



HRIS in the Small to Mid-Size Market

Getting Started with HR Metrics: A Short Course for Small to Mid-Size Companies

By France Lampron

Everywhere you turn you see articles and hear presenters at trade shows tout the importance of HR metrics. This magic bullet of information – business intelligence in HR clothing will finally earn HR that elusive seat at the executive table. But you are a small to mid-sized company, and you don't have an extra HRIS analyst to devote to producing metrics for the head of HR or your CEO. You don't have the extra budget for a consultant or a new system to pull this data from your HRIS system. And, the information for these metrics is not all located in the HRIS system anyway. Are you out of luck?

Not at all. If you are writing reports you are on your way to producing meaningful HR metrics. For most companies, producing a set of HR metrics is about getting the promised value out of the company ERP system. The problem is for many HRIS folks, getting the information out is still not that easy and the information necessary for more strategic reports, i.e. HR metrics, is stored in disparate systems. So the question remains, how does a smaller organization take full advantage of what they have inhouse without investing in another large-scale solution?

And that is only one of the questions you might have. How about: "What's the difference between a sophisticated report and HR metrics?"

What do you need to know about metrics as an HRIS professional? Is this just a buzzword that will eventually disappear or transform itself into yet another new buzzword? How does it differ from the kind of HR reporting you've been doing for years? Will you need new tools or will you need to learn a new technology?

Getting Started: What is the Difference Between Reporting and Metrics?

Put simply, HR metrics is about measuring the impact your employees have on corporate performance. Identifying HR metrics requires intimate knowledge of your business and is most often left as a task to HR and corporate executives. Examples of common HR metrics include: termination rate, staffing rate (by gender, by the ethnic background, etc.), revenue per FTE (full time equivalent), employee engagement, cost of turnover, managerial bench strength, employee at risk factor, profit per FTE, training investment per FTE, ROI of training, cost per hire and new hire failures.¹

Typically, as an HRIS professional, you will not be directly responsible for determining what HR metrics to produce but it will help you if you understand the research that's been done on this topic. Certainly, more knowledge will help when it comes to evaluating

consulting companies or vendors' tools for an HR metrics project. It should also be mentioned that there are organizations that offer a service to companies for producing HR metrics reports, in which case you only need to feed raw data to them.²

The Technology Side of HR Metrics

Many companies have installed large ERP systems with the goal of consolidating all of their HR data under one HRMS system. But the reality is that many critical metrics such as financial data and recruiting costs reside in different systems. For example, an HR metric that tracks employee retention, such as a function of employee training, requires information from the main HRMS whereas turnover information and corporate training class enrollment reside in external databases or even spreadsheets where one-on-one and external training classes are recorded.

Creating and Using a Data Warehouse or Data Mart

The best practice for dealing with disparate data is to create a data warehouse or data mart. Data warehouses and data marts can be described in simple technical terms as a central location where data from disparate systems is stored to maximize query per-

formance. Data warehouses also facilitate trend analysis over sequential time periods – a key factor in producing meaningful metrics – as well as the slicing and dicing of data across multiple dimensions of data.

One key challenge to an HR metrics project is to ensure that you have the right tools to extract data from various sources and to upload this data to the data warehouse on a regular basis without too much manual intervention. It pays to invest in an easy-to-use reporting and data extraction tool that is capable of reading data from a wide variety of databases and is capable of automatically uploading the extracted data into a data warehouse. These tools range from what comes bundled with an ERP system to tools which provide the non-technical user with a simple GUI driven interface for simple to sophisticated data extraction and report writing and stopping just short of three dimensional Online Analytical Processing (OLAP) analysis.

HR metrics often aggregate data from many reporting periods and also tend to require multi-dimensional capabilities since the same measure needs to be looked at from many different angles. It is typical to expect that executives will want to examine HR metrics by various workforce and demographical dimensions such as business unit, division or branch, age groups, ethnic background, region, salary range, etc. A key tip is to track historical information on such dimensions if you plan on implementing HR metrics that will require them.

Getting Started with a Data Warehouse on a Shoe String Budget

Many companies today use a standard relational database as their data warehouse. It keeps costs down because if you use the same database technology as your HRMS database and your reporting tool is flexible enough, you will even be able to query this data warehouse with the same tool (thus reducing training time). Also, before you get started, invest in a training class to understand how to use the standard OLAP services that come bundled with your database, whether it's IBM DB2, Oracle or Microsoft SQL Server. Using OLAP services, you can take advantage of multi-dimensional analysis and trend analysis over vari-

ous time periods. Bear in mind here that I am over simplifying the process of creating a data warehouse. This description is its simplest form, a reporting database. However, when OLAP services are involved, it requires additional knowledge of concepts such as Fact, Dimension, Star Schema and Cubes. These concepts warrant training classes and workshops. If your budget can afford it, look into OLAP-based tools. If your budget does not allow it, look for tools that provide drill-down capabilities and an easy way to aggregate and rollup data in different ways.

