

CREATING HR SCORECARDS *THAT WORK!*



By Don Phin, Esq.

Today's HR executive is being challenged to do more as a strategic partner. One of your best tools is the HR Scorecard. It can take many formats including graphs, tables, Powerpoints, timelines, etc. Let's discuss how to measure what matters and what to do with the information obtained.

1. What needs to get done? What is a strategic objective? For example, if an objective is to reduce the cost of hire, why is it important? Do you intend to do a lot of hiring in the next 12 months? If not, why bother measuring the data? Strategic HR executives always ask how the data they are analyzing ties to the vision, mission, values, goals, and strategic objectives for the company and their department.
2. Now that you know what data you are looking for, the question is: how can you best capture this information? Let's say it's the total cost per employee. If you have an HRIS system, look there first. Since many companies don't, they can look at things like payroll reports, employee census data, benefits costs, work comp expenses, and so on. What are you looking for, how do you find it, and how do you measure it? What type of checklist or spreadsheet can you put together to identify the total costs associated with employment?
3. What benchmarks or other comparisons are available? Try to discover the industry average for the cost of hire. Compare this against your numbers from the last three years. One of my favorite management gurus, Dr. Deming, would argue why bother with any of that? He would say if it's important, then try to do it perfectly. You don't manufacture towards a tolerance; you manufacture towards perfection. Perhaps the same thinking needs to take place with HR functions. So the question is: how do we perfect our cost per hire?



4. Rank it against other objectives. Is perfecting your cost of hire as important as retaining your existing employees? For example, if you intend to hire 50 employees and reduce the cost per hire by \$1,000 each, that's a savings of \$50,000. However, if you lose two well-trained employees, the replacement costs would easily dwarf the cost of savings per hire. Therefore, we want to prioritize our objectives so we work in our highest and best use. That's optimization of HR as a resource.
5. What can we do with this information? Let's assume that the average cost per hire for a retail clerk is \$2,000. Let's say we also discover that in analyzing our best clerks, the cost per hire was actually \$3,000 per hire because we spent more time interviewing them or because we offered a referral bonus to an existing employee. We then want to consider these cost factors in a larger context such as the lifetime value of a good employee. Often a company's profits from an employee are the equivalent of their annual salary. For example, the average profit per \$30,000, retail employee is \$30,000 and the longer they stay on, the more valuable they become, the less training they require, and the more responsibility they can take on. So, when we think about the lifetime value of an employee, the cost per hire figure takes on a different dimension.
6. When trying to improve any function, we can utilize several frameworks or filters. We can look at financial models, we can conduct a SWOT (strengths, weaknesses, opportunities, threats) analysis, we can employ SMART goals, we can use the marketing formula of cost + ease = results. Again, Dr. Deming would say that our main goal should be toward optimizing every resource. How do we get the most output per unit of machine time? How do we get the most value per unit of labor? This is what is meant by human capital optimization.
7. Visualize it. Often we just leave our thoughts on a piece of paper and don't make the time to "see it through." If our business is growing fast and we plan to double our 50-person call center in the next 10 months, you can plot that scenario out on paper or in a program, but also take the time to visualize what that will look like. What will a day in the life look like? What will the department look like? How would the facilities and management profiles have to change? Sometimes when we take a "good look" at the future, we realize that we have over-shot or underestimated the challenge.
8. Watch out for the manipulation of data, information, surveys, and so on. All information comes with an agenda. This information comes with an agenda too—I'd like to see you all with great HR departments! But, as with any information, there is an agenda or bias behind it. Sometimes the expert or source is flat-out misinformed. It's important to ask: "Does this information feel right?" While the fast growth projections show us needing to double our call-center staff, the economy doesn't feel right to warrant that. This is time for the naysayer and skeptic to have their say.
9. What other stakeholders factor into the equation? This is one last opportunity to look at the big picture. Let's say the goal is to increase what you will spend on the cost of hire by \$5,000 and use that money to hire a top 10% employee. The lifetime value of that employee based on our great retention program more than justifies the up-front expense. Now ask: who would we have to rely on to execute on this deliverable? We will cause a burden on the management team. Who will be asked to spend more time in the interview process? How do we get their buy-in? We will put a burden on our marketing team when asked to help update our employee brand. How do we get their buy-in?

