
Human Capital Measurement & Benchmarking

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Why to Measure?

Tangible Versus Intangible Assets in an Enterprise

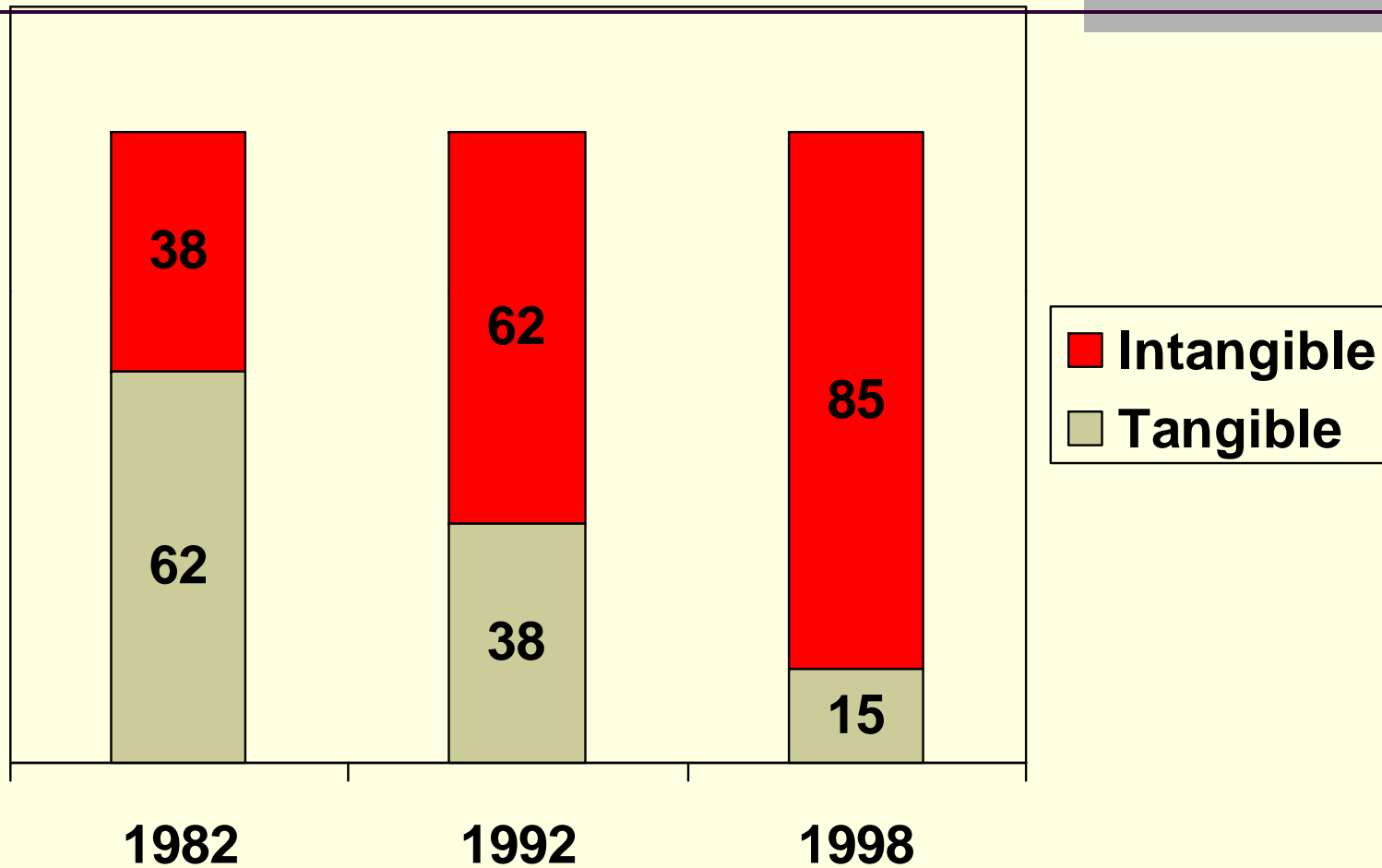
Tangible

- Property
- Plant & equipment
- Cash
- Receivables
- Inventory

Intangible

- Patent, Trademark
- Proprietary raw
Material Source
- Brand Name
- Good Will
- HUMAN CAPITAL**

Major Shift in Companies Value “Tangible to Intangible Asset ”



The Brookings Institute analysis of S&P500 companies

**In organizations, Future decisions are
based on the measurement of
TANGIBLE ASSEST**

Because

**INTANGIBLE ASSEST are NOT
MEASURED objectively/
measurement is
UNCLEAR and IMPRECISE**

“The intangible value embedded in companies
has been considered by many,
defined by some,
understood by few, and
formally valued by practically no one”

NIC BONTIS

Skill Set HR Professional



Whether HR is a Business Partner?

