Talent Metrics That Matter

HCI White Paper
June 2012
The topic of talent metrics always seems to generate a great deal of discussion. Part of its appeal is the hope of finding the one overarching metric, the universal panacea, or as Jack Palance in City Slickers said “the one thing you need to know” to unlock the complex field of talent management. It is rarely this simple, but the quest for better data, more thoughtful analysis and sounder decisions is absolutely essential if HR is to play a more valued role in organizations. The next step to HR becoming a Decision Science rests solidly on the foundation of more meaningful data and analytics.

David C Forman, Chief Learning Officer, HCI. 2012

Pitfalls to Keep in Mind

One practical step in moving toward establishing the Decision Science of HR is to develop your own Talent Scorecard. A Talent Scorecard is simply a set of six to ten human capital measures that are tracked over time. Every organization should develop its own Talent Scorecard as a way of elevating the importance and visibility of Talent Management and demonstrating a strong commitment to improve and leverage the talent of the organization. There are some common pitfalls to avoid in crafting the right number and type of measures to include in your Talent Scorecard.
• Measuring the wrong things – It’s easy to measure the wrong things. Companies frequently measure activities, time and cost because it is easy to get these data. It’s much harder to measure quality, results and value. As Einstein said, “Just because something can be counted, it doesn’t mean that it counts.”

• Focusing on the inconsequential many and not the consequential few — The art in measurement is to focus on a core set of indicators that are truly meaningful. The tendency is: if it moves, measure it; because someone, somewhere might want to know about this indicator. The end result is data paralysis and confusion. It is best to spotlight six to ten meaningful, consequential measures.

• Moving beyond summary data — A statistic like “our turnover rate is 9%” is only marginally useful. Instead, look for productive ways to segment the data so that turnover, for example, can be examined in light of different talent levels, departments or even by managers. Average figures can mask significant variations, and it is important to “slice” the data to look for meaningful patterns and trends.

• It’s what you do with the data that matters — Metrics are only valuable if they result in better decisions. Gathering data that are not used, is a waste of time and energy. A leading engagement vendor has said that engagement levels rise by 5 to 10% by simply by acting on the findings in the engagement survey and making the results public.

Starting with the Right Questions
The process of finding the right measures for a Talent Scorecard is not easy. The tendency is to go too narrow, too quickly. It is best to get the bigger picture first and not identify specific metrics too early in the process. The bigger picture is provided by HCI’s model of the Talent Lifecycle. It provides the broad perspective of the whole talent management process and may suggest entire areas that you may have overlooked.
Once this broader vision has been achieved, then concentrate on the right questions to ask for each of the seven talent practices. Resist the temptation to jump prematurely to a favorite metric or two. Focusing on key questions first can help determine more effectively whether the metrics are relevant, timely and valid.

The following list of questions (by talent practice area) has been gleaned from research, best practices and HCI’s courses over the past seven years. It is important to remember that this “library of measures” does not and should not apply to each organization. Review the following talent practices questions, and select the ones that you believe are most important to your organization. The final step in assembling your own Talent Scorecard will be at the conclusion of this article.
Plan

Workforce Planning

☐ What is the average age and tenure of employees in our organization?

☐ How diverse is our current workforce?

☐ What percentage of the workforce is retirement eligible within the next five years?

☐ Is there adequate bench strength (two candidates ready-now) for leadership and strategic positions throughout the organization?

☐ Are diverse talent groups properly represented in the future leader talent pools?

☐ Have competencies been developed for leadership and strategic jobs?

☐ What capabilities/competencies are in the greatest need both now and in the future?

☐ How are high-performers distributed across the organization?

☐ Are strategic roles filled with average or poor performers?

☐ Are we staffed at the right levels?

☐ What is the ratio of direct to indirect employees?

☐ Are we compensating people at the right competitive levels?

☐ What is the ratio of contingent employees to total number of employees in various departments?

☐ What is the optimum balance among “build, buy and borrow strategies” for different roles?

☐ What is our revenue and profit per employee?
Acquire

Talent Acquisition

- What is the relative strength of our employment brand among leading candidates?
- Is our employee value proposition compelling for different types of employees?
- Are we attracting diverse candidates?
- What percentage of first-choice candidates accepts our offers?
- What percentage of candidates do hiring managers deem unqualified?
- What percentage of candidates do hiring managers deem as superior to existing employees?
- Which recruiting sources provide the best employees and future high potentials?
- Are our assessments correlating with future success and performance?
- What is our average time to hire?
- How many strategic jobs are unfilled?
- Is there a backlog of potential candidates for hard-to-fill positions?
- How many applications are received per type of open position?
- What percentage of employees participates in referral programs?
- What percentage of total hires come from employee referrals?
- How long does it take employees to become “job proficient?”
- How does this time to proficiency vary by recruiter, department and/or hiring manager?
- What percentage of new hires remains in the company 12 to 18 months later?
- Have ineffective recruiting programs been discontinued?
Engage

Talent Engagement

- How is engagement measured?
- How often is engagement measured?
- What is the overall engagement level of the workforce?
- How do these levels vary by country, location, department and manager?
- What are engagement levels of top talent and employees in strategic and hard to fill jobs, diverse employees and in the first two years of employment?
- Are engagement levels increasing or decreasing over time?
- How has the workplace improved as a result of engagement surveys?
- Are pulse surveys used to gather data quickly on a few key issues?
- Is sick time tracked?
- What are the incidences of employee complaints and lawsuits?
- Are we on “best places to work” lists?
- Are “engagement conversations” between manager and employee occurring on a regular basis?
- Have managers been trained on how to improve employee engagement?
- Have engagement levels been correlated with productivity and turnover?
- Are engagement data made public?
- Are managers and leaders held accountable for engagement levels of the workforce?
- Are engagement levels discussed at the Board of Directors meetings?
Talent Development

