

# Maximizing Human Capital:

## Demonstrating HR Value With Key Performance Indicators

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**Abstract**

To drive value and optimize company performance, human capital—the collective knowledge, skills and abilities of people that contribute to organizational success—is an asset to be leveraged. Based on corporate culture, organizational values and strategic business goals and objectives, human capital measures indicate the health of the organization. The effective use of key performance indicators (KPIs) that measure human capital outcomes, such as talent management, employee engagement and high performance, illustrates the firm's business, financial and strategic goals, promotes partnership with senior management for organizational success and demonstrates HR value to the C-suite.

**Introduction**

*"In order to fully value human capital, we must go beyond the view of human effort as purely individual. We, humans, affect each other profoundly, and it is the way we affect each other that determines our value to our organizations. And, it is the way that strategic human resource professionals bring this understanding to the fore of their organizations that determines HR's value at the senior management table."<sup>1</sup>*

In 1995, the seminal study by management guru Mark Huselid linked high-performance work practices with company performance and revealed that workforce practices had an economic effect on employee outcomes such as turnover and productivity, as well as on short- and long-term measures of corporate financial performance.<sup>2</sup> This study marked a new era of measuring the influence of HR to promote effective organizational performance, sustainability and financial success.

As HR positions itself as a strategic business partner, one of the most effective ways to do so is to support the strategic business goals through *key performance indicators*. Key performance indicators (also known as KPIs) are defined as quantifiable, specific measures of an organization's performance in certain areas of its business. The purpose of KPIs is to provide the company with quantifiable measurements of what is determined to be important to the organization's critical success factors and long-term business goals. Once uncovered and properly analyzed, KPIs can be used to understand and improve organizational performance and overall success.<sup>3</sup>

**Why Measure Human Capital?**

The primary motivation to measure human capital is to improve the bottom line. To design better KPIs, it is essential for HR to understand what is important to the business and what key business measures exist. In addition, the drive to measure human capital reflects the change of role of human resources from administrative to that of a strategic business partner. In general, human capital measurement is a measure of effective human resource management.

Broadly stated, HR metrics measure efficiency (time and cost) and the effectiveness of certain activities. Yet mastering human capital measures

can be a very complex undertaking. Today, HR professionals are expanding the "traditional" metrics, such as head count, time-to-fill and turnover, to KPIs that align with corporate objectives and create greater stakeholder value. However, KPIs often demand large amounts of data and technological support. In addition, the trial-and-error required to set appropriate and meaningful measures comes into play, as well as patience and education of those involved. Yet despite these challenges, 84% of companies expect to increase the application of human capital measures in the next few years.<sup>4</sup>

With a clear line of sight on workforce and organizational performance, effective use of KPIs also illustrates HR's in-depth understanding of the links to business success. KPIs help build the credibility of the HR department, demonstrate HR value and foster respect and partnership with senior management and the C-suite. For example, when an HR professional not only shows that a new recruiting program resulted in a lower time to fill positions in the organization, but can also demonstrate that the program yielded an additional amount of revenue because billable staff were able to start at client sites more quickly, he or she builds HR credibility. Credibility is increased because HR is able to link HR activities to firm performance and communicate it in financial/business terms. Additional critical reasons to measure human capital include steering human capital resource allocation, winning business cases for human capital investment, tracking human capital activities to develop human capital predictions, linking variable compensation to human capital best practices, delivering human capital information required by law and providing investors with information on human capital performance. Some firms even use KPIs to enhance their company image as a progressive employer of choice.<sup>5</sup>

Further, with many HR functions increasingly being outsourced, credibility is earned through activities and outcomes that result in "deliverables" that promote and lead to organizational success.<sup>6</sup> Consequently, it is important to select KPIs that are most meaningful to the organization. For example, logical KPIs to select are those that reflect drivers for human capital measurement, such as financial outcome measures (e.g., revenue growth and cost reduction) and performance drivers (e.g., customer

satisfaction, process technology innovation, product technology innovation, globalization). Within that framework, the most common categories of people measures include turnover, productivity (revenue, profit per employee), employee satisfaction/employee engagement, recruitment, diversity, remuneration, competencies/training, leadership, and health and safety. Most frequently measured are turnover, voluntary resignation, average compensation, average workforce age, diversity and compensation/total cost. Such KPIs will help HR professionals predict what they need to know to act in a timely and effective manner and identify ideas and areas where HR can develop new initiatives, or revisit others, to obtain stronger results.<sup>7</sup> Clearly, KPIs are the wave of the future for HR.

