



Playing by the Numbers

Techniques for Mastering Metrics

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The following article is based on a panel presentation at The HR Network, which is sponsored by The Five O'Clock Club. The HR Network is a vendor-free venue for HR professionals to meet informally and hear discussions of important issues of the day.

The information in this article is not just for HR—it is applicable to whatever field or industry you are in.

The panelists were Warren Davis, who has been head of HR at a number of small companies, Jean Ebersole, EVP of Human Resources at HSBC and Barbara Spitzer, an HR consultant with Watson Wyatt.

Metrics and Strategy

If “metrics” doesn’t strike you as a very exciting topic, you may want to think again. Let’s consider, for example, the matter of your own compensation. What’s the best way to ask for a raise? “Know the metrics!” may be the right answer! If you say to your boss, “I want a raise,” you might hear, “Well, so do I—get out of my office.” Or if you try another approach, “I need a raise, my kid is about to start college,” you may be told, “Well, I need a raise too, my kid is headed for college—get out of my office.” But if you can present a different case, “Boss, I deserve a raise, and

here are the numbers to prove it,” you have a better chance of being heard. Of course, the boss and a lot of others may deserve raises as well, but, generally speaking, you’re in a better position on many levels if you can *quantify* your achievements, i.e., if you know the metrics of your job. All executives ought to have a grasp of the big picture regarding the human capital in their organizations, but HR commonly has the opportunity and the means to master metrics that matter.

You’re a better person on many levels if you know the metrics of your job.

It is increasingly understood and appreciated these days that managers must address their responsibilities within the context of the *business strategy* of the organization. The workforce—the people who show up every day and do their jobs—is usually the greatest expense for any organization. Department heads manage their own budgets—including labor. Traditionally, however, HR has centrally managed transactions *related* to human capital: recruiting, hiring, train-



Kate Wendleton, moderator, listening to a humorous question from the audience.

ing, retaining, payroll, benefits, workforce analysis, and succession planning. HR has become very adept at managing all of these. But the bar for HR has been raised in recent years, and this department is commonly expected to provide information on *how* all of these transactions impact the bottom line. That’s why metrics can be, in fact, very exciting. “I love this topic,” says one HR executive, “I can talk about it for hours.” Gathering and analyzing data to achieve bottom-line impact can be thrilling and rewarding, and obviously increases the power and importance of HR.

Let’s consider a few guidelines to keep in mind as you—and HR—



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A member of the audience asks one of many questions.

embrace the challenge of *becoming metrics experts*.

Know Your Audience—and Get There First

It is almost impossible to generalize on how to do the metrics because every organization is different: there are corporations and not-for-profits, large companies and small companies; there is a huge range of products and services; there are countless differing corporate cultures—and there is always politics. Whatever your environment, it’s vital to determine who needs and will benefit from metrics information. HR might even need to take the lead in determining who needs to be educated here.

It’s usually not hard to identify those to whom you are especially accountable, regardless of your function. “I worked for a technology company,” an executive points out, “whose CEO was very driven, very metrics-oriented, demanding PhDs from M.I.T. He ran the board and he ran the management team. While my metrics report went to everyone, he was my customer. Not that I ignored other people, but I had to address his questions.



Warren Davis, a seasoned HR Head, answers audience question.

“In another situation, however, I worked for a company that was owned by a venture capital group. I answered to the new CEO who had been brought in to get the company ready to be sold in three years, but I also answered to the venture capital principals. I had multiple customers. Everyone was thinking strategically, and they always wanted to know about expenses, since this was a factor in the sale price of the company. Hence, I had to master the metrics regarding payroll, the various bonus plans and the benefits. I had their attention when I was reporting. This was an environment in which metrics were especially important.”

Tell a story about what is going on in the organization to make the numbers more meaningful.

Of course, knowing the numbers may be vital for management, but learning them may not be easy. This is another aspect of *knowing your audience*. Even those who can benefit the most from metrics may not know how to look at the numbers. One executive with considerable experience in interpreting the numbers explains the necessity of adding commentary: “I prepared the spreadsheets, but I found that people were not reading them. I got better readership when I put graphs on the top of spreadsheets, but I went the next step and included a narrative. I wrote an executive summary that explained, ‘Here is where we were last month or last year, this is where we are this month or this year.’”

