question</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Should the process of identifying aligned metrics flow from the top down or from the bottom up?</td>
<td><strong>Decision #1</strong>—If metrics are to be truly aligned with business imperatives, identification of metrics must be top down, starting with business strategy and cascading downward into the domain of HR until suitable measurement items can be identified.</td>
</tr>
</tbody>
</table>
| Who in the organization can and should decide which HR metrics are value-added? | **Decision #2**—For the strategic perspective, HR should identify metrics because HR is best positioned to answer people capability questions.  
**Decision #3**—For all other categories, line input should drive metrics decisions because only the line can determine which measures will enable it to assess whether HR is meeting its requirements. |

Source: Verizon Communications Inc.; Corporate Leadership Council research.
Mechanics of the Cascade Process

The key factor in identifying strategically aligned HR metrics is to start with business drivers and drill down to measurable HR results. Verizon’s HR function has disaggregated this process into the four constituent steps outlined below. Significantly, the cascading process flows from business strategy into HR outcomes required from a business perspective and only then addresses HR strategy.

Although seemingly cumbersome, this aspect is critical. By looking at outcomes first and strategy second, Verizon’s HR function manages to hardwire the business focus (and metrics alignment) into the entire process. Omitting this step creates the risk of force-fitting existing HR strategy to business strategy, which dilutes the business focus and diminishes the value of the resultant HR metrics to the organization.

Overview of Strategic Metrics Cascade Process

Step #1: Acquiring Business Intelligence
Takeaway tool:
Sources of business goals
See page 13

Step #2: Determining HR Deliverables
Takeaway tool:
Process guidelines
See page 14

Step #3: Converting HR Deliverables into HR Strategy
Takeaway tool:
Strategy map
See page 17

Step #4: Identifying Detailed Metrics
Takeaway tools:
Metrics drill-down tree
See page 18

Detailed Measures
“How can HR measure whether it is achieving its strategy?”

Source: Verizon Communications Inc.; Corporate Leadership Council research.
**Step #1: Acquiring Business Intelligence**

Acquiring business intelligence is the foundation for identifying strategically aligned HR metrics. In order to obtain a comprehensive and true understanding of the organization’s business and strategy, HR at Verizon reviews the company’s environment, its business strategy and concrete business goals for the current year.

### Sources of Business Intelligence

<table>
<thead>
<tr>
<th>Area</th>
<th>Example</th>
<th>Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Telecommunications World</td>
<td>• Trade press</td>
</tr>
<tr>
<td></td>
<td>• Legislation—Telecom Act, regulation</td>
<td>• Industry publications</td>
</tr>
<tr>
<td></td>
<td>• Technology acceleration</td>
<td>• Government publications and/or Web sites</td>
</tr>
<tr>
<td></td>
<td>• Emerging customer needs</td>
<td>• Bureau of labor statistics</td>
</tr>
<tr>
<td></td>
<td>• Bundled products and services</td>
<td>• Eurostat</td>
</tr>
<tr>
<td></td>
<td>• Global opportunities</td>
<td>• Company strategy function</td>
</tr>
<tr>
<td></td>
<td>• Investors/analysts pressures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expanding market opportunities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Data and roles changing the way business operates</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Our Customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Want more choices, have less time</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Are price aware</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Demand bundled services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expert-outstanding service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Demand advanced support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Demand multinational capability</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Workforce</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lowest US unemployment in 21 years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Less loyalty, employment relationship has changed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Specialized talent hard to find, worthy by competitors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• New markets expect more work/life balance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• More risk sharing, more personal responsibility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• More diverse with differing interests and needs</td>
<td></td>
</tr>
<tr>
<td>Business Strategy</td>
<td>Protect and enhance current markets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ensure customer-friendly sales, billing, and support i.e. easy to do business with</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Leverage core, wireless products and services to expand into new geographic markets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expand product set, offer bundled service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aggressively grow existing domestic businesses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Develop business that can compete on a nonregulated basis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Create strong national “data world” capabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Offer total solutions for business process support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High-speed access using Asymmetric Digital Subscriber Line (ADSL)</td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>Take advantage of global telecommunications growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Improve profitability of existing operations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Pursue profitable opportunities in targeted regions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ensure global reach through alliances</td>
<td></td>
</tr>
</tbody>
</table>

**Business Goals**

- Interviews with line executives
- Strategic plan published for the company and each business unit

Source: Verizon Communications Inc.
**Step #2: Determining HR Deliverables**

Next, the HR function identifies which outcomes (“deliverables”) it must produce to enable the business to achieve its strategy. The process of determining such required outcomes incorporates two input streams. First, the HR leadership team identifies outcomes that are valuable from an HR perspective. Second, the HR function solicits detailed line feedback on ways in which HR can most effectively contribute to Verizon’s growth, thereby hardwiring a strong business focus into its metrics effort.

**Determining Required HR Outcomes**

**Consolidation of Business Intelligence**
HR puts together a business strategy document capturing the major insights and points gathered during the acquisition of business intelligence.

**HR Brainstorming Sessions**
“What people outcomes must we produce to help the business deliver against its strategy and goals?”

**Line Survey**
HR conducts a survey of line executives, asking “What kind of people, skills and services do you need from HR?”

**List of HR Outcomes**
HR draws up a list of the skills needed in the organization now and in future (See next page for sample)

**List of HR Performance Requirements**
Line provides a series of questions that captures how the line will assess whether HR is delivering value

**Comparison and Consolidation of HR and Line Input**
- HR checks for overlaps and contradictions between its own and the line’s input
- HR conducts “reality check”: do the required outcomes/deliverables map back to business strategy?

**Result: List of HR Deliverables**
HR creates a list of total people and service requirements that provides the basis for HR strategy making and measurement.

Source: Verizon Communications Inc.; Corporate Leadership Council research.
Step #2: Determining HR Deliverables (continued)

The outcome of this step is a set of workforce requirements; the list reflects the particular skills required across the entire organization.

Sample Workforce Requirements at Verizon

What Do We Need from Our People?

- **Current**
  - Network management skills
  - Customer support skills
  - Voice product expertise
  - Leverageable international skill base
  - Financial/operational control

- **Enhanced**
  - Leadership capabilities
  - Partnering with unions
  - Customer support, service expertise, and relationship management skills
  - Global capabilities
  - Business savvy at all levels
  - Learning and innovation focus
  - Teaming capabilities

- **New**
  - Shared mindset toward achieving overall business results
  - Marketing and distribution capabilities
  - Data skills: technical and functional
  - Partnering/alliance management capability
  - Integration capability

The outcomes call for the development of specific skill sets...

...enhanced focus on labor relations...

...and increasing employee engagement in the organization.

Source: Verizon Communications Inc.
Step #3: Converting HR Deliverables into HR Strategy

Once the HR function has determined a set of people requirements necessary to achieve organizational goals, the HR leadership team reviews these outcomes and organizes them into logical clusters that form the basis of HR’s strategic priorities going forward. In so doing, HR is beginning to home in on discrete areas for measuring its performance.

**HR’s required outcomes cluster logically into a set of categories…**

**Current**
- Network management skills
- Customer support skills
- Voice product expertise
- Leverageable international skill base
- Financial/operational control

**Enhanced**
- Leadership capabilities
- Partnering with unions
- Customer support, service expertise and relationship management skills
- Global capabilities
- Business savvy at all levels
- Learning and innovation focus
- Teaming capabilities

**New**
- Shared mind-set toward achieving overall business results
- Marketing and distribution capabilities
- Data skills: technical and functional
- Partnering/alliance management capability
- Integration capability

…that form the basis of HR’s strategic priorities going forward

**HR’s Six Strategic Priorities**

**#1: Customer Service**
- Build service capability
- Create environment that supports employee engagement

**#2: Workforce Development**
- Grow the talent pool
- Invest in people
- Provide growth opportunities

**#3: Compensation/Benefits**
- Offer attractive compensation and benefits package
- Team with world-class vendors

**#4: Diversity**
- Leverage diversity
- Provide growth opportunities

**#5: Labor Relations**
- Build partnership with unions

**#6: Staffing/Leadership**
- Invest in leadership growth
- Define leadership competencies
- Structure rewards to foster leadership behavior

Source: Verizon Communications Inc.; Corporate Leadership Council research.
Step #4: Identifying Detailed Metrics

The final step in identifying strategically aligned metrics involves translating strategic priorities into HR goals and actions that are measurable and meaningful. Here, the balanced scorecard team examines the six HR priorities through the lens of each of the four balanced scorecard categories in turn. In essence, the team uses an inverse “tree” to structure its thinking on how high-level measurement items can be disaggregated into smaller parts that, at the lowest level, yield raw data. This exercise links “real numbers” to more abstract measurement goals. On this page, the Council provides an illustrative tree relating to the strategic perspective.

---

**Metrics “Tree” Facilitates Drilling Down on Detailed Metrics**

- **Balanced Scorecard Perspective**
- **Strategic Priorities**
- **Factors**
- **Detailed Measures**
- **“Raw Data”**

**Strategic Perspective of the Balanced Scorecard**

- **Staffing/Leadership**
- **Customer Service**

**Balanced Scorecard Perspective**

- **Customer Service**
  - Promotions
  - Retention

**Strategic Priorities**

- **Staffing/Leadership**
  - Talent Acquisition
  - Workforce Diversity

**Factors**

- **Talent Acquisition**
  - New Recruit Yield

**Detailed Measures**

- **New Recruit Yield**
  - Accepted Offers
  - Extended Offers
  - Hourly Short-Term Churn
  - Salaried Short-Term Churn

**“Raw Data”**

**Picking “Raw Data” Always Involves a Learning Process**

“Especially where HR organizations are engaging in rigorous measurement for the first time, it is impossible to know from the outset whether the two or three items of raw data chosen over the 20 possible options at the bottom level are the right ones. At this level of detail, there is a significant and necessary learning process before HR can determine whether it is tracking the best metrics. That said, the careful top-down metrics identification process ensures that the selected items of raw data are meaningful and relate to business goals, even if HR later discovers that different aspects of raw data would be even more valuable—in which case it can simply fine-tune that level of the framework.”

Director of HR Planning, Measurement and Analysis
Verizon Communications Inc.
Step #4: Identifying Detailed Metrics (continued)

The process of completing the tree-based drill-down exercise for all four perspectives of the balanced scorecard generates a very large number of detailed measures and raw measurement items, some of which will inevitably be duplicated as HR activities overlap and intersect. The final challenge for the team is therefore to winnow down the identified metrics into a manageable number. A map of metrics combining the six priorities of HR and the four categories of the balanced scorecard helps the team to eliminate metrics duplication and to allocate metrics to the cross-section between scorecard category and HR priority where they add the most value.

Verizon’s HR Metrics Map

Although offer acceptance rate is also an item of raw data generated by the drill-down exercise for the strategic perspective (see previous page), the team decides that this metric is more meaningful in the operations category of the scorecard, thereby enabling the team to maintain the focus of the strategic perspective on truly strategic metrics.

Source: Verizon Communications Inc.; Corporate Leadership Council research.
**Outcome: HR Balanced Scorecard**

Following the drill-down and metrics linkage exercises, the balanced scorecard team can now populate each category of the scorecard with relevant HR metrics relating directly to HR’s strategic priorities and, by extension, to the company’s business goals and priorities. For the scorecard that goes out to the business, the team selects two to eight critical items in each category; for its internal measurement purposes, HR tracks all metrics resulting from the metrics map.

### Pulling It All Together: Metrics in Verizon’s HR Balanced Scorecard

<table>
<thead>
<tr>
<th>Strategic Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Percentage of diversity recruitment</td>
</tr>
<tr>
<td>• Leadership bench strength</td>
</tr>
<tr>
<td>Are Verizon’s people capabilities aligned with future business needs?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Employee services customer satisfaction index</td>
</tr>
<tr>
<td>• Benefits vendor satisfaction</td>
</tr>
<tr>
<td>• Verizon viewpoints EE Perception Average</td>
</tr>
<tr>
<td>How do customers see HR?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operations Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cycle time-to-fill</td>
</tr>
<tr>
<td>• EE service center operational performance index</td>
</tr>
<tr>
<td>• LRRC call volumes</td>
</tr>
<tr>
<td>• Benefits vendor operational performance</td>
</tr>
<tr>
<td>• Management placements (female and minority)</td>
</tr>
<tr>
<td>Where must HR excel to enable the business to meet its goals?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>• HR FTE Ratio</td>
</tr>
<tr>
<td>• OSHA Safety Index</td>
</tr>
<tr>
<td>• Arbitrations win rate</td>
</tr>
<tr>
<td>• Compensation as percentage of revenue</td>
</tr>
<tr>
<td>Is HR adding financial value to the business?</td>
</tr>
</tbody>
</table>

For reporting purposes, the categories only contain the most pertinent or critical measures.

Source: Verizon Communications Inc.
Council Assessment: Strategic Metrics Cascade Process

Key Differentiating Feature

• Rigorous cascading is the most robust approach to identifying HR metrics in alignment with business strategy. Although many organizations are aware of the cascading principle, few have developed a similarly replicable and documented protocol for operationalizing this strategy.

Caveats

• Learning process—Although the cascade process provides the most robust method for identifying aligned metrics, there is an inevitable element of trial and error when it comes to selecting one item of raw data, such as aggregate turnover, over another, such as high-potential employee turnover. Especially where a company is just starting out with measuring HR’s impact on the business, there is a significant and necessary learning process before the function can assess whether it is tracking the best aspects of raw data.

• Time intensive—Where organizations embark on a metrics effort for the first time, the cascade process may take a significant period of time. While Verizon was able to conduct this process within six months, the first cascade iteration at GTE took closer to a year. The length of time required to conduct the cascade process depends on the pre-existing level of HR alignment, the state of HR’s measurement system and the dedication of all active participants (notably the line).

Implementation Tips

• Apply cascade to any measurement framework—Although the cascade process profiled here is conducted in the context of implementing the balanced scorecard, the Council believes that the approach is applicable to any measurement framework, whether formal—such as the scorecard—or informal, such as proprietary or custom-built measurement systems.

• Record decisions along the way—The Council recommends that HR functions keep a detailed record of metrics selection decisions and criteria applied at each step of the cascade; this will accelerate the learning process and will facilitate future iterations of the process where necessary.

• Weigh perfection against timeliness—The Council further recommends that HR organizations should exercise an informed judgment call regarding aiming for perfection versus getting started with measuring. While the goal must be to identify the best possible measures in the company’s business context, the incremental value of beginning to supply HR metrics information to the organization earlier is ultimately higher than fine-tuning the measurement system for months without producing output.
**Practice Background:**

**Six Sigma–Based KPI Template**

Motorola is one of the leading global manufacturers of mobile phones and embedded processors. The company employs approximately 130,000 individuals and generates total sales of approximately $37.6 billion.

**Situation**

- When Motorola’s corporate HR department moves to a shared service structure in 1998, its internal customers expect performance reports (mirroring financial reports) and greater accountability for outcomes and results.
- As a result, the staffing function within the HR department chooses to use the corporate-wide measurement template comprised of a set of six sigma–based performance indicators called “six ups.”
- The challenge here is to adapt the template to reflect the realities and priorities of staffing processes. The challenge is compounded by the fact that the staffing function has little previous experience using the standard template.

**Action**

- The staffing leadership team undertakes a first iteration of translating corporate six ups into meaningful indicators for the staffing function and generates staffing function six ups.
- The staffing leadership team validates the suggested summary six ups with the heads of HR; the six ups include cycle time, on-time delivery and cost per hire.
- Upon approval of the function six ups, the leadership team works with the subfunctional heads within the staffing function to create meaningful performance indicators and goals for all subfunctions and all levels of employees within the function.

**Result**

- The staffing function tracks a set of key performance indicators that are directly related to its own priorities as well as to overall corporate goals. Moreover, the staffing function has managed to create a clear line of sight between administrative roles and high-level strategic goals.
- The staffing function indicates that its measurement is impacting directly on the bottom line by driving performance toward more efficient cycle times at higher quality and lower cost, improving the talent supply chain within Motorola’s overall value chain.
Overview: Six Sigma–Based KPI Template Aligns All Corporate Metrics

The corporate-wide template creates alignment of any detailed metrics, HR or otherwise, with business strategy as it reflects Motorola’s six sigma principle and permeates every layer of the organization.

From Six Sigma to HR Metrics

The six sigma philosophy encapsulates Motorola’s business strategy and goals...

Six Sigma Philosophy

“Motorola defines quality as defect-free performance in all products and services provided to the customer. Defects are any failures to meet customer satisfaction requirements, and customers are anyone within the process, culminating with the [external] customer. The measure of quality then becomes total defects per unit of work as measured throughout the entire process.”

Bill Smith
Vice President and Senior Quality Assurance Manager
Motorola, Inc.


Six Ups: Our Corporate KPIs

At the corporate level, Motorola operates a set of six key performance indicators that reflect its six sigma orientation. We call these indicators “six ups” and they are applicable to all functions and businesses, wherever you may be.

1. Customer satisfaction
2. Quality
3. Cycle time
4. Cost
5. Systems availability
6. Business function–specific indicator (e.g., innovation)

The corporate template applies to all entities in Motorola, whether business divisions or corporate functions...

...thus providing alignment of HR metrics with Motorola’s overall business goals.

* Although the template applies across the entire corporation, Motorola does not expect individual functions to “force fit” metrics into categories simply for the sake of measuring against each of the six up indicators. The rule here is that functions will use, and populate with metrics, as many of the corporate-wide indicator categories as make sense to that function.

Source: Motorola, Inc.; Corporate Leadership Council research.
Mechanics of the Six Sigma–Based KPI Template

Implementing a six sigma–based KPI template for HR requires the HR department and its functions to translate the corporate template into meaningful, high-level HR indicators. Those indicators must then be converted into metrics relevant to individual functions, teams and employees. In addition, the approach necessitates tailored training and regular performance reviews against the indicator goals to demonstrate to employees how metrics relate to process quality and their day-to-day jobs.

