Four Things You Will Take Away!

- How to be more strategic in your role
- Measurement savvy
- Understand the big drivers of workforce value—and what you can do to measure & optimize it
- Better understanding of how HR adds value—evidence based—and how you can improve it!
HR Internal Service ratings Improved, but still ranked lower than most functions
Top Ranked HR:

1. Take actions regarding people that enables the business to grow value:
   - Execute the **Unique** Business Strategy
   - Increase Customer Value—Service
   - Increase Financial Impact—Productivity
   - Reduce Risk—Compliance

2. Add value to your internal clients
To Follow the Yellow Brick Road…

Then I Need:

• **A Great** *Value Proposition*

• **High** *People Equity*

• **High** *Stakeholder Perceptions*

• **Which All Require the** *Right Measures!*
Value Equals…

Quality of Relationship/Service

Cost of Relationship
At What Level Is Value Determined?

- Organizational?
- Function (e.g., HR)?
- Individual?
### Different Strategies, Different Measures: What’s Your Unique Value Proposition?

<table>
<thead>
<tr>
<th>POSSIBLE MEASURES</th>
<th>Cost Leadership</th>
<th>Innovation</th>
<th>Customer Intimacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>PEOPLE: Alignment</td>
<td>• Goals/Values:</td>
<td>• Goals/Values:</td>
<td>• Goals/Values:</td>
</tr>
<tr>
<td></td>
<td>− Efficiency</td>
<td>− SOA applications</td>
<td>− Customer focus</td>
</tr>
<tr>
<td></td>
<td>− Spartan</td>
<td>− Autonomy</td>
<td>− Empowerment</td>
</tr>
<tr>
<td></td>
<td>• Revenue per employee</td>
<td>• Innovation awards</td>
<td>− Tenure</td>
</tr>
<tr>
<td>Capabilities</td>
<td>• Efficiency analysis</td>
<td>• Idea generation</td>
<td>• Service skills</td>
</tr>
<tr>
<td></td>
<td>• Cost awareness</td>
<td>• Creativity</td>
<td>• Customer knowledge</td>
</tr>
<tr>
<td>Engagement</td>
<td>• Task fulfillment</td>
<td>• Diversity</td>
<td>• Service recovery</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Team fulfillment</td>
</tr>
</tbody>
</table>
Connecting What HR Does to the Value Proposition
To Follow the Yellow Brick Road…

Then I Need:

• A Great **Value Proposition**

• *High* **People Equity**

• *High* Stakeholder **Perceptions**

• Which All Require the **Right Measures**!
People Equity is Key Driver of Shareholder Equity

- Shareholder Equity
  - Customer Equity
    - Relationship Value
    - Brand Equity
    - Product/Service Value
  - People Equity
    - People Drivers
    - HR Drivers
    - People Investments, Initiatives
  - Productivity
  - Turnover
People Equity

Alignment
- Are we going in the same direction?

Capabilities
- Do we have what we need to succeed?

Engagement
- Are we committed?
Building Alignment

• Communicating the Unique Goals of the Organization

• Performance Management

• Rewards for Performance
Creating Capabilities

INFORMATION

TALENT

RESOURCES & TOOLS
The Engagement Pyramid

- Advocacy
- Commitment
- Satisfiers
# Measuring People Equity

## Alignment

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most employees understand how their work contributes to the overall goals of the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The goals of my department are aligned with the overall goals of the organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most employees understand how the overall goals of the organization and how it plans to reach them.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual performance goals are clearly linked to department performance goals.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My department has clear performance objectives that are tied to customer expectations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People in this organization are held accountable for achieving high standards of job performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication up and down from employees to management is effective.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is a good network and cooperation between my department and other departments.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My immediate manager is effective at setting day-to-day priorities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The organization’s senior leadership provides clear direction.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Capabilities

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>My department has the people and skills it needs to meet our customer expectations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My department has the technical resources and tools it needs to meet our customer expectations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My department has the information it needs to meet our customer expectations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This organization is structured in a highly effective way that enables it to meet or exceed customer expectations.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My department regularly evaluates our customers’ satisfaction with our products and services.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This organization does a good job of hiring people with high potential.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This organization does a good job of retaining top-performing employees.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This organization uses employees with diverse backgrounds to achieve our goals.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have confidence in the leadership ability of my immediate manager.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have confidence in the leadership ability of senior management.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Engagement

Considering everything, how would you rate this organization as a place to work?

