# 12 HR Metrics Every CHRO Should Know

# Using people data to guide the way forward

No one could have predicted the massive change in the workforce the past two years have brought us. As the economy begins to pick up again, organizations are dealing with a tightened labor market. Keeping staffed means quickly responding to new employee demands for remote work, flexibility, and a culture that prioritizes diversity, equity, inclusion, and wellbeing.

To meet these demands, employers must grant their employees more autonomy, build skills from within for the roles they need in the future, and develop leaders who can manage remote workers. To execute on these strategies, people leaders need the right information to build the workforce to help the business succeed now—and adapt to future changes.

This is a huge shift. Those used to managing in-person may feel as though they're flying blind. How do you know if your people are successfully adapting? By using your people data.

Savvy CHROs rely on people metrics to help them achieve data-driven insights the organization needs from them. These are the 12 metrics every CHRO should know and use:

# Metrics 1 and 2: Headcount and Net Change in Headcount

## Definition

Headcount is the total number of people who are engaged in doing work for the company at any given time. It's counted based on the active worker codes that exist within the various Human Resources Information Systems (HRIS) or Vendor Management Systems (VMS) within the business. Headcount should be broken down by contract type so that permanent, temporary, contingent, and gig workers can all be counted.

This differs from a full time equivalent (FTE) count within Finance, which is more commonly based on who is being paid by the company and can include people who are being paid but may not be actively working for the company at that time. Or does not include contingent employees that are paid through accounts receivable instead of payroll.