### Culture, Stakeholders and KPIs

As the saying goes, “what gets measured gets managed.” The company culture and corresponding values define what is measured. Therefore, when HR considers important KPIs, the first place to look is at corporate culture and what is most valued within that culture. In addition, stakeholders (both internal and external) go hand-in-hand with company culture. A stakeholder is an individual or entity with a stake in how the organization performs and/or conducts itself. Internal stakeholders are employees, line managers, senior management, C-suite and the board of directors. External stakeholders include shareholders, customers, vendors, the community and the government.

Working closely with internal stakeholders is beneficial for HR to 1) prioritize capabilities and create action plans to deliver them; 2) focus on deliverables rather than doables; 3) build relationships of trust; and 4) help resolve misconceptions of HR.<sup>8</sup> Different stakeholders have different criteria. The key priority is to give business partners the information they need to manage the company. For example, senior management values performance measures that predict and lead to future organizational financial success and sustainability. On the other hand, while one employee considers the availability of upward career mobility very important, another employee stays for health care benefits. As a result, training to promote opportunities to move up in the organization and informational sessions about employee benefits packages may be important. Overall, most important are KPIs that track key business indicators of human capital issues. HR must focus on KPIs that best illustrate stakeholder values that will lead to organizational success.

### KPIs—A Strategic Management Tool

To think strategically about measurement and how best to use KPIs as a strategic management tool, it is essential to understand the meaning of the measurements and their purpose. This approach will not only be beneficial to help better manage the HR function, but also will naturally lead to aligning HR's goals and objectives with those of the organization.<sup>9</sup>

According to a recent national longitudinal study on the assessment of human resource organizations, strategy is the top high-value add for HR. However, in only 60% of companies did the HR executive see HR as a “full partner.” In addition, 24% of executives outside of human resources viewed their HR counterparts as working at lower levels of strategic involvement, compared with 40% of HR executives. The study suggests that activities related to strategy provide the most high-end impact for HR to demonstrate its value (see Figure 1). In addition, the relationship between business strategy activities and HR's strategic role points to areas where HR can contribute: growth, the core business, quality and speed, information-based strategies, knowledge-based strategies, and organizational performance. The study data also reveal key strategic HR activities that link business emphases with the organization's strategic focus: 1) having a data-based talent strategy; 2) partnering with line managers to develop business strategy; 3) providing analytic support for business decision-making; 4) providing HR data to support change management; 5) driving change management; and 6) making rigorous data-based

**Figure 1**

### HR Value-Added Strategic Activities

- Help identify or design strategy options.
- Help decide among the best strategy options.
- Help plan the implementation of a strategy.
- Help design the criteria for strategic success.
- Help identify new business opportunities.
- Assess the organization's readiness to implement strategies.
- Help design the organizational structure to implement a strategy.
- Assess possible merger, acquisition or divestiture strategies.
- Work with the corporate board on business strategy.
- Recruit and develop talent.

Source: Adapted from Lawler III, E. E., Boudreau, J. W., & Mohrman, S. A. (2006). *Achieving strategic excellence: An assessment of human resource organizations*. Palo Alto, CA: Stanford University Press.

decisions about human capital management.<sup>10</sup> From these HR strategy activities, key performance indicators can be developed.

At the same time, when determining strategic KPIs, it is essential to consider who designs human capital measures and how they are created. Research by The Conference Board reveals key contributors to these metrics. Overall, HR designs 94% of human capital measures, often basing them on measures in the company scorecard. To create human capital measures, 77% of HR professionals meet with company business managers. For example, finance, strategic planning, outside consulting experts, business managers and IT contribute to HR measurement design. However, if HR lacks expertise with metrics, it is helpful to partner with groups such as marketing that have considerable expertise in measure design and analysis.<sup>11</sup>

Alignment of people metrics with organizational strategy is still at an early stage in many firms. To move human capital investments forward, several key points will assist HR to better strategically align with organizational goals and garner support for human capital programs: 1) involve HR in the development of overall business strategy; 2) enlist leaders outside of HR to help develop and back KPIs; 3) collaborate with business managers to ensure KPIs link to business unit strategic goals; 4) focus more attention on links between people measures and intermediate performance drivers (e.g., customer satisfaction, innovation, engagement); 5) increase manager acceptance through training programs and concrete action plans; and 6) work with HR to simplify metric and automate data collection.<sup>12</sup>

