# **[Ms. Michael M. Moon, PhD](https://www.linkedin.com/in/mikemmoon" \o "Ms. Michael M. Moon, PhD)**

## **Human Capital Analytics and Research Consultant ☆ Speaker ☆ Thought Leader ☆Writer ☆Analyst ☆HR Technology Expert**

# **Applying Logical Frameworks to your HR Measurement Strategy**

## **November 30, 2015**

In the foreword to “[Investing in People: Financial Impact of Human Resource Initiatives](http://www.amazon.com/Investing-People-Financial-Resource-Initiatives/dp/0137070926)” by Wayne Cascio and John Boudreau (2010), [Susan Meisinger](https://www.linkedin.com/in/susan-meisinger-sphr-jd-3113696), former [SHRM](http://www.shrm.org/pages/default.aspx) president, stated that most HR professionals cringe when hearing someone tell them that they are in HR because they are a “people-person”. She goes on to state that HR as a profession requires more than just being good with people. One of those requirements is the ability to use measurement to inform the business and motivate business partners to make better strategic decisions about their human capital investments.

Here are just five ways to use measurement to be more strategic in HR:

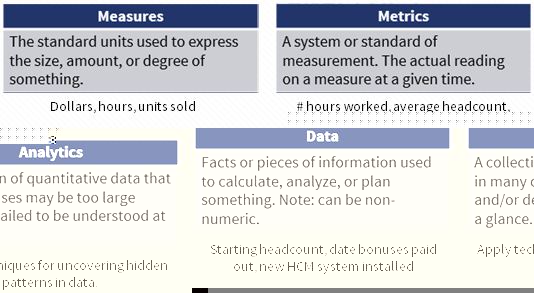
**Rely on Targeted Measures for Greatest Impact**

Across-the-board layoffs may seem logical and have the appearance of being fair, but in reality they may have an adverse affect on the organization. Cascio and Boudreau (2010) argue that just like in business, investment decisions are targeted where they will have the most impact. If you have ten products, you don’t invest equal amounts of money in marketing and research costs. You analyze which products provide the most return on investment and focus a higher percentage of your resources on those products. Using measurement in HR can help justify the decisions made in the investment on talent. More specifically, they can assist management in laying off the right people whose departure will have the least impact to the organization by looking at data such as performance scores, contribution to sales, and network strength. Additionally, if you simply layoff ten percent\* (10%) of each business unit and perhaps one of the business units is primarily one race, gender, age group, you might be setting yourself up for a lawsuit (although one might wonder how you ended up with so little diversity in the first place).

For information on discrimination issues to be mindful of in the use of big data (or even “little” data) in HR, check out this [post](https://www.linkedin.com/pulse/20140905142425-211033275-big-data-hr-i-have-a-question) by Attorney [Kate Bischoff](https://www.linkedin.com/in/k8bischhrlaw).

**Create a Logical Framework to Support the Measures**

The measurement of HR activities is only valuable if it helps aid in the decision making process about an organization’s talent and how that talent is organized. This is why it is vital to build a logical framework (see: Cascio and Boudreau) around the HR measures that are used in the decision making process. When aligned to these frameworks the measures can be quite powerful. Ensuring that the right data is being captured can only be determined if the logical connections between the measurements tells a “story. Aside from building a logical framework and the measures themselves, one needs to be sure the data that is captured is reliable and consistent and that the analysis of the data is correct. Understanding the difference between “causation” and “correlation” is quite vital when interpreting the actual impact of your measures. Knowing the difference between a measure and a metric (and data and analytics) is probably equally as important (especially when speaking to the business) (see below).

Definitions of measures, metrics, data and analytics with examples of each.

**Use Measurement to Improve HR Efficiency**

Justifying investments in HR processes and programs is not the only opportunity gained through the use of HR measurement.  Nor is HR measurement enough to justify those investments. As part of the framework of effective decision making in human capital expenditures, an organization needs to be concerned with addressing the logical framework around the measures and assure that the assumptions being made are based on using the right analytics to identify the relevant insights. HR measurement along with the right analytics can also reveal areas in which the efficiency of HR can be improved. It is not just about justifying the investments, but also making sure that you are doing the right things for the right reasons.

**Logically Connect the Measures**

Improving decision making effectiveness should be a focus of more than just the HR department. Good HR measures combined with the right analytics and logical framework can help HR play a role in developing and implementing corporate strategy. HR needs to understand how decisions made about human capital effect the business and how business decisions made by business effects human capital. It is not a one way street.

For example, many [studies](http://faculty.mu.edu.sa/public/uploads/1362047106.6458customer%20satisfaction2.pdf) show that there is a strong correlation between employee satisfaction and customer satisfaction, but they do not necessarily point to causation. While increasing employee satisfaction may indeed result in increased customer satisfaction one must also consider that increased customer satisfaction may indeed affect employee satisfaction. So in this case they are correlated but one does not necessarily cause the other. It would be more beneficial to understand what specific things are causing customers to be more satisfied and then work backwards to determine which elements are related to employee satisfaction rather than assuming that by tackling “employee satisfaction” as a whole an organization will address customer satisfaction. While it has been shown that performance of a firm is somewhat dependent on the satisfaction of its employees, customer satisfaction is only one variable to consider when trying to understand the relationship between employee satisfaction and a firm’s financial performance. Measurement of the right variables and constructs and mapping them logically to the right outcomes is key to gaining accurate and meaningful insights about an organization’s people.

**Benchmark with Care**

Relying on externally benchmarked data can lead HR in the wrong direction. Additionally, benchmarks are commonly averages and do not take into consideration the size of the firm, the product focus, location and corporate culture. Aside from that, every organization is unique because it is made up of human capital that is unique to each firm. Investments by one organization in say, learning, may not have the same impact as it does in another organization. Implementation and communication of a learning program varies from organization to organization and benchmarking data in these cases is like comparing apples to oranges. Additionally, even within one’s own organization, the learning function may operate differently and have varied impact based on things such as delivery methods, geographic location or business unit.

**Recommendations**

* **Not all HR measures add value.** A firm should focus on the 20 percent of measures that account for 80 percent of the variability in performance (the Pareto principle).
* If you do use benchmarks, try to limit them to internal comparisons that have been logically vetted.
* **Frame your analysis using a mental model that managers are already familiar with.**Building a framework for your measurements will allow for a better understanding of which data is useful and which data is not which will bring more value to the measurement, analysis and ultimately to the validity of the decisions being made about the talent in your organization.

**Resource**

Cascio, W., & Boudreau, J. (2010). Investing in People: Financial Impact of Human Resource Initiatives. Pearson FT Press.