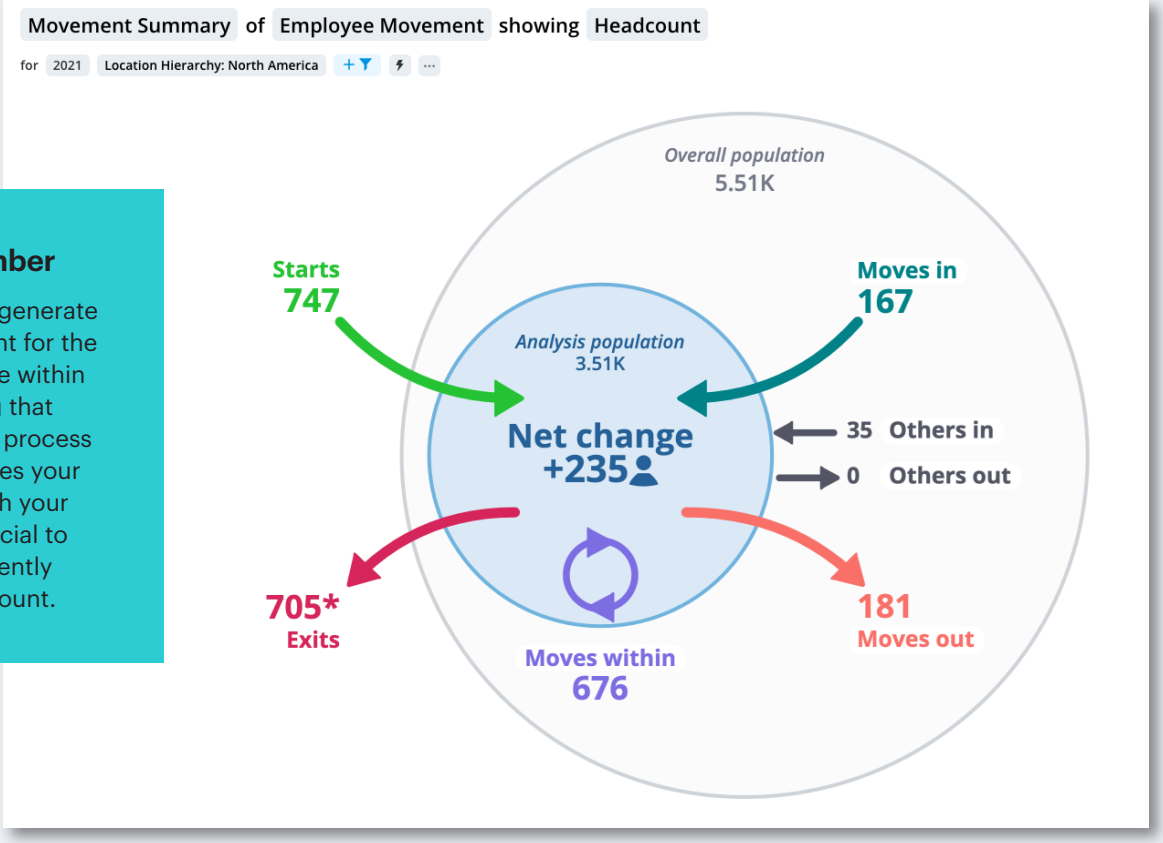
## Why it's important

Demonstrating the ability to consistently measure, report, explain and forecast how many people are or will be working for the company is at the core of all HR strategy. Not being on top of headcount or how it's changing is often taken as an indication that the HR function is not effective in managing its core responsibilities.

Additionally, headcount and headcount change have a significant impact on the costs of the company: The costs of people can be up to 70% of the company's annual operating expenses. Being able to accurately measure and forecast how headcount will change builds a productive conversation with the Finance team and enables the company to better forecast and manage costs.

### Things to Remember

The data required to generate a complete headcount for the business does not live within one system. Ensuring that you have a cleansing process in place that reconciles your active headcount with your starts and exits is crucial to being able to consistently deliver an accurate count.




Visual summary of all people movement in North America. Source: Visier People

# Metrics 3 and 4: Budgeted Total Rewards and Net Change in Budgeted Total Rewards

## Definition

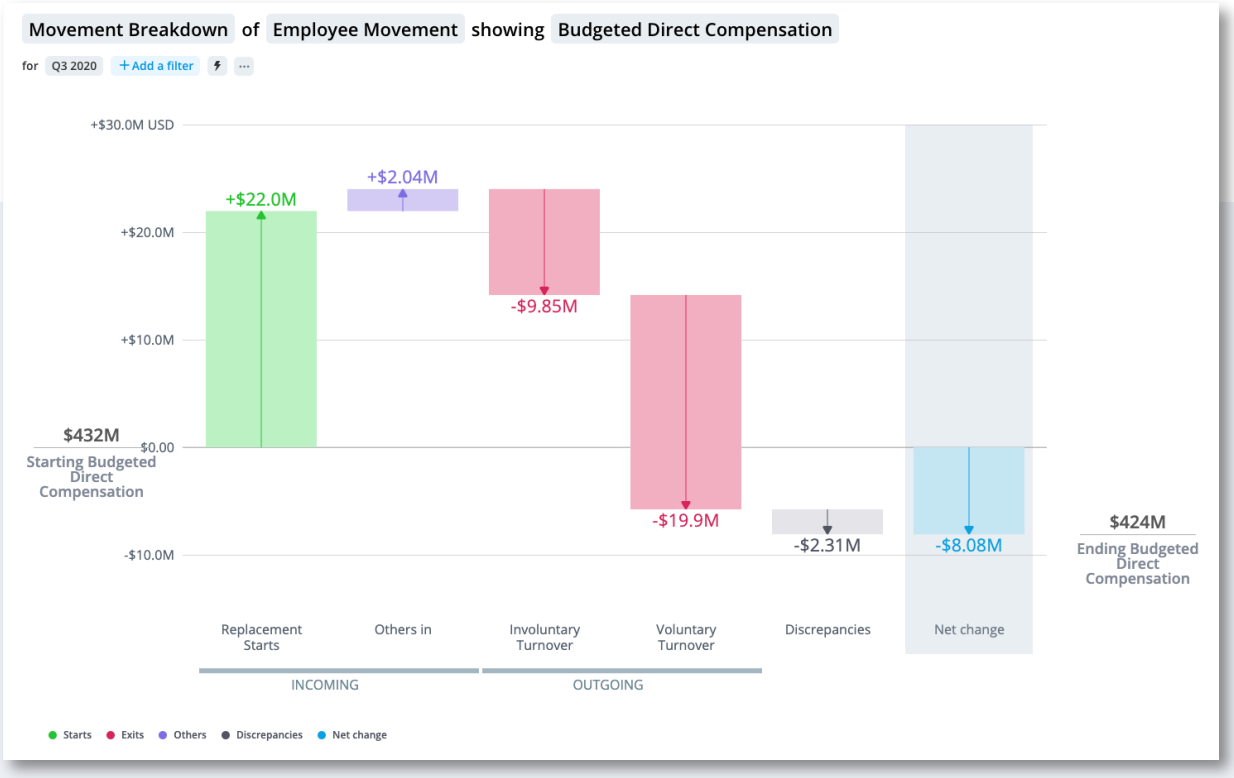
Budgeted total rewards is the amount of money that is currently allocated to rewarding employees for their work. Budgeted total rewards look at the annual or monthly amount that is expected to be spent based on the budgeted amounts that are allocated to each employee. Items like salary, bonuses, commissions, and profit share combine together to create the overall expected costs that will be paid to employees—and these costs can change due to a number of factors.

