HR Metrics - Turning Tactical Metrics into Strategy

One of the things that was ingrained into me from my almost 12 years at Salesforce leading people strategy and analytics was a somewhat counter-intuitive phrase that guided Marc and team's approach to the company.

"Tactics dictate strategy."

Why is this counter-intuitive? You pay top dollar for strategy consulting, and as a result, that is what we find valuable. It is the business orthodoxy. Tops-down, set your strategy and then execute. This is great in providing direction and a plan, but also can create an anchor that holds you back as signals on the ground change. In a fast moving and changing landscape, holding your rudder steadily aligned to your strategy can find you running aground, quickly.

But a mentality of tactics dictating strategy is more bottoms-up. What can you do? What do we need to accomplish? The small details are important and shouldn't be glossed over for the larger strategic vision, because it is in the details where your competitive advantage exists. Marc has said, "A successful tactic executed in a number of different ways becomes a great strategy." If you are not testing and learning, having a beginner's mind, you're not going to have the feedback needed to create the future you want.

So when HR professionals lament that they want to be strategic partners and want a seat at the table, my question is, "how well do you understand the tactics and complexity of the business and how employees impact and are impacted by it?" How that question is answered is why many HR transformations fail. We keep chasing our transformation vision without understanding the steps/tactics necessary to get there. But that is why, we need to re-examine our standard tactical metrics with a beginner's mind and see how we can look at them and use them in different ways to reveal a great strategy.

Here are some examples of tactical metrics we all have reported on:

Talent Acquisition	HR Operations	Talent Development	Compensation
Number of hires TA budget Time to fill (TTF) Number of applicants Number of interviews Offer decline rate Candidate satisfaction	Headcount Attrition rate Diverse headcount Span of control Employee survey ER cases	Training hours Promotion rate Transfer rate Performance	Compa-ratio Pay gap

How to turn metrics like these into strategic conversations, insights, and business drivers:

Ratios and Cross-tabs:

Most business metrics are ratios. Stock price to earnings (P/E ratio) help us value the company, net burn to net new revenue (burn multiple) helps us understand how efficient you are with your overall spend to create new revenue, and sales and marketing expense to new customer acquired in a period (Customer Acquisition Cost - CAC) helps us understand the efficiency your customer acquisition strategy. The thing to notice is that each component of the ratios are important data points, but meaning and value to the business is created when they are combined and contrasted to create an actionable metric. Applying this to HR, some examples of actionable ratios to consider are:

HR Function	Metric	Insight
Talent Acquisition	# applicants to # resumes reviewed	Size of untouched IP. If your recruiters are only looking at 10% of applicants, how much value are you leaving on the table with the other 90%?
	# interviews to # hires	Efficiency of your hiring funnel. The perfect efficiency ratio is 1, but if you are seeing this ratio increase over time, why is it taking more interviews to arrive at a decision?
	Hours per hire	Efficiency of your recruiting process. If hiring managers and interviewers are spending more time making a hire, how much time/productivity is taken away from them doing their actual jobs?
HR Operations	Revenue per employee	How much money each employee generates for the company. A higher ratio typically indicates greater productivity and profits.
	HR expense to employees	Efficiency of the HR organization. As an organization grows, you want to see your HR investments scale.
Talent Development	Internal hires as a percent of total hires	Opportunity for employees for internal mobility. If this percentage is low, there could be a bias towards external talent making career development more difficult.
Compensation	Avg. new hire compa-ratio over existing employee compa-ratio	Salary compression. If this number increases over time, existing employees' compensation is not keeping up with the market.

But not everything can be turned into an easily understandable ratio/metric. When your variables are categorical instead of continuous (like many HR variables), a 2x2 matrix or crosstabs are an extremely valuable tool. Anyone who has been a consultant understands the power of plotting options in a 2x2 matrix. While it may seem simplistic, it helps to illustrate the relationship between two important variables on an outcome to help you drive deeper

conversations. In the book, [Strategic Doing](), the authors find that it helps people to see "both/and" potential, rather than "either/or," which is more in line with how a complex system like an organization operates. Instead of just counting what we have done, we should be looking at relationships between what we have done and the outcomes we want to achieve.