Only 34 % HR professionals were viewed as
business partners by their Executives

Wish List of CEOs

- Understand customer/ market driven factors
- Facilitation in organizational change
- Sponsor organizational culture
- Influence on strategic decision making

HR Measurement

Old Vs New

Old

- An excessive focus on the “cost” of the workforce
- Focus on “cheaper” solution

New

- An understanding of “contribution” of workforce
- Shift of focus to “business impact”

Measurement Dimensions

- How much does it cost? COST
- How long does it take? TIME
- How much was accomplished? QUANTITY
- How many errors and defects occurred in the process? QUALITY
- How did someone react to it? REACTION

Evolution of HR Management

Strategic

Reactive

Historical reporting on headcount and movement

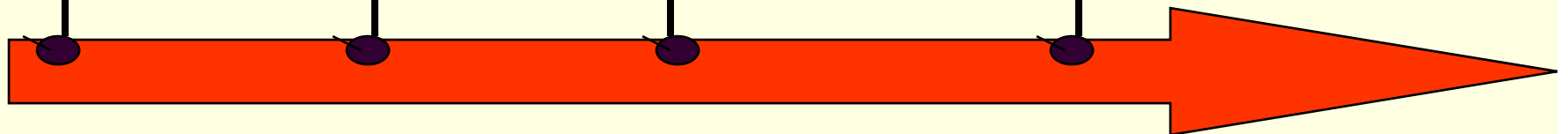
Proactive

- On demand dashboard
- Event-based problem identification & resolution

Collaborative

- **Correlate people metrics with operational & financial metrics**
- Drive Work force engagement with relevant contextual performance metrics

- Alignment of HR initiative with Enterprise goals
- **Predictive Analysis**
- Demand Planning
- Workforce cost simulation



“We can have facts without thinking but we cannot have thinking without facts”

JOHN DEWEY

HR Staff to Employee Ratio

Formula= $\frac{\text{Org Staff} * \text{Scale (Given in Table)}}{100}$

Consideration: Scope of HR determines the number of staff required

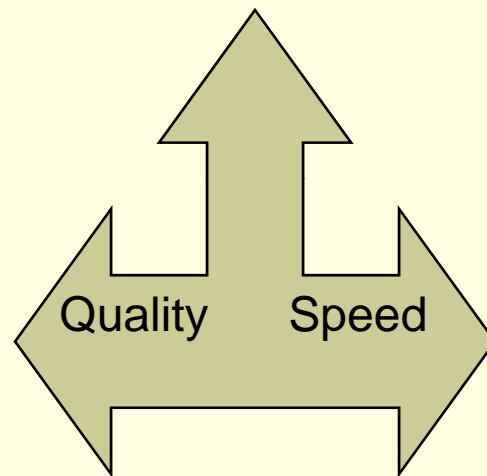
HR Staff to Employee Ratio

Organizational Size	25th Percentile	Median	75th Percentile
Fewer than 100	1.25	2.22	4.55
100 to 249	0.76	1.14	1.71
250 to 499	0.53	0.80	1.15
500 to 999	0.66	0.86	1.21
1, 000 to 2, 499	0.48	0.83	0.99
2, 500 to 7, 499	0.17	0.76	1.05
7, 500 or more	0.55	0.82	1.00

Source: SHRM Human Capital Benchmarking Study: 2008

Employment

Cost Efficiency



Employment Metrics

Cost per hire

Sum of advertising+ Agency fees+ Employee referral+ Travel cost+ Relocation cost+

Recruiter pay and benefits divided by **number of hires**

Employment Metrics

- Recruitment yield ratio
- Selection ratio
- Time to fill
- Turnover Rate
- Vacancy Cost
- Turnover Cost
- Cost per hire