## Why it's important

Along with managing the number of people, the second core responsibility within the HR function is managing compensation. The dollars allocated for spending on people are frequently decided on an annual basis; however, the compensation amount promised to employees are in constant flux as market rates change, employees join and leave, etc.

Keeping track of the amounts that have been promised to employees, and when—or if—these amounts will be delivered to them, is key to ensuring that the business manages its spend on people, while maintaining alignment with the expectations set out in the business plan.

In addition, there is a large variance between how Finance tracks the current and forecasted spend on people compared to how it can be tracked using the data available in an HRIS. The finance system does not adapt to the constant adjustments in salary that occur almost daily within a large corporation nor do they track the movement of people in and out of the organization at different rates of pay. Therefore, when the HR team provides a consistent and detailed view on how compensation commitments are changing, it helps everyone in the business better manage this crucial area of spend.




Net change in compensation costs showing the impact of incoming and outgoing employees. Source: Visier People

# Metrics 5 and 6: Percentage of Women or Diverse People in Management Roles

## Definition

This measure calculates the percentage of the total management population that is a woman or comes from an ethnically diverse background. Expressing each measure separately makes it clear which diversity factors are being impacted. They can be combined to create a total measure of management diversity; however, this makes it harder to understand which actions are leading to changes.

## Why it's important

In the past, only a small group of consumers concerned themselves with the diversity and social issues stance of the companies they purchased from. But after the urgent calls for racial and social justice in 2020, employers realized that a poor record on employee diversity or opportunities for women has the potential to negatively impact the organization's revenue.

In 2020 as well, the SEC introduced new disclosure regulations requiring companies to share more information about the people and management practices that impact the business. The most frequently reported item in the first rounds of these disclosures has been information about approaches to diversity, including current levels of representation and forecasts for improvements.