In addition, benchmarking can make human capital metrics more valuable. When used wisely, benchmarking data can protect programs that are performing well, create support for organizational change and help executives in HR and other disciplines make strategic decisions that affect their organizations.<sup>13</sup> By focusing on internal benchmarks, customized measures may help improve the alignment of activities to HR strategy. However, caution should be used with external benchmarks due to mixing “apples and oranges”—that is, different industry sectors and underlying issues in benchmarking measures. Also, external benchmarks tend to emphasize results rather than processes. Because an external benchmark does not explain what part of the process can lead to better results, the use of external measures may not always be appropriate for internal use. In the rapid expansion of highly advanced e-learning programs, for example, different programs may deliver the same content at

the same low cost, but the quality of the programs is not revealed in the benchmark itself.<sup>14</sup>

Overall, the top KPIs for human capital and HR effectiveness can be used by all companies, regardless of size or industry. For example, the Hay Group found that the most admired companies had effective business practices in the following areas: organizational culture, strategy implementation, attraction and retention of talent, leadership development, fostering innovation, and performance management. Successful companies assess performance by balancing profit measures with measures of shareholder value, customer satisfaction and employee satisfaction.<sup>15</sup> Keeping this research in the forefront will help HR develop effective and strategic KPIs for their organizations.

### The Importance of Lagging and Leading Indicators

The purpose of measuring KPIs and determining what leads and what lags is to help the business make predictions. To demonstrate HR value with KPIs, it is imperative that HR has a working knowledge of lagging and leading indicators. These terms describe data regarding outcomes and/or events that affect organizational performance. Lagging and leading indicators offer a way to understand and/or predict various aspects of firm performance. However, to identify and quantify these relationships, it is essential to know more than HR is a leading variable and customer satisfaction is a lagging variable.<sup>16</sup> To accurately gauge the relationship between lagging and leading indicators, a sense of the magnitude of the time lag between changes in the leading indicator and subsequent changes in the lagging indicator is required. (See Figure 2 for an example of lagging and leading indicators, with turnover as the lagging indicator in response to selection and supervisory training, the leading indicators.)

To be more specific, a lagging indicator represents information that is the result of change or an event. Lagging indicators, for example, are measures of profits, sales and service levels. They reveal various aspects regarding the success or failure of a firm. Lagging indicators are particularly useful for shareholders, creditors and government agencies. Lagging indicators do not, however, help a company react quickly, show what specifically went wrong or right, or indicate exactly what needs to be done to improve. In general, lagging indicators are not useful in managing on a day-to-day basis.<sup>17</sup>

In contrast, a leading indicator precedes, anticipates, predicts or affects the future. For example, higher employee turnover can precede outcomes such as lower customer service scores. Of the two

indicators, the leading indicator is more useful for investments or predictions. The state of the major stock markets, for example, is a leading economic indicator for the global economy. Figuring out how to measure events, practices, initiatives or outcomes helps to determine the most valuable leading indicators—that is, those indicators that may lead to clear outcomes.<sup>18</sup> However, part of the difficulty is clearly proving what indicators lead and with what degree of influence. For example, while the availability of talent is generally thought of as a leading indicator—as one can measure the quality of hire from it (the larger the talent pool, the more likely you are to hire more qualified people)—it is also a lagging indicator in comparison to certain political decisions. For example, consider how changes in a local taxation rate, perception of crime and ratings of school quality affect people’s desire to move to a city and become part of the talent pool. Here, political decisions lead and talent availability lags. In general, the most useful measures are leading indicators, as they may predict future firm performance.