- Are development programs seen to be much more than “sending people to training?”
- What percentage of payroll is allocated to developmental programs?
- What percentage of employees participate in developmental programs each year?
- Have individual development plans (IDPs) been created?
- Are IDPs made public or posted on the intranet?
- What percentage of IDPs is completed?
- Do developmental conversations between manager and employee occur frequently?
- Do managers understand the strengths, interests and aspirations of their employees?
- Are employees encouraged to expand their professional networks as part of the IDP?
- How many new professional network members are expected each month?
- Do developmental opportunities exist outside of the work environment?
- Are action learning projects embedded into training programs?
- Do employees have access to coaches and mentors?
- Are social media tools employed in communication and learning programs?
- Do we challenge employees to improve through stretch and demanding assignments?
- Do employees have options and choices in achieving their developmental goals?
- Have developmental programs resulted in improved job performance on the job and stronger business results?
- Are managers and employees held accountable for achieving developmental goals?
- Do managers who do an excellent job of developing employees get properly recognized?
- Which managers have an excellent reputation for being “talent incubators?”
- Have ineffective developmental programs been eliminated?
Talent Deployment

- Does a line of sight exist between a person’s job and the business strategy and values of the organization?
- Is the contribution of each employee to the overall mission clear?
- What percentage of employees have their goals directly aligned to organizational goals?
- Is the best talent focused on the most important activities and jobs?
- Are high potentials in strategic and critical jobs?
- Are people given the opportunity to do what they do best?
- Is the organization flexible in the types of assignments, jobs and team activities it can provide?
- Are managers effective at suggesting next assignments that provide new and challenging experiences for employees?
- Are there certain jobs and projects that are considered developmental roles?
- What happens when a stretch assignments turns into the panic zone?
- Are people given the opportunity to pursue their passions and aspirations?
- What percentage of employees applies for other internal jobs?
- Which groups or departments tend to discourage employee transfers?
- Which groups or departments attract employees and encourages movement?
- How does the organization help employees balance life, community and job priorities?
Leading and Managing Talent

- Are executives directly involved in the talent calibration or review process?
- Do leaders spend 30% of their time on talent issues?
- Do executives serve as mentors and teach in leadership development programs?
- Are talent issues and accomplishments regularly discussed in town hall meetings?
- Are talent issues and accomplishments regularly discussed in executive staff meetings and at the Board level?
- Does a leadership competency model exist?
- How often is the leadership competency model reviewed?
- Are leaders evaluated both in terms of performance and adherence to values?
- Do leaders live, share and scale the right values?
- What percentage of leaders are developed internally or brought in from other organizations?
- What is the success rate of developed vs. acquired leaders?
- What is the acceptable ready-now pipeline for leadership positions?
- What percentage of leadership roles has met this ready-now standard?
- Which leadership programs have been more successful in producing excellent leaders?
- Are leaders held accountable for developing talent?
- What percentage of a leader's compensation is tied to developing other leaders?
- Which leaders have an excellent reputation for developing other leaders?
- What leadership programs have been discontinued due to poor results?
Talent Retention

- What constitutes too little and too much turnover for this organization?
- What is the turnover of top talent vs. total turnover?
- What is the turnover rate for talent in strategic roles?
- What is the turnover rate for talent in hard to fill jobs?
- What is the turnover rate within the first two years on the job?
- What is the turnover rate for diverse talent?
- What is the turnover rate by location, department and manager?
- When do people leave in their tenure with the organization?
- What is the turnover rate for different workforce generations?
- What are the principle reasons that people leave the organization?
- What are the percentages of voluntary and involuntary turnover?
- What percentage of involuntary turnover is related to poor performance?
- Are valuable employees who leave encouraged to return?
- Are managers held accountable for losing valued employees?
- Are turnover data made public?
- Is turnover discussed at the Board of Directors meetings?
The Strategic Filter

With these questions in mind, the next step is to winnow the list based on your own organization’s situation and priorities. Your organization, for example, may not have a turnover issue; or because you have a young workforce, retirement eligibility is not a concern at all. These two factors would then be omitted from the Talent Scorecard.

The next filter is to array your organization’s strategy and initiatives, and then align the proposed measures to them. If the alignment to the strategy and initiatives is not clear, then consider changing the list and adding other measures. Make sure that you are not just measuring activities (that are easy to measure) but results as well. When you have selected your six to ten measures, make a draft of the Talent Scorecard and share it with influential leaders. Get their comments and ownership, and be prepared to make changes. As a final step, try piloting the Talent Scorecard in several groups before you try to implement across the entire organization.

HR professionals, it is said, are good with words, but not numbers. This needs to change rapidly as HR is being asked to play a more significant role in strategic and operational decisions. There is an opportunity to lead the discussion around human capital measures, just as finance leads in the operations and tangible asset arenas.

The quest for the right metrics needs to follow a path that first avoids the pitfalls of premature attempts to infuse talent metrics into the organization. It then needs to have a larger view of the whole talent management process and be able to “zoom out” by asking the right questions first. Everyone understands questions, and it is useful to have conversations about them without trying to rush to specific metric or benchmark. And finally, a filter needs to be applied that aligns these questions to the context and strategy of the organization. Without this filter, any question or metric might suffice. The end result is a Talent Scorecard of six to ten measures that can be recorded, monitored and tracked so that the organization is better aware of the effectiveness of its most significant talent practices. When this is done, HR as a Decision Science is on the horizon.

About the Author

David Forman serves as an executive director and Chief Learning Officer for the Human Capital Institute. He is responsible for designing, developing and teaching the HCI Designation programs, as well as serving as a liaison to HCI’s academic and learning communities.