Forecasted ratio of women's representation. Source: Visier People

# Metric 7: Predicted Resignation Count

## Definition

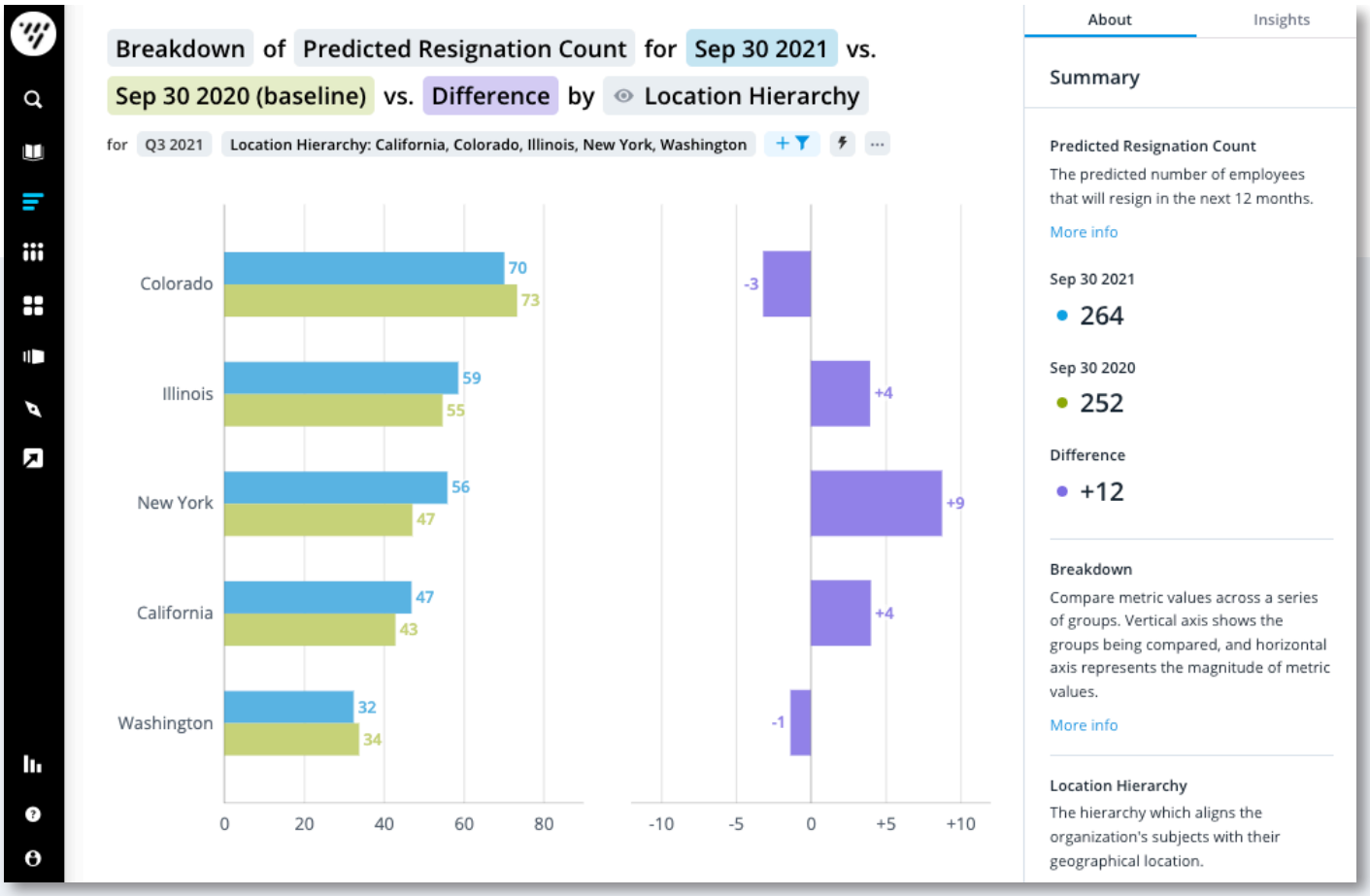
This measure calculates the number of people who will have resigned from the organization within the next 12 months. Typically based on an AI predictive model, this measure provides important details not just about how many people—and at which location—are most likely to leave, but also which skills and experience will be lost if the business does not take any action to retain them.

## Why it's important

Retention has always been a core concern of HR. Supporting an organization means helping them retain both the number and quality of people required to deliver results. It's far more strategic—and cost effective, in most cases—to identify who might quit and prevent this rather than looking to replace people once they have left.

A predicted resignation count provides insight into both who and how many people may leave, leading to the opportunity to better target retention strategies. The hiring team can also use these insights to source and qualify candidates for the future, rather than simply reacting once someone has left.

This proactive approach to managing the natural turnover of people is far more effective. In many instances, Visier customers that used this approach saw higher rates of retention and lower recruiting costs. Visier uses AI to generate risk of exit measures, which combine to predict exit counts and provide ranked lists of key people to retain.




Net change in predicted resignations compared to previous year. Source: Visier People

# Metric 8: Cost of Replacing Lost Employees

## Definition

This estimates the cost to the business of replacing employees who have left. The most common models use the base pay of the employee who left and multiply this based on a factor such as 0.5 or 1.75. These factors are based on the level and nature of the work being done by the employee and are derived from years of industry research into the actual costs associated with replacing employees.