Steps in Operationalizing the Six Sigma–Based KPI Template at Motorola

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Translate Corporate Six Ups Template into Staffing Function Six Ups</td>
</tr>
<tr>
<td></td>
<td>The staffing leadership team populates the corporate six ups template with high-level measurements relevant to the staffing function. The team reviews data from past customer satisfaction surveys and holds a series of one-on-one meetings with the VPs of HR in the business units to gain knowledge about the business units’ strategies and plans for the coming year. See page 26; see also Benchmark Practice #1 (page 10) for additional detail on this step.</td>
</tr>
<tr>
<td>#2</td>
<td>Validate Staffing Function Six Ups</td>
</tr>
<tr>
<td></td>
<td>The staffing leadership team forwards the set of suggested staffing function six ups to the HR Operations Committee for review and approval. The HR Operations Committee checks the staffing function six ups for alignment with corporate six ups.</td>
</tr>
<tr>
<td>#3</td>
<td>Identify Subfunction Six Ups Using Process Maps</td>
</tr>
<tr>
<td></td>
<td>Each subfunctional head within the staffing function considers which key processes of the subfunction are relevant to the function six ups. For each relevant process, the subfunctional heads conduct a detailed mapping exercise to identify primary and secondary activities and their respective outcomes. The outcomes constitute the units of measurement for subfunction six ups. See page 27.</td>
</tr>
<tr>
<td>#4</td>
<td>Educate Staff About Six Ups and Six Sigma</td>
</tr>
<tr>
<td></td>
<td>The operations team of the staffing function conducts meetings and training sessions to educate employees about the purpose and nature of the six ups and how managers and their teams can use metrics to improve process efficiency and quality. See page 28.</td>
</tr>
<tr>
<td>#5</td>
<td>Monitor Performance Against Staffing Six Ups</td>
</tr>
<tr>
<td></td>
<td>The staffing leaders review each activity within the various six ups processes for areas of “waste” or “defects.” Using the sigma principle and/or external benchmarks, the staffing leaders set specific goals for the short and long term. Performance against these goals is reviewed on a monthly and quarterly basis. See page 30.</td>
</tr>
</tbody>
</table>

Source: Motorola, Inc.; Corporate Leadership Council research.
Step #1: Translate Corporate Six Ups Template into Staffing Function Six Ups

In order to identify a set of function six ups, the staffing leadership team reviews customer satisfaction surveys to discover recurrent business requirements and priorities. Further, through one-on-one meetings with the VPs of HR in the business units, the team gains knowledge about the business strategies and plans for the coming year. This exercise highlights two areas of particular relevance to the line at Motorola: quality of hires and time-to-fill.

Outcome: Summary Six Ups at Motorola’s Staffing Function*

1. **Quality**—Measures whether the staffing function gets new hires through the door when the business needs them
   - **On Time Delivery Metric**
     - Percentage of hires that meet delivery dates
     - CYTD to original does hiring may be indicated by the hiring process
     - CYTD to original does hiring may imply issues that are not resolved
     - Land time & goal line is based on average cycle time from prior year

2. **Cycle Time**—Measures time-to-fill (from requisition approval to offer acceptance date)
   - **Cycle Time Metric**
     - Measures average time from approval date of requisition to acceptance of offer
     - Goal line based on prior year

3. **Cost/Quality**—Measures financial performance of the function as a whole
   - **Staffing Financial Performance**
     - Time to actual
     - Total revenue – revenue achieved for hires
     - Forecast metrics for change in hiring plan

4. **Cost**—Measures the cost of the staffing function’s key activity (from a business perspective)
   - **Cost per Hire Metric**
     - Measures average cost per hire

5. **Innovation**—Looks at progress of specific projects that are new (innovative) to the function
   - **Sourcing Metric**
     - Measures percentage of hires sourced via external & employee referrals
     - Goal line is based on prior year

6. **Satisfaction**—Measures the overall satisfaction of the function’s customers with services/products
   - **Service Quality**
     - Under Development

* Corporate Leadership Council hypothetical.

Note: The staffing function six ups reflect only five out of the six indicators of Motorola’s corporate template.

Source: Motorola, Inc.
**Step #3: Identify Subfunction Six Ups Using Process Maps**

After the proposed six ups for the staffing function have been approved by the HR Operations Committee, each subfunctional leader within Motorola’s staffing organization must identify metrics to translate the summary six ups into meaningful measurement items for individual subfunctions and teams. To this end, the subfunctional heads draw on the results of the process-mapping exercise, conducted when the function moved to the shared service structure, for the key processes of the staffing function. As a result of this step, subfunctional heads have at their disposal a detailed list of measurement points for each process as well as a set of goals for each team and individual in the subfunction. Subfunction six ups lie behind the function six ups in a set of charts and spreadsheets on the HR system.

### Process Mapping Helps Pinpoint Specific Metrics at Motorola

**Summary Six Up Category:** Time-to-Fill

1. **What is the key process underlying this indicator?**
   - Recruiting

2. **What primary activities make up this process?**
   - Approving requisitions
   - Opening requisitions
   - Advertising vacancy
   - Screening candidates
   - Interviewing candidates
   - Extending offer
   - Receiving acceptance
   - New hire starts

3. **What is the unit of measurement (outcome)?**
   - Primary unit is time (time it takes to open, advertise, etc.)
   - Complementary measure could be cost of the whole process?

4. **One level down, what actions make up the primary activities? Who is responsible for (owns) these tasks?**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Actions</th>
<th>Owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extending offer</td>
<td>Communicate to admin staff</td>
<td>Recruiter</td>
</tr>
<tr>
<td></td>
<td>Write letter</td>
<td>Admin staff</td>
</tr>
<tr>
<td></td>
<td>Send letter</td>
<td>Admin staff</td>
</tr>
<tr>
<td></td>
<td>Place follow-up call</td>
<td>Recruiter</td>
</tr>
</tbody>
</table>

Once measured, the numbers associated with each of these process steps will serve a twofold purpose. First, they supply performance data for the functional heads owning these primary activities; and second, they aggregate to provide data for the summary six up cycle time.

The process mapping exercise also drives at metrics on an individual level. All employees have three to five goals that clearly relate to their jobs but also feed directly into the six ups. The goals may, but need not necessarily, span the entire range of six ups.

*Step #2 (Validate Staffing Function Six Ups) involves a simple review protocol that is similar to the routine policy approval procedures already in place at many member organizations.

Source: Corporate Leadership Council

Illustrative based on information provided by Motorola, Inc.
STEP #4: EDUCATE STAFF ABOUT SIX UPS AND SIX SIGMA

The operationalization of a six sigma approach to HR measurement requires employees to understand the implications of the six sigma philosophy and the ways in which they can apply metrics to improving the quality and efficiency of the function’s day-to-day processes. In order to provide employees with the knowledge and means to leverage the six ups metrics fully, the staffing function deploys its operations team for rolling out the metrics to managers, teams and individuals. Members of this staffing operations team come from various functional backgrounds and offer standardized as well as ad hoc training where required.

Composition and Responsibilities of the Staffing Operations Team at Motorola

<table>
<thead>
<tr>
<th>Functional Background</th>
<th>“Routine” Tasks</th>
<th>“Rollout” Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Assurance</td>
<td>• Generate actual metrics (i.e., retrieve raw data and compile reports)</td>
<td>• Educate employees about the meaning and provenance of the six ups and the various metrics in each category</td>
</tr>
<tr>
<td></td>
<td>• Conduct root cause analysis to identify key areas of defect in the various staffing processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Recommend solutions</td>
<td></td>
</tr>
<tr>
<td>Administrative/Tactical</td>
<td>• Maintain day-to-day line operations</td>
<td>• Show employees how to optimize line processes to meet six ups targets, whether functional, program or individual</td>
</tr>
<tr>
<td></td>
<td>• Use metrics to monitor line efficiency</td>
<td></td>
</tr>
<tr>
<td>Systems</td>
<td>• Design and implement work tools</td>
<td>• Show employees how to drill down into specific data sets on the HR IT system</td>
</tr>
<tr>
<td></td>
<td>• Standardize IT systems</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Develop new technology for the staffing function</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Oversee systems availability indicators</td>
<td></td>
</tr>
<tr>
<td>Program Management</td>
<td>• Develop and execute against staffing strategy</td>
<td>• Educate employees about internal best-process practice</td>
</tr>
<tr>
<td></td>
<td>• Manage projects and programs</td>
<td>• Educate employees about optimizing processes and eliminating defects and waste</td>
</tr>
<tr>
<td></td>
<td>• Conduct program and quality operational reviews</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Align projects with six ups and metrics</td>
<td></td>
</tr>
</tbody>
</table>

Source: Motorola, Inc.; Corporate Leadership Council research.
**Step #4: Educate Staff About Six Ups and Six Sigma (continued)**

Given the wide variety of experience and expertise among the members of the staffing operations team, the team offers training and advice covering every aspect of the end-to-end measurement process. Team members are deployed throughout the staffing organizations according to the metrics training need at hand.

### Activities of the Staffing Operations Team

#### #1: Roll Out Six Ups to the Field

Description of metrics and explanation of their purpose when they are first introduced or when they have been revised or changed

#### #2: Communicate Metrics Results

Description of the results achieved during a measurement cycle; explanation of the implications of such results

#### #3: Apply Metrics to Continuous Improvement Process

Hands-on guidance for using metrics to identify appropriate projects to support the continuous improvement drive

**Example**

- **Problem**—Division seeks to launch major new product development project; division leader is unclear about staffing implications of this project
- **Action**—Tactical task force member goes out to division and guides the leadership team through creating a project work plan, identifying critical milestones and selecting relevant metrics at each juncture

#### #4: Ad Hoc Training Needs

Assistance is available on call when employees experience difficulty with any aspect of using and deploying metrics (finding metrics, drilling down on specific data, relating metrics to their work, etc.)

**Example**

- **Problem**—Division seeks to understand what staffing cycle time is and how it impacts its talent supply; however, division staff are experiencing difficulty in retrieving relevant metrics
- **Action**—System specialist goes out to the division and holds a training session with managers and direct reports to demonstrate how employees can retrieve metrics from the system

#### #5: Proactive Education (Under Development)

Regular and proactive training session regarding best practice in process management

**Example**

Structured community of practice sessions promote and ingrain the application of the six sigma philosophy to process measurement and improvement

Source: Motorola, Inc.; Corporate Leadership Council research.
The final piece of applying the six sigma philosophy to HR measurement is a disciplined approach to monitoring performance. The staffing leadership team reviews each activity within the various six ups processes for areas of waste or defects. Using the sigma principle and/or external benchmarks, the team then sets specific goals for the short and long term and reviews performance at regular intervals of between one and three months.

### Components of Six Up Performance Monitoring

#### #1: Baseline

- To create a baseline for primary activities, the staffing leadership team and/or functional heads take the measure of current performance in the activities for each six up:
  - How long do they take?
  - How good are they?
  - How much do they cost?
- To create a baseline for each six up category, the staffing leadership aggregates the baselines for each primary activity and creates an average or median point.

#### #2: Goals

- Goals are based on a combination of the previous year’s performance, data from an external benchmark provider and Motorola’s own benchmarking initiative.
- In addition, identifying goals for each metric involves closely scrutinizing each activity from a process perspective to identify areas of waste (e.g., “where could we be faster?”) or defects (e.g., “why is this not working?”)
- Once the staffing leadership team or functional heads have identified areas of waste or defect, they assess the need and extent for improvement in the short term (short-term goals) and the long term (long-term goals).

#### #3: Reviews

- Performance review cycles—Staffing leadership team, functional heads and managers monitor performance according to the following intervals:
  - Summary six ups: Quarterly
  - Program six ups: Monthly
  - Individual goals: Quarterly
- Coding system—Staffing function uses simple color-coding system to categorize performance levels:
  - Green: “Achieved or on target to be achieved”
  - Yellow: “Achievement in jeopardy or uncertain” (indicator is at risk and needs attention)
  - Red: “Will not achieve” (indicator requires immediate corrective course of action)

Source: Motorola, Inc.; Corporate Leadership Council research.
Case in Point: A Virtuous Cycle

The principles underlying the six sigma–based KPI template can spur a highly virtuous cycle leading to ever more fine-tuned measurement and increased process quality. In the six sigma KPI template, a continual drive toward process quality improvement, the deployment of process mapping for metrics identification and actual measurement are in a symbiotic relationship where an improvement in one area turns into an enhancement in the others.

Fine-Tuning Measurement Through Process Mapping

**Situation**
- In its first iteration of the cycle-time metric, the staffing function tracks the time elapsed between requisition opening and offer acceptance.
- Although the measurement results suggest that the staffing function’s cycle time is efficient vis-à-vis external benchmarks, the hiring managers consistently register concerns that time-to-fill is too long.

**Action**
- The staffing function repeats the initial process mapping exercise to identify whether the measure is out of synch with the function’s requirements.

**Simplified Process Map: Time-to-Fill**
- Process mapping highlights that the staffing function’s performance in the activities captured by the metric as it is currently configured is acceptable to excellent. However, the length of time elapsed on the first step of the process (not captured in the measurement) seems to take too long.
- Process mapping conducted for the approval stage highlights a defect in the requisition dispatch process that takes a requisition from approval to opening. Hiring managers are responsible for approving the requisition but must then identify the appropriate recruiting manager to open the requisition. This stage often takes several days and presents an unacceptable delay to the staffing function.

**Remedial Steps**
- The staffing function adjusts the cycle-time metric to capture the time elapsed between requisition approval and offer acceptance.
- The staffing function streamlines the approval dispatch process, automating the identification of appropriate recruiting managers and significantly reducing the time spent on this stage of the process.

**Result**
- The staffing function tracks more valuable metrics and also improves the recruiting process.
A NEW MEASUREMENT MANDATE
**COUNCIL ASSESSMENT:**

**SIX SIGMA–BASED KPI TEMPLATE**

**Key Differentiating Feature**
- A measurement approach explicitly designed around the six sigma performance management framework provides for de facto alignment of HR metrics with business priorities and places measurement directly in the context of improving process quality and efficiency.

**Caveat**
- The practice is most readily applicable in organizations that either use a six sigma approach to performance management or have a strong orientation toward process management and quality improvement in general. HR functions in companies where these factors are not given may find it difficult to operationalize the six sigma–based KPI template. That said, even those organizations may take value from this practice, as outlined below.

**Implementation Tips: Avenues for Action Where No Six Sigma Template Exists**
- **Foster receptiveness to a corporate-wide template**—Many organizations are deploying six sigma principles without associating it with a formal, corporate-wide template for key performance indicators. This scenario affords HR the opportunity to become a process innovator by proposing to the leadership team the value of a concerted, templated measurement effort and offering concrete and pertinent pointers regarding the inception and operationalization of such an approach.

- **Leverage six sigma as an evolving corporate initiative**—Although six sigma may not be operational, the leadership team may be considering endorsing this approach to performance management in the mid to long term. This is an opportunity for HR to become an active participant in such an initiative and to implement six sigma in tandem with the organization at large. Here, HR will find it valuable to apply the principles outlined in this practice to its own measurement effort even before the full-blown corporate initiative is in place.

- **Apply the basic principles even out of the six sigma context**—Where HR operates in an environment that does not support the six sigma philosophy, the Council believes that the basic principles outlined in this practice, specifically Step #3, still sharpen HR’s measurement effort if rigorously applied. A strong focus on process quality and customer satisfaction and a process-oriented approach toward identifying metrics and targets can be valuable guiding principles of aligning HR metrics with corporate priorities.
STEP #2: BUILDING FOR FLEXIBILITY

Benchmark Practice #3

Ongoing Metrics Alignment Protocol

Description
Designed to enable rapid adjustments of key HR metrics to changing organizational priorities, the ongoing metrics alignment protocol captures activities for recognizing and assessing the need for alignment as well as procedural steps for adjusting the HR system to the changed requirements.

Goal
The goal is to maintain maximum value of HR’s measurement effort by ensuring that the data and information provided to the line are in close alignment with business needs and priorities at all times.

Key Differentiating Feature
The protocol differs from standard practice in the ease and speed with which metrics can be realigned to address changed corporate requirements. In this manner, the protocol offers a template for operationalizing a process that many HR functions consider critical to their measurement efforts but have not yet attempted to implement.
Practice Background: 

Ongoing Metrics Alignment Protocol 

Geest PLC is a leading distributor of produce and prepared foods in the United Kingdom and continental Europe. The company employs approximately 10,000 individuals and generates annual revenues of approximately $845 million.

Situation

• Beginning early 1995, the HR team at Geest carefully aligns HR strategy and HR KPIs* with organizational priorities on an annual basis, and the HR system is configured to provide the line with a series of standard, real-time reports on key HR metrics.

• However, because Geest is operating in a dynamic and highly seasonal market, the company’s business priorities change across the year. Soon after the first set of metrics is operative, line managers request that metrics be adjusted to reflect their changed priorities.

• Although Geest’s metrics effort is heavily automated, relying on a fully integrated HR IT system, a realignment often requires the retrieval of new data from the system and the creation of new reporting categories or items. The challenge for HR is to find a strategy for enhancing the HR system’s flexibility without compromising data integrity or the system’s real-time reporting capability.

Action

• The group HR director reviews the activities and procedures involved in adjusting the measurement system (both in terms of metrics captured and IT systems) in response to changed business priorities in order to determine whether and how the process can be standardized and streamlined.

• The group HR director then establishes a formal protocol designed to transform metrics adjustments from ad hoc efforts into routine procedure. The protocol coordinates actions on the part of the group HR director, the HR systems manager and the IT vendor and involves the following steps:

  Step #1—Recognize Need for Metrics Realignment See page 40
  Step #2—Assess Need for Metrics Realignment See page 41
  Step #3—Implement Metrics Realignment See page 42

Result

• The ongoing alignment protocol enables the HR team to respond to adjustment requests from the line within a matter of days. Simple adjustments—fine-tuning existing data sets—may take as little as a half day to implement and roll out; more complex adjustments—adding to or replacing existing data sets—may require up to a week.

• This increased flexibility of Geest’s HR measurement system is positively received and well leveraged by the line. Across a 12-month period, Geest’s HR function typically conducts 16 minor and four major realignments, averaging one every two weeks.

* Key Performance Indicators.
Overview: Ongoing Metrics Alignment Protocol

The strength of the ongoing metrics alignment protocol lies in the coordination of strategic and tactical activities of the various individuals involved in recognizing, assessing or executing against realignment needs. In addition to structuring the process, the protocol also creates a clear division of labor that maximizes efficiency and effectively turns the realignment into a routine task.

The ongoing alignment protocol clearly structures the process...

Steps in Executing the Ongoing Alignment Protocol

1. **Step #1 Recognize Need for Metrics Realignment**
   - Constant review of metrics fit with organizational goals or concrete requests from the line.
   - See page 40.

2. **Step #2 Assess Need for Metrics Realignment**
   - Review of a set of specific criteria to determine which realignments are critical to implement and which ones can be deferred or ignored.
   - See page 41.

3. **Step #3 Implement Metrics Realignment**
   - Implementation of technical and informational changes to the measurement system to create new alignment for individual metrics or sets of metrics.
   - See page 42.

...and creates a clear division of labor between all involved individuals

Participants in the Ongoing Alignment Protocol

<table>
<thead>
<tr>
<th>Participants At Geest (Alternatives)</th>
<th>Role in Ongoing Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group HR Director</strong> (HR VP) (Head of HR) (HR Director) (HR Measurement Manager/Team)</td>
<td>Strategic: • Identify need for alignment&lt;br&gt;• Assess feasibility of adjustment&lt;br&gt;• Decide whether to conduct alignment following a cost and feasibility estimate from the IT vendor</td>
</tr>
<tr>
<td><strong>HR Systems Manager</strong> (HR IT Manager) (Corporate IT)</td>
<td>Tactical: • Specify implications of the alignment&lt;br&gt;• Liaise with IT vendor regarding the technical implications of the alignment&lt;br&gt;• Oversee implementation/rollout of adjusted HR system</td>
</tr>
<tr>
<td><strong>IT Vendor</strong> (In-House IT Department)</td>
<td>Tactical: • Estimate and confirm cost and feasibility of the adjustment&lt;br&gt;• Make necessary changes to the HR system&lt;br&gt;• Ensure accuracy/integrity of all datasets following the change</td>
</tr>
</tbody>
</table>

At Geest, the HR systems manager conducts the majority of alignment-related tasks; on average, she spends 25 percent of her time on alignment matters and this activity is built into her performance goals.