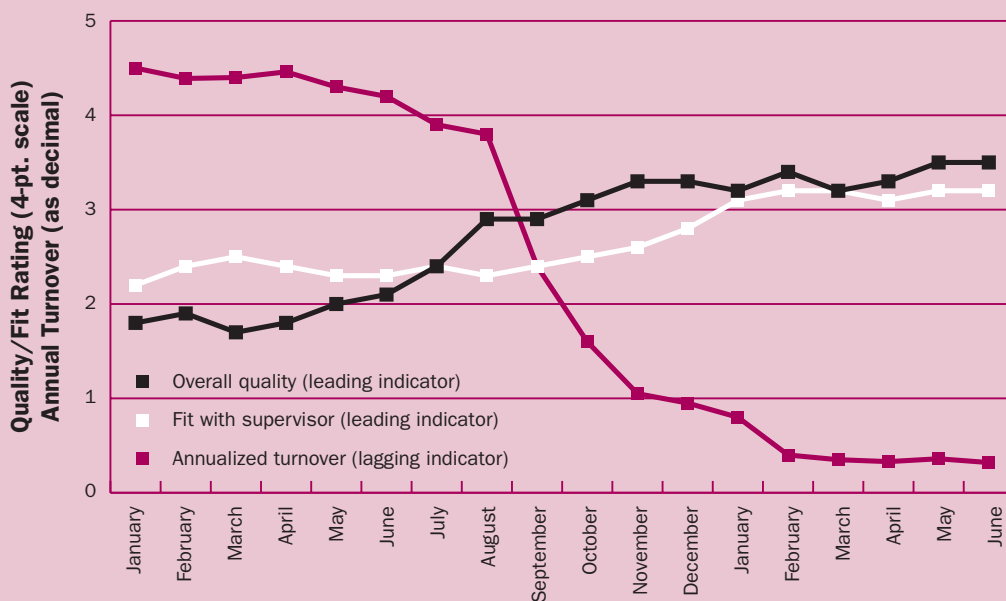
**Scorecards and Dashboards**

In recent years, HR scorecards and dashboards have gained popularity as a management tool. Documenting and tracking defined metrics validates human capital investments. For example, firms are increasingly tracking employee movement as a metric. Cisco Systems, Inc., the California-

based communications giant, views building talent as a priority and has added to its dashboard of people measures a metric to track how many people move and the reason why, including revenue per employee. This KPI allows Cisco executives to quickly identify divisions that are creating new talent. Another firm, Valero Energy Corp. in San Antonio, developed a recruitment model using human capital metrics based on applying the supply-chain business process to labor. Scorecards help the company track the labor sources that provide the most productive employees. Using a detailed analysis of these metrics, the company can accurately forecast the demand for talent by division and title three years in advance.<sup>19</sup>

The HR scorecard, based on the format of the balanced scorecard, is a key management tool to strengthen HR’s strategic influence in the organization. The scorecard has four perspectives—strategic, operational, financial and customer—that help organize and track areas where HR adds value: 1) the strategic perspective focuses on measurements of effectiveness of major strategy-linked people goals; 2) the operational perspective reflects the effectiveness of HR processes; 3) the financial perspective relates to financial measures of HR value to the organization; and 4) the customer perspective focuses on the effectiveness of HR from the internal customer viewpoint. Depending

**Figure 2** The Effects of Selection and Supervisor Training on Turnover



Note: Assessment begins in April, training in August, additional training in November. Source: The Gabriel Institute (2006, June), www.thegabrielinstitute.com

on the organization's business goals, these perspectives also help determine KPIs that best demonstrate HR value (see Figure 3).<sup>20</sup> Additional key benefits of the HR scorecard are 1) reinforcement of the distinction between HR "doables" and HR "deliverables" (i.e., a policy implementation is a doable and becomes a deliverable when it creates employee behaviors that drive strategy); 2) HR's ability to control cost and create value; 3) measurement of leading indicators; 4) assessment of HR's contribution to strategy implementation and to the bottom line; 5) support of HR to manage its strategic responsibility; and 6) encouragement of flexibility and change.<sup>21</sup>

**KPIs and Employee Engagement**

Employee engagement is quickly becoming a critical success factor for competitive advantage. Using KPIs, HR can demonstrate organizational success as well as gain support for initiatives related to employee engagement. Research studies offer evidence that employee engagement is key to organizational success. In the *SHRM 2006 Job Satisfaction Survey Report*, employees identified four key aspects of job satisfaction directly linked to employee engagement: meaningfulness of job, contribution of employee's work to the firm's business goals, the work itself and variety of work.<sup>22</sup> Watson Wyatt's research, *The Human Capital ROI Study*, reinforces the link between employee engagement, reward systems and retaining valuable human capi-

tal.<sup>23</sup> A Carlson/Gallup study on employee engagement and business success shows that employees who are extremely satisfied at work are four times more likely than dissatisfied employees to have a formal measurement process in place as well as receive regular recognition. Further, 82% said recognition motivated them to improve job performance.<sup>24</sup> Thus, as these studies highlight, employee engagement—whether through job satisfaction indicators, reward systems, effective communication programs or succession planning initiatives—has the power not only to clearly demonstrate HR value, but more importantly, to propel human capital investment to the forefront of the C-suite agenda.