Training & Development Metrics

- Internally Vs Externally trained staff
- Training Investment factor
- No of successors developed
- Average Training days per person

Compensation & ROI

- Salaries to Opex ratio
- Salaries Vs Benefits ratio
- Compensation to revenue ratio
- Compensation factor

HR Investment & ROI

- HR Expense factor
- HR ROI
- HR Value Added

Organizational Efficiency & Effectiveness Metrics

- Revenue factor
- Expense factor
- Income factor

Leading and Lagging Indicators of Performance

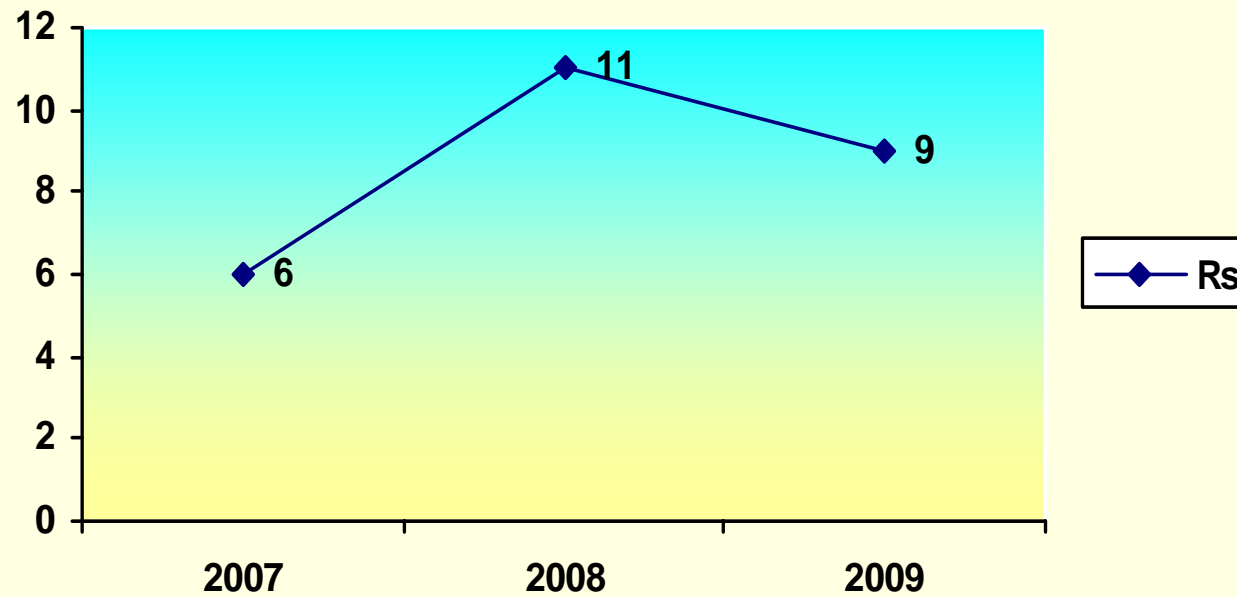
“In the business world, the rearview mirror is
always clearer than the windshield”