2x2 example:

2x2 of Pipeline:Quota Ratio and Manager Quality on Attrition Probability

		Manager Quality	
		Low	High
Active Sales Pipeline:Quota	>1.5	**Elevated probability of attrition:** If the employees make their quota, they might be able to deal with a bad manager, but employees are probably open to entertaining external opportunities.	**Low probability of attrition:** Employees are set up for success.
	<1.5	**High probability of attrition:** Employees are not set up for success. Probability of meeting quota is low, manager quality is low, both the employee and organization are going to look for a split.	**High probability of attrition:** Probability of meeting quota is low. Employees are not set up for success. Even if the manager is great, they are probably going to want to leave because they are not going to make their quota.

Many factors go into employee retention. As a result, we have to understand how they interact to have an impact on the outcome we want to achieve. In the example above, if we were brought in to have a conversation about elevated attrition in our sales organization, we could use this 2x2 and plot the numbers of employees that fall into each quadrant to provide a rough prediction on how much more attrition to expect, and devise different tactics for each quadrant to reduce the probabilities of attrition.

Crosstab example:

Candidate Satisfaction Score by Organizational Action:

Average candidate satisfaction score: 2.2		Candidate Satisfaction		
		Negative (1, 2)	Neutral (3)	High (4, 5)
Organizational Action	Hire	30	500	1,000

	Do not hire after screen/interview	8000	2,000	500
	Candidate not reviewed but rejected	300	0	0

Instead of just reporting on average candidate satisfaction score, being able to break it down into different segments allows you to understand what is going on and the tactics you need to deploy to improve your candidate satisfaction strategy. In the example above, while the overall candidate satisfaction score is low, most of the low scores are driven by candidates that were screened or interviewed but did not get the job. Those that got the job are really satisfied with the process, so the question becomes what are we not doing with these rejected candidates that we are doing with the ones we hire? Are we giving the rejected candidates detailed feedback on why they were rejected, or are we just telling them we passed on their candidacy? Once we understand that, we can adjust our tactics to see how it impacts our scores, and we couldn't have been able to do that if we were only looking at the trend in the average score.

Strategic Composite Measures:

Some organizational phenomena are too complex to plot on two dimensions, and we all know that correlation doesn't equal causation, so we need to find another way to drive the strategic conversations. That's where composite measures come in. These are concepts or ideas we want to achieve but are multidimensional.

A great example of this is the concept of "Quality of Hire." Every Talent Acquisition leader's great white whale. So how does a mindset of tactics dictate strategy help to tackle this challenge? What question do we have to ask ourselves?
1. How are we operationally defining "Quality of Hire?"
2. What inputs go into that definition?
3. What can we control and what can't we control?
4. Who is responsible and accountable for managing those inputs?

		Definition:	Accountable Party
	Quality of Hire	The value the new hire brings to the organization as measured by individual factors and impacted by contextual factors	Talent Acquisition????
Individual factors	Quality of candidate	How well did the candidate match the job description?	Talent Acquisition

	1 year retention rate	Did the new hire stay beyond 1 year?	Business, Manager & HR
	Time to productivity	How long did it take for the new hire to become fully productive compared to the average?	Onboarding & Manager
	Rehire score	Would the hiring manager rehire knowing what he/she knows now?	Manager
Contextual factors	Quality of manager	How does the team rate the manager on key survey items?	Manager, Business & HR
	Quality of onboarding	How does the individual rate the onboarding in preparing him/her/they for their job?	Onboarding
	Quality of team	How does the team rate each other in terms of support?	Manager & HR

As you can see, if you define Quality of Hire similarly to what's above, the Talent Acquisition leader only has so much influence on the outcome. The TA leader can make sure to bring in quality candidates, but it's ultimately the hiring manager that makes the hiring decision, and the organization that sets the person up for success.

Nevertheless, the value of a measure like quality of hire for a TA leader comes from the discussion around the various inputs that go into the idea, assigning accountability for managing and influencing the various inputs, and then trusting that if all parties did their part managing their inputs, the desired outcome will follow. In the regression equation of organizational life, it's all about the inputs or tactics. Or if the outcome we are looking to achieve does not come about, we take that as feedback and readjust our inputs.

I've always said that HR is about cultivating the conditions that allow an employee to thrive and candidates to feel respected whether they get the job or not. Focus on successfully executing on the tactics that create those conditions in a number of different ways, and before you know it, you'll have a great strategy with tangible metrics for management and accountability.