Stakeholders are within your company and also outside it. What will be the impact on your clients and customers if you do not spend the extra \$5,000 when hiring a new employee? I have to believe that



Nordstrom's cost of hire is greater than Walmart's cost of hire. One reason, they have the top 10% of retail clerks in the industry... and customers are willing pay for that!

10. There is no better example how important scorecarding is than what is done by professional sports teams. It is known as Moneyball, based on the novel and movie with that title. When you are paying employees a million dollars or more per year, and many millions are at stake, you can ill-afford to make even one poor hire. Smart teams and organizations realize the importance of winning now, while building toward a sustainable future. These organizations realize they may not be in an economic situation where they can hire the top players, but they can manage what they have toward a winning championship. Like the top companies, top football, basketball, baseball, hockey, and soccer teams do everything they can to field a winning team. They send out scouts, they measure, they test, they watch video, then they interview, and then they test again, then they interview again. Once onboard, the process steps up from there.

If your HR department doesn't have the mentality of a professional sports team when it comes to managing talent, you are in trouble, especially if your competition does. Here's hoping that you're the stand-out kid on the block.

11. External influences – understand that what's "out there" will always be "in here." How would the factors below affect the weight you give to any agendas, scorecarding or benchmarks you use? For example, productivity goes up after layoffs simply because employees are forced to do more with less. But it's not organic and not sustainable.

If you have not already done so, I strongly encourage you to go through your numbers on the HR Cost Calculator, available as an Excel spreadsheet. You can find it at <http://www.dolphin.com/tools>. The calculator contains the most important HR numbers that affect your company. There may be other numbers, like the cost per hire, that are important for your company if you're in rapid-hiring mode. Likewise, if you've had to suffer never-ending downsizes, the engagement of your remaining employees might be the most important thing for you to measure.

Discover what format appeals to the CEO, the board, and others. Report back on at least a quarterly basis. Execution and accountability will be key!

External Factors that Affect HR

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| <input type="checkbox"/> Availability of capital | <input type="checkbox"/> Industry trends |
| <input type="checkbox"/> Budgets | <input type="checkbox"/> Labor supply |
| <input type="checkbox"/> Competition | <input type="checkbox"/> Location |
| <input type="checkbox"/> Consumer trends | <input type="checkbox"/> Overhead factors |
| <input type="checkbox"/> Customer base | <input type="checkbox"/> Politics/administration |
| <input type="checkbox"/> Demographics | <input type="checkbox"/> Rate of change |
| <input type="checkbox"/> Economy | <input type="checkbox"/> Regulation |
| <input type="checkbox"/> Environmental | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Globalization | <input type="checkbox"/> Terrorism |
| <input type="checkbox"/> Immigration | <input type="checkbox"/> Vendor relations |



HR Scorecard for You

1. Substantive HR Knowledge
 - Establish knowledge subjects by looking at SPHR or SHRM-CP requirements.
 - Take the 50-Question Compliance Quiz at <http://training.greathr.com/courses/quiz>.
 - Identify training needs (i.e., shore up knowledge on ADA and FMLA).
 - Define and benchmark progress (i.e., score 90% on ADA and FMLA quizzes).
2. Business Knowledge
 - Identify goals by discovering what leadership wants you to know.
 - Identify training needs and timetable (i.e. subscribe to industry magazine, attend industry conference, sit in on a sales call, etc.).
 - Define and benchmark progress (i.e., identify the competitors' compensation practices).
3. Managerial Abilities
 - Define strengths and weaknesses – ask team members for radical honesty.
 - Define training needs and timetable (i.e., read a top management book).
 - Define and benchmark progress (i.e., read one book per month and write up a one-page summary of critical insights to share with the HR team).
4. Leadership Abilities
 - Define what it means to be a leader/strategic partner.
 - Stop doing admin instructive work so you can do strategic work.
 - Define and benchmark progress (i.e., switched 5 hours of low-value admin work for 3 hours of high-value strategic work).