Another metrics specialist stresses the importance of translating the numbers—bringing them to the human level: “Tell a story about what is going on in the organization to make the numbers more meaningful. As a part of the story, use the graphs, keep the metrics in there—but in such a way that they can be read in about 30 seconds before you lose their attention. Then

you give them the bottom line. You get to the punch line: ‘Here is what it says, then this is what we’re doing about it, and this what we need *you* to do in order to help *us*’”

Once you’ve identified your audience—you know your customer(s), those in management who should see the data—*make sure that they do see it*. What’s the danger you face, especially in a larger bureaucracy? One executive warns, “So you have done all this work, you have the impressive metrics, and you hand it off to the finance people—and it ends up on page 39 of their report. Of course the protocol is that your report goes to finance, but send the information directly to your customer. You want the senior manager to see it directly from your hand. Do not be part of some else’s package.”



Jean Ebersole, EVP, Human Resources, HSBC Securities (USA) Inc., enjoyed the interaction.

Know Your Data Better than Anyone Else

Imagine that you are an HR officer and have prepared your reports on the metrics regarding payroll, health insurance costs, the bonus plans or 401K matching, and that you have included your recommendations. Now imagine that you are sitting before the executive committee or the board and your turn comes. It’s not good enough to read or summarize your data. You can assume that some of the people at the table will have read your report. Be prepared for cross examination! One seasoned executive advises: “Know your data better



Barbara Spitzer, an HR consultant with Watson Wyatt, provided a different perspective.

than anyone else—all the way down to the molecular level.” Your command of the data should be total, which will be the case if you have been closely involved in the data collection and analysis. You must own the metrics. You must know and understand them cold, and be prepared to handle challenges.

“By the way,” this executive points out, “being challenged is a compliment. It means that your report has been read—you’ve sparked interest, and maybe even skepticism or doubt or alarm. But if you lose eye contact—to look down to shuffle through papers to find your answer—you lose. If you know your data and you can look the person in the eye, not breaking eye contact, and give your answer, you have credibility. It is important to do that.”

Another executive advises, “Take the time to really *think about* what the metrics are saying to you. Study the numbers thoroughly, and be as sophisticated in your analysis and correlations as possible, but simplify the presentation of the numbers so that your recommendations can be enacted.”

Resist Metrics Euphoria

“You do the math” is a common retort to someone who should be able to figure out a problem, and the truth is that many people love doing the math, and it is possible to get stuck at this level. Hence the warning of an expert: “Resist the metric euphoria. There is something wonderful about these tables and all the data. It is wonderful when

they fit together and balance. But, at the end of the day, we are about action and about getting things done. There is more demand for action than for study.” Or, as another specialist puts it, “We are all about translating the strategy of the organization into the behavior of the employees.”

Your command of the data should be total.

And one of the keys for achieving this can be listening to employees. Crunching the numbers is vital, of course, but so is hearing the opinions and feelings of the people who do the work. One executive, who was grappling with the problem of high turnover at a couple of offices, knew that he had to go beyond the numbers. Choosing a large enough sample of employees to protect the innocent, he asked questions during exit interviews to elicit telling quotes and sound bites. “Management had been resistant to really listening. But I presented them with nine pages of quotes, and the themes and trends were very obvious. They read all the pages and they got the message. They acted on this document. This really wasn’t metrics. This was listening to the voice of employees.”

Another specialist points out that, especially in the arena of workforce planning, study of the numbers should be supplemented by listening to the people. For example, with respect to the anticipated exit of the baby boomers from the workplace, some questions go

beyond numbers: “What do you know about the preferences of your older workers? What do they really want? Do they want to stay, but work part time? Would they be open to being mentors and coaches? Would they be willing to be consultants to younger workers to help with the transfer of institutional knowledge? We do need to figure out what these retirement age folks want—and how we can motivate them to stick around so that we can benefit from their knowledge.”

Be Obsessed with Metrics That Matter: How Do Human Capital Policies Affect the Bottom Line?