Source: Geest PLC; Corporate Leadership Council research.
BACKGROUND: THE HR SYSTEM BEHIND THE PROTOCOL

The ongoing metrics alignment protocol is conducted on the back of Geest’s fully integrated HR IT system. In order to illustrate the power of the measurement system and the kinds of metrics tracked and analyzed within it, the Council provides a brief overview of the system’s querying and reporting capabilities on the following two pages.

GEEST’S INTEGRATED HR IT SYSTEM OFFERS REAL-TIME QUERYING CAPABILITIES

• Geest’s fully integrated HR IT system was built in-house to the HR function’s specifications in 1996 after the company decided that the software package previously used did not satisfactorily meet the organization’s reporting requirements. The system houses in a single location all of Geest’s recruiting, payroll and benefits data as well as employee records.
• The HR system enables fast, real-time access to all metrics information on the desktop; even a complicated query takes only a matter of seconds to execute and will retrieve up-to-the-minute data points.
• The HR function has configured three sets of reporting tools to leverage the data contained within the system, presented in greater detail below.

HR System Reporting Capability

<table>
<thead>
<tr>
<th>Type of Report</th>
<th>Content</th>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HR KPI Report</strong></td>
<td>• Current HR KPIs, including:</td>
<td>• HR KPI reports menu retrieves read-only, “canned” data; however, although the report is canned, it does retrieve up-to-the-minute data on each indicator</td>
</tr>
<tr>
<td></td>
<td>✓ Appraisal</td>
<td>• Menu enables drill down from the higher levels to view increasingly specific data points (e.g., percentage of employees of a particular grade ready to move now)</td>
</tr>
<tr>
<td></td>
<td>✓ Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Retention</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Two-page executive overview of performance in key areas</td>
<td></td>
</tr>
<tr>
<td><strong>Standard Report</strong></td>
<td>• Current standard reports include:</td>
<td>• Standard reports enable users to configure queries within prescribed search parameters</td>
</tr>
<tr>
<td></td>
<td>✓ Average salary</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Employee start date</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Employee leave date</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Employee birth date</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ List of employee appraisals at a given point in time</td>
<td></td>
</tr>
<tr>
<td><strong>Data Extract System Report</strong></td>
<td>• Data Extract System contains all data within the HR system</td>
<td>• Data Extract System enables users to configure customized queries on any possible data set</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• System offers an extensive list of selection and setup criteria that help managers configure their queries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Selection criteria include:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Personal details</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Job details</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Appraisal details</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Business unit details</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Data Extract System also offers a query modification facility so that individuals can narrow or expand their query quickly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Resulting data sets can be exported into Excel or Word for presentation and analysis</td>
</tr>
</tbody>
</table>

Source: Geest PLC; Corporate Leadership Council research.
Although the HR KPI reports are “canned”…

...line managers can drill down on more specific metrics

The Data Extract System enables querying of any combination of data points in the system.
STEP #1: Recognize Need for Metrics Realignment

The group HR director constantly monitors the business and HR environment for changes that may require an adjustment to Geest’s measurement system. The need for such alignment may arise from a variety of sources such as changed business strategy or labor legislation and comes to the group HR director’s attention through a variety of channels.

Group HR Director Scans a Variety of Sources for the Need of a Metrics Realignment

Possible Causes for Metrics Realignment

1. Changed business priority requires a new or different metric

2. Existing metrics require fine-tuning to satisfy specific information needs

3. Line managers sense a problem or cause of concern and seek to substantiate this concern with quantitative evidence

4. Changed labor legislation poses new measurement requirement

Source ("Articulator")

- Group HR Director
- Line
- HR
- General press
- Industry press

Communication occurs via e-mail or paper-based memos, a one-on-one meeting between the line executive and the group HR director, or a simple phone call.

Source: Geest PLC; Corporate Leadership Council research.
**Step #2: Assess Need for Metrics Realignment**

The group HR director reviews requests and occasions for a metrics realignment according to four basic criteria: importance, cost, feasibility and time requirements. Although the group HR director reviews all of these criteria, not all are equal; importance, or urgency, for the business will take priority over all other factors.

### Metrics Realignment Diagnostic Questions at Geest

**Ongoing Metrics Alignment Protocol**  
**Occasion:** Introduce new HR KPI (Appraisal Rate)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Considerations</th>
<th>Specific Notes/Answers</th>
</tr>
</thead>
</table>
| **Importance**  
*How important is this change to the business?* | • Single request from a business leader is likely to be important  
• Single request from a junior manager may not be very urgent  
• Series of requests from junior or middle management staff may indicate urgent need | Business leaders have asked for the inclusion of new HR KPI: appraisal rate. Request is a high priority. |
| **Cost**  
*How much will it cost to implement this change?* | • Large changes are more expensive to implement  
• Likely cost must be commensurate to the likely impact the change is going to have on the quality/value-added of HR’s measurement  
• If the request is classified as high priority, cost is a secondary consideration | Request requires large-scale change; likely cost is in the region of several thousand pounds. |
| **Feasibility**  
*How many additional adjustments will the change require to maintain system integrity?* | • How many “adjacent” or related metrics files will we have to update to implement the change?  
• Are we currently tracking the data or do we have to “import” a data set from scratch? | Data is captured in the system but not currently configured as a KPI reporting item. We will need to adjust the KPI menus and some of the data structures. We will not need to enter new data or check for historical accuracy. |
| **Time**  
*How long will it take to effect the change?* | • Can we act on the request immediately, particularly if it is a high priority?  
• How long will it take to make the change? | Time required to conduct this adjustment is probably in the region of five to seven working days. |

Source: Corporate Leadership Council illustrative based on information provided by Geest PLC.
**STEP #3: IMPLEMENT METRICS REALIGNMENT**

The actual implementation of the changes to the measurement system is largely the responsibility of the HR systems manager. The HR systems manager works closely with the IT vendor to specify the exact nature of the necessary changes and execute these changes in the HR IT system.

### Implementation Flow of Metrics Realignment

<table>
<thead>
<tr>
<th>Stage</th>
<th>Actions</th>
<th>Complex Change</th>
<th>Simple Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage #1: Preparation</td>
<td>1. The HR systems manager prepares a detailed outline of the exact nature of the required change</td>
<td>1 day</td>
<td>0.5 day</td>
</tr>
<tr>
<td></td>
<td>2. The HR systems manager sends the “change order” to the IT vendor</td>
<td>0.5 day</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. The IT vendor prepares a cost and feasibility assessment; the vendor may contact the HR systems manager for clarification or further details where applicable or where the change has wider ramifications than Geest expected</td>
<td>0.5 day</td>
<td>3 days</td>
</tr>
<tr>
<td>Stage #2: Authorization</td>
<td>4.a. Cost-intensive changes</td>
<td>0.5 day</td>
<td>0.5 day</td>
</tr>
<tr>
<td></td>
<td>The HR systems manager seeks authorization from group HR director</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.b. Low-cost changes</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The HR systems manager authorizes change</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage #3: Implementation</td>
<td>5. The IT vendor implements all technical changes to the system</td>
<td></td>
<td>5 days total</td>
</tr>
<tr>
<td></td>
<td>5.a. Complex changes</td>
<td>3 days</td>
<td>0.5 day</td>
</tr>
<tr>
<td></td>
<td>For changes requiring far-reaching adjustment across the system, the IT vendor cuts a disk and sends it to the HR systems manager for rollout</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.b. Simple changes</td>
<td></td>
<td>1 day total</td>
</tr>
<tr>
<td></td>
<td>The IT vendor implements small changes directly onto Geest’s HR system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage #4: Rollout</td>
<td>6. The HR systems manager oversees rollout of the new version of the HR system in the organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.a. Complex changes</td>
<td></td>
<td>0.5 day</td>
</tr>
<tr>
<td></td>
<td>Where change is complex, the HR systems manager forwards the IT vendor’s disk to the Geest IT department for implementation overnight</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.b. Simple changes</td>
<td></td>
<td>5 days total</td>
</tr>
<tr>
<td></td>
<td>The HR systems manager tests small changes on a dummy HR system (reflecting the actual system but not live) and then rolls change out overnight</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Geest PLC; Corporate Leadership Council research.
Case in Point: Metrics Realignment at Geest

---

Metrics Realignment in Action:
Fine-Tuning Turnover Metrics at Geest

Situation
- In mid 2000 Geest’s HR function tracks aggregate turnover in its production sites. Measurement shows that turnover rates are fairly high, but initially the business is only mildly concerned. As many of Geest’s operations are seasonal, high turnover rates on the shopfloor are a common occurrence and Geest performs acceptably against external benchmarks.
- However, over a period of time various businesses begin to feel that there is a more serious problem underlying shopfloor turnover. Specifically, there is a concern that turnover among permanent shopfloor staff may be too high.

Action
- The group HR director reviews existing measures of shopfloor turnover and decides that the current configuration of this metric does not provide the information the line really needs at this time. A metrics realignment may be necessary to capture turnover among permanent staff on the shopfloor.
- A quick review of the criteria for initiating a metrics realignment yields the following conclusions:

<table>
<thead>
<tr>
<th>Importance</th>
<th>Request is urgent; if turnover among permanent staff is higher than we thought, we need to act on this quickly.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Change requires only minor adjustment; all the data is in the system, we just need to configure it differently. Cost is likely around £500.</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No problem here.</td>
</tr>
<tr>
<td>Time</td>
<td>Can implement change within a day.</td>
</tr>
</tbody>
</table>

- Following the go-ahead from the group HR director, the HR systems manager reviews the parameters of the requested changes and coordinates with the IT vendor. The vendor adjusts the configuration of the turnover category and within one day the measurement system tracks the resignation rate among permanent shopfloor staff.

Result
- The new configuration of turnover measurement quickly yields two insights. First, most of the turnover on the shopfloor is not caused by seasonal staff but by permanent contract employees, which poses a significant risk of knowledge erosion to the company. Second, turnover of permanent shopfloor staff is mostly voluntary by resignation.
- Recognizing that Geest must address the problem of high resignation rates among permanent staff on the shopfloor, the HR function initiates a strategy to improve employee working conditions, employee satisfaction and ultimately retention among permanent staff on the shopfloor.
**A New Measurement Mandate**

**Why Not Simply Automate Metrics Realignments?**

A state-of-the-art data mining and warehousing application such as those offered by Cognos or Brio could arguably eliminate the need for an ongoing alignment protocol in two ways: first, by enabling instant and unlimited “slicing and dicing” of data that eliminates the need to reconfigure metrics in the system; and second, by offering line managers access to the system so that the line can retrieve and manipulate the information it truly needs.

However, the Council posits that such tools would actually automate data reconfiguration in the system without validating whether a realignment of HR or organizational key indicators is warranted in the first place.

Moreover, Council research suggests that, in fact, line managers often do not want access to a system, however sophisticated, to conduct their own data retrieval and analysis; what they do want is ready-made reports on their desks that contain the information they need. The ongoing metrics alignment protocol contributes to achieving just that.

---

**Statistics: Ongoing Metrics Alignment Protocol at Geest**

In order to offer members a greater insight into the extent, frequency and ease with which this protocol is deployed at Geest, the Council has included some “vital statistics” of the cost and time implications of this tool. Moreover, on this page the Council offers an opinion of why an ongoing metrics alignment protocol is valuable even given the existence of software applications that may automate or even eliminate the need for such a process.

---

**Ongoing Metrics Alignment Protocol Statistics**

<table>
<thead>
<tr>
<th>Cost</th>
<th>Average cost of small changes—£700 (approx. $1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average cost of large changes—£7,000 (approx. $10,000)</td>
</tr>
<tr>
<td>Time Requirement</td>
<td>Small changes—0.5 day to 1 day</td>
</tr>
<tr>
<td></td>
<td>Large changes—up to 5 days</td>
</tr>
<tr>
<td>Frequency</td>
<td>Geest makes approximately 20 changes in total per year, 16 of which are small and four of which are large</td>
</tr>
<tr>
<td>Types of Changes</td>
<td>1. Provide the option to reinstate “leavers” even if they are no longer recorded within the payroll system.</td>
</tr>
<tr>
<td></td>
<td>2. Add extra hourly rates to the HR system, Direct Input Database system and Payroll Interface system.</td>
</tr>
<tr>
<td></td>
<td>3. Extend the length of the Social Security Number field to record 12-digit Social Security Numbers (to cater to European employees).</td>
</tr>
<tr>
<td></td>
<td>4. Extend the Bonus Management system to permit the input of bonus scheme changes and grade changes through the Recruiting Authorization form.</td>
</tr>
<tr>
<td></td>
<td>5. Revise new KPI reports and amend the associated menus to accommodate the new Key Success Factors, which are due to be introduced within Geest (in progress).</td>
</tr>
</tbody>
</table>

Source: Geest PLC; Corporate Leadership Council research.
Ongoing Metrics Alignment Protocol

Key Differentiating Features

- The ongoing metrics alignment protocol differs from standard practice in the ease and speed with which metrics can be realigned to address changed corporate requirements. In this manner, the protocol offers a template for operationalizing a process that many HR functions consider critical to their measurement efforts but have not yet attempted to implement.

- The protocol also offers a strategy for quick realignment of individual metrics while the measurement and reporting systems remain fully operational at all times; users will not experience system downtime or data conflicts.

Caveats

- The implementation of this protocol may be cost intensive where companies have no existing relationships with IT vendors or where internal IT skills are not suited to executing the tasks described in this practice. However, as the principles outlined in this protocol can be easily applied to any organization’s existing metrics reporting structure, the Council suggests that the cost of conducting ongoing realignment may be significantly less than the cost of buying and rolling out an entire new software application, at least in the midterm.

Implementation Tips

- Identify locus of technical capability—The approach is not predicated on close relations with a particular external vendor. Companies seeking to implement this infrastructure merely need to determine who is responsible for the development and maintenance of their HR system—whether that individual be inside or outside HR, or internal or external to the organization. Once that individual or department is identified, it should take little effort to add a responsibility for metrics realignment to their day-to-day responsibilities.

- Bring ownership of the protocol into HR—The value of the protocol is maximized where the HR function can create an HR position dedicated, at least in part, to executing against this protocol. The cost involved in maintaining measurement flexibility likely decreases significantly as HR executes more tasks against this protocol independently from IT.

Secondary Benefits

- In addition to realignment, the ongoing metrics alignment protocol provides much-needed capabilities for quick corrections where HR functions are implementing a concerted metrics effort for the first time and are necessarily learning by trial and error.
Chapter II: Metrics Rollout

- Step #3: Assigning Ownership of Metrics
  - Benchmark Practice #4: Line-Led Workforce Measurement

- Step #4: Creating Performance Incentives
  - Benchmark Practice #5: Metrics-Linked Bonus Payouts

- Step #5: Educating the Organization About Metrics
  - Benchmark Practice #6: Metrics E-Learning Program
**Step #3: Assigning Ownership of Metrics**

**Benchmark Practice #4**

**Grandis* Line-Led Workforce Measurement**

**Description**
Business leaders jointly identify pertinent workforce indicators in line with overall HR strategic priorities and are responsible for stewarding their unit’s performance toward achieving specific metrics targets assigned to their portfolios of responsibilities.

**Goal**
The goal is twofold. The first goal is to ensure alignment of metrics with overall business needs. The second goal is to hardwire line engagement and active support of the HR measurement process.

**Key Differentiating Feature**
This approach is unparalleled in its assignment of line ownership for HR strategy and measurement.

---

**Further Best Practice Encountered in the Course of Research**

**Functional Metrics Ownership**

**Description**
Cisco organizes its metrics efforts by groups (functions) of employees sharing the same role, such as engineering or sales, across all its business units. The rationale is that the functional group provides a more meaningful unit of aggregation for data relating to compensation, retention, etc.

**Goal**
The goal is to monitor trends in relation to groups of employees that share the same characteristics and interests rather than by aggregate business units.

---

* Pseudonym.
**Council Essay: Assigning Ownership for Metrics**

Out of the practices profiled in this brief, the approach profiled here likely poses the greatest implementation challenge for HR functions. On this page, therefore, the Council addresses the key obstacles HR faces when attempting to introduce line ownership of metrics and suggests a series of avenues for overcoming such obstacles.

### Practice Drivers

- One of the most frequently cited reasons for the lack of impact or value of HR’s measurement effort is the fact that the organization at large does not use HR metrics in its decision- or strategy-making processes.
- The key underlying problem is that line executives have traditionally not considered HR metrics to be a true source of management intelligence that can enhance their ability to realize business goals by offering valuable, even critical, information.
- Council research highlights that the most effective strategy for ensuring that HR measurement information is fully leveraged for business strategy is to place ownership of HR metrics with those parts of the organization that should be the true beneficiaries: line executives.

### Key Obstacles

- The key obstacle to implementing such a strategy is that, in focusing on market, revenue and customer issues, line managers often feel little to no responsibility for workforce management issues. The common refrain is “that’s HR’s responsibility.”
- This reluctance is compounded when it comes to HR measurement, not least because metrics can quickly carry compensation implications that line executives may consider unacceptable if they do not recognize that they conduct HR-like functions in the context of their jobs.

### Implementation Tips

- **Enhance HR’s business outlook**—Preparatory action must be to imbue the HR function with a strong business orientation so that HR staff can be professional and credible when they begin to interact with line managers on the matter of HR metrics.
- **Provide incentives**—If the process is properly configured, it is in each executive’s interest to become an owner of workforce measurement because metrics will closely tie into business goals and provide critical information for strategic decisions.
- **Enlist key individuals**—Once a key decision maker accepts the benefits of line-led workforce measurement at least in principle, HR can work with that individual and introduce the concept to a larger audience, leveraging the key decision maker’s influence and credibility.
- **Conduct pilot**—If a particular business unit is receptive to a trial of line ownership, HR should conduct a pilot and closely record results and obstacles along the way. Not only will a pilot enable HR to improve the proposed process, but it also creates evidence that can be used to convince other business units of the value of this approach.
- **Leverage CEO support**—Where the CEO works closely with HR on workforce management issues, HR can leverage that relationship and, through lines of authority in the organization, exert pressure on the line to accept line ownership of HR metrics.
Practice Background:

Line-Led Workforce Measurement

Grandis Company® is a large multinational corporation operating in the energy industry. The company employs more than 100,000 individuals and generates annual revenues in excess of $20 billion.

