

# Track the HR metrics that really matter



You probably track several HR-related numbers, but are you sure you're tracking the right ones? When it comes to metrics, most HR departments fail to focus on strategic HR information.

Sure, turnover rate is important, but it may not help your top executives when they have to make difficult business decisions. So offer them metrics that do. Your statistical savvy will enhance HR's role as a strategic partner in guiding the enterprise.

Here are some of the more common metrics that experts say HR professionals should know how to track:

## Organizational effectiveness

- **Revenue factor:**  $\text{Revenue} \div \text{number of full-time employees (FTE)}$ .
- **Human capital value-added:**  $\text{Revenue} - (\text{operating expense} - ) \div \text{number of FTE}$ .

## Compensation

- **Compensation-to-revenue ratio:**  $\text{Compensation cost} \div \text{revenue}$ .
- **Compensation expense-to-revenue ratio:**  $\text{Compensation cost} \div \text{operating expense}$ .

## Staffing/hiring

- **Turnover:**  $\text{Number of employees leaving} \div \text{average number of FTE for the period}$ .
- **Turnover percentage:**  $\text{Number of employees leaving} - \text{number of employees who were desirable to lose (such as terminated or poorly performing employees)} \div \text{average number of FTE for the period}$ .
- **Time to hire:**  $\text{Average number of days from job vacancy to when a new employee accepts a job offer}$ .
- **Cost per hire:**  $\text{Total recruiting costs (including advertising, search firm fees, HR staff time, hiring manager time, background checks, etc.)} \div \text{number of new hires}$ .

## 3 strategies for making the most of HR metrics

How do you pinpoint which metrics matter most for your organization? Use these strategies:

**1. Ask execs about factors that help the organization** and departments run more smoothly, satisfy customers and turn a profit. A key question to ask managers: "What department numbers does your boss bug you about the most?" If you keep hearing the same answer, chances are you should be tracking a related HR metric.

**2. Provide information, not just numbers.** As you identify what's important to your organization's strategic success, the metrics that matter most should rise to the surface. But remember, your goal is not to deluge executives and managers with numbers. It's to provide information that they can use in making decisions about business issues.

*Example:* If employee turnover is hurting customer service, tracking turnover rates is important. But it's even better to provide information gleaned from exit interviews about why employees are leaving.

**3. Boost your knowledge of HR metrics.** Metrics can be scary to many HR specialists who've built their careers dealing with people, not numbers. You can demystify metrics by reading up on the topic and networking with other HR pros to find out how their organizations use metrics.