**KPIs for Organizations With Small HR Departments—Mini Case Study No. 1**

Not all organizations have the luxury of a dedicated HR staff to develop, track and analyze HR metrics. When an HR staff of a small organization has limited time to track all possible HR KPIs, careful choices must be made about which KPIs best serve HR's needs. This mini case study illustrates the types of KPIs selected and tracked by a small HR staff supporting a workforce of 400 employees of a firm that sells and leases health care equipment to hospitals. With only an HR director and HR assistant, this tiny HR department tracks human capital measures that reflect the state of the organization, selecting KPIs based on metrics that best reflect the company's culture and strategic goals.

**Figure 3** Examples of Key Performance Indicators for the HR Scorecard

Strategic Perspective	Organizational culture survey
	HR budget/actual
	Employee skills/competency levels
	Change management capability of the organization
Operational Perspective	Training cost per employee
	Attrition rate
	Time to fill vacancies
	Average employee tenure in the company
Financial Perspective	Compensation and benefits per employee
	Turnover cost
	Sales per employee
	Profit per employee
Customer Perspective	Employee perspective of human resource management
	Employee perspective of the company as an employer

Source: Adapted from Becker, B. E., Huselid, M. A., & Ulrich, D. (2001). *The HR scorecard: Linking people, strategy and performance*. Boston: Harvard Business School Press.

In this company, certain KPIs are tracked throughout the year, while others (e.g., absenteeism) are reviewed on a quarterly basis. Overall, the HR department benchmarks progress against prior years, with the goal that the employee cost tracks favorably against revenue and profit. The primary metrics tracked are employee cost over sales revenue, employee cost over net income before taxes, turnover of full-time and part-time staff, absenteeism, time-to-fill for critical positions, and HR performance ratings. Of these metrics, four are lagging indicators: employee cost over sales revenue, employee cost over net income before taxes, turnover and performance ratings. The other two metrics—absenteeism and time-to-fill—are leading indicators. The turnover of full-time staff, for example, was 11% in 2004 and 16% in 2005, the difference reflecting the recent retirement of several long-time employees. As a result of analyzing the turnover increase, HR developed a knowledge management transfer program for employees close to retirement. Finally, to anticipate the possible effect on the next year's budget, HR reviews any changes in benefits programs against the cost of benefits per employee.

### The Value of Qualitative KPIs—Mini Case Study No. 2

KPIs—as a simple tabulation of numerical indicators—do not necessarily provide management with useful information. Moving from “bean counting” to strategic HR, a more qualitative type of key performance indicator becomes essential. As this mini case study illustrates, turnover rate, as a leading indicator, is an excellent example. In a mid-size manufacturing company with 650 employees, HR, using a qualitative assessment process, asked questions to explore the true reason behind the high turnover rate of 30%. First, what was the value of the employees who left the organization? Since the turnover rate was high, for example, were the employees who left a drag on performance? If yes, then the hiring process was the next step to examine. Second, was the high turnover among valuable employees? If yes, then the next step was to examine the nature of the employee-organization interaction.

To begin, HR went back to its performance assessment process and considered people who left in each of the four categories: 4—exceeds expectations, 3—meets expectations, 2—needs improvement to meet expectations and 1—not performing even to minimal expectations. They looked at high turnover among the 3s and 4s, which represented a loss of high performers who, assuming the performance assessment was valid, were more valuable to the organization. They also considered high turnover among the 1s and 2s, a possible

indication that supervisors were doing a good job of weeding out those who could not perform. Looking at turnover rates over time, HR found a need for supervisor training as well as the need to improve pre-hiring screening and the overall selection process. After tracking turnover for a year following the supervisor training initiative and improvements in the hiring process, the end result was that the savings in reduced turnover far outweighed the cost of the pre-hire assessment and supervisor training.