Situation

• The HR department at Grandis Company strongly espouses a performance-driven approach to the management of workforce issues and seeks to align HR strategy and metrics with business priorities.
• Recognizing that a line-led approach to HR strategy formulation is the most efficient and substantive way of fostering true alignment between business and HR strategy, the HR department must develop a protocol for hardwiring line ownership of the HR strategy—and measurement—process.

Action

• The HR department develops a common process for formulating workforce management strategy that will feed into the overall business planning process. HR professionals receive training to promote the use of this process to ensure involvement of business unit executives in facilitated planning sessions to establish priorities, action plans and measurements for execution against strategic workforce initiatives in their business units.
• From a measurement perspective, the new line-led process helps to transfer responsibility for defining HR metrics and managing performance toward specific goals from the HR function to the line, creating a significant element of line ownership of workforce measurement.
• In addition to defining pertinent HR metrics, line ownership of metrics involves managing the business units’ performance against HR metrics targets and taking remedial actions where necessary. Line ownership does not, however, involve responsibility for tracking and compiling data; such tasks remain within the domain of HR.

Result

• Strategically aligned workforce management metrics become part of a small selection of overall business performance indicators designed to enhance Grandis Company’s continued growth.

* Pseudonym.
### Overview: Line-Led Workforce Measurement

Line ownership of workforce-related metrics applies to all strategic aspects of the measurement process, from identifying aligned metrics to assigning responsibility and accountability for managing performance against HR goals. The HR function guides the leadership team in the use of workforce metrics and coordinates data collection.

The focal point of line-led workforce measurement is managing performance against HR goals and leveraging workforce metrics to enhance the growth of each business unit. Significantly, this is built on a partnership with the HR function. HR leaders act as “business partners” to provide expertise and guidance to line executives to enable them to set appropriate goals and improve their business units’ achievements in HR matters.

#### Distribution of Metrics-Related Responsibilities at Grandis Company*

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Line Responsibility</th>
<th>HR Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identifying Metrics (HR and otherwise)</td>
<td></td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>Selecting and substantiating HR metrics in close accordance with overall business strategy and need Component #1, see page 54</td>
<td>![Checkmark]</td>
<td>![Checkmark]</td>
</tr>
<tr>
<td>2. Assigning Line Champions to Individual HR Metrics</td>
<td>![Checkmark]</td>
<td></td>
</tr>
<tr>
<td>Allocating each HR metric to a dedicated line owner Component #2, see page 56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Gathering Data</td>
<td>![Checkmark]</td>
<td></td>
</tr>
<tr>
<td>Accessing HR system(s) to retrieve data for each HR indicator on a monthly/quarterly basis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Collating Data/Creating Reports</td>
<td>![Checkmark]</td>
<td></td>
</tr>
<tr>
<td>Analyzing data and aggregating results into coherent reports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Managing Performance Toward Metrics Goals</td>
<td>![Checkmark]</td>
<td></td>
</tr>
<tr>
<td>Ensuring that line managers (and HR, where appropriate) work toward achieving the goals of workforce management strategy; instigating and supervising corrective action where necessary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Reporting on HR Metrics to the Leadership Team</td>
<td>![Checkmark]</td>
<td></td>
</tr>
<tr>
<td>Presenting results of performance against metrics targets during monthly executive meetings Component #3, see page 57</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Pseudonym.

Source: Corporate Leadership Council research.
Component #1: Line-Led Metrics Identification

During the annual HR planning process conducted by the various business unit leadership teams, line executives, in cooperation with the HR function, identify the key HR actions and metrics that will support or even drive each unit’s ability to achieve its goals for the year.

---

**Line-Led Metrics Identification Process**

- **Activity**—The business unit executive team, composed of business leaders and the relevant HR manager, reviews business objectives in light of any issues likely to impact the business; HR provides information regarding social, legislative and labor market demographics affecting the workforce.
- **Outcome**—A common understanding of business goals and the environment within which they will be implemented.

- **Activity**—Using business objectives as a framework for discussion, the business unit executive team identifies potential workforce-related barriers to the unit’s success.
- **Outcome**—A clear segmentation of workforce implications into HR activity areas.

- **Activity**—The business unit executive team uses the output of the previous session to analyze gaps between current and target workforce.
- **Outcome**—A list of people requirements in alignment with business objectives; assessment of the extent and importance of workforce capability gaps.

- **Activity**—The executive team analyzes the effectiveness of current actions in light of the identified workforce gaps and discusses possible new initiatives to close these gaps.
- **Outcome**—A detailed assessment of utility of current and future HR initiatives in the context of people and business requirements.

- **Activity**—The team develops metrics to gauge process against action plans, and key metrics are integrated into the business unit’s performance measurement system.
- **Outcome**—A set of leading and lagging metrics and agreement on targets as well as tracking and monitoring of metrics.

---


Source: Corporate Leadership Council research.
Component #1: Line-Led Metrics Identification (continued)

Line and HR Agree on Ownership of Each Initiative and Metric

*Line executives lead the charge in developing workforce strategy...*

<table>
<thead>
<tr>
<th>Area: Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Actions</td>
</tr>
<tr>
<td>Technology training</td>
</tr>
<tr>
<td>Establish partnership with cultural consulting firm specializing in Mexico</td>
</tr>
</tbody>
</table>

**Current Actions**

<table>
<thead>
<tr>
<th>Change management training</th>
<th>Yes</th>
<th>No</th>
<th>Business Objectives Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-line supervisor training</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales training on cross-selling</td>
<td>✓</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Business skills workshops</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal development training</td>
<td>✓</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Sales force training</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Any initiative that is not clearly supporting current business objectives is terminated.

...and decide whether the locus of ownership for each metric associated with workforce strategy should lie with the line or with HR

<table>
<thead>
<tr>
<th>Integrated HR/Business Plan: Establish and Roll Out Technology Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action</td>
</tr>
<tr>
<td>Conduct needs analysis to identify key areas for focus of training</td>
</tr>
<tr>
<td>Use needs analysis to identify groups of employees requiring training</td>
</tr>
<tr>
<td>Design training program to address identified needs</td>
</tr>
<tr>
<td>Schedule and conduct training</td>
</tr>
<tr>
<td>Assess trained population against new competency models</td>
</tr>
</tbody>
</table>

Source: Corporate Leadership Council research.
Component #2: Executive Champion Allocation

Once the leadership team and HR in a business unit have determined workforce strategy items and metrics and agreed on a locus of ownership in principle, the executive team allocates responsibility for each of the line-owned metrics to a designated “executive champion.” The executive champion will monitor performance within the business unit toward the metrics goals across the year, delegating tasks to direct reports as appropriate and consulting with HR if needed.

Allocation of Executive Champions for HR Metrics

Division leaders jointly review those metrics for which the line is responsible or accountable…

…and allocate each of these metrics to a dedicated “executive champion”

—Considerations in Allocating Executive Champions—

Although there is no formal protocol in place, executive teams typically act on a consistent set of considerations when allocating executive champions to line-owned HR metrics.

A metric is allocated to an individual executive if

• the metric closely ties to a specific business unit’s issues or problems,
• the metric falls into an executive’s particular area of expertise or knowledge,
• the executive has previous experience in managing performance against a specific metric,
• the executive actively seeks to own this metric (for developmental reasons, to complement a pre-existing initiative, etc.).

Source: Grandis Company; Corporate Leadership Council research.
COMPONENT #3: PERFORMANCE MONITORING

Every month the business unit leadership team holds a meeting to review the business unit’s overall performance, including performance against workforce metrics and HR action plans. Executive champions deliver a verbal or written report on the state of “their” metrics, based on data and information contributed by the HR function.

If performance is not on target, the executive champion is expected to present suggestions for corrective actions, which the team will jointly consider and agree to, setting new targets where appropriate. In this manner, this component encapsulates the core aspect of line-led workforce measurement, monitoring the organization’s performance toward metrics goals and leveraging metrics to enhance corporate growth.

Sample Performance Report

<table>
<thead>
<tr>
<th>Performance Against Workforce Strategy Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Champion</strong></td>
</tr>
<tr>
<td><strong>Metrics Owned</strong></td>
</tr>
<tr>
<td><strong>Date</strong></td>
</tr>
</tbody>
</table>

1. Performance Against Technology Training Execution

<table>
<thead>
<tr>
<th>Performance level</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Train 70 percent of the sales force by March</td>
<td>• Trained approximately 40 percent of the sales force</td>
<td></td>
</tr>
<tr>
<td>• Stay within training budget</td>
<td>• Still within training budget</td>
<td></td>
</tr>
</tbody>
</table>

If target not met, please give reasons

Line managers ran into scheduling conflicts with the traveling sales force

Suggested action

- Line managers to post training schedule early next month and ensure that direct supervisors free time in their sales staff’s schedules
- HR working on virtual training module to reach traveling staff

Executive champions formulate proposals for corrective actions in close cooperation with the HR department.

Source: Corporate Leadership Council research.
**Viewpoint: A New Locus of Ownership for HR Metrics?**

While the immediate reaction of many line executives tasked with managing performance toward HR-related metrics is likely “such things are HR’s responsibility,” most of the Council’s members agree that ownership for many HR metrics should actually fall to the line. Drawing on research findings, the Council has put together a categorization of metrics according to whether they can be meaningfully owned by the line or whether they should be owned by HR or by a line–HR partnership. Although the resulting distribution of metrics will not be a surprise to the HR practitioner, it may be helpful in structuring HR’s thinking on ownership allocation for different metrics.

**Distribution of Metrics Across Different Ownership Types**

<table>
<thead>
<tr>
<th>Metrics Most Suitable for...</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line Ownership</td>
<td>• Employee turnover&lt;br&gt;• Employee satisfaction index&lt;br&gt;• Employee productivity&lt;br&gt;• HIPO bench strength&lt;br&gt;• Absenteeism&lt;br&gt;• Employee development (number of employees with development plans, etc.)&lt;br&gt;• Employee relations index&lt;br&gt;• Health and safety compliance record</td>
</tr>
<tr>
<td>HR Ownership</td>
<td>• HR effectiveness metrics&lt;br&gt;• HR cost metrics&lt;br&gt;• Headcount (both corporate and HR)&lt;br&gt;• Benefits transaction metrics&lt;br&gt;• Payroll transaction metrics</td>
</tr>
<tr>
<td>Joint Line–HR Ownership</td>
<td>• Diversity targets&lt;br&gt;• Internal promotion percentage&lt;br&gt;• Recruitment (quality of hire, time-to-fill)&lt;br&gt;• Training effectiveness&lt;br&gt;• Senior talent pipeline</td>
</tr>
</tbody>
</table>

- The metrics in this cell are compelling candidates for line ownership. Each item is significantly impacted by day-to-day interactions between managers and employees. Arguably these metrics are organizational rather than “pure” HR metrics.
- Here, it is HR’s responsibility to conduct the actual measuring and to provide line managers with the metrics reports and actionable advice and guidance that they need to own and improve these metrics.
- Ownership of these transactional metrics cannot reasonably be devolved to the line. Managing performance in these areas squarely falls within HR’s domain of responsibility.
- The most appropriate locus of ownership for the metrics in this cell must be determined on a case-by-case basis. This is because both HR and the line are involved in the processes underlying these metrics. For example, although HR may advertise positions, it is often the line that conducts interviewing and makes the ultimate hiring decisions.

Source: Corporate Leadership Council research.
COUNCIL ASSESSMENT:  
LINE-LED WORKFORCE MEASUREMENT

Key Differentiating Feature

• The approach is unparalleled in its assignment of line ownership for HR strategy and measurement.

Caveat

• The effective use of the practice is predicated on HR’s ability to secure line buy-in to the entire joint workforce planning and measurement process. Where the line does not outright lead strategy formulation and metrics identification activities, it is improbable that line executives will accept responsibility or accountability for workforce metrics.

Implementation Tips

• Enhance HR’s business outlook—Preparatory action must be to imbue the HR function with a strong business orientation so that HR staff can be professional and credible when they begin to interact with line managers on the matter of HR metrics.

• Provide incentives—If the process is properly configured, it is in each executive’s interest to become an owner of workforce measurement because metrics will closely tie into business goals and provide critical information for strategic decisions.

• Enlist key individuals—Once a key decision maker accepts the benefits of line-led workforce measurement at least in principle, HR can work with that individual and introduce the concept to a larger audience, leveraging the key decision maker’s influence and credibility.

• Conduct pilot—If a particular business unit is receptive to a trial of line ownership, HR should conduct a pilot and closely record results and obstacles along the way. Not only will a pilot enable HR to improve the proposed process, but it also creates evidence that can be used to convince other business units of the value of this approach.

• Leverage CEO support—Where the CEO works closely with HR on workforce management issues, HR can leverage that relationship and, through lines of authority in the organization, exert pressure on the line to accept line ownership of HR metrics.
Step #4: Creating Performance Incentives

Benchmark Practice #5

ADP Metrics-Linked Bonus Payouts

Description
The size of bonus payments for executives is directly linked to the performance of their business units against a portfolio of key metrics, including employee turnover and employee satisfaction. The exact composition of the metrics portfolio varies by business unit according to that unit’s strategic priorities, and executives have some leeway in determining the weighting and targets associated with each metric.

Goal
The goal is threefold. First, to create accountability for performance against key business indicators. Second, to align the company’s management bonus plan toward common strategic goals. And third, to embed the use of metrics in strategic decision making.

Key Differentiating Feature
This approach differs from standard practice in the stringency and rigor applied to linking HR-related metrics to executive performance bonuses.
Practice Background:

**Metrics-Linked Bonus Payouts**

Automatic Data Processing (ADP) is one of the largest payroll and tax-filing processors in the world. The company employs approximately 40,000 individuals and generates annual revenues of approximately $7 billion.

**Situation**

- The VP of HR at ADP’s National Accounts Services (NAS) division recognizes that the function is ill poised to deliver against ADP’s corporate-wide priorities of providing world-class service to its customers and becoming an employer of choice. The VP of HR suspects that the division’s specific obstacles are directly related to high levels of employee turnover and employee dissatisfaction within the workplace.
- In order to substantiate this assumption and to gather viable data for charting a necessary course of improvement, in 1999 the VP of HR introduces a divisionwide system for tracking performance against business and HR priorities.
- Because a concerted approach to measurement is new to the division and performance in key areas requires quick and drastic improvement, the VP of HR seeks a mechanism for hardwiring accountability while incenting executives to manage performance toward the aggressive goals, especially in the area of employee turnover and satisfaction.

**Action**

- Based on previous experience in this field, the VP of HR decides that the most powerful way of encouraging executives to buy into the new measurement system is to link at least part of their compensation to the achievement of specific metrics-related targets.
- To this end, the VP of HR empowers the compensation function to create a metrics-linked bonus plan for the division’s 350 leaders. Spanning ADP NAS’s balanced scorecard categories, the bonus plan incorporates metrics (called “bonus indicators”) that directly relate to HR, e.g., employee turnover and satisfaction, as well as business-specific metrics relating to customer service, financial and operational excellence.
- Developing the bonus plan involves four components:
  - Component #1—Identification of Bonus Indicators See page 65
  - Component #2—Weighting of Bonus Indicators See page 66
  - Component #3—Setting Targets for Bonus Indicators See page 67
  - Component #4—Performance Scaling See page 68

**Result**

- Over the measurement period following the introduction of the metrics-linked bonus plan, turnover in the division declines significantly while employee satisfaction improves by several points.
- Overall performance of the division sees an aggressive turnaround, making the division a center of excellence in the corporation; other divisions are now asking for the measurement and bonus-plan system to be rolled out across the organization to enable them to achieve similar results.
OVERVIEW

Linking metrics to executive bonuses is a challenging task, especially when some of them are related to HR issues. The key success factor here is for HR to work very closely with the line at every step of the process; only active line involvement in indicator selection and calibration can secure the line’s buy-in to such an approach.

Prior to offering detailed mechanics for each component of this practice, the Council highlights how HR and the line share responsibilities at each step of the process, yielding the successful implementation of a metrics-linked bonus plan at ADP NAS.

Creating a Metrics-Linked Bonus Plan: Sharing of Responsibilities at ADP NAS

<table>
<thead>
<tr>
<th>Action/Step</th>
<th>HR Indicators (Employer of Choice: employee turnover and satisfaction)</th>
<th>Business Indicators (operational excellence, world-class service, revenues)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component #1</td>
<td>Identifying suitable indicator categories</td>
<td>HR Sets categories based on business strategy</td>
</tr>
<tr>
<td></td>
<td>Populating categories with metrics</td>
<td>HR Sets HR metrics; VP makes ultimate decision</td>
</tr>
<tr>
<td>Component #2</td>
<td>Weighting categories and metrics</td>
<td>HR Sets weighting for category and individual metrics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Line Has very limited room for negotiating the proposed HR metrics</td>
</tr>
<tr>
<td>Component #3</td>
<td>Setting targets</td>
<td>HR Sets targets for each metric</td>
</tr>
<tr>
<td>Component #4</td>
<td>Creating performance scales</td>
<td>Line Has limited room for negotiating the targets</td>
</tr>
<tr>
<td>“Signing Off”</td>
<td>CEO and HR</td>
<td>CEO, HR and Line</td>
</tr>
</tbody>
</table>

Source: ADP NAS; Corporate Leadership Council research.
**Component #1: Identification of Bonus Indicators**

The identification of bonus indicators follows a process similar to that outlined in the first benchmark practice (Strategic Metrics Cascade Process, page 10) profiled in this brief. The HR leadership team gathers, reviews and aggregates input from a variety of business sources to establish overall indicator categories for the balanced scorecard, then populates each category with pertinent metrics using a cascading process. Members seeking additional detail on this process should refer to Benchmark Practice #1. This page captures the outcomes of the process at ADP NAS.

*Drawing on a wide and comprehensive range of sources, the HR leadership team pinpoints value-added categories...*

<table>
<thead>
<tr>
<th>Inputs/Sources</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Strategy</td>
<td>Balanced Scorecard Categories</td>
</tr>
<tr>
<td>HR Strategy</td>
<td>1. Employer of Choice</td>
</tr>
<tr>
<td>Employee Surveys</td>
<td>2. Operational Excellence</td>
</tr>
<tr>
<td>Discussions with Line Executives</td>
<td>3. World-Class Service</td>
</tr>
<tr>
<td></td>
<td>4. Financial Excellence</td>
</tr>
</tbody>
</table>

*...and populates each category with specific metrics to which executive bonuses can be meaningfully linked*

<table>
<thead>
<tr>
<th>Category</th>
<th>Bonus Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employer of Choice</td>
<td>• Reduce employee turnover by xx percent</td>
</tr>
<tr>
<td></td>
<td>• Increase employee satisfaction by xx percent</td>
</tr>
<tr>
<td></td>
<td>• Meet employee training and development targets</td>
</tr>
<tr>
<td>2. Operational Excellence</td>
<td>• Launch specific initiative by target date</td>
</tr>
<tr>
<td></td>
<td>• Develop plan for key business project by target date</td>
</tr>
<tr>
<td></td>
<td>• Increase production capacity by xx percent</td>
</tr>
<tr>
<td>3. World-Class Service</td>
<td>• Meet client retention goal of xx percent</td>
</tr>
<tr>
<td></td>
<td>• Meet client satisfaction goal of xx percent</td>
</tr>
<tr>
<td>4. Financial Excellence</td>
<td>• Meet $xx,xxx revenue target</td>
</tr>
<tr>
<td></td>
<td>• Meet sales plan</td>
</tr>
<tr>
<td></td>
<td>• Meet $xx,xxx net operating income</td>
</tr>
</tbody>
</table>

Source: ADP NAS; Corporate Leadership Council research.
## Component #2: Weighting of Bonus Indicators

The indicator weightings and targets reflect the degree of importance attached to each category and to each indicator within it and provide the basis for calculating executive bonuses. HR determines indicator weightings in very close cooperation with line executives.