## Why it's important

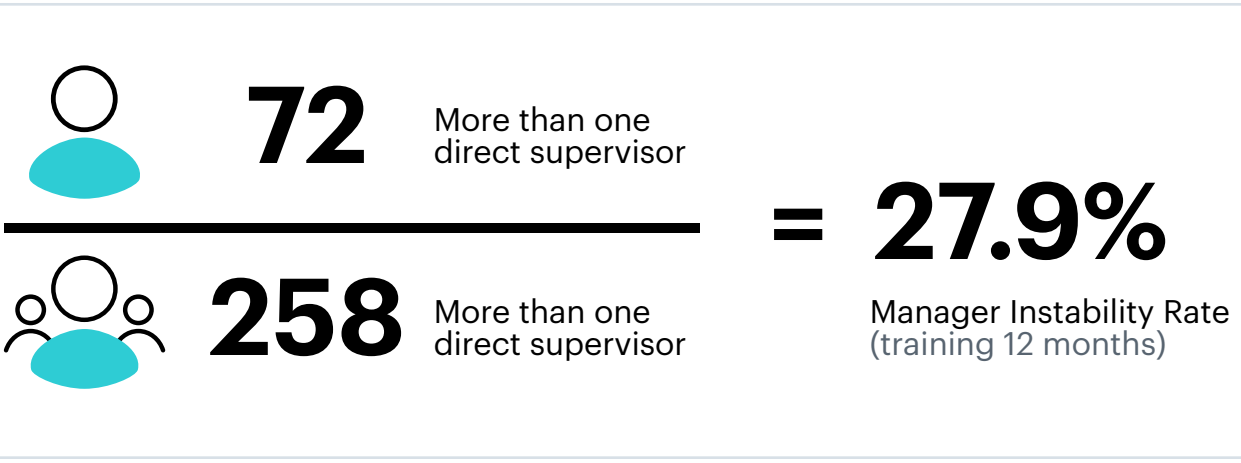
Employee turnover has a substantial impact on the business, and yet there is no clear way for this impact to show up in the operating cost reports. Turnover slows down delivery of projects, impacts overall production, or hurts customer satisfaction. By translating these impacts into measurable costs it helps the organization to appropriately size and target the investments they make in retaining people.

Complex practices go into making a great people strategy work. Making the link between this work and the way it contributes to business results has been challenging to establish or explain. Through connecting a commonly understood process like turnover to a measurable financial impact, CHROs can better position the work of their group and its contribution to overall business results.

# Metric 9: Manager Instability Ratio

## Definition

This measure calculates the ratio of employees that have had more than one direct supervisor within the preceding twelve-month period. For example,  a ratio of 10% means that 10 in every 100 employees has had more than one supervisor in the last twelve months.




## Why it's important

While it's well-known that  supervisors are key to the organization, what is less understood is the impact that happens when employees are constantly changing managers. Managing people isn't simply a technical process; it relies on relationships and building the levels of trust and communication that make the difference between average and great performance.

Monitoring manager instability can be a powerful way for the CHRO to inform business decisions and business strategy. Too often companies are so focused on objectives and goals that they forget the people dynamics which make these succeed or fail. Demonstrating how frequent changes in management have knock on effects to production schedules or service quality elevates the overall understanding of all leaders in the business. This brings a valuable balance to the people decisions that shape overall company performance.

