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## **Feeling “Lost” About HR Metrics?**

*By Mark Stelzner*

Fictional Oceanic Air flight 815 was cruising at a comfortable altitude over the Pacific when intense turbulence hit, causing a sudden loss in cabin pressure and oxygen masks to drop from above. Without warning, the plane broke into two and began its terrifying descent toward a remote island. The relatively small number of survivors found themselves in a strange and mysterious land, uncertain about all that they had previously taken for granted and what might lie ahead.

This is the premise of ABC’s hit series “Lost,” and like those survivors, public sector human resources executives have recently found themselves in a land wrought with daunting tales of fear, uncertainty and doubt—the dreaded retirement crisis, performance measurement and management, recruiting and staffing shortages, succession planning and executive “brain drain,” all confounded by budgetary shortfalls. Survival would seem to be a daily struggle.

But no matter which of these potential crises are foremost in your mind, that famous adage by Peter Drucker still rings true: “If you can’t measure it, you can’t manage it.” When difficult questions are posed by those who control your budget, policy, legislative or political agendas, public sector executives must be armed with accurate and timely human resources metrics.

As in “Lost,” the only way to persevere is to take stock of what you have, all while attempting to predict what the future might bring. Information changes constantly. However, it’s not the information itself that will help you; it’s what you do with these metrics that makes all the difference.

### **HR Metrics**

A Google™ search on “HR Metrics” returns approximately 2.5 million matches, which makes defining a meaningful construct for the term extremely challenging. In his book *HR Metrics the World Class Way*, Dr. John Sullivan defines a metric as “simply using a number to enhance a story or argument.” He adds that, “many HR people describe their results in words alone [and] while using words exclusively to describe a result might make an interesting argument, adding metrics or numbers to describe the result is what makes the story truly powerful.”

In today’s public sector environment, words flow in a tidal wave of tens of thousands of pages of text each month. The challenge for the discerning reader is to dissect and extract the most meaningful and actionable items for consumption. For public sector human

resources executives, this means emboldening your communications with actionable metrics driven by the knowledge of:

- 1) What to measure,
- 2) The role of technology,
- 3) The role of outsourcing, and
- 4) How to convey your findings.

This compass may not get you off the island but it will give you a more substantial sense of what direction you're facing and where to move next.

## What to Measure

By and large the most disconcerting, looming and misunderstood crisis facing the public sector is that of retirement and retirement eligibility. Although reports vary, according to the Partnership for Public Service, it is anticipated that of the 1.9 million employees of the federal government, 44 percent will be eligible to retire by 2010, including 60 percent of senior managers. Linda Springer, director of the Office of Personnel Management, often refers to this as the "retirement tsunami." The problem is not unique to federal service, as states and localities show an alarmingly high percentage of retirement eligible public servants, with some exceeding 60 percent eligibility in the next three years, as reported in the article, "Taking the Wheel: How HR Can Drive Success in Competitive Sourcing," published in the December 2004 *Pivotal Insight Research Report*.

In their February 2003 study, the Center for Organizational Research, in partnership with IPMA-HR, stated that although the proportion of older workers is expected to grow by four percent per year through 2015, many retirement-eligible public sector employees may choose to continue to work longer than their private sector counterparts. The study added that, "Securing accurate data is [an] essential first step in addressing the challenges of an aging and soon-to-retire workforce."

So what should you measure? Although the choices appear endless, there are no less than six items you *must* measure to effectively harness the power of actionable HR metrics:

- 1) ***Eligible versus Actual Retirees.*** In some agencies, this core data may drive the majority of their human capital agenda for the foreseeable future. Historical measurement of no less than five and no more than 10 years should be included in your metrics. Moreover, it is also important to track the percentage of retirees who reestablished their employment as independent contractors and/or via third-party staff augmentation firms.
- 2) ***Average Tenure, Sorted by Age, Function and Geography.*** This metric will provide visibility into a number of interesting outcomes, including such questions as to whether "new" workers are entering public service later in life, if retention issues are generational or functional, or if length of service correlates to location.
- 3) ***Investment in Training, Sorted by Age, Function and Type.*** Do younger workers obtain more extensive training? So much emphasis has been placed

on attracting new workers to public service that many organizations are losing sight of the opportunity to continue to develop the most seasoned portion of their workforce. Once armed with these metrics, investigation into how training impacts performance and which training is most effective is an appropriate next step. (See the Corporate Executive Board's HR Executive Website at <http://www.corporateleadershipcouncil.com> for more information.)