### Indicator Weightings at ADP NAS

*Each bonus indicator category, and each metric within it, receives a weighting commensurate to its importance for achieving corporate or business unit goals.*

<table>
<thead>
<tr>
<th>Category</th>
<th>Overall Weighting</th>
<th>Bonus Indicator Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employer of Choice</td>
<td>20%</td>
<td>• Employee retention 7.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employee satisfaction 7.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Bench development 5%</td>
</tr>
<tr>
<td>2. Operational Excellence</td>
<td>20%</td>
<td>• Launch new project 5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Develop project plans 5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increase capacity 10%</td>
</tr>
<tr>
<td>3. World-Class Service</td>
<td>20%</td>
<td>• Client retention 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Client satisfaction 10%</td>
</tr>
<tr>
<td>4. Financial Excellence</td>
<td>40%</td>
<td>• Meet revenue plan 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Meet sales plan 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Meet net operating income 20%</td>
</tr>
</tbody>
</table>

Source: ADP NAS, Corporate Leadership Council research.
**Component #3: Setting Targets for Bonus Indicators**

Each metric within individual bonus indicator categories receives a target. For HR metrics, the targets are set by the VP of HR based on company needs as well as improvements over historical results. For business indicators, targets are set by the various executive teams.

## Indicator Targets at ADP NAS

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employer of Choice</td>
<td>Employee retention, Employee satisfaction, Bench development</td>
<td>88%, 20.00–20.50 points, Meets expectations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Operational Excellence</td>
<td>Launch new project, Develop project plans, Increase capacity</td>
<td>Meets expectations, Meets expectations, Meets expectations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. World-Class Service</td>
<td>Client retention, Client satisfaction</td>
<td>90%, 78 points</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Financial Excellence</td>
<td>Meet revenue plan, Meet sales plan, Meet net operating income</td>
<td>$xx,xxx, $xx,xxx, $xx,xxx</td>
</tr>
</tbody>
</table>

Specific meaning of generic, qualitative targets such as “meets expectations” is detailed in the performance scales (see next page).

Business targets are configured based on two considerations: 1) What is a reasonable stretch goal? 2) What is the historic performance of the division in this area?

---

**Spotlight on Negotiable and Non-Negotiable Metrics**

- ADP makes an interesting distinction between metrics that are non-negotiable and metrics that are negotiable by the business.
- HR related indicators are non-negotiable as the company believes that these indicators affect not only the “employer of choice” category central to ADP’s business strategy but also performance in the categories of operational excellence and world-class service. That said, business units may ask for some adjustment (typically to reduce the targets) in circumstances where the targets set by HR present an extreme stretch.
- All other indicators are negotiable, which means that although HR does propose weightings and targets, the business units can adjust both aspects as they see fit.

Source: ADP NAS; Corporate Leadership Council research.
A New Measurement Mandate

Component #4: Performance Scaling

The final piece of the formula is to create detailed scales of performance indicating which level of achievement equates to a specified target. The midpoint of each performance scale is the target established for each indicator.

Performance Scales at ADP NAS

1. Employer of Choice

<table>
<thead>
<tr>
<th>% of Target</th>
<th>Employee Retention</th>
<th>Employee Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>85.0%</td>
<td>19.45 points</td>
</tr>
<tr>
<td>80%</td>
<td>86.5%</td>
<td>19.73 points</td>
</tr>
<tr>
<td>100%</td>
<td>88.0%</td>
<td>20.00–20.50 points</td>
</tr>
<tr>
<td>125%</td>
<td>88.7%</td>
<td>20.55 points</td>
</tr>
<tr>
<td>150%</td>
<td>89.3%</td>
<td>20.63 points</td>
</tr>
<tr>
<td>200%</td>
<td>90.0%</td>
<td>20.69 points</td>
</tr>
</tbody>
</table>

2. Operational Excellence

<table>
<thead>
<tr>
<th>% of Target</th>
<th>Performance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>Fell short on expectations in all or most factors of the goal</td>
</tr>
<tr>
<td>50–100%</td>
<td>Met expectations on most factors but fell short on a small number</td>
</tr>
<tr>
<td>100%</td>
<td>Fully met expectations on all factors</td>
</tr>
<tr>
<td>100–125%</td>
<td>Fully met expectations on all factors; exceeded expectations on many</td>
</tr>
<tr>
<td>125–150%</td>
<td>Exceeded expectations on most factors of the goal</td>
</tr>
<tr>
<td>150–200%</td>
<td>Exceeded expectations on all factors of the goal</td>
</tr>
</tbody>
</table>

3. World-Class Service

<table>
<thead>
<tr>
<th>% of Target</th>
<th>Client Retention</th>
<th>Client Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>84.0%</td>
<td>73 points</td>
</tr>
<tr>
<td>80%</td>
<td>88.0%</td>
<td>76 points</td>
</tr>
<tr>
<td>100%</td>
<td>90.0%</td>
<td>78 points</td>
</tr>
</tbody>
</table>

Performance scales typically cover a range of half to double the expected performance vis-à-vis the target baseline.

Source: ADP NAS, Corporate Leadership Council research.
**Bonus Calculation Applied**

In order to illustrate how the bonus indicators might translate into practice, the Council has created hypothetical performance records for two different individuals. The total payout is specified for the target performance, which receives a bonus multiplier of 1. Executives exceeding their targets receive a higher bonus payout, calculated by a multiplier between 1 and 2. The illustration highlights how each indicator very clearly contributes to the final bonus multiplier. Note that, owing to the concept of performance scaling, even executives who do not fully achieve their targets do receive a bonus payout, albeit a diminished one.

*Executives who do not hit their targets receive a fraction of their possible bonus payout...*

**Example #1: Underperformance (Relative to Metrics Targets)**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Performance Level</th>
<th>Percentage Granted</th>
<th>Actual Percentage</th>
<th>Bonus Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee retention</td>
<td>86%</td>
<td>80% of 7.5%</td>
<td>6%</td>
<td>0.06</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>19.73 points</td>
<td>80% of 7.5%</td>
<td>6%</td>
<td>0.06</td>
</tr>
<tr>
<td>Bench development</td>
<td>Meets expectations</td>
<td>50% of 5%</td>
<td>2.5%</td>
<td>0.025</td>
</tr>
<tr>
<td>Launch new product</td>
<td>Meets expectations</td>
<td>50% of 5%</td>
<td>2.5%</td>
<td>0.025</td>
</tr>
<tr>
<td>Develop project plan</td>
<td>Meets expectations</td>
<td>50% of 5%</td>
<td>2.5%</td>
<td>0.025</td>
</tr>
<tr>
<td>Increase capacity</td>
<td>Meets expectations</td>
<td>50% of 10%</td>
<td>5%</td>
<td>0.05</td>
</tr>
<tr>
<td>Client retention</td>
<td>86%</td>
<td>80% of 10%</td>
<td>8%</td>
<td>0.08</td>
</tr>
<tr>
<td>Client satisfaction</td>
<td>76 points</td>
<td>80% of 10%</td>
<td>8%</td>
<td>0.08</td>
</tr>
<tr>
<td>Revenue plan</td>
<td>$xx,xxx</td>
<td>80% of 10%</td>
<td>8%</td>
<td>0.08</td>
</tr>
<tr>
<td>Sales plan</td>
<td>$xx,xxx</td>
<td>80% of 10%</td>
<td>8%</td>
<td>0.08</td>
</tr>
<tr>
<td>Net operating income</td>
<td>$xx,xxx</td>
<td>80% of 20%</td>
<td>16%</td>
<td>0.16</td>
</tr>
</tbody>
</table>

Based on a sum of $10,000 specified at target performance, this executive would receive a bonus of $7,250...

72.5% or 0.725 of total bonus potential.

**...whereas executives who exceed their targets can receive up to twice their bonus potential**

*Example #2: Overperformance (Relative to Metrics Targets)*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Performance Level</th>
<th>Percentage Granted</th>
<th>Actual Percentage</th>
<th>Bonus Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee retention</td>
<td>89.3%</td>
<td>150% of 7.5%</td>
<td>11.25%</td>
<td>0.1125</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>20.62 points</td>
<td>150% of 7.5%</td>
<td>11.25%</td>
<td>0.1125</td>
</tr>
<tr>
<td>Bench development</td>
<td>Exceeds expectations</td>
<td>150% of 5%</td>
<td>7.5%</td>
<td>0.075</td>
</tr>
<tr>
<td>Launch new product</td>
<td>Exceeds expectations</td>
<td>150% of 5%</td>
<td>7.5%</td>
<td>0.075</td>
</tr>
<tr>
<td>Develop project plan</td>
<td>Exceeds expectations</td>
<td>150% of 5%</td>
<td>7.5%</td>
<td>0.075</td>
</tr>
<tr>
<td>Increase capacity</td>
<td>Exceeds expectations</td>
<td>150% of 10%</td>
<td>15%</td>
<td>0.15</td>
</tr>
<tr>
<td>Client retention</td>
<td>92.25%</td>
<td>200% of 10%</td>
<td>20%</td>
<td>0.2</td>
</tr>
<tr>
<td>Client satisfaction</td>
<td>84 points</td>
<td>200% of 10%</td>
<td>20%</td>
<td>0.2</td>
</tr>
<tr>
<td>Revenue plan</td>
<td>$xx,xxx</td>
<td>150% of 10%</td>
<td>15%</td>
<td>0.15</td>
</tr>
<tr>
<td>Sales plan</td>
<td>$xx,xxx</td>
<td>200% of 10%</td>
<td>20%</td>
<td>0.2</td>
</tr>
<tr>
<td>Net operating income</td>
<td>$xx,xxx</td>
<td>150% of 20%</td>
<td>30%</td>
<td>0.3</td>
</tr>
</tbody>
</table>

165% or 1.65 of total bonus potential.

*While ADP NAS does not place a cap on individual components of the bonus plan, the company does cap the plan at 150 percent of target for nonsales positions.*

Source: Corporate Leadership Council illustrative based on information provided by ADP NAS.
Impact of Metrics-Linked Bonus Payouts

One year after the introduction of the divisionwide measurement system and the metrics-linked executive bonus plan, the VP of HR seeks to gauge whether measurement and a strong financial incentive for executives to meet their targets have had a positive impact on the division’s performance against key business indicators. A comparison of data in 1999 (“before”) and 2000 (“after”) shows that the introduction of the plan coincided with a marked improvement in performance against the two key HR indicators, employee turnover and employee satisfaction. During that same time frame, ADP NAS also experienced a 1.5 percentage point increase in client retention, a 45 percent improvement in net operating income and an 18 percent improvement in revenue.

A marked decrease in turnover and an increase in employee satisfaction...

...are attributed to the introduction of financial incentives for executives to meet their HR targets

Metrics Link Makes All the Difference

“Linking all indicator targets—HR or otherwise—to executive bonuses has been the driving factor in our performance improvement. Particularly with regard to employee turnover and satisfaction, areas that we had never previously measured, the message was loud and clear: these measurements are critical; you must take them seriously. And the results are impressive. For the first time, our executives focused on employee turnover and satisfaction targets, and we saw a five-point drop in turnover between 1999 and 2000. That five-point drop translates into a cost savings of $12 million for ADP.”

VP of HR, National Accounts Services
ADP, Inc.

Source: ADP NAS, Corporate Leadership Council research.
Council Assessment: Metrics-Linked Bonus Payouts

Key Differentiating Features
- This approach differs from standard practice in the stringency and rigor applied to linking HR-related metrics to executive performance bonuses.

Caveats
- The practice may be more applicable in organizations that have a strong performance culture where individuals are accustomed to having part or all of their compensation tied to specific goals.
- The creation of strong financial incentives tied to specific metrics targets may lead executives to manage by numbers, i.e., seek to achieve the targets without considering the broader purpose of the initiative. However, a focus on “getting the numbers right” rather than improving performance may, in the long run, undermine the value of measurement in the organization.

Critical Success Factors
- **Line of sight**—In order for this practice to be viable, companies must ensure a clear line of sight between goals and an individual’s role. Especially with regard to HR-related metrics, executives are unlikely to accept high weighting and often aggressive targets for aspects such as employee turnover and satisfaction unless they can see how these factors relate to overall corporate goals or to their individual jobs.
- **Clear performance criteria**—Once line of sight is given, the actual performance criteria, whether quantitative or qualitative, must be very clearly defined and communicated to individuals.
- **Line involvement**—As with many strategies that impose an HR-like task on line executives, successful implementation of the metrics-linked bonus plan requires line involvement in developing both HR metrics and targets. In addition to giving the line a stake in the process, such involvement also significantly reduces the risk of “organ rejection” once the plan is in place: if executives feel they participated in setting HR-related targets, they are unlikely to reject them later.
- **Transparency of calculation**—The final element is to make available to all executives a clearly defined breakdown of how each indicator impacts their bonus and how bonuses are calculated.
A New Measurement Mandate
STEP #5: EDUCATING THE ORGANIZATION ABOUT METRICS

Benchmark Practice #6

LEGO Metrics E-Learning Program

Description
A multimedia, Web-based e-learning tool educates all managers and executives about the results of the company’s annual employee survey and provides guidance for managers on how to communicate and act on those results.

Goal
The goal is twofold. The first goal is to maximize organizational understanding of how employee attitudes impact corporate performance. The second goal is to introduce and build manager understanding of a companywide development tool designed to increase the use of survey results.

Key Differentiating Feature
The program incorporates a series of tests that affords individuals an opportunity to assess their learning progress and enables HR to monitor the level of training penetration and absorption. Further, the program also strongly signals the CEO’s endorsement of the measurement and development exercise while devolving responsibility for following up on survey results to local management.

FURTHER BEST PRACTICE ENCOUNTERED IN THE COURSE OF RESEARCH

Operations Team Rolls Out Metrics to the Organization
A team of functional and operational specialists offers meetings and training sessions to educate HR and line staff about the purpose and nature of key HR indicators and how metrics can be used to optimize process quality and efficiency.

See page 28 for additional details.
Practice Background: Metrics E-Learning Program

The LEGO Company is one of the world’s leading makers of toy building blocks. The company employs approximately 8,300 individuals and generates annual revenues of approximately $1 billion.

Situation

- By the end of 2000, the LEGO Company has completed its first-ever global employee survey (“LEGO Pulse”). The goal of the survey exercise is to generate empirical data for the LEGO Company’s corporate reinvention and global brand strengthening initiative.
- HR recognizes that managers are skeptical about the impact of factors such as employee satisfaction on firm performance. More specifically, HR is concerned that managers will not know how to interpret and act on LEGO Pulse results.
- The HR function seeks to find a medium that combines communication and training elements and reaches all line managers and executives. Traditional vehicles such as group meetings or paper-based documentation do not lend themselves well to this combined goal. One-on-one meetings are too time-intensive and too costly an option to consider.

Action

- The HR function identifies an e-learning tool as the most suitable vehicle for training managers in sharing and using the results.
- In order to communicate the specific metrics associated with the outcome of, and follow-up to, the survey, the HR team puts together a Web-based metrics e-learning program that comprises five modules outlining the survey and explaining the results as well as the organizational development effort.
- The modules combine a blend of text-based and video instruction, and some modules also incorporate a self-test for managers to gauge whether they have absorbed key content of the modules. Altogether the program takes approximately 45 minutes to complete, but managers can complete modules at their own pace.
- Two weeks before publishing the survey results in February 2001, HR communicates to 400 managers that in order to receive the survey results and to start the follow-up process they must complete the tailored metrics e-learning program on the company’s intranet.

Result

- By the end of February 2001, 70 percent of the target audience has completed the e-learning program. On average, managers have achieved 90 percent accuracy on the self-tests.
- The e-learning program is very positively received across the organization. A post-training evaluation concludes that managers considered the training timely and appropriate, particularly because the program eliminates the typical time lag between training and execution.
- Managers also highlight that the metrics e-learning program enables the LEGO Company to decentralize the survey follow-up effort while ensuring consistency of approach across the organization.
ANATOMY OF THE METRICS E-LEARNING PROGRAM

The five modules of the metrics e-learning program form a logical sequence, from introducing the survey to presenting the format of the survey results reports and providing concrete guidance on sharing and using the results. On this page, the Council provides a skeletal outline of each module in sequence; the following pages show how the modules incorporate text, video presentations and self-tests.

<table>
<thead>
<tr>
<th>Module #1: Introduction</th>
<th>PowerPoint Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Training program overview and explanation of exercises (self-tests)</td>
</tr>
<tr>
<td></td>
<td>• Explanation of video elements</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Module #2: Background and Survey Approach</th>
<th>PowerPoint Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The LEGO Company’s mission and strategic priorities</td>
</tr>
<tr>
<td></td>
<td>• People implications of the LEGO Company’s strategy</td>
</tr>
<tr>
<td></td>
<td>• Purpose of the employee survey; outline of different survey categories</td>
</tr>
<tr>
<td></td>
<td>Video: CEO Presentation</td>
</tr>
<tr>
<td></td>
<td>• CEO outlines the importance of the LEGO Pulse survey as well as the role of managers in changing employee attitudes and how that supports the corporate change initiative</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Module #3: Understanding Survey Results</th>
<th>PowerPoint Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Outline of a sample survey page; explanation of survey categories and color coding</td>
</tr>
<tr>
<td></td>
<td>• Guidance on interpreting results</td>
</tr>
<tr>
<td></td>
<td>• Template for a post-survey manager “Action Sheet”</td>
</tr>
<tr>
<td></td>
<td>Self-Test</td>
</tr>
<tr>
<td></td>
<td>• How well do managers understand the survey and how to read it?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Module #4: Acting on Survey Results</th>
<th>PowerPoint Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Global timeline for acting on survey results</td>
</tr>
<tr>
<td></td>
<td>• Tips for preparing team meetings and sharing results</td>
</tr>
<tr>
<td></td>
<td>• Action guidelines, options and strategies</td>
</tr>
<tr>
<td></td>
<td>Video: CEO Presentation</td>
</tr>
<tr>
<td></td>
<td>• CEO outlines the mindset that he advocates for local management follow-up efforts and highlights that employees must be involved in identifying agendas for improvement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Module #5: Understanding the Wider Organizational Development Initiative</th>
<th>PowerPoint Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Introduction of the organizational development tool “Dream-Out,” the vehicle used for generating ideas among the workforce on how to improve survey results and drive organizational development</td>
</tr>
<tr>
<td></td>
<td>• Discussion of key participants and stages in the Dream-Out process</td>
</tr>
<tr>
<td></td>
<td>Video: COO Presentation</td>
</tr>
<tr>
<td></td>
<td>• Role and activities of the manager in the Dream-Out process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Validation Test</th>
<th>Self-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• To what extent are managers able to apply their learning? Exercise presents a series of questions about specific details of the LEGO Pulse reports and about the suggested practice for manager action plans.</td>
</tr>
</tbody>
</table>

Source: The LEGO Company; Corporate Leadership Council research.
The first element of the multimedia e-learning program consists of a series of PowerPoint presentations introducing “real-life” survey report pages and a key to the color coding of employee responses.