---
Measures that Matter! Industry Leadership

Quality Performance
- High People Equity: 71%
- Low People Equity: 18%

Financial Performance
- High People Equity: 65%
- Low People Equity: 37%
Measures that Matter! Turnover Means $$

Top Quartile PE: 7.7%
Bottom Quartile PE: 16.7%

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### Which Profile Do You Manage?

<table>
<thead>
<tr>
<th>Alignment</th>
<th>Capabilities</th>
<th>Engagement</th>
<th>Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="up" alt="up" /></td>
<td><img src="up" alt="up" /></td>
<td><img src="up" alt="up" /></td>
<td>Superior Performance</td>
</tr>
<tr>
<td><img src="down" alt="down" /></td>
<td><img src="down" alt="down" /></td>
<td><img src="up" alt="up" /></td>
<td>Cheerleader</td>
</tr>
<tr>
<td><img src="up" alt="up" /></td>
<td><img src="down" alt="down" /></td>
<td><img src="up" alt="up" /></td>
<td>Under Equipped</td>
</tr>
<tr>
<td><img src="down" alt="down" /></td>
<td><img src="up" alt="up" /></td>
<td><img src="up" alt="up" /></td>
<td>Strategic Disconnect</td>
</tr>
<tr>
<td><img src="up" alt="up" /></td>
<td><img src="up" alt="up" /></td>
<td><img src="down" alt="down" /></td>
<td>Under Achiever</td>
</tr>
<tr>
<td><img src="down" alt="down" /></td>
<td><img src="down" alt="down" /></td>
<td><img src="down" alt="down" /></td>
<td>Indifferent</td>
</tr>
<tr>
<td><img src="down" alt="down" /></td>
<td><img src="down" alt="down" /></td>
<td><img src="down" alt="down" /></td>
<td>Talent Waste</td>
</tr>
<tr>
<td><img src="down" alt="down" /></td>
<td><img src="down" alt="down" /></td>
<td><img src="down" alt="down" /></td>
<td>Performance Laggard</td>
</tr>
</tbody>
</table>
Measures that Matter: People Equity Scores

A - Alignment  C - Capabilities  E - Engagement

Red = Trouble  Yellow = OK  Green = Strength
Drivers & Enablers of People Equity

FACTORS
- Alignment with Organizational Strategy
- Capabilities
- Engagement

DRIVERS
- HR Systems
- Innovation
- Unique Strategy Elements
- Structure
- Technology Systems

ENABLERS
- Values/Operating Style
- Leadership
- Direction/Strategy
To Follow the Yellow Brick Road...

Then I Need:

- A Great **Value Proposition**
- High **People Equity**
- **High Stakeholder Perceptions**
- Which All Require the **Right Measures**!
We have learned a lot about creating **value**... resulting in improvement strategies for HR

Based on:

- Executive interviews for *Reinventing Talent Management*
- SHRM Hawaii Study on Talent Squeeze (2007)
- **HR Benchmarking Study of over 1000 firms** *(Quality Progress, 2007)*
- Human Capital Study in over 2000 organizations *(ASQ, 2005)*
- Many more (see www.metrus.com)....
HR Internal Service ratings Improved, but still ranked lower than most functions

<table>
<thead>
<tr>
<th>Function</th>
<th>1993</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing/Production/Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications/Public Affairs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance/Accounting Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement/Purchasing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Who Are Your Stakeholders?

- Funders?
- Influencers?
- Customers/Users?
- Partners/Interested Parties?
- Government/Community?

Are all of your stakeholders equal?

**Perceptions drive:**

Resources, Decisions, Behaviors!
Building HR Value

Customer Equity
- Relationship Value
- Brand Equity
- Product/Service Value

HR Value

HR Products & Services

HR Relationships

HR Investments, Initiatives
Stakeholder Example

- Strategy & Business Acumen
- Training
- Executive Recruitment
- Compliance

Importance vs. Quality

Familiarity:
- Low
- Moderate
- High
Building HR Value

Customer Equity
- Relationship Value
- Brand Equity
- Product/Service Value

HR Value

HR Products & Services

HR Relationships

HR Investments, Initiatives

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Is proactive: anticipates your needs and requirements

Understands your business needs

Communicates required info accurately and clearly

Completes service accurately the first time

Is available when needed

Responds to requests in a timely manner

Possesses required knowledge and skills

Responds in a supportive and helpful manner

HR Strengths and Weaknesses

Top 3

Bottom 3
To Follow the Yellow Brick Road…

Then I Need:

• A Great **Value Proposition**

• High **People Equity**

• **High Stakeholder Perceptions**

• Which All Require the **Right Measures**!
What’s Wrong with These Measures?