- 4) ***Talent Sources, Sorted by Function and Tenure.*** Where do you get your talent, and do they tend to stay once hired? Once you've identified the projected gaps in your workforce, it's critical to understand the most effective means of filling those positions, particularly in extremely competitive fields such as scientific and medical professions.
- 5) ***Third-Party Costs, Sorted by Function, Service Delivery and Time.*** With the potential for an increased dependency on third-party organizations, public sector executives must have constant awareness of the costs and functions that are offered through external relationships. The time element of this metric provides visibility into whether third-party utilization is increasing, decreasing or static. Moreover, duplicative service provisioning can be rationalized to a lower cost via competitive sourcing.
- 6) ***Utilization of Service Delivery Channels, Sorted by Age and Function.*** Do employees continue to use paper-based processes despite a multi-million dollar investment in Web-enabled self-service technologies? Is talking to a live HR specialist/generalist preferred over an interactive voice response system? As the demographics of your population are in constant flux, these metrics help you prepare for the right mix of HR service delivery options now and in the future.

## **The Role of Technology**

To accurately manage HR metrics while ensuring near real-time data capture, a thorough understanding of technological options must be obtained. This requires a deep and meaningful partnership with your information technology brethren, a collaboration which in the past has been wrought with finger-pointing and misunderstanding on both sides of the fence. IT solutions, when properly designed and deployed, wholly enable the HR function to move toward the proactive and predictive role that all organizations desire.

Unfortunately, there is no silver IT bullet when developing your HR metrics technological strategy. However, depending on the size of your employee population, you can most likely combine and leverage your existing HRMS with other IT investments to achieve a meaningful end.

Emphasis must be placed on no less than four critical technological capabilities to drive a fluid HR metrics strategy:

- 1) ***Data Capture.*** One can only hope that you have a head start in this area. With the prevalence of employee and managerial self-service applications, Web and telephony based applications have significantly reduced the amount of paper shuffling in public entities. Moreover, massive imaging projects have

attempted to not only digitize all new paper that flows through HR, but eliminate warehouses full of historical documentation ranging from official personnel folders to HR policy handbooks. The adage of “garbage in, garbage out” will reign supreme over your metrics should you not solve the most fundamental issue of how to gather information from your population.

- 2) **Data Storage.** Most HR executives believe that their significant investment in an HRMS system such as SAP, Oracle/PeopleSoft, or CGI-AMS will solve their storage needs as well. This assumes that all relevant HR metric information either resides in or is integrated to your particular back-office solution. Organizations such as the HR-XML Consortium have been created to promote interoperability between HR solutions by leveraging open standards based on Extensible Markup Language (XML). (See <http://www.hr-xml.org> for more information.) Once integrated, IT professionals can determine the potential impact of real-time ad-hoc reports for purposes of HR metrics analysis. Most will recommend the use of a read-only data repository which will not impact the response time of your HRMS environment. This repository is integrated to all relevant data sources, both internal and external, and typically normalizes to a common data set for purposes of reporting and analytics.
- 3) **Data Management/Retrieval.** Now that you have all the information you desire in an integrated data store, how do you logically manage and retrieve those portions that are most important to you and your constituents? Dozens of solutions are viable, with the most prevalent including: a) leverage of HR metrics features from your HRMS solution, b) utilization of reporting tools such as Crystal Reports or Information Builders, c) deployment of business intelligence solutions from the likes of Cognos and Business Objects, or d) enterprise content management systems such as EMC Documentum.
- 4) **Complex Data Analysis.** It may sound overwhelming, but for those “left-brainers” who desire tools that may unveil complex correlations, predictive analytics and true causal relationships, fantastic data analytical systems are widely available and well used. One of the most popular is SPSS, and chances are someone across your state, locality or agency has been trained on how to use this powerful tool, albeit perhaps without consideration on how its wares may be applied to HR metrics. (See [http://www.spss.com/vertical\\_markets/government/human\\_resource\\_planning.htm](http://www.spss.com/vertical_markets/government/human_resource_planning.htm) for more information. Common public sector uses include homeland security, public health, survey research, logistics and lottery analysis.) This option is worth investigation as you attempt to go beyond standard output creation and current-state reporting.

Keep in mind that you do not need to break the bank to establish a strong and reputable HR metrics solution. In fact, your HRIT professional can most likely guide you to the right combination of existing IT solutions that may be deployed elsewhere in your enterprise and perhaps leveraged to your needs. Your worse case scenario—and for some of you, a candid reality—is using your desktop application software to run some light data comparisons on whatever data you can get your hands on. The key is to not wait

until the optimum IT solution is in production, but instead build small victories with existing capabilities to justify ongoing investment in more robust solutions over time.

### **The Role of Outsourcing**

You may be surprised to find that existing outsourcing relationships may provide the strongest beachhead of accurate data measurement and management. This comes despite continuing concern surrounding the privatization of certain functions across all levels of government, not to mention the privacy of the precious data which third-party providers hold.

In their recent survey of more than 250 public sector executive management and HR decision makers, titled “Improving Human Capital Management in the Public Sector: HR Services Delivery Strategies for the New Millennium” (EquaTerra Public Sector, April 2006), EquaTerra found that nearly 90 percent of respondents undertake outsourcing primarily when mandated by executive leadership. Moreover, a “loss of control” was cited as a common reason not to outsource by more than 60 percent of those surveyed. However, respondents stated that several HR functions were outsourced with high levels of satisfaction, causing EquaTerra to conclude that although holistic outsourcing is not widespread, “government both resists (conceptually) and uses (in reality) outsourcing.”