# Metric 10: Succession Coverage Ratio

## Definition

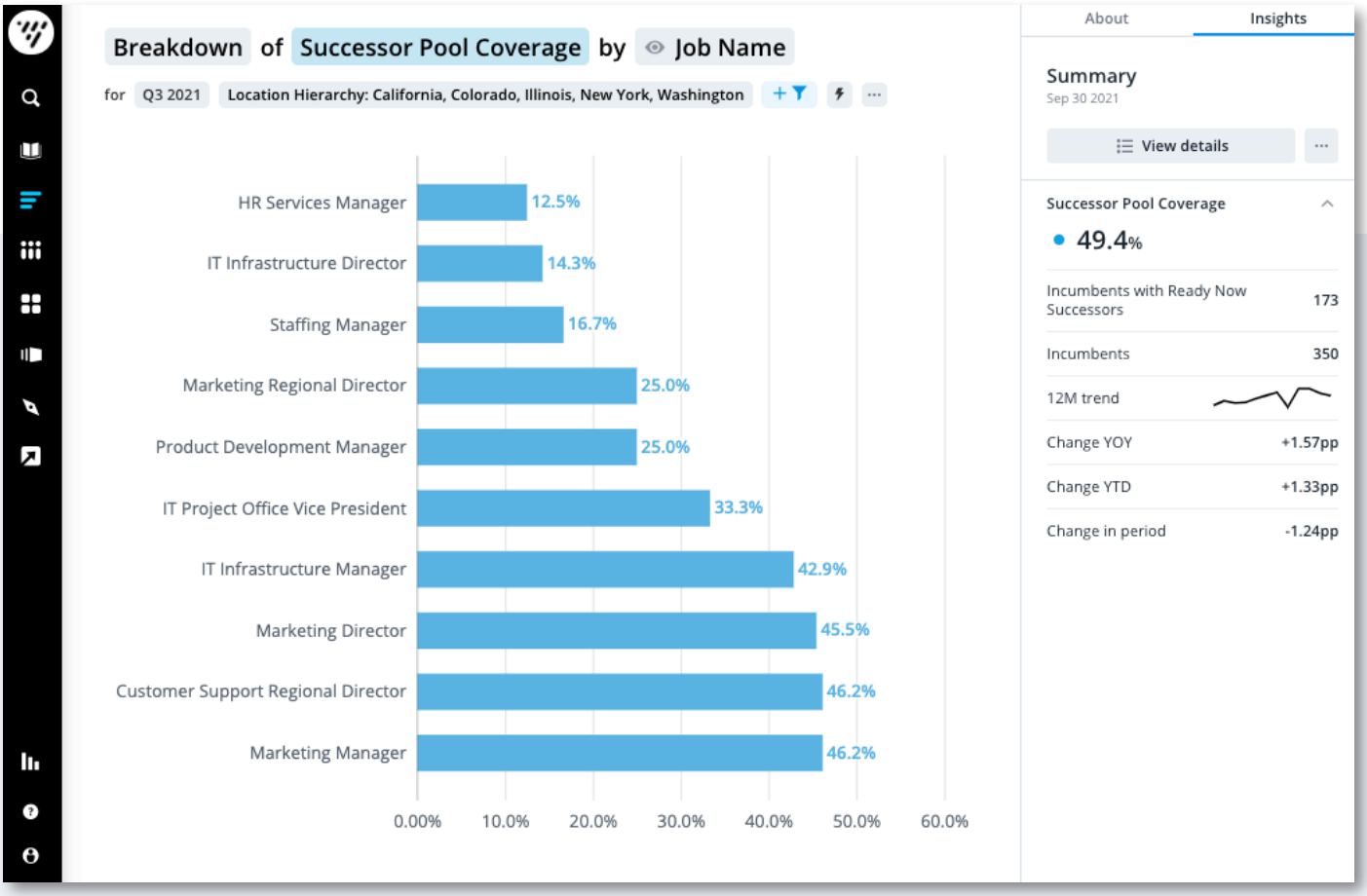
The percentage of employees that are in positions requiring a successor and have at least one successor candidate flagged as “ready now”. This measure expresses the percentage of key leadership roles within the organization where the risks associated with an employee leaving are covered.

## Why it’s important

The primary role of a CHRO is to ensure that the company has available talent in place to ensure business results and business continuity. Key roles which have an outsized impact on the success or failure of the company bring the most risk to the business if they are unfilled.Higher coverage ratios reduce the risks associated with these employees leaving.

Being able to monitor and understand the current and potential future risks associated with key roles ensures that you can communicate the organization’s risk levels, track and take action when those risks become too great, and demonstrate to the executive leadership team and the board that you and your function are effective in managing this critical area.