### Role of Technology and KPIs

Today, the increasing demand for HR technology runs parallel with the growing use of workforce analytics and KPIs. HR technology systems are fast proving to be a critical vehicle for HR to contribute value to their organizations. While initially used primarily by large organizations, more small and mid-size companies now use software products to both effectively measure human capital investment and track a wide range of HR metrics. Further, there is growing evidence of cost savings in organizations that effectively use HR technology. Consequently, HR in companies of all sizes will increasingly use technology to better showcase the effects of human capital initiatives.<sup>25</sup>

Research by management gurus Boudreau, Lawler and Mohrman points to the critical role of technology and the corresponding strong relationship between HR and IT. Two key findings reveal that, due to technology, completely integrated HR IT systems lead to the highest level of HR effectiveness, and the effectiveness of the HR IT system is strongly related to the overall effectiveness of the HR organization. Further, the *SHRM 2005 HR Technology Survey Report* emphasizes the importance of return on investment (ROI) to build a business case to incorporate HR technology systems in the firm. The top five successes of HR technology systems are: increased accuracy of employee information; decreased cycle time for processing employee information transactions; less time spent by HR staff on administrative work; greater access by managers to employee information; and the HR department's ability to manage the workforce with the same number of HR staff. Yet, few organizations document the advantages of HR technology systems:<sup>26</sup>

- 65% of organizations are not measuring the ROI for HR technology systems.
- Of those that do measure the ROI, 68% measure it by determining cost savings and losses and 31% consider HR headcount.
- 10% of HR professionals do not know how the ROI is measured.

**Recent Studies: Human Capital Practices Drive Performance**

Increasingly, research finds that best practices around human capital can help companies successfully compete with their peer organizations. The following studies highlight the importance of human capital practices to drive organizational performance. Correspondingly, KPIs that measure these practices both validate the value of HR and advance the profession at all levels.

• **Achieving Strategic Excellence: An Assessment of Human Resource Organizations<sup>27</sup>**

This national study, the fourth in a series on the HR function in large corporations, focuses on measuring whether the HR function is changing to become more effective and, more specifically, whether HR is changing to become an effective strategic partner. The key findings show a “strong relationship between what is happening in the HR function and a company’s strategic focuses.” The degree to which the firm has knowledge and performance strategies is the degree to which HR is viewed as a strategic business partner. Overall, with the importance placed on talent management, the emphasis on human capital, knowledge and competencies creates a favorable environment for the HR function.

• **SHRM 2006 Human Capital Benchmarking Study<sup>28</sup>**

This executive summary provides HR professionals with key human capital measures for nearly 600 organizations on HR departments and their expenses, employment, health care, compensation, and organizational revenue and size. The key findings reveal changes and trends in the workplace. For example, of the 57% of firms that expected their HR department expenses to increase, 11% were in durable goods manufacturing. For all industries, the median for HR expense per full-time employee was \$1,072. And in 2005, organizations also increased their hiring by more than 50% from the previous year. Telecommunications, services (profit) and biotechnology industries had the top three highest medians for percentages of positions filled in 2005.

• **2006 FORTUNE Most Admired Companies: The Effectiveness of Managing Globally<sup>29</sup>**

This study of 74 companies worldwide found that successful global organizations exploit unique knowledge and capabilities. They then effectively diffuse and adopt them worldwide to their strategic objectives, contributing to competitive differentiation. Successful global leaders, for example, take a hands-on approach to develop talent management and provide ongoing coaching to their workforce. Most admired companies have a better

understanding of their talent, and consequently, positions can be filled more quickly based on required skills and career objectives.

• **Maximizing the Return on Your Human Capital Investment: The 2005 Watson Wyatt Human Capital Index Report<sup>30</sup>**

This study of 147 organizations representing all major North American industries illustrates that companies with superior human capital practices can create more shareholder value that substantially surpasses companies with average human capital practices. Excellent human capital practices—such as recruiting excellence, employee development, total rewards, turnover management and communication—make a difference, no matter the state of the economy. Key findings, for example, show that companies that filled vacancies faster reduced disruption and lost productivity from turnover. Organizations that filled positions quickly (in about two weeks) outperformed those that took longer (around seven weeks) by 48% (59% three-year total returns to shareholders versus 11%).