**A sample page of the survey results report serves to familiarize managers with the overall appearance of the survey report...**

![Sample report page showing managers where they can find the actual questions, employee responses, and data for historical and external comparison.]

**...and offers managers a templated worksheet to guide their thinking on appropriate actions to take as a result of the survey outcome**

![Leader's Action Worksheet example]

Source: The LEGO Company; Corporate Leadership Council research.
Component #1: Presentation of Survey and Follow-Up Tools (continued)

PowerPoint presentations also introduce managers to the mechanics of the organizational development tool used to follow up on the survey results.

Starting with a general introduction to the LEGO Company’s organizational development tool...

What are the benefits of Dream-Out?

It helps you put problems into words... and then the words into action!
It can broaden your personal perspective, as it is a forum for listening to how problems affect and influence others. In other words, it shifts focus from me to us.

The three main goals are:
- **Results** that lead to action.
- **Empowerment** - employees themselves are the catalysts of change.
- **Integration** of our skills and knowledge so that they are used in the best possible way.

...the presentation then describes in detail the roles of different groups of participants in the survey follow-up process

Who does what - Sponsor

I understand the issue and share the desire for change with the group.

I cannot lead the process for my own group since I’m a stakeholder in the issues raised.

I plan the Dream-Out session with the facilitator and keep in close contact with her (or him).

I kick off the session and then make on-the-spot decisions after the presentation of solutions. I realize that by not participating, I empower my employees even more.

I help ensure the successful implementation of changes.

Source: The LEGO Company; Corporate Leadership Council research.
COMPONENT #2: VIDEO PRESENTATION BY CEO AND COO

The e-learning program incorporates video clips by the CEO and COO at strategic points in the presentation flow to underpin key areas likely to meet with skepticism or indifference by line managers. One such critical juncture concerns the role that managers can play in positively impacting employee satisfaction and how such improvement is linked to corporate change overall.

Presentation by the CEO: “Understanding the LEGO Pulse Survey”

When the second module introduces the reasons behind the employee survey, managers are invited to access a hyperlink that activates a brief video clip of a presentation by the CEO.

Listen to what Kjeld has to say
Europe connection
United Kingdom connection
US East Coast connection
US West Coast connection

The presentation emphasizes that a full understanding of employee attitudes is important to the success of the LEGO Company.

“It is very important for us that we take the temperature, or the pulse, of the LEGO Company, that we hear our employees’ points of view, their ideas, their concerns, and then that we as managers act on these points of view.”

Kjeld Kirk Kristiansen
President and CEO, The LEGO Company

Source: The LEGO Company; Corporate Leadership Council research.
Component #3: Manager Self-Test

The final element of the e-learning program consists of self-tests exploring the managers’ absorption of the content presented in the text- and video-based presentations. The test after module three is specific to the survey results reports, whereas the so-called “validation test” at the end of the program spans all content and modules. Managers take the tests online and receive instant scores as they progress through the questions. Each test takes approximately 10 minutes to complete.

Sample Screen of Metrics Learning Validation Test at the Lego Company

Further questions include the following:
- In a result report, the black bar in the response bar represents what kind of answer?
- What is the role of the manager in the survey follow-up process?
- A leader’s action worksheet is a detailed graph that conveys results of a statistic…right or wrong?
- Who can best identify the solution to an issue or problem?

HR Can Monitor Who Takes the Test—and How Well They Score

- A software feature within the e-learning platform enables HR to track exactly who takes the validation test and how they score. In this manner, HR knows that within two weeks of pushing the test out to the managerial population, 70 percent of the target audience have completed the learning program.
- Although not currently deployed at the LEGO Company, these monitoring features offer HR two opportunities for maximizing the impact of the metrics training program:
  1) HR can send targeted reminders to those individuals who have not completed the e-learning program by a specific date.
  2) HR can offer additional, individualized training for those managers whose scores are not satisfactory.

Source: The LEGO Company; Corporate Leadership Council research.
Council Assessment: Metrics E-Learning Program

Key Differentiating Features
- The program incorporates a series of tests that affords individuals an opportunity to assess their learning progress and enables HR to monitor the level of training penetration and absorption. Further, the program also strongly signals the CEO’s endorsement of the measurement and development exercise while devolving responsibility for following up on survey results to local management.

Applicability
- Although deployed here to educate line managers about employee surveys, the Council believes that this tool could be easily adapted to educate the organization about the meaning and purpose of any other HR key performance indicator, perhaps even illustrating how data on aspects like turnover and absenteeism is analyzed and trended.
- Further, the Council suggests that this or a similar tool would serve equally well to educate HR staff about the quantitative side of measurement and the importance of HR measurement in the larger organizational context.

Implementation Tips
- The Council suggests that the program should be compulsory rather than voluntary to ensure that every individual in a leadership position is conversant with metrics results and able to apply them in day-to-day decisions.
- The Council recommends that companies complement the tool with other training vehicles (such as paper-based reports or manuals, trainer-based meetings, etc.) to appeal to different learning styles and behaviors.
Chapter III: Metrics Decision Support

- Step #6: Leveraging IT Infrastructure
  - Benchmark Practice #7: HR Dashboard
  - Benchmark Practice #8: Transitional HR Dashboard

- Step #7: Ensuring Metrics Deployment
  - Benchmark Practice #9: “Code Red” Performance Management System
  - Benchmark Practice #10: Strategic Metrics Reporting
A NEW MEASUREMENT MANDATE
**Step #6: Leveraging IT Infrastructure**

**Benchmark Practice #7**

**Prudential Financial HR Dashboard**

**Description**

An online HR dashboard displays key HR indicators in the context of the overall business scorecard. The dashboard offers drill-down and report-generation functionality. Users can configure scorecard screens according to their preferences and can run individualized reports as desired.

**Goal**

The goal is to facilitate the incorporation of HR metrics into strategic and day-to-day decisions by making key indicator data available to the organization over the desktop. A secondary goal is to offer a “one-stop shop” for human capital metrics.

**Key Differentiating Feature**

Careful design and targeted data structuring overcomes a suboptimal IT infrastructure at the back end and powers an online dashboard that offers its users sophisticated querying capabilities.

---

**Benchmark Practice #8**

**Transitional HR Dashboard**

**Description**

The HR dashboard displays key HR indicators through a series of predefined, online reports. This first iteration is explicitly transitional in nature and is designed to get HR started with its measurement initiative while working toward a more optimal solution.

**Goal**

The goal is to enable the HR function to make more strategic decisions by making available to every manager metrics information relating to the function as a whole.

**Key Differentiating Feature**

A rudimentary online dashboard architecture jump-starts HR’s measurement effort in the absence of an optimal IT infrastructure. The transitional dashboard relies on simple Excel-based queries to retrieve metrics information, which is loaded into dedicated files in the front-end application, from the company’s different databases.
Council Essay:
Leveraging IT to Enable the Metrics Effort

Presenting practical solutions to the IT conundrum

• While IT is widely considered to be a key “measurement enabler,” many organizations have told the Council that their HR IT systems are currently hampering rather than supporting their metrics initiatives.

• The most commonly cited factor here is a lack of fully integrated IT systems that would automate data collection and analysis. This problem is compounded by the fact that many HR functions do not have the budget to invest in the kinds of sophisticated software packages that would fully automate their measurement effort and offer comprehensive online analytical and querying capabilities to the entire organization, if desired.

• Recognizing this conundrum, the Council has chosen to profile in this part of the brief two companies’ approaches to fully leveraging the functionality offered by their existing HR IT systems and software, however disparate or basic, while they are working toward creating a fully optimal IT infrastructure for their metrics efforts.

• The outcome in both cases is an operational, online dashboard that will lend itself to easy and quick upgrades once the benefits of upgrading to more sophisticated software become clear.

Understanding degrees of technical sophistication

• Before presenting the two benchmark practices, the Council provides a brief overview on the next page of the continuum from “gold standard” to “state of the union” as it relates to the sophistication of front-end interface and reporting capabilities and the sophistication of the back-end architecture.

• This overview is designed to offer a qualitative context for the two benchmark practices. Members may also find this overview helpful in conceptualizing the IT possibilities open to their organizations at this time by placing their own organizations along this continuum.
### Leveraging IT for Metrics Purposes: “Gold Standard” Possibilities Still Conflict with Corporate Realities*

<table>
<thead>
<tr>
<th>Front-End Capabilities</th>
<th>“Gold Standard”</th>
<th>Progressive Approaches in the Membership</th>
<th>State of the Union in the Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• OLAP capabilities</td>
<td>• Basic online reporting</td>
<td>• Electronic reporting via e-mail, possibly online</td>
</tr>
<tr>
<td></td>
<td>• Scenario analysis</td>
<td>• Drill-down capability to access specific data sets or generate reports</td>
<td>• Simple viewing functionality, little or no querying</td>
</tr>
<tr>
<td></td>
<td>• Data mining</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Software Deployed</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OLAP application</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplemented other business intelligence applications (e.g., scenario planning, data mining)</td>
<td></td>
<td>Standard reports of mainstream HRMS vendors (e.g., PeopleSoft, SAP)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bolt-on workforce analytics tools of major vendors and niche providers (e.g., PbViews)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Limited use of OLAP capability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Selected Back-End Features</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully automated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Large-scale data warehouse incorporating HR and non-HR data</td>
<td></td>
<td>Standard reports of mainstream HRMS vendors (e.g., PeopleSoft, SAP)</td>
</tr>
<tr>
<td>• Fully automated data collection and analysis</td>
<td></td>
<td>Bolt-on workforce analytics tools of major vendors and niche providers (e.g., PbViews)</td>
</tr>
<tr>
<td>• Real-time data feeds</td>
<td></td>
<td>Limited use of OLAP capability</td>
</tr>
<tr>
<td>Mostly automated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Possibly integrated HR systems but more likely data continues to be housed in multiple systems</td>
<td></td>
<td>Basic applications such as Excel; possible use of advanced Excel features (e.g., pivot tables)</td>
</tr>
<tr>
<td>• Datawarehousing capabilities used to integrate disparate systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Sophisticated SQL and data structures to enable data transfer between multiple systems and the online metrics reporting tool</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partially automated:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Data housed across multiple systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Simple SQL for depositing relevant data into reports (but requires significant manual intervention)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Monthly data uploads</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prevalence Across the Membership</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5% to 15%</td>
<td></td>
<td>85% to 95%</td>
</tr>
</tbody>
</table>

| Case Profiled | N/A | Prudential Financial: HR Dashboard Benchmark Practice #7 (page 88) | Intel: Transitional HR Dashboard Benchmark Practice #8 (page 96) |

* Based on a review of the capabilities at more than 50 member organizations.

---

### Brief Glossary of Relevant Terms

**Data Warehouse/Datamart**
A data warehouse or datamart stores data in structures optimized for querying; this typically necessitates data “cubes,” which allow scalable comparisons of multiple data elements. In practice, data warehouses also can be positioned to allow data analysis across otherwise disparate systems.

**Data Mining**
Data-mining software is designed to scan very large databases to retrieve the high-level conceptual information of greatest interest; the key here is that datamining goes beyond simple keyword searches by searching for correlations among very large sets of structured data.

**Integrated ERP (Enterprise Resource Planning)**
Integrated ERP describes a system that combines the IT systems of all corporate functions such as HR, accounting and finance.

**OLAP (Online Analytical Processing)**
OLAP enables end users to conduct real-time analytical and navigational activities such as:
- calculations and modeling across dimensions,
- trend analysis over sequential time periods,
- slicing subsets of data for on-screen viewing,
- drill-down to deeper data levels and rotation to new dimensional comparisons in the viewing data.

**Pivot Table**
A pivot table is an interactive table that quickly summarizes, or cross-tabulates, large amounts of data. Users can rotate its rows and columns to see different summaries of the source data, filter the data by displaying different pages or display the details for areas of interest.

**SQL (Structured Query Language)**
SQL allows users to retrieve data from databases by allowing them to specify the fields or combination of fields (such as location and name) that describe the data they wish to see.

Source: Corporate Leadership Council research.
Practice Background:  
HR Dashboard

Prudential Financial is a major life insurer in the United States. The company employs approximately 60,000 individuals and generates annual revenues of approximately $26 billion.

Situation

• In 1999 the HR function at Prudential Financial launches a performance measurement initiative to support its strategic priorities and enable the organization to make better strategic decisions with the available human capital information.

• This initiative is Prudential Financial’s second attempt at developing and rolling out HR metrics data through the organization. The previous attempt was hampered by the labor intensity of collecting, analyzing and distributing data.

• The HR function is now looking for a vehicle or tool that will eliminate such pitfalls while working with Prudential Financial’s existing, and somewhat fragmented, IT structure at the back end. The tool must also enable HR to push metrics information out to the organization at large.

Action

• After reviewing the capabilities of various software packages, including both in-house and on-the-market products, the HR function decides to develop in-house an HR metrics dashboard that will be fast, user-friendly and (eventually) available on every manager’s desktop.

• The Dashboard involves five key components:
  ✓ Dashboard Design—The Dashboard is carefully designed to suit the organization’s strategy, information needs and reporting structure. See Component #1, page 89.
  ✓ Dashboard Views—The Dashboard offers a variety of different views to suit different information needs. See Component #2, page 90.
  ✓ Dashboard Drill Down—The Dashboard enables users to retrieve very specific data sets. See Component #3, page 92.
  ✓ Dashboard Help File—The Dashboard offers an online help function to guide users through the methodologies underlying each metric. See Component #4, page 93.
  ✓ Dashboard Back-End Structure—The Dashboard must work off the existing software package, PeopleSoft Enterprise Performance Management (EPM), for data warehousing and the front-end interface. Data querying and analysis is conducted via the reporting tool Business Objects that queries the database for specific cuts on the data. See Component #5, page 94.

Result

• The first version of The Dashboard is launched within six months. The Dashboard provides a desktop support tool for managers, senior leaders and HR professionals and contains 160 metrics reports.

• Although initially limited to 50 “trial users,” within a month direct access to The Dashboard expands to an additional 100 senior and midlevel HR staff who proactively push relevant (to the individual businesses) metrics information to the line.

• The Dashboard enables the HR function to create, in a matter of seconds, metrics reports that previously took several weeks to research and compile. Moreover, the function can dedicate more time to data analysis and helping internal customers use the data.
Component #1: Dashboard Design

In order to maximize the value of The Dashboard for its users, the HR team carefully reviews a set of factors that may have critical implications for the tool’s design. Such factors include customer and organizational requirements, IT considerations and the capabilities of the metrics reporting and analysis tools available on the market.

### Dashboard Design Diagnostics at Prudential Financial

<table>
<thead>
<tr>
<th>Factor</th>
<th>Answer</th>
<th>Implications for the Dashboard</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Who are the metrics customers in the organization?</td>
<td>Line managers, senior leaders and HR managers/staff.</td>
<td>Dashboard must contain reports valuable to three different sets of customers.</td>
</tr>
<tr>
<td>2. Where are they (geographically, culturally)?</td>
<td>Customers are geographically dispersed across the U.S. and in international locations. There are cultural differences between U.S., Europe and Asia that may affect the use/acceptance of an online tool.</td>
<td>Dashboard must be configured to incorporate international input as well as being accessible from all our locations. We must consider training channels for less technically focused locations.</td>
</tr>
<tr>
<td>3. Do they have analytic/quantitative skills?</td>
<td>Line managers, senior leaders and HR leaders generally possess strong analytic skills; remainder of the HR population may not. However, the line population may have problems “reading” HR quantitative data.</td>
<td>Dashboard must contain a tool to help the HR population master the quantitative information and navigate the site. We should also consider including metrics methodology and formulae to proactively answer critical/skeptical questions likely to come from the line.</td>
</tr>
<tr>
<td>4. What is the reporting structure like?</td>
<td>Reporting structures organized by business groups and profit centers.</td>
<td>Dashboard must contain reports and querying capability by business unit and profit center; configure as a set of customizable views?</td>
</tr>
<tr>
<td>5. Who are the key decision makers?</td>
<td>BU and profit center leaders.</td>
<td>Need to integrate information from disparate systems within a central database from which the dashboard can pull data.</td>
</tr>
<tr>
<td>6. What is the state of IT and HR IT in the organization?</td>
<td>Running on a mainframe with legacy systems; HR operates different systems for each function (training, compensation, etc.).</td>
<td>Build dashboard deploying PeopleSoft EPM, specifically the warehousing capability. Must come up with a strategy for simulating online analytical processing capabilities.</td>
</tr>
<tr>
<td>7. What is the best metrics tool generally?</td>
<td>At the moment, workforce analytics tools offered by PeopleSoft, Cognos, etc.</td>
<td></td>
</tr>
<tr>
<td>8. What is the best tool for the organization?</td>
<td>PeopleSoft EPM—used to build dashboard.</td>
<td></td>
</tr>
<tr>
<td>9. What emerging tools may the organization use in the future?</td>
<td>OLAP and scenario-building software; business intelligence software?</td>
<td></td>
</tr>
</tbody>
</table>

Source: Corporate Leadership Council hypothetical based on information provided by Prudential Financial.
The HR Dashboard offers users multiple views to satisfy the information needs of different businesses. The HR balanced scorecard view retrieves the key performance indicators of the HR function. The four categories of HR’s balanced scorecard reflect traditional scorecard content but have been modified to correspond with Prudential Financial’s information needs. Thus the “internal perspective” takes the place of the traditional operational perspective, and strategic issues are contained in the “learning and growth perspective.”

The scorecard offers easy access to information through hyperlinks... and navigation bars. Color-coded buttons (“skittles”) show overall performance for each indicator.
Component #2: Dashboard Views (continued)

Additional views include scorecards customizable by business unit, a list retrieving all KPIs in a given balanced scorecard and an “out of tolerance” view highlighting all indicators where performance falls short of targets.

Additional Views

1. Business Balanced Scorecard View
Users can retrieve scorecards relevant to their respective business units or functions.

The categories of the business balanced scorecards mirror those of the HR balanced scorecard shown on the previous page.

2. KPI Lists View
Users can retrieve the key performance indicators contained within the balanced scorecard in a simple list format to offer a quicker overview, if desired.

