



**Victorian  
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Commission**

# **A Guide to People Metrics**

# Table of Contents

Introduction .....	4
<i>Purpose</i> .....	4
<i>Objectives of this Guide</i> .....	4
The Basics of Metrics .....	6
<i>What is a metric?</i> .....	6
<i>What is a people metric is?</i> .....	6
<i>What is meant by a lead and lag measure</i> .....	7
<i>Why Use People Metrics</i> .....	8
<i>Data Integrity</i> .....	8
Different Ways of Using People Metrics .....	9
<i>From Transactional People Metrics to Strategic and Transformational People Metrics</i> .....	10
<i>Human Resources as a Service Provider</i> .....	11
<i>Human Resources as a Support Function</i> .....	13
<i>Human Resources as a Business Partner</i> .....	14
<i>Human Resources as a Strategic and Transformational Driver</i> .....	16
Principles to Guide Strategic and Transformational Use of People Metrics .....	18
<i>Developing a People Metrics Framework</i> .....	18
<i>Selecting Meaningful People Metrics</i> .....	23
Using People Metrics to Tell a Story About the Business .....	28
<i>Checklist for Telling a Story Using People Metrics</i> .....	28
FAQs - Frequently Asked Questions .....	31
<i>How do I get help with analysis?</i> .....	31
<i>Where do I find benchmarking and best practice information?</i> .....	31
<i>Where can I source data?</i> .....	32
<i>We already use people metrics, how will this help our organisation?</i> .....	33
<i>Why does A Dictionary of People Metrics not include some people metrics that my organisation uses?</i> .....	33
Glossary .....	34
<i>Analysis</i> .....	34
<i>Benchmarking</i> .....	34
<i>Capability</i> .....	34
<i>Critical Role</i> .....	34
<i>Lag Measure</i> .....	34
<i>Lead Measure</i> .....	34
<i>Metric</i> .....	35
<i>People Elements</i> .....	35
<i>People Metrics</i> .....	35
<i>Qualitative Data</i> .....	35
<i>Quantitative Data</i> .....	35
<i>Target Setting</i> .....	35
<i>Workforce Factors</i> .....	35





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# Introduction

## Purpose

This guide has been developed to support Victorian Public Service (VPS) and broader public sector human resource (HR) functions in their use of data and measurement, to proactively monitor people activities and influence organisational strategy.

This guide has been designed to be used in conjunction with the publication [A Dictionary of People Metrics](#).

What is included in this guide:

- an introduction to metrics and people metrics
- an overview of the different ways of using people metrics
- principles to guide identification of people metrics that are meaningful to the organisation
- a checklist to consider when building a story about the business
- some helpful case studies.

This guide is not intended to:

- detail HR information systems
- discuss opportunities for benchmarking
- provide a prescriptive approach to using people metrics
- provide a prescriptive list of people metrics.

## Objectives of this Guide

The objective of this guide is to support the HR function in the use of people metrics, by further enhancing the capability to use people metrics strategically. To do that, this guide will:

**EXPLAIN** the role and value of people metrics to HR management.

**DISCUSS** the approach to using metrics and the important relationship between HR and



people metrics.

**PROVIDE** some principles for using people metrics that are meaningful to the organisational strategic goals.

**GUIDE** the communication of stories about the business using people metrics.



# The Basics of Metrics

**EXPLAIN** the role and value of people metrics to HR management.

## What is a metric?

A metric in business is a measure used to gauge some quantifiable component of an organisation's performance, such as return on investment (ROI), or revenues.

Metrics are part of the broad area of business intelligence used to help business leaders make more informed decisions. Organisations often use metrics to develop a systematic approach to transform an organisation's mission statement and strategy into quantifiable goals, and to monitor the organisation's performance in terms of meeting those goals.

## What is a people metric is?

People metrics, in the area of HR management, provide a quantifiable measure of people activity. People metrics can provide evidence of performance against objectives and goals.

Some examples of a people metric include:

- the calculation of average time to fill a new position
- new hire failure factor
- headcount by gender.

For example:

<b>People Metric</b>	<b>Formula for this measure</b>	<b>Measure of performance</b>
Average time to fill	Total days to fill, divided by offers accepted	Measures process efficiency and timeliness of the recruiting process
New hire failure factor	Short tenure separations, divided by the number of external hires multiplied by 100	Provides one perspective on turnover rates within new hire populations. May point to factors such as poor organisational fit, poor understanding of the position, poor on boarding or inadequate qualifications to perform the job duties.

## What is meant by a lead and lag measure

Terminology commonly used alongside people metrics includes reference to 'lead' measures and 'lag' measures. This terminology refers to a metric's ability to inform future activities ('lead') or provide information about activities that occurred in the past ('lag').

For example:

- responses to a survey on recruitment intentions are a 'lead' measure for future recruitment activity or growth in employee numbers
- absenteeism over the past quarter, is a 'lag' measure because it is based on activity that occurred in the past.

A common misunderstanding is that the value of a metric as a strategic measure is determined by whether it is a 'lead' or 'lag' measure. Rather, people metrics will be of strategic value if they support delivery of the strategic goals and objectives of the organisation