HR Department Scorecard

- Define 3-5 critical corporate objectives
- Survey stakeholders around those objectives
- Conduct SWOT analysis
- Focus on no more than 3 deliverables in each critical area
- Define benchmarks for delivery of each
- Design a strategy and tools to meet benchmarks
- Report on progress, lessons learned, and next steps

So for example...

Four Critical Objectives:

1. Improve hiring practices.
2. Implement a Return to Work program to lower work comp costs.
3. Work with legal to generate trade secret, confidentiality, and non-compete protections.
4. Create a workflow process complete with Standard Operating Procedures for all non-manufacturing activities.



Survey Results and Research on Objective #1 Hiring:

- Our rank and file employees were rated as a 6 on a scale of 1-10 by management.
- 65% of employees believe they are paid below average. 82% believe they have limited opportunities for growth.
- The availability of new hires is not from the unemployment line, but from competitors and related businesses.

SWOT Analysis on Hiring:

- Strengths – strong “brand” name in the community. Growing customer base.
- Weakness – perceived as being a “cheap” employer. Unable to attract great workers from competitors.
- Opportunities – increasing pay and a sense of career opportunity.
- Threats – new employers coming into territory with aggressive hiring campaigns.

Three Deliverables on Hiring:

- Conduct an extensive salary survey and adjust pay scale to be 10% above the median.
- Generate “recruitment stories” from existing employees (i.e. Jane shares why she loves working at XYZ Company) to use in establishing the employee brand.
- Establish or improve hiring checklists and other tools.

Benchmarks/Timetables:

- For salary survey – to be completed by _____ recommended adjustment report to be delivered no later than _____.
- For employee stories – one dozen stories with photos ready for in-store display, website display and local newspaper ad no later than _____.
- Hiring process checklist and other tools to be created no later than _____.

Strategies and Tools:

- Salary survey – research Salary.com, Indeed, Glassdoor, Employers Group survey, and interview three recruiters. Create a matrix for various positions with pay ranges based on different experience levels.
- Employee stories – identify 12 exceptional employees with high job satisfaction level. Interview them and co-create two paragraph stories. Hire a videographer, or use your iPhone. Prepare materials for print and online.
- Use existing hiring checklist and other tools as a starting point. Check out additional checklists and tools on ThinkHR, adjust for our needs and distribute to the management team with instructions.



HR Department Scorecard Outline

Below is an example of a complete HR Department Scorecard outline to consider. Remember to focus on three strategic variables.

1. Hiring

- a. Benchmarks
 - Number of hires
 - Cost of hire
 - Time to hire
 - Quality of hire
 - Quality of applicant experience
 - Recruitment bonuses paid
- b. Activities
 - Implement new ATS
 - Utilize post-hire interview
 - Launch employee referral program
- c. Outcomes
 - Position hiring process to support rapid business expansion
 - Create SOP's to duplicate process in new locations
 - Reduce cost of poor hires by \$180,000

2. Retention

- a. Benchmarks
 - Employee engagement scores
 - Quantify turnover metrics
 - Translate turnover into hard costs
 - Identify reasons for turnover
 - Glassdoor ratings review
- b. Activities
 - Survey employees
 - Create a financial incentive for obtaining exit interviews
 - Created career ladders for all non-management employees

- c. Outcomes
 - Reduced turnover of employees post 90 days by 20%, saving the company \$580,000
 - Increased completed exit interviews by 85%
 - Provided data resulting in a change of pay scale for high turnover positions

3. Performance Management

- a. Benchmarks
 - Revenue per employee
 - Percent of performance reviews completed
 - Clarity of employees re: job expectations
 - % of time operating in “highest and best” use.
 - Performance bonuses earned
- b. Activities
 - Update job descriptions
 - Design SOPs for all positions
 - Implement best practice meetings
 - Conduct time management studies and training
 - Clarify performance expectations/ benchmarks
 - Implement poor performance management training
- c. Outcomes
 - Overall revenue per employee increased by 5% generating \$800,000 dollars to the bottom line
 - Improved over-all time management



- Better documentation of poor performance helped defend a frivolous FMLA claim

4. Team Work

- a. Benchmarks
 - Productivity of individual teams
 - Quality of interaction between teams
 - Past survey results
- b. Activities
 - Establish team rules/commitments
 - Complete team survey
 - Hold team activity/event
 - Launch cross-training program
- c. Outcomes
 - Breaking down of department silos
 - Improved inter-department teamwork scores from 3.5 to 4.3