- Diversity Balance
- Pay
- Training Hours
- Grievances
- Health Coverage
- Leadership Courses
- Satisfaction
- Headcount
- Ethics
- Turnover
- Completed Appraisals

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Types of Metrics

- Impact
  - Talent Meets Customer Needs

Effectiveness
- Recruit Talent that Stays

Efficiency
- Number of Requisitions Filled
Sample HR Scorecard Map

HR DRIVERS
- HRSA - Selection - Rewards
- HR Talent Index
- Training Impact

PEOPLE ENABLERS
- Management Excellence
- 5 Core Values

PEOPLE DRIVERS
- Performance Success Ratio
- 3 Strategic Elements
- Talent Match

PEOPLE OUTCOMES
- People Equity

BUSINESS DRIVERS
- Internal Customer Value
- Cost

BUSINESS OUTCOMES
- Net Income

Map Key:
- HR Drivers
- People
- Operations
- Customer
- Financial

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Measurement Do’s

- Strategic first, then tactical
- Set **stretch** targets
- Have measurement owners
- Link to decisions
- Tie to success, accomplishments
  - Find measurement win-wins!
Measurement Don’ts

• Benchmark the wrong comparisons—e.g., those with different strategy
• Pick easy versus meaningful
• Overeat at the metric buffet
• Connect to punishment
Creating Personal Value

What will make customers ask for you?
We’re At The End of the Yellow Brick Road . . .

So what are you going to do differently tomorrow?
A Call To Action Checklist—
Adopt a New Mindset

- Business Acumen? Do I understand the unique business Value Proposition & Strategy?
- Do we have a strong People Strategy?
- Does HR have a strong Value Proposition & Scorecard?
- Do we have a high People Equity (Alignment, Capabilities, Engagement)?
- Are we measuring the right strategic things? (e.g., ACE and its Drivers--not just Engagement or Satisfaction)?
- Are Our Stakeholders Rating Us Highly?
- What’s My Personal Value Proposition?
Great Sources for Additional Information

- **Reinventing Talent Management: How to Maximize Performance...**
  - Schiemann, John Wiley & Sons, 2009

- **The Workforce Scorecard: Managing Human Capital to Execute Strategy**

- **People Equity: The Hidden Driver of Quality**
  - Kostman and Schiemann, Quality Progress, May 2005

- **Bullseye: Hitting Your Strategic Targets...**
  - Schiemann & Lingle, Free Press, 1999

- **Strategic Surveys: Linking People to Business Strategy**
  - Schiemann & Morgan, Getting Action from Organizational Surveys, Jossey-Bass, 2006

- **The HR Value Proposition**

- **People Equity: The New Paradigm for Measuring and Managing Human Capital**
  - Schiemann, HR Planning, April 2006, Volume 29.1
Thank You!

Dr. William Schiemann

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908-231-1900
About Metrus

Metrus Group is an industry leader in strategic performance measurement, assessment, and organizational change. For nearly twenty years we have partnered with the most successful – and challenging – organizations in the world to help them achieve superior, sustainable business results through the development of their People Equity and the creation of a high performance, measurement-managed culture.

Our Services Include:

- HR Strategy, Value and Performance Metrics
- People Equity Assessment & Solutions
- Balanced Scorecard/Dashboard Design and Assessment
- Development of Quantifiable Performance Metrics
- Employee Surveys and Linkage Research
- Leadership Development and Training
- Corporate Ethics, Alignment, and Accountability Audits
- Measurement-Driven Organizational Change

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As chair elect of the SHRM Foundation, I would like to thank the Morris County chapter for its support, and to share with you some of the work that the Foundation does, as well as resources that are available to you as SHRM members.

Bill Schumann

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What Does the SHRM Foundation Do?

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