Other lessons learned from working with many companies to implement data warehouses and marts include:

- Begin with something small. Don't try to support too many HR metrics at first. Use your initial pilot project to understand the technology and understand your organization needs and how they will change over time.
- Don't begin a project until management clearly identifies the metrics.
- Don't start the project by buying the tool, wait until the requirements have been finalized, and then go shopping. You do not want to run the risk of buying a tool that looks good and comes with lots of pre-defined HR metrics just to find out six months later that most of it has to be thrown away because the executives want different metrics.
- Expect that you will get frequent requests to change what's being measured and how it's presented. After all, these measurements are to help corporate performance and over time different initiatives will be put in place to stimulate it. Those initiatives will need to get measured.
- Make sure you have a tool to automate the data extraction scripts so you can feed your data warehouse frequently. If the data-gathering process is manual, you will likely never be able to keep your data warehouse up-to-date.
- If you take on the task of producing HR metrics internally, make sure you have a tool that can quickly generate executive dashboards and other highly graphical reports to executives and managers who need this information to

make decisions.

- Make the information available to a portal so that the business units and executives can detect issues as soon as possible. Information timeliness is often more important than sophisticated metrics.
- If you implement an interim solution and plan on buying an HR metrics solution or plan on outsourcing HR metrics to a vendor, make sure you won't have to recreate all the scripts that extracts the data or make sure it will be relatively easy to re-create them. This is where most of the work is from an HRIS standpoint.
- If there is no process in place to collect the data needed to measure performance indicators, there is no way to measure anything. Putting processes in place is key.

Challenges and Observations

In the end, there are basic questions that come with every project including, "Are you the HR data warehousing team?" What can your company afford to spend to make this happen? As we have outlined, you can start by building a relatively simple data warehouse or data mart, but this will require some minor tool investment, and more importantly your time.

Then there are the decisions to make in regard to data. Where will your measurements come from? Can you easily transform data from surveys or other reports into raw data that can be measured?

Also, the nature of HR metrics is that what you need to measure today will change fairly rapidly, and in fact, what is being measured will depend on the problem of the hour. Add this to the larger, strategic metrics that will typically change every year in line with the business priorities and HR initiatives, and you realize you need to build and use an easy-to-use, highly functional warehouse of data.

When it comes to measuring people, the same measure does not apply to everyone. For example, sales people can easily be measured based on how much revenue they generate, but what about customer service representatives? As business priorities change, a new or different metric is required. Will you be able to keep up with these changes? Even if you have metrics, you will always need adhoc reporting

on those metrics.

HR metrics opens up a new challenge and opportunity for HRIS. Learning a new skill (OLAP) and adding to your company's ability to be strategic and more profitable are enough to propel you through an interesting project. There's a lot to be learned from the data and the ability to present it to corporate executives raises the level of HR to a partner instead of a service department. And as you will see, there is gold in those hills of data. Gold that only you can find for your company.

Endnotes

1 The Corporate Leadership Council has a Web site entirely dedicated to this subject (www.clcmetrics.com).

2 The Corporate Leadership Council (www.corporateleadershipcouncil.com).

References

Dr. Jac Fitz-enz, *The ROI of Human Capital: Measuring the Economic Value of Employee Performance*, AMA-COM (June 2000). Dr. Fitz-enz is the founder of the Saratoga Institute.

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France Lampron is the president and founder of Nuvosoft, Inc., an HR software company providing products, consulting and support to its enterprise customers. Ms. Lampron has more than 17 years of experience designing and implementing HR systems. Her current leadership and technical experience in self-service applications have made her a sought after speaker and consultant. She holds a Masters degree in Computer Science from the University of Massachusetts and a Bachelors Degree in Electrical Engineering from McGill University. Ms. Lampron is the chief architect of Nuvosoft's Rcomp, a complete, secure solution for online Compensation Planning, and Rwiz a GUI-based report generator for fast and simple creation of complex queries. She leads the company and its engineering team to deliver state-of-the-art, business driven systems for Fortune 500 companies and their subsidiaries.