Often, succession planning and reporting happens only once a year. This is not sufficient. The rate of change in business and in the employee set means that this measure should be available at least monthly. On-demand availability of succession coverage ratio reporting lets you quickly capture and understand changes to take timely actions.




Percentage coverage for key succession roles. Source: Visier People

# Metric 11: Employee Net Promoter Score

## Definition

Net Promoter Score (NPS) is a methodology which calculates the difference between the number of people who would promote something and those who would detract or make negative comments about the same thing.

With regard to employees, the NPS shows the percentage difference between promoting and detracting employees within a specific population. If the results are, say 10% positive, this means there are 10% more positive employees than negative employees. If the percentage is negative (e.g. -10%), this means there are more employees with a negative view of the company than those with a positive opinion.

The positive and negative scores are derived from the question "how likely are you to promote our organization as a place to work?" The answer scale is 1 out of 10. People scoring 9 or 10 are promoters. People scoring between 0-6 are detractors (negative). The rest are considered passive.

### Detractors

'Detractors' gave a score lower or equal to 6. They are not particularly thrilled by the product or the service. They, with all likelihood, won't purchase again from the company, could potentially damage the company's reputation through negative word of mouth.

### Passives

'Passives' gave a score of 7 or 8. They are somewhat satisfied but could easily switch to a competitor's offering if given the opportunity. They probably wouldn't spread any negative word-of-mouth, but are not enthusiastic enough about your products or services to actually promote them.

### Promoters

'Promoters' answered 9 or 10. They love the company's products and services. They are the repeat buyers, are the enthusiastic evangelist who recommends the company products and services to other potential buyers.

## Why it's important

The concept of NPS came from studying consumer behavior. When people have an experience they truly value and appreciate—are true promoters—they actively recommend and promote this experience to others. In the consumer world this leads to more people buying a product because their peers and friends talked about it.

The same dynamics can be used to understand how employee experience works. Those who have a good experience will be likely to talk positively about the company and recommend it as a place to work. Both of these outcomes positively impact the overall business. Conversely, those who do not have a great work experience will be likely to either say nothing or present the company and their work experience in a negative light, potentially impacting both sales and the potential to recruit new employees.

## Things to Remember

Employee Net Promoter Score is quickly replacing the traditional engagement score. Tracking engagement tends to be slow, buried in process, and leading to few actionable outcomes. Many organizations have become disillusioned with the old model and are switching to using an employee net promoter score. The new method builds on proven practices from the consumer space and can be implemented in a far more agile and actionable way.

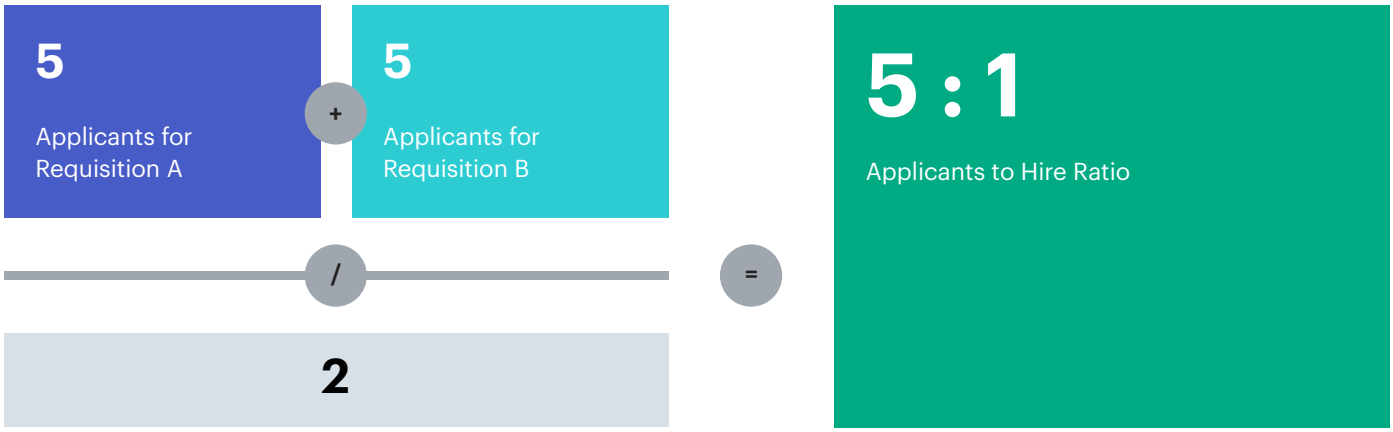
Engagement is typically derived by assembling scores across different categories and can go up or down for many reasons, which might not be evident without diving deeper into the associated questions and categories. Meanwhile, employee NPS can be sampled and conducted several times a year for a more agile metric.