WARREN BUFFETT

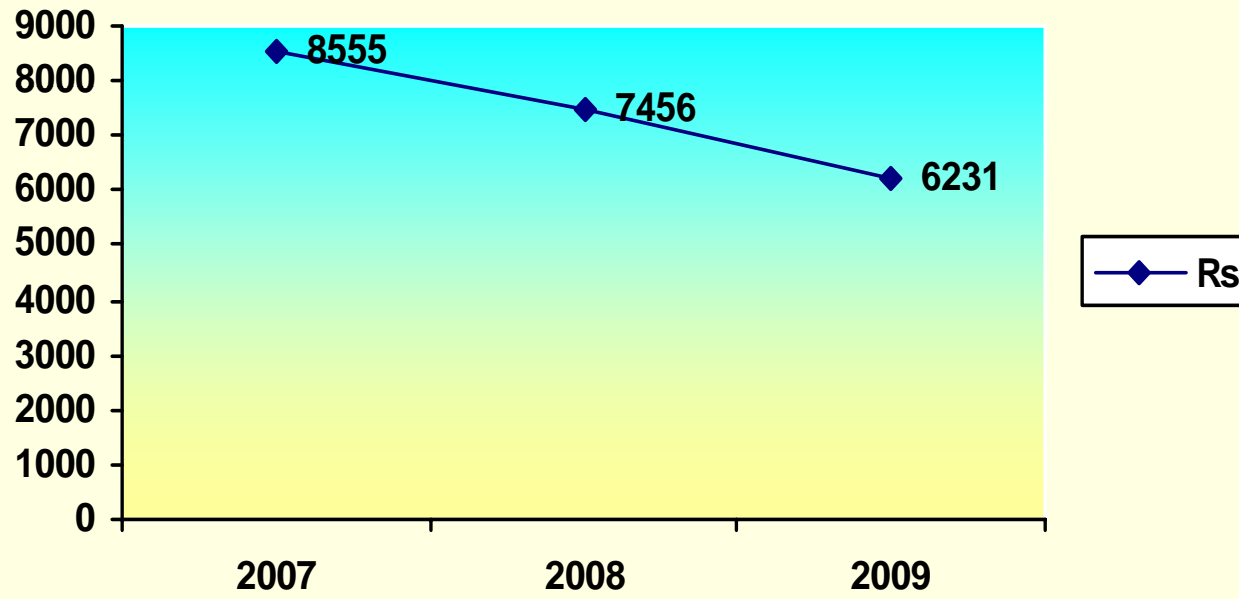
Sample Metrics

HR DEPT STAFF LEVEL	2007	2008	2009
HR staff ratio	0.42%	0.46%	0.45%
RECRUITMENT METRICS			
Attrition rate	25.60%	16.44%	9.97%
Cost per hire	11,307	11,424	8,829
Time to fill Vacancy	45	39	33
TRAINING & DEVELOPMENT METRICS			
Training cost factor	6,658	5,578	4,541
Training cost to opex ratio	2.28%	1.44%	4.04%
Trainer to Trainee Ratio	167	220	200
Average training days per staff	2.00	2.86	2.48
Training cost per day	3300	2,941	3,048
% age of staff Internally trained	0%	97%	77%
<i>Training & Development ROI (Rs)</i>	58	69	75