In the words of one leading consultant, “Executives have to be constantly building a *business case* for everything they do—and making the business case for investments in human capital that will result in the right things for the right people.” Hence, we are back to the basic truth that *HR’s* relevance now depends on enhancing the bottom line: HR strategy must be in line with the business strategy of the organization.

HR has resources to tap into for guidance along these lines. For example, Jack Alexander’s *Performance Dashboards and Analysis for Value Creation*, according to one HR reviewer, “includes a great discussion about linking your HR metrics with the metrics of the company and its overall strategy.” And there is no shortage of HR issues that impact the success—and the profitability—of companies. Three that merit special attention:



Some of our staff: Kim Hall, VP, Client Services, Anita Attridge, a certified Five O’Clock Club coach and an outplacement account executive, and Julie DiStasio, Senior Administrator.

■ **Payroll**

There is always pressure to increase wages, and pressure to keep this major expense in check. To justify increases, executives not only need to know the numbers, but should be savvy about the consequences and impact of increasing wages—or not. This usually comes from studying the numbers long term, and *knowing the cost of losing employees*. As one executive observed: “When 70 per cent of your population is at the 90 per cent pay level, it may be hard to make the case for increases. But if you can say to senior management, ‘Here are the *business* reasons for payroll increases,’ you’re more likely to win. You have to be able to cite the cost of turnover, of hiring and training, and the cost of losing talent to competitors. If you have the metrics, people will listen.”

■ **Training**

You may be pushed by your executives to justify training programs. The most natural question in the world—from the bottom-line perspective—is “What is the return on investment when we spend this money?” There may be industry-wide figures available to provide guidance, or company history may be helpful, but the metrics-oriented

professional will want to be able to show how productivity, employee performance and retention can be improved.

■ **Holding on to the Baby Boomers**

As mentioned earlier, it can be instructive to listen to the baby boomers to find out what they want and need, but what about the crunchable numbers? If long-term employees leave, what will be the wage levels of replacements? What is the cost of hiring /training people to take the place of boomers? What is the cost of overlap, i.e., keeping boomers part-time or as consultants to train their replacements? How does this impact insurance rates and pension plans? Figuring out the metrics here requires considerable commitment and effort.

The Metrics Imperative

Clearly technology plays a major part in helping HR and others assemble the data. We now have software that didn’t exist even a few years ago. “Technology has progressed like you wouldn’t believe,” observes one senior consultant. “Many of us have computer-based systems for this, although some have a long way to go. But metrics is all about getting the data. If we can just get the data, we can measure the right things. The technology and the capability are all there. The HR profession has grown a lot with the demands of the business. Now the CFO and CEO are asking, ‘When we spend millions of dollars on our people, what are we getting in return?’ Well, it is becoming the obligation of HR to make that fairly obvious. HR now must be a vital part of the business. Are we really investing in the right places, and are we optimizing ourselves?” ●



“The bad news is we’ve lost \$187,000 this month. The good news is that’s nothing compared to what we lost last month.”

What Human Resources Executives Say About the HR Network Breakfast Seminars!

Thank you for providing this morning’s program. It stimulated several ideas and confirmed my thinking on others. The handouts are extremely useful. When I returned to the office we had an impromptu meeting of our executive team, where I described the topic and talked about the key points. We had a good discussion—all thanks to this morning’s program.

Each of your panel members contributed excellent ideas, enthusiastically and sincerely. It was an excellent morning.

The session was excellent, one of the best. I make a habit of attending a wide variety of events and yours is by far the best in terms of organization, speakers, content and attendees. It is one of the NY Business community’s best kept secrets.

What Is the HR Network, and Why Does It Offer Breakfast Seminars?

The HR Network Breakfast was founded in 2003 by The Five O’Clock Club to provide a learning forum for HR professionals—to help them do their jobs better and advance them in their careers.

This is a way for The Five O’Clock Club to give back to our customers and to serve the HR community, which has shown increasing appreciation for our innovative outplacement services.

We work hard to present six substantive HR Network Breakfast Seminars every year, so that HR professionals can take away information to give them a competitive advantage.

And, by the way, *we never allow vendors to attend*, so HR officers can focus as well on getting to know each other.