3. Out of Tolerance View
Users can retrieve all key indicators whose performance seriously falls short of the specified target.

Source: Prudential Financial; Corporate Leadership Council research.
Component #3: Dashboard Drill Down

A particular feature of interest of Prudential Financial’s HR Dashboard is the querying and drill-down capability it offers its users.

Sample Drill-Down Path in Prudential Financial’s HR Dashboard

1. Balanced Scorecard Screen or KPI Screen

The first drill down follows a simple hyperlink to retrieve aggregate data for voluntary turnover.

2. Aggregate Voluntary Turnover

If the users require more than aggregate data, they click on “detail reports”…

Detail Reports

3. Query Screen

…to open the query screen. This screen offers fields to narrow the report. Fields depend on the nature of the KPI; for voluntary turnover, fields include dates, reporting area and length of service.

4. Report Screen

The report screen presents the drill-down data. In addition, the screen offers hyperlinks to retrieve different “cuts” on reports of the same data with the same query parameters.

# of Voluntary Terminations
Annualized Voluntary Terminations

Source: Prudential Financial Corporate Leadership Council research.
Component #4: Dashboard Help File

Finally, The Dashboard provides in-depth online help about the contents of specific reports and the methodologies behind each metric.

**Online Metrics Help File Answers Any Question**

Vice President, Human Resources
Prudential Financial

---

“Help” Buys Credibility

“Almost every executive visits the Help File at least once to examine the methodologies underlying each indicator. A typical occasion for a visit would be when line managers see their turnover figures for the first time…and wonder whether they can be right. Being able to view the detailed formula for calculating turnover proves the veracity of the data they can see and thus gains HR credibility for the entire metrics effort.”

Vice President, Human Resources
Prudential Financial

Source: Prudential Financial; Corporate Leadership Council research.
**Component #5: Dashboard Back-End Structure**

The Dashboard relies on a PeopleSoft-powered data warehouse to retrieve data from various systems into a single repository. Reporting and querying capabilities rely on business objects.

---

**Technical Details of Prudential Financial’s HR Dashboard**

- **Dashboard “backbone”**—The backbone of The Dashboard is PeopleSoft EPM (Enterprise Performance Management), which has been in use at the HR function since 1999. The software application provides data warehousing, data extraction and data transfer tools to retrieve data from the various HR systems into a single repository.
- **Dashboard screens**—The Dashboard screens are designed and run using PeopleSoft.
- **Dashboard reports**—The 160 dashboard reports are generated via the reporting tool Business Objects that sits on top of PeopleSoft. The HR function must create one Business Object per possible query, i.e., per report. This is a temporary structure until the HR function implements an OLAP tool (targeted for 2001) to fully automate the querying process.

---

**Querying by Using Business Objects**

1. **Definition**

   In simplified terms, a Business Object is a reporting tool using specific queries that go into the data warehouse to bring back a “picture” of a dataset. By enabling users to combine specific aspects of information (cuts on turnover, etc.), Business Objects emulate the output of an OLAP application.

2. **Structure/Mechanics**

   ![Diagram of Dashboard Requirements, Query Components, and PeopleSoft Data Warehouse]

   - **Query (N = 160)**
   - **Dashboard Requirements**
     - Reports/drill down
     - Ad hoc requests
   - **Business Objects**
   - **PeopleSoft Data Warehouse**

3. **Query Configuration**

   **Sample Query**
   
   “How many employees with zero to three years of service in the HR function were terminated in March 2001?”

   ![Diagram of Sample Query and Query Components]

   - **Query Components**
     - HR FTEs
     - Date
     - Length of Service
   - **These axes provide the data “picture” that Business Objects retrieves.**

4. **Writing Queries**

   The HR team writes queries whenever a new information need emerges; on average, writing a Business Object query takes five to ten minutes. The corporate IT function then implements the query per HR’s specifications.

5. **Limitation**

   Using Business Objects requires creating dedicated queries and data cubes for all cuts of information or reports required by the organization.

---

Source: Prudential Financial; Corporate Leadership Council research.
COUNCIL ASSESSMENT:

HR Dashboard

Key Differentiating Feature

• Careful design and targeted data structuring overcomes a suboptimal IT infrastructure at the back end and powers an online dashboard that offers its users sophisticated querying capabilities.

Caveats

• Although the design of the HR Dashboard as described in this practice provides a useful blueprint for getting HR started with online reporting and analysis, the approach cannot, in itself, constitute a long-term solution.

• The major limiting feature is that the Business Objects architecture can very quickly become large and unwieldy. Maintaining this architecture requires a very disciplined approach to data administration, which may prove time and labor intensive.

Implementation Tips

• Review the organization’s IT offerings—The Council posits that most organizations will be able to set up a structure such as described in this practice fairly easily and at relatively little cost. The vice president of human resources at Prudential Financial suggests that:

  “As soon as HR functions keep data in a spreadsheet of sorts, they can begin to colocate these spreadsheets in a data warehouse such as ours. Simply by virtue of having client databases, most companies will have data warehouse structures in place on which HR could draw; it’s just that HR may not be aware of such structures or may not know where or what to look for.”

• Carefully consider design criteria—The design considerations highlighted on page 5 are critical for any HR function seeking to implement this practice because they provide vital information about the level of reporting and technical sophistication required to meet the organization’s information needs.

• Foster cooperation with IT from the start—The Council recommends that companies involve their corporate IT functions closely in any effort of creating an HR Dashboard. In addition to securing the HR function the corporate-level expertise it needs (which may go beyond the expertise of HR IT specialist), it also ensures that the IT function maintains a comprehensive understanding of HR’s measurement goals and requirements when the time comes to select and implement a sophisticated data mining and analysis software tool.

• Work with the ultimate end in mind—Finally, the Council strongly advises HR functions to create transitional online reporting and analysis tools only where they anticipate the structures and requirements of the software tool that HR ultimately seeks to deploy. The value of interim solutions diminishes greatly if HR must recreate all data and reporting structures when a new software application goes live.
Practice Background:
Transitional HR Dashboard

Intel is one of the world’s leading manufacturers of microchips. The company employs approximately 86,000 individuals and generates annual revenues of approximately $33 billion.

Situation

• In 1999 the HR function at Intel seeks to initiate a concerted metrics effort, and the HR team considers various measurement frameworks and tools offering Web-based metrics reporting capability.

• After a few months, the HR VP recognizes that the protracted discussions have stalled the measurement initiative and decides that the HR function must break this deadlock by simply “getting started.”

• The design challenge for the HR function is to now create an online reporting tool that can leverage Intel’s disparate IT systems while anticipating the structure of the state-of-the-art tool that the HR function is seeking to implement in the long term.

Action

• The HR VP tasks individual HR leaders with identifying key performance indicators in their respective organizations and areas of responsibility; this exercise establishes an initial set of metrics for Intel’s HR function.

• Further, the HR VP decides that the best vehicle for sharing the newly selected key HR metrics with the HR function and the organization at large is a metrics dashboard.

• With the help of the IT department, the HR function creates a tool explicitly designed as a stopgap measure. This transitional dashboard has three key features:

  ✓ Component #1: Series of Predefined Reports—The dashboard offers a set of standard reports that can be run at all times. See page 98.

  ✓ Component #2: Excel-Based Back-End Structure—Each indicator is housed in an individual Excel file, which serves as a “quasi” data warehouse for each item. See page 99.

  ✓ Component #3: Indicator Management—A group of data owners is responsible for conducting monthly data updates and transfer, and a dashboard administrator creates the various reports in the dashboard. See page 100.

Result

• By 2000 Intel’s HR function has created a dashboard with key HR metrics through a six-week “tour de force.” The dashboard captures information from all HR organizations and is accessible to all HR staff.

• The dashboard overcomes internal siloing in the HR function and greatly enhances HR’s operational efficiency. For example, the first dashboard review reveals that the staffing function is significantly ahead of its hiring targets. As a result, the training department recognizes the need to create 10 more onboarding classes than originally planned.
Overview: “Basic” Applications Can Go a Long Way

Intel’s strategy is to create an HR dashboard to bridge the time until a more sophisticated software application can be implemented. This strategy relies on two simple factors: first, full and creative leverage of the capabilities of the software applications and systems already in place; and second, a simple but disciplined monthly routine for the administration and updating of data for key HR indicators.

Intel Creates a Transitional Online Dashboard for HR

Web-enabled dashboard front end…

✓ Online (intranet)
✓ Accurate data
✓ User-friendly
✓ Monthly updates
✓ Limited drill down
✓ Standard reports

…relies, not on integrated HRIT systems, but on:
(1) maximum leverage of “basic” applications like Excel
(2) rigorous and disciplined manual data management

Not Automated

Initial Data Entry²
- Conducted manually by HR staff
- Data housed in Excel spreadsheets

Data Updates
- Mostly conducted manually by HR staff on a monthly basis
- Some indicators involve batched feeds from the payroll and various HRM systems

Report Creation
- Conducted manually by combining the required files into a single report

Data Transfer into the Dashboard
- Conducted manually using a computer’s “copy and paste” function

1 “Indicators” are the metrics contained within Intel’s HR dashboard.
2 Data entry is manual in that it involves retrieving and copying data sets from various systems into a single location. However, it does not require individuals to re-enter data from scratch.
Component #1: Series of Predefined Reports

Intel’s HR dashboard offers a set of standard reports that can be run at all times; sample reports include the “executive staff rollup,” comprising 10 indicators, or the larger “HR staff rollup,” comprising 20 indicators. In addition, each HR organization can independently create as many predefined reports as it needs. In total, the dashboard contains approximately 70 indicators.

A Series of Predefined Metrics Reports Organized in Three Tiers Contains Intel’s Key HR Performance Indicators, or a Subset Thereof

Top-tier dashboard contains the following metrics, as per executive requests:
- Turnover
  - By business unit
  - By region
- Training attendance
  - New hires
  - Managers
  - Core curricula attendance
- Number of hours of training given by senior management ("Senior management training record")
- Hiring cost
- Performance against plan of record for spending
- Performance against plan of record for hiring
- Strategic HR metrics (change every year in line with the priorities of the business)

In addition to the metrics in the top-tier dashboard, the HR dashboard contains:
- Headcount
- Turnover
  - Desired versus undesired
  - By length of service
  - By grade level
- Number of individuals eligible for retirement but still at work

Source: Intel Corporation; Corporate Leadership Council research.
COMPONENT #2: EXCEL-BASED BACK-END STRUCTURE

The transitional dashboard’s architecture revolves around Excel and its capability for embedding objects in non-Excel applications. Data for each indicator is housed in an Excel file and embedded as an object in the dashboard application on Intel’s intranet.

Excel Is the Linchpin of the Architecture of Intel’s Transition Dashboard

- Intel creates one Excel file for each of the 70 indicators of the dashboard
- Data from various sources is incorporated (“colocated”) into the various dedicated Excel files
- The Excel files are sequentially numbered to facilitate updates and report creation
- The files are housed in the user accounts of the individuals owning the respective indicator (see the next page for more detail on data owners)

The Excel files are embedded in the dashboard reports using Excel’s built-in embedding function, OLE*: OLE refers to the Object Linking and Embedding capability shared by all Microsoft applications.

Source: Intel Corporation; Microsoft Excel Help; Corporate Leadership Council research.
**Component #3: Indicator Management**

The responsibility for maintaining and administering the data for each indicator in the dashboard falls to two groups of individuals. First, so-called “data owners” are tasked with updating the data in their relevant Excel files as necessary, whether daily, weekly or monthly. The 12 data owners hold a variety of roles in the organization, ranging from administrative staff to members of the HR leadership team. Second, the dashboard administrator is in charge of creating the various predefined reports afresh from updated data files every month. Below is a step-by-step account of the mechanics of indicator management for Intel's transitional HR dashboard.

---

### 1. Update Data
- Data owners update their data in their user account files on the server. (Note that this activity also forms part of the individual’s “regular” role, so it does not present an additional burden)
- Data for updates is pulled from several systems

### 2. Analyze Data
- Where desired, data owners perform analyses on their indicators (e.g., trending, averaging, etc.)
- Here, data owners use Excel’s PIVOT tables to switch axes and “slice and dice” data as necessary

### 3. Create Graphs in Excel
- Data owners create graphs or charts for each indicator
- There are two principal types of charts or graphs:
  - Simple presentation of data for the measuring period
  - Presentation of the analysis that data owners conducted in the previous step

### 4. Copy Graphs
- Data owners select and copy the graph in the Excel worksheet
- Note: Copying a graph or chart from Excel automatically copies the underlying datasheet(s)

### 5. Paste Graphs into Dashboard
- Data owners enter the dashboard and retrieve their indicator files
- Data owners delete the old file and paste the graph containing the updated data, embedding the chart and data tables

### 6. Create Report
- The dashboard administrator refreshes the reports in the dashboard, using the updated indicator files
- Here, the administrator assigns specific files to each report, using the sequentially numbered file names

- Dashboard administrator releases the refreshed report for general use

---

Average time spent on maintaining the dashboard per month:

11 hours, distributed across 13 individuals

---

**Source:** Corporate Leadership Council illustrative based on information provided by Intel Corporation.
COMPONENT #3: INDICATOR MANAGEMENT (continued)

Because the dashboard works off a series of files in various locations throughout the organization, disciplined and rigorous data administration is a critical success factor. The dashboard administrator closely tracks which individuals own each indicator, how often they should update the data for each indicator and where the files are located.

Source: Corporate Leadership Council illustrative based on information provided by Intel Corporation.
102 A New Measurement Mandate
COUNCIL ASSESSMENT:
TRANSITIONAL HR DASHBOARD

Key Differentiating Feature

• A rudimentary online dashboard jump-starts HR's measurement effort in the absence of an optimal IT infrastructure. The transitional dashboard relies on simple Excel-based queries to retrieve metrics information, which is loaded into dedicated files in the front-end application, from the company's different databases.

Caveats

• The tool only represents a stopgap measure, even more so than the dashboard profiled in Benchmark Practice #7 (page 88).

• The first major limitation is the comparatively high level of labor and time resources required to administrate and maintain the Excel-based file structure underlying the dashboard's architecture.

• A second limitation is that the very nature of the transitional dashboard also restricts the capacity (i.e., number of reports) of the dashboard. The reason here is that simple setup of one Excel file per indicator can quickly mushroom out of control when HR starts, or is required, to include increasingly more detailed cuts on indicator data in the dashboard reports.

• Finally, it is important to recognize that, despite being Web-enabled and offering standard report viewing capabilities, this transitional tool does not allow users to drill down deeply into specific data points or to any other analytic activities that a true OLAP application would provide.

Implementation Tips

• Leverage the learning opportunity offered by the transitional dashboard—The Council suggests that the value of the dashboard can be maximized where HR functions train one member of the metrics team to manage the transitional dashboard. This strategy affords the HR function unique insights into the IT mechanisms required for their metrics effort, and the dashboard can truly become a step in the process of implementing the most effective HR IT application.

• Foster cooperation with IT—The first implementation step notwithstanding, the Council also recommends that HR functions should involve their corporate IT functions closely in the creation of a transitional HR dashboard. This strategy ensures that the IT function has a comprehensive understanding of HR's measurement goals and requirements when the time comes to decide on and implement a sophisticated data mining and analysis software tool.

• Work with the ultimate end in mind—Finally, the Council strongly advises HR functions to create transitional online reporting and analysis tools only where they anticipate the structures and requirements of the software tool that HR ultimately seeks to deploy. The value of interim solutions diminishes greatly when HR has to recreate all data and reporting structures when a new software application goes live.
104 A NEW MEASUREMENT MANDATE
STEP #7: ENSURING METRICS DEPLOYMENT

Benchmark Practice #9

“Code Red” Performance Management System

Description
“Code Red” is a simple yet effective protocol for monitoring performance in HR areas critical to the success of the business. Once a Code Red tag is assigned to a business unit underperforming against key metrics, the business unit must take action to improve performance over a one-year period.

Goal
The goal is to leverage metrics information by instituting a mechanism for enforcing corrective action in areas relating to key corporate priorities.

Key Differentiating Feature
This approach combines sets of critical performance indicators into a tool for detecting underperformance in key areas and taking corrective action before that underperformance seriously harms the business.

Benchmark Practice #10

Strategic Metrics Reporting

Description
Strategic metrics reporting involves a range of services from comprehensive monthly information packs to standard reports for individual metrics and ad hoc responses to line information needs. This process is conducted by a metrics analysis team that acts as a dedicated information center for the business regarding all matters relating to HR measurement.

Goal
The goal is to support line managers and executives in their strategic decisions by making available to them pertinent and accurate metrics information bolstered by sophisticated analysis on a real-time basis.

Key Differentiating Feature
The approach differs from standard practice in the amount of analysis and contextual information that accompany the pure metrics data. Taking a consultative role, the reporting team proactively identifies trends and offers astute assessments of their impact on the organization.
106 A NEW MEASUREMENT MANDATE
Practice Background: “Code Red” Performance Management System

American Express is one of the world’s leading credit card companies and travel agencies. The company employs approximately 89,000 individuals and generates annual revenues of approximately $23 billion.

Situation

- In 1997 the HR function at American Express recognizes that monitoring a subset of the metrics that it routinely tracks can provide an early warning of underperformance in areas critical to the continued success of the organization.
- The challenge for the HR function is threefold. First, HR must identify the two or three most pertinent metrics for the organization that will serve as leading indicators of organizational hot spots. Second, HR must find a vehicle for formalizing and institutionalizing such monitoring in the organization. And third, HR must develop a strategy for ensuring that business units take remedial action to improve on performance in the key areas.

Action

- The HR function creates a systematic procedure for reviewing each business unit’s performance in the targeted key areas: compliance, employee turnover and employee satisfaction. Significantly, this procedure involves a cross-comparison of indicators to highlight those business units that underperform vis-à-vis specific targets in two or more of the critical areas.
- Known as the “Code Red review,” this process is the responsibility of the employee relations group and the relationship leaders* in each business unit.
- The Code Red review is conducted annually and has two components:
  - Component #2: Detailed Turnaround Plan—The leaders of affected business units must formulate detailed action plans for improving their unit’s performance. Failure to eliminate a Code Red within a 12-month period may carry significant penalties. See page 110.

Result

- The Code Red process enables the HR function to quickly and reliably identify problem locations or units and to establish a suitable course of corrective action.
- Business leaders who show sustained underperformance receive targeted coaching from their direct manager and the employee relations team, and they may be relieved of their responsibility where appropriate.
- In 2000, 72 percent of all Code Red locations showed a marked improvement in employee satisfaction scores.

* Relationship leaders are the seniormost HR executives in the business units.
Component #1: Code Red Trigger Mechanism

Three indicators out of HR's metrics portfolio serve as Code Red triggers: compliance, employee turnover and employee satisfaction. American Express uses two simple decision rules to assign Code Red. First, any business unit considered at risk of a compliance infringement automatically receives a Code Red designation, irrespective of performance against the other two indicators. Second, where compliance is not at risk, a Code Red is assigned to business units underperforming against both of the other indicators at the same time.