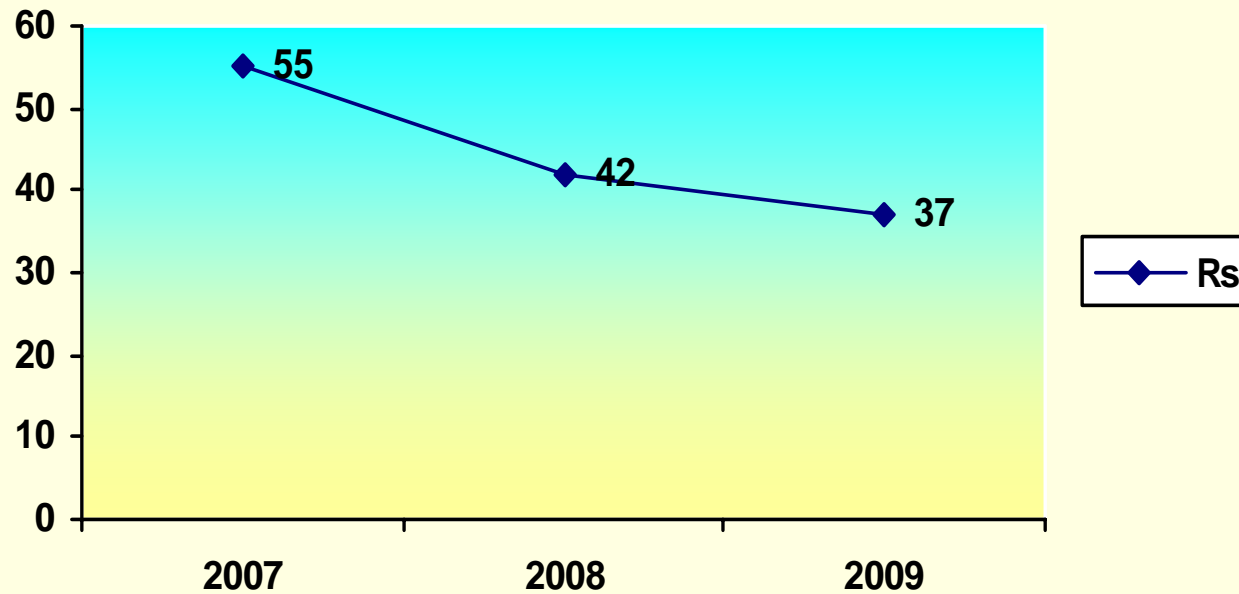
Recruitment Yield Ratio



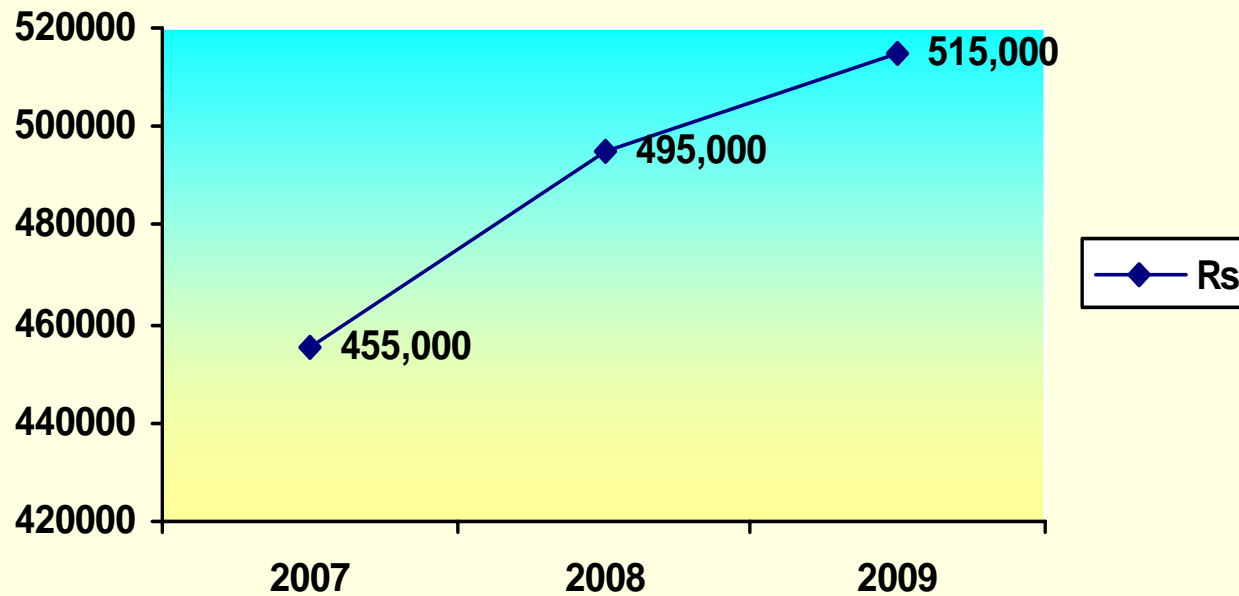
Cost Per Hire



Time to Fill a Vacancy (Days)



ROI Human Capital (Rs)



ONLY Measurement is enough?

Measurement is just Half the Battle

- Identify areas of improvement
- Benchmark against industry standards
- Follow up actions
- Demonstrate results
- CONTRIBUTION TO THE BOTTOM LINE

Advantages of Measurement

- Identify an organization's human capital strengths and weaknesses.
- Create a framework for managing change
- Encourage employees toward continuous improvement.
- HR Metrics Provide deep insight into
 - Attraction of talented human capital
 - Retention
 - Motivation
 - Productivity/Performance (Bottom line)

Measurement Managed Companies

- Can gauge progress
- Industry leaders
- Financially sound

Challenge & Opportunity for HR

Challenges

- May expose inefficient areas
- Cost cutting perspective

Opportunities

- Follow up actions
- Increased business acumen
- Strategic contribution
- Improved credibility and standing in organization

“A New Vision for HR”

“Jac Fitz-Enz”

“To move to the centre of the organization, HR must be able to talk in quantitative and objective terms.

Organizations are managed by data.

Unquestionably, at times, managers make decisions based on emotions as facts. Nevertheless, day-to-day operations are discussed, planned and evaluated in hard data terms. Today, the new vision is human capital management. The HR function has the opportunity to move from the background to the forefront of the business equation. Let us ensure as a profession, that we do our best to capitalize on this opportunity- for ourselves and the people who are counting on us”

Thanks

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