Visier provides even more clarity by demonstrating how NPS is changing over time and how the score varies by a wide range of other factors, such as compensation ratios or higher rates of change in the manager. This is done all within the Visier platform—rather than having to dig through several HR, employee engagement, and business systems to find answers.

# Metric 12: Applicant-to-Hire Conversion Ratio

## Definition

This metric finds the average number of applicants who applied to each requisition that had a hire during the specified period. The result is a ratio that shows the average number of applicants required to achieve one hire. In the example below, the organization needs to have five applicants before it can be confident in achieving one hire for that specific position.




Achieving an accurate result for this measure is complicated as you have to ensure that you are counting only the applicants attached to the specific requisition that resulted in a hire in a given time frame. Numerous complexities and data challenges mean that often the only way to track this measure accurately and consistently is through the use of purpose-built analytic applications.

### Why it's important

The applicant-to-hire conversion ratio is the best way to keep track of the overall success of the talent acquisition function. Many organizations simply focus on whether or not enough hires were made, which is a relevant output measure. However, the conversion ratio indicates whether or not sourcing new candidates and the hiring process is happening in a quick and efficient manner.

The conversion ratio is best looked at by different talent segments such as high volume roles, critical roles, different locations, or business units. It is important to first understand a baseline for each of these roles so that any changes can be properly interpreted.

- A decrease in the ratio of applicant-to-hires indicates that the hiring process is being managed well, engaging only those candidates that are a good fit and making it efficient to move someone through to the end of the process.
- An increase in the ratio indicates that the organization may be slower in moving the right people through the talent acquisition process or struggling to connect with the relevant candidate population in the first place.

Knowing the applicant-to-hire conversion ratio also enables HR teams to look at specific trouble spots in recruiting talent, such as specific regions, functions, or experience level. It also allows HR teams to test solutions to improve the ratio, such as signing bonuses, promotion on job boards, or pinpointing the most effective recruiters. In addition, it is important to look at this measure broken down by gender or other measures of diversity. This helps to identify areas where bias or a lack of engagement with diverse communities is impacting overall hiring performance.

## HR metrics aren't just for HR

People are the key to every business. Recent labor shortages have increased the demand for skilled talent to the point where creating a better employee experience becomes a competitive advantage. Without regularly monitoring your people metrics, issues can grow unnoticed until they become urgent.

Lack of transparency forces leaders to become reactionary, wasting time putting out fires instead of providing the vision needed to cope with future changes. Data-informed CHROs not only know the right metrics to watch and how to use these measures to shape and drive strategy, but implement and distribute them in a way that engages their C-level peers and people managers into making better workforce decisions. This is how modern, data-driven HR helps to proactively create a happy and efficient workforce and shape stronger business results.

# About Visier

Visier's purpose is to reveal the human truth about your workforce and contribute to a better future.

Visier was founded to focus on what matters to business people: answering the right questions, even the ones a person might not know to ask. Questions that shape business strategy, provide the impetus for taking action, and drive better business results.

Visier delivers fast, clear people insight by using all the available people data—regardless of source. With best-practice expertise built-in, decisionmakers can confidently take action. Thanks to our amazing customers, Visier is the market leader in Workforce Analytics with more than 12,000 customers in 75 countries around the world.

For more information, visit **visier.com**

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