HR tracks metrics and performance targets for indicators relating to key business priorities...

* The three Code Red indicators are drawn from a larger set of organizational and HR metrics tracked by the HR function.
* The rationale is that these three indicators are most critical to American Express's business requirements (e.g., superior customer service).

<table>
<thead>
<tr>
<th>Code Red Indicator</th>
<th>Performance Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>Zero infringements</td>
</tr>
<tr>
<td>Employee turnover</td>
<td>Meet or exceed company average</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>75–80 percent favorable</td>
</tr>
</tbody>
</table>

...and the employee relations group and relationship leaders* conduct evaluations to identify underperforming offices

Code Red Decision Rules

Rule #1:
Compliance risk immediately generates a Code Red designation

Rule #2:
Underperformance in both of the other key indicators generates a Code Red designation

* Relationship leaders are the seniormost HR executives in the business units.
COMPONENT #1: CODE RED TRIGGER MECHANISM (CONTINUED)

The communication of a Code Red designation to the affected business unit at American Express is a joint responsibility of the employee relations team and the relationship leader for the business unit. Communication is typically informal, but a critical element is the immediate, forward-looking focus on constructing an outline for corrective action.

---

**Code Red Information Flow at American Express**

1. **Track Metrics**
   - The HR function gathers and distributes metrics data.

2. **Review Performance**
   - The employee relations group and relationship leaders hold a joint meeting to review business unit performance.

3. **Assign Code Red**
   - Members of the employee relations group and the relationship leaders reach a consensus on which business units require a Code Red designation.

4. **Notify Business Unit Leader**
   - The employee relations team and the relationship leader inform the business unit leader of the Code Red designation. Notification typically occurs via informal meetings but may take the form of more official memoranda, if desired.

5. **Formulate Outline for Action**
   - As part of the communication process, a representative of the employee relations group holds an initial meeting with the business unit leader to begin identifying an appropriate course for corrective action.

---

Source: Corporate Leadership Council illustrative based on information provided by American Express Company.
COMPONENT #2: DETAILED TURNAROUND PLAN

When a business unit receives a Code Red designation, it must improve performance to the level required to eliminate the Code Red within a year. The business unit leader is expected to present to the unit’s executive team a detailed action plan within a month of receiving the Code Red status. The business unit leader will work closely with the employee relations group and the relationship leader in order to identify drivers of underperformance and identify suitable actions for improvement.

Taking Action to Eliminate Code Red

1. The business unit leader, employee relations group and relationship leader all prepare materials...

2. ...for a joint meeting during which they determine...

3. ...a detailed action plan.

The action plan spells out discrete action steps or project milestones...

...along with concrete goals (interim measurement) along the way...

...and a detailed timetable for completing individual steps.

Because improving performance is a collective effort, the action plan also specifies owners for each task.

Source: American Express Company; Corporate Leadership Council research.
COMPONENT #2: DETAILED TURNAROUND PLAN (CONTINUED)

In order to lend rigor to the Code Red review process, business unit leaders are held personally accountable for significantly improving performance of their units within 12 months.

---

**A NEW SLANT ON ACCOUNTABILITY**

- If after 12 months a Code Red business unit receives another Code Red designation, the business unit leader will be asked to leave the position in 80 percent of the cases. One senior relationship leader comments that “no business leader can run a Code Red office two years in a row.”
- Exceptions are granted only where a leader comes into a Code Red unit during the course of the review period and thus cannot be reasonably expected to effect a drastic performance turnaround.
- In 2000 over 50 subunits of business units at American Express received Code Red designations. Out of these, 72 percent were able to sufficiently improve performance by 2001 to avoid receiving another Code Red designation.
A New Measurement Mandate
**Council Assessment:**

**“Code Red” Performance Management System**

**Key Differentiating Features**

- This approach combines sets of critical performance indicators into a tool for detecting underperformance in key areas and taking corrective action before that underperformance seriously harms the business.
- The approach differs from standard practice in the severity of the penalty associated with the failure to eliminate Code Red, which serves to embed the use of HR metrics into the organizational performance management process.

**Caveat**

- This approach can only be value added where companies have a very clear understanding of the top two or three HR-related indicators relevant to organizational growth and success.

**Implementation Tips**

- *Automate monitoring*—The value of Code Red reviews can be maximized where organizations automate the monitoring of the selected key indicators.
- *Conduct midterm reviews*—The effectiveness of Code Red reviews can be improved where companies institute a process for regular midterm reviews, for example, three and six months after the Code Red designation. Regular midterm reviews facilitate progress monitoring and can help to adjust actions or to effect midcourse corrections if performance is not improving.
Situation

• Although in the late 1990s the various departments within Nationwide’s HR function are tracking a large set of HR and organizational metrics, the function is not making a concerted effort to pull all metrics information together and disseminate it to the business.

• The HR function recognizes that its metrics effort is not contributing to corporate decision making or otherwise adding value and thus faces a twofold challenge.

• The first challenge is to significantly improve the quality and value of metrics reporting itself. The second challenge is to identify a vehicle for disseminating the metrics information to the business so that it can be fully used where it is most needed.

Action

• The HR director decides that the disparate metrics pieces must be consolidated in a single reporting format and must be supplemented by a significant amount of analysis and contextual information. Concurrently, the HR director decides that the best approach to producing the new HR metrics report is to create a dedicated locus of responsibility for this task.

• In 1998, therefore, the HR function launches the metrics analysis team, branded internally as “Management Information Service,” with the mission to conduct strategic metrics reporting, to publish HR metrics information packs for line executives and managers, and to facilitate the use of these information packs by the target audience.

• Initially the team focuses on creating a valuable template for HR metrics reporting, which incorporates analysis and impact assessment, but soon adds additional services to its portfolio. In addition to metrics information packs, the team now also offers a set of standard metrics reports for each business and answers ad hoc metrics queries. Soon the team begins to include external benchmarks to provide context for each metric; the team reviews each benchmark to identify best-performing organizations to which Nationwide could turn for learning about best practices, if desired.

• Finally, the team quickly adds two further services to its portfolio: first, a set of standard metrics reports for each business; second, answers to ad hoc metrics queries from the line.

Result

• Metrics make executive agenda—Executives use HR’s metrics packs and reports to shape the business agenda for their monthly management meetings.

• Strategic metrics reporting generates cost savings—The team’s consultative role in isolating particular turnover drivers and recommending actions for improving retention in each of the business areas generated turnover-related cost savings of $11.7 million last year alone.

• Increasing service demand is manifested in team growth—The team is such a popular resource for managers throughout Nationwide that it has grown from two FTEs in 1998 to six FTEs in 2001 to satisfy levels of information demand.
Overview: Strategic Metrics Reporting

Strategic metrics reporting incorporates three sets of outputs, or services: metrics packs, standard information downloads and customized reports in response to ad hoc requests from the line. The metrics analysis team responsible for these outputs is composed of analysts who specialize in individual metrics such as turnover or employee satisfaction. In conducting the various analyses, the team uses a range of sources including HR IT systems and professional literature.

<table>
<thead>
<tr>
<th>Outputs</th>
<th>Service #1: HR Metrics Information Packs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team has end-to-end responsibility for compiling and distributing the corporate-wide metrics information packs that go out to line managers and HR leaders every month.</td>
<td></td>
</tr>
<tr>
<td>See page 116 for an anatomy of a typical metrics pack.</td>
<td></td>
</tr>
<tr>
<td>See “Metrics Showcase” for a sample metrics pack.</td>
<td></td>
</tr>
</tbody>
</table>

| Service #2: Standard Information Downloads |
| Team compiles weekly or monthly reports on particular metrics categories (such as turnover, headcount or absenteeism) for individual business units. |

| Service #3: Ad Hoc Information Requests |
| Team responds to ad hoc information requests from the line. Such requests typically explore correlations between different metrics such as turnover and employee satisfaction. |
| See page 117 for ad hoc request protocols. |

Composition

Full-Time Employees (FTEs)

Team consists of three analysts and three support analysts.

Skills

- Analysts typically have an HR background and are responsible for conducting impact evaluations.
- Support analysts typically have a strong statistical background and are responsible for running statistical analyses.

Structure

Team structure is organized around analyst specialties, for example:

- Analyst #1 Training and development data, HR KPIs
- Analyst #2 Employee profiles, turnover
- Analyst #3 Employee satisfaction

Resources

Corporate HR IT system

Professional literature, journals

Internet

Source: Nationwide Building Society; Corporate Leadership Council research.
**SERVICE #1: HR METRICS INFORMATION PACKS**

Metrics information packs are comprehensive monthly reports produced by the metrics analysis team for line executives and HR leaders. The reports are deliberately structured to begin with analysis of “top of the house” issues and then provide increasingly detailed information toward the end of the pack. Although the reports are paper-based at this time, the metrics team will be releasing them on the intranet starting in July 2001.

---

**Anatomy of the HR Metrics Information Pack**

- **Executive Summary** ............... page 1
  - Digest of the four or five most important issues facing Nationwide, both internally and externally.

- **PEST Report** ................... page 2
  - Review of key articles published during the previous month in key professional (financial) and HR journals. Goal is to identify external trends that will affect Nationwide’s business and/or HR function. PEST report has four sections:
    1. **Highlights**—Pulls out the most pronounced trends, ranks their importance to Nationwide (low, medium or high) and spells out action that the HR function or business should take.
    2. **Impact assessment**—Team offers an impact assessment for each trend.
    3. **Actions agreed within the department**—Team outlines the actions agreed within the HR department in response to highlighted trends.
    4. **Ownership/responsibility**—Report allocates ownership for action and responsibility for outcomes to line or HR managers.

- **Web Review** ..................... page 4
  - Monitors Web sites of key organizations relevant to HR at Nationwide.

- **External Benchmarks** .......... page 6
  - Reviews performance against key external benchmarks. The metrics team provides a detailed overview of the source of each benchmark, how it was compiled and how Nationwide performs against it. Each area receives a red, amber or green ranking.

- **Internal Data** ................... page 9
  - Manpower Statistics
  - Employee Profiles
  - Turnover
  - Absenteeism
  - Training Delivery
  - Employee Satisfaction

- **KPIs for Each HR Department** .... page 14
  - Employee Satisfaction
  - Employee Profiles
  - Diversity
  - Cost
  - Recruitment
  - Financial Summary

---


Source: Nationwide Building Society.
SERVICE #3: AD HOC INFORMATION REQUESTS*

Ad hoc requests from the line seek to explore correlations among different metrics or to identify drivers of particular phenomena such as turnover or absenteeism. Upon receiving a request, the metrics team carefully explores the information needs of the requestor. Considerations here include the business need and whether the requestor simply seeks data or wishes the team to identify trends, provide analyses and offer assessments or guidance. Typical time from request to completion is four hours, with a 14-hour maximum.

Ad Hoc Request Process Flow

1. **Initial Request**
   Line executive or line manager contacts a member of the metrics analysis team (analyst) with a specific information request.

2. **Request Clarification**
   Analyst contacts the requestor to explore the business needs driving the request. During a short conversation, the analyst covers a standard set of questions designed to clarify exact information needs.

3. **Research Outline**
   Following the conversation with the requestor, the analyst compiles a “research outline” that captures the agreed parameters of the request and the deadline for completion. The analyst e-mails or faxes a standard outline form back to the requestor.

4. **Research**
   Team researches the request.

5. **Report Distribution**
   Team e-mails the completed report to the requestor.

*Service #2 (Standard Information Downloads) reflects routine metrics reporting mechanisms offered to the line in many member organizations and is not a major focus of interest here.

Source: Corporate Leadership Council illustrative based on information provided by the Nationwide Building Society.
The request form for ad hoc reports captures the business driver(s) underlying the information need and allows the requestor to specify up to 15 categories of data points for comparison or correlation. The request form is available in electronic format via Excel, and line managers can simply complete the form and e-mail it to one of the metrics team analysts.

### Sample Ad Hoc Request Form at Nationwide

<table>
<thead>
<tr>
<th>Section 1</th>
<th>Please fill in all the necessary sections and forward your request by e-mail to P.R. D.M. (with full box or individually to any of the analysts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Paul Smith</td>
</tr>
<tr>
<td>Department</td>
<td>Banking and Mortgages</td>
</tr>
<tr>
<td>Telephone Extension</td>
<td>1234</td>
</tr>
</tbody>
</table>

**Section 2**

**Population Required**

<table>
<thead>
<tr>
<th>Area</th>
<th>Prefix/Postcodes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Section 3**

**Required Fields**

<table>
<thead>
<tr>
<th>Field</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Centre Description/Office</td>
<td></td>
</tr>
<tr>
<td>Absence Certificate Date</td>
<td></td>
</tr>
<tr>
<td>Absence Start Date</td>
<td></td>
</tr>
<tr>
<td>Work pattern (e.g., Mon to Fri)</td>
<td></td>
</tr>
<tr>
<td>Absence Return Date</td>
<td></td>
</tr>
<tr>
<td>Job Family</td>
<td></td>
</tr>
<tr>
<td>Absence Reason Description</td>
<td></td>
</tr>
<tr>
<td>Next Days Absent</td>
<td></td>
</tr>
</tbody>
</table>

**Section 4**

**Standard report**

- Specify dates & Population required above

Your request will be sent back to you signed with an agreed deadline, and a contact name and number regarding your report.

**Section 5**

**To be completed by MIS TEAM**

<table>
<thead>
<tr>
<th>Estimated hours to complete report</th>
<th>7 hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>A greed / Target Date</td>
<td>27-Apr-01</td>
</tr>
<tr>
<td>Date agreed / agreed by</td>
<td></td>
</tr>
<tr>
<td>Extension No.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Hypothetical request based on information provided by the Nationwide Building Society.
Service #3: Ad Hoc Information Requests (continued)

Reports responding to ad hoc requests contain a wide range of information and analysis, including absolute and comparative data, a review of internal and external trends and benchmarks, and recommended actions for improvement if necessary.

Sample Ad Hoc Report

<table>
<thead>
<tr>
<th>Requester:</th>
<th>Paul Smith, Director Mortgage and Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyst:</td>
<td>Lisa Brown</td>
</tr>
</tbody>
</table>

Unscheduled Absences Among Mortgage Centre Staff

1. Absence Data

Total Absences, September 2000–March 2001

2. Trend Analysis

✓ Compared to company overall…
✓ External benchmarks indicate…
✓ Mortgage centre historical trends…

3. Possible Causes and Impact

<table>
<thead>
<tr>
<th>Drivers of Absenteeism</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>· Stressful work environment</td>
<td>· Significantly decreased output levels/response time to customer enquiries</td>
</tr>
<tr>
<td>· Unrealistic targets</td>
<td>· Increased cost of health benefits</td>
</tr>
<tr>
<td>· Low morale</td>
<td>· Decreased mortgage centre revenue</td>
</tr>
<tr>
<td>· Personal illness</td>
<td></td>
</tr>
</tbody>
</table>

4. Recommended Actions

✓ Consider instituting health and wellness program to enable employees to better deal with stress
✓ Consider instituting employee assistance program to provide employees with personal and stress counselling
✓ Review performance expectations and target-setting procedures

Source: Corporate Leadership Council illustrative based on information provided by the Nationwide Building Society.
Anticipated Evolution of Strategic Metrics Reporting Going Forward

Nationwide is currently in the process of moving toward a self-service structure for the standardized reporting services within the team’s domain. The goal is to enable the team to focus on the value-added activities of conducting trend analyses and bringing relevant metrics to the line even more proactively.

Automation Will Free Up Time and Resources to Advance the Current Strategic Reporting Services

Automation of the “menial” tasks of the metrics information team...

- Nationwide will be automating the standard information downloads over the next six to nine months, following the implementation of PeopleSoft 8.0.
- In the future, standard information downloads will be delivered through a portal available on every employee’s desktop.
- Managers will be able to retrieve aggregated metrics data (e.g., turnover, absenteeism) for the employee population reporting directly to them.
- Employees will be able to view personal data.

...will focus strategic metrics reporting even more strongly on value-added services

Metrics Information Team Activities, Current and Future

<table>
<thead>
<tr>
<th>Task</th>
<th>Current</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retrieving Data</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Providing Standard</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Downloads</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conducting Analyses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Providing Ad Hoc Reports</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Relative Time Spent Per Task (Estimates)

Metrics information team will be able to concentrate on activities such as sophisticated data analyses, trending and modeling.

Source: Corporate Leadership Council illustrative based on information provided by the Nationwide Building Society.
Strategic Metrics Reporting

Council Assessment: Strategic Metrics Reporting

Key Differentiating Features

- The approach differs from standard practice in the amount of analysis and contextual information that accompany the pure metrics data. Taking a consultative role, the team proactively identifies trends and offers astute assessments of their impact on the organization.

- The second differentiating feature is the provision of an internal research service whereby the team combines end-to-end production of corporate-wide metrics reports with the processing of ad hoc requests for specific metrics needed by the line.

Caveat

- The introduction of a metrics analysis team may be most viable in large organizations where the volume of demand for ad hoc customized metrics information is large enough to warrant the expense associated with maintaining a dedicated staff.

Implementation Tips

- The Council suggests that posting all standard and ad hoc reports on the corporate intranet greatly expedites information sharing and may enable other business units to proactively identify problems that otherwise would have taken longer to recognize.

- The Council recommends tracking the nature of ad hoc requests received by the metrics analysis team. Monitoring the requests may enable the organization to pinpoint emerging or unsuspected areas of concern in the business and may enable the team to begin providing proactive (as opposed to reactive) ad hoc reports.
122 A New Measurement Mandate
METRICS SHOWCASE
Metrics Showcase


- Quarterly People Measurement Results*
- Organizational Movements Reports*
- Quartet (Top-line metrics review supplement to annual report)
- Management Information Pack*
- HR Dashboard Presentation*
- Navigator
- HR Operating Statement*

* All information in these reports has been edited. Although the reports provide an accurate reflection of the organizations’ metrics and reporting formats, any data presented is hypothetical.
The study titled *A New Measurement Mandate: Leveraging HR and Organizational Metrics to Enhance Corporate Performance* is intended for broad dissemination among senior executives and management. Members are welcome to unlimited copies without charge. Online ordering is available at http://www.corporateleadershipcouncil.com. Alternatively, you can call the Publications Department at 202-777-5921, e-mail your order to orders@executiveboard.com or fax in the order form on this page. Additionally, members interested in reviewing any of the Council’s past strategic research are encouraged to request a listing of completed work.

---

**Study Requested**

A New Measurement Mandate: Leveraging HR and Organizational Metrics to Enhance Corporate Performance  
Catalog no.: CLC13HJ7P

**Quantity**

You may order an unlimited number of copies without additional charge.

**Name & Title**

_________________________________________

**Institution**

_________________________________________

**Address**

_________________________________________

_________________________________________

**Telephone**

_________________________________________

---

**FAX TO**

Corporate Leadership Council  
202-777-5822