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The importance of HR performance data

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How much is sickness absence costing your business?

How many of your senior managers are you in danger of losing in the next two years – and do you have replacements lined up? Do you know how effectively you're spending your recruitment and training budgets, or how closely your reward system matches individual performance?

These and similar people-related questions will have a significant bearing on the profitability of your business – yet the chances are you'd find it hard to get the answers.

The reality is that many HR departments still struggle to provide information that's really meaningful to the broader business. Much of the data that gets produced in HR is inward-looking, and much of the focus is still on administrative efficiency.

Your HR department might have a great system in place to ensure performance appraisals are carried out on time - but are you able to slice and dice the performance data to find out which teams are working together most effectively, or identify the best-performing new hires over the last twelve months and where they were sourced from?

The good news is that all this is starting to change. To begin with, there's evidence of a gradual mindset shift across the HR profession. In a survey of 100 HR managers carried out by Webster Buchanan Research earlier this year, less than a quarter of respondents said they report on the direct cost of recruitment, such as adverts or agency fees, and only 6% report on indirect costs (e.g. time spent by HR managers or line managers).

However, the positive news is that in both cases, 29% plan to do so within a year.

Just as encouraging, the survey shows that one third of respondents already report on the business impact of unfilled vacancies (e.g. on productivity), while another 28% expect to do so within twelve months and 37% long-term.

As Webster Buchanan says: "If 65% of HR managers really are focusing on business impact by this time next year, it will mark a significant step in the evolution of HR's relationship with the rest of the business."

Secondly, the potential value of carrying out better business intelligence is becoming clear. Take absence management. According to the Chartered Institute of Personnel and Development, absence costs on average £666 per employee per year, so depending on the size of your organisation, any steps you take to cut it could lead to significant savings.

If you analyse absence trends and drill down into the causes, for example, you may find 'clusters' in certain departments (which could indicate management or morale problems) or identify individuals abusing the system.

The same is true with succession planning. We carried out an analytical exercise with one customer and found that a significant proportion of its senior managers were nearing retirement age.

At the time, the company had no plan in place to grow replacements – this information helped it stave off severe problems further down the line.

Thirdly, reporting and analytical software has become a lot easier to use. A decade ago, these tools were expensive and often required a lot of technical knowledge to use.

Today, many software developers have built good reporting capability into their HR systems, and offer specialist tools on top at an affordable price. You can even buy this kind of business intelligence as a 'hosted service', a form of outsourcing where the supplier runs the software on its own systems and the customer accesses it over the internet.

Of course, the greatest tools in the world won't be much use if you don't have good data to analyse, so it's important to start by gathering as much relevant data as you can in one place, usually a central HR management system.

It's also possible that you won't have all the analytical skills you need in-house to get the most out of the data that's generated. That's why some software suppliers are starting to offer short-term, fixed-price consultancy services to carry out analysis on customers' behalf – these don't have to be big projects, and they can generate lots of valuable information.

Whichever way you approach them, the potential benefits of improving your human capital reporting and analytical capabilities are huge. Webster Buchanan Research recently published a second report on 'People-based Business Intelligence' which assessed the different kinds of reporting possible today, ranging from HR efficiency to cost analysis, trend and root cause analysis and workforce planning. You don't need to do all of this to start getting real benefits – but piece by piece, you can begin to get answers to the questions that really matter to you.