**Using KPIs in the Global HR Function**

The value of global HR is assessed by how well global HR strategy, policies and practices link with, support and forward organizational strategy (see Figure 4). In addition, global HR is often assessed by its effectiveness to deliver major organizational change. HR is often called upon, for example, to help in the design of high-level projects for major global business initiatives (e.g., talent management for expansion into new regions, a global communications program regarding new organizational values).

Yet measuring the contribution of HR on an international level becomes ever more complicated due to factors such as complexities of scope,

<b>Figure 4</b>	<b>Examples of Key Performance Indicators for Global HR Effectiveness</b>
<ul style="list-style-type: none"> <li>• Design and implementation of an international HR information system.</li> <li>• Development of global leadership through cross-cultural assignments.</li> <li>• Development of a global mindset for all employees through training and development.</li> <li>• Cost reduction of expatriate assignments.</li> <li>• Implementation of formal systems that improve worldwide communications.</li> </ul>	
<p>Source: Adapted from Sparrow, P., Brewster, C., &amp; Harris, H. (2004). Globalizing human resource management. London: Routledge.</p>	



authority level, and political, cultural and legislative barriers that directly affect the link between organizational performance and HR. Two approaches are recommended: identifying and proving the link between organizational performance and people management, and using methods of evaluation of the global HR function's contribution. The measure of the global HR function also often rests on "perceptions of effectiveness" from key stakeholders—that is, the company's worldwide employees and managers. Therefore, the ability to market HR globally as a source of competitive and strategic advantage is fundamental to measuring the contribution of the corporate global HR function.<sup>31</sup>

Measuring the value of international assignments, for example, is a critical success factor for global HR. Companies measure the ROI of international assignments through cost estimating, tracking and comparison. A recent global relocation trends survey, for example, found that 70% of companies required a statement of assignment objectives prior to funding assignments. In addition, to minimize expatriate turnover—a global HR KPI—64% of companies found opportunities to use international experience, with 50% of firms offering a

greater choice of positions upon return and 43% offering repatriation career support.<sup>32</sup> However, as highlighted in an SHRM case study on repatriation, different assignments have different measures of success and, consequently, different results. A common KPI is the retention rate of expatriates following repatriation for one and/or two years. Other measures may also reflect "softer" results, such as managerial approach shifts or cultural changes. The concept behind using a variety of measures is to create a "report card" that can provide a broad view of the assignment overall.<sup>33</sup>

### In Closing

Becoming more facile with metrics in general is a goal of many HR professionals. Further, as more HR professionals become immersed in human capital measurement, they can more effectively use key performance indicators to illustrate the value of human capital investments through successful organizational performance at many levels. These important steps will increasingly demonstrate the high value-add required by the C-suite to be a true strategic business partner.

### Recommendations

Selecting practical KPIs requires thoughtful consideration of the message behind measures and their corresponding effect on the organization. The real-life examples below—starting at the idea stage and ending at results with meaningful measures—demonstrate HR value through KPIs.

#### 1. Qualitative measurement is one path to assess qualitative characteristics of the workforce, such as engagement.

Example: A public agency was experiencing high customer complaints and low staff morale. A combination of open-ended survey and focus group outputs was analyzed, and leading indicators were identified. Training was specifically designed to target the key areas, and as a result, customer complaints fell as morale improved.

#### 2. Employee feedback provides useful perspectives on HR efficiency.

Example: Health care costs were unusually high and customer service was very poor for the last fiscal year. Six months after a new health care provider was chosen, costs were down by 20%. The organization's HR manager developed a survey for employees to provide feedback about the new program relative to the previous one and learned that employee

perception of the new program was extremely favorable.

#### 3. Whenever possible, the impact of recruiting is best described in terms of financial gains.

Example: An organization wanted to know the effect of its new recruiting program. The program was able to reduce time-to-fill by an average of seven days, which meant new employees could start billing sooner to client sites. Since the average daily bill rate per person was \$900, the recruiting program was able to increase the firm's revenue by \$6,300 per new billable employee hired.

#### 4. Retaining older workers for future leadership roles depends on what they most value.

Example: A survey by a multinational corporation of its older worker population in North America and Europe revealed the following top three key values: 1) support from managers; 2) ability to make one's own job-related decisions; and 3) opportunities for advancement. Leadership development programs were created to retain key talent from this group. Over a two-year period, tracking of performance, mentoring and promotions of older workers in the leadership development program found that turnover rates for older workers decreased by 28%.

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**Endnotes**

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