At issue may be semantics and definitional disparities, since *outsourcing* may be characterized as co-sourcing, privatization, public-private partnerships, A-76 MEOs, contracting out, or some variation thereof depending on your particular organizational variances. Regardless of what you call it, there is great benefit to be had from leveraging the technological investments of third-party providers to drive metrics and measurement.

Thanks to stringent contracting, legal and financial controls, HR service providers maintain some of the most complex and complete data storage and retrieval capabilities in the market today. Although mandated to provide reports primarily targeted to the particular service they provision on your behalf, most HR providers offer additional reporting and analytical tools tailored to meet the specific needs of your organization. What may be most compelling is their ability to perform comparative analysis to other public and private sector organizations of similar size and scope. Should a comprehensive and collaborative study be sponsored by enough member clients, a service provider can produce outcome-based research at a much lower cost.

Three tips for leveraging your outsourced service providers to drive stronger HR metrics include:

- 1) **Contract.** Review your contract to determine if all agreed-upon metrics are being provided and/or determine if new metrics may be added, and at what cost.
- 2) **Consult.** Meet with your service provider to clearly understand all existing analytical products and services, as well as those which may be offered in the future.

- 3) **Collaborate.** User forums or regional user groups provide a medium to drive collective interest in studies that may prove to be of material value for all participants.

## How to Convey Your Findings

At times, it seems as if you can find data to support any known ailment in the world today. Pharmaceutical companies have a well-defined, rigorous process by which they check, recheck and validate findings from clinical trials. In many ways, public sector HR professionals could take a page from the playbook of that process. However, the litany of potential side effects can thankfully be avoided.

- 1) **Accuracy is Everything.** You live in a political reality, and therefore there will be those who will blister and boil, and those who will bask in the glow of your findings report. Thus, the accuracy of your data must be indisputable and wholly transparent to the recipient. Not all data is meaningful and not all meaning is measurable, but nothing destroys the credibility of a largely accurate report than one simple, erroneous data point.
- 2) **Measurement versus Meaning.** If transparency is the bulletproof vest you wear when delivering your findings, drawing meaningful and actionable conclusions from your data turns Kevlar to cardboard if not done well. Attain upfront agreement on the methodology to be employed to derive causal and corollary relationships, and document, document, document. Attempt to assign mathematical probability when analyzing results and consider root-cause analysis techniques when drawing relationships.
- 3) **Recommend Actionable Steps.** If the news is bad, define your options for consideration, timelines, and when the effect of those solutions will, in turn, be measured. Sometimes a simple solution is the most difficult to see. If the news is good, recognize that the fluidity of your environment does not allow for too much back patting, as your good news may be someone else's bad news in later reports. However, do celebrate longer term trending success and attempt to find its root.
- 4) **Positive Bookends.** Begin and end your report with something positive. This is not to suggest embellishment or a false silver lining, but there is always good news to report if you study your data fully. Even marginal improvement may be the beginning of a trend line over a multi-year period.
- 5) **"Independent Validation."** If possible, obtaining truly independent third-party validation of your results can be an extremely helpful tool in ensuring conflict-free analysis and high adoption rates. If a body exists in your organization to serve such a role, exploring their meaningful participation in the process can preempt any internal concerns downstream. If using an external party, you must ensure they are beyond reproach, as any future discovery of a conflict of interest can lead to disastrous results.
- 6) **Rinse, then Repeat.** For HR metrics to take a meaningful role in the organization, measure early and measure often. Do not treat measurement as a one-time or quarterly event, but do not feel the need to measure daily or hourly. Depending on the tools employed, measurement can be a painless and cost effective process that is not a distraction or heavy task load to your overburdened HR staff. Set internal

expectations on the frequency of your reports and be prepared to be potentially overwhelmed by requests once your expertise becomes widely known in the organization.

### **“Lost” and Found**

Many survivors reach a point where they stop depending on others for rescue and start depending on themselves. Without accurate HR metrics, public sector executives may find themselves down in the hatch, punching in the same numbers they have relied upon for years. This is not because they know the source or importance of these numbers, but because that is what they have always done. Meanwhile, the “others” (the private sector, retirement, graduate programs) seek your most precious resources, and each day you awake to find that, inexplicably, more personnel and expertise have vanished.

Don’t let this dramatization demonstrate anything more than an impetus to act now. The tools and solutions are available. Service providers and consultants have invested tens of millions of dollars of know how into their offerings. Your organization may already have the tools and capability in house. The key is to leverage the expertise of those with deep functional knowledge as applied to the unique characteristics of the public sector. Fundamentally, the public sector must rescue itself, and with the cost to act relatively low, the cost of inaction will only increase over time.

Now sit back, relax, and enjoy your flight. You should expect some turbulence around this issue, but with the right HR metrics, you and your organization will arrive safely at your destination.

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