5. Compensation and Benefits

- a. Benchmarks
 - Total cost per employee
 - Competitiveness of salaries, wages, and benefits
 - Bonuses earned/paid
 - Cost of overtime
 - The total cost of benefits
 - Benefit utilization and satisfaction
 - Wellness program participation
- b. Activity
 - Complete salary survey
 - Employee survey re: pay and benefits
 - Institute Overtime Authorization Form
 - Issue total paycheck statements and posters.
 - Revamp benefits program to create shared responsibilities and rewards.

- c. Outcomes
 - Adjustments to salaries/wages
 - Restructuring of bonus/incentive programs
 - Saved 3,000/month in unwarranted overtime
 - Greater appreciation of employees re: overhead costs

6. Compliance

- a. Benchmarks
 - Number of claims
 - Resolution of claims
 - Cost of claims
 - Status of open claims
- b. Activities
 - Conduct compliance audit
 - Provide sexual harassment training for all employees
 - Update employee handbook
 - Institute pre-hire physicals, including drug testing
 - Distribute the Compliance Survey
 - Meet with lawyers to resolve Smith claim
- c. Outcomes
 - No employment practice claims filed in the last six months
 - Smith claim resolved below recommended figure
 - Reduced exposure to future wage and hour exposures for overtime by reclassifying 13 staff accountants.
 - Three potential work comp claims prevented by using pre-hire physicals



7. Health, Safety, Risk Management

- a. Benchmarks
 - Absenteeism rates
 - Work comp claims
 - Disaster readiness preparation
 - Employee theft/shrinkage
- b. Activities
 - Analyze causes of absenteeism
 - Work with our broker to improve return to work program
 - Work with Ops and IT to update disaster plans
 - Increase lighting and installed video cameras in high-theft areas
 - Eliminate employee bring your own device
- c. Outcomes
 - Created flex scheduling for call center employees reducing unscheduled absence by 23%
 - Reduced average lost time injury by 2 days, helping to reduce work comp mod
 - Disaster plans in place with training
 - Reduced cyber-risk, invasion of privacy and other BYOD related risks

8. Management and Leadership Improvement

- a. Benchmarks
 - Management promotions/demotions/terms
 - % of key executive positions with succession plans in place
 - Leadership scores from employees
- b. Activities
 - Institute Annual Leadership Day conference
 - Institute new manager training program using LinkedIn learning

- Don Phin coach five high potential leaders

- c. Outcomes
 - Leadership and management teams better aligned
 - 360° scores improved
 - Improved retention of high potential managers and leaders by 38% saving more than \$400,000.

9. Employee Branding/Marketing

- a. Benchmarks
 - Name recognition in industry/community
 - Unsolicited job applications
 - Referrals
- b. Activities
 - Wall of Fame created outside the cafeteria identifying the impact of our work
 - Created a “brand” for employees (i.e., Southwest was “Freedom Begins With Me”)
 - Purchased golf shirts with logo for managers and outside salespeople
 - Purchased T-shirts with logo for all shop workers
 - Created company poster series
 - Uploaded Day in the Life videos to hiring page, Facebook and YouTube
- c. Outcomes
 - 25% greater response to job postings
 - 48% increase in unsolicited job applications
 - Employees placing motivating stories on Wall of Fame
 - Semi-finalist for Great Place to Work in mid-company category



Again, these are only examples of what can be done with an HR Scorecard. Meet with your leadership team to determine your organization's focus. Show how you can be a strategic partner to your company and watch your value, job satisfaction and income skyrocket!

About Don Phin, Esq.

Don has been a California employment practices attorney since 1983. He litigated employment and business cases for 17 years and quit once he figured out that nobody wins a lawsuit.

Since leaving litigation, he has written numerous books and presented more than 500 times to executives nation-wide.

Don was the founder and President of HR That Works, used by 3,500 companies and acquired by ThinkHR in January of 2014. He worked there for two years as a V.P.

Now in his "wisdom sharing years," Don loves coaching executives and continues to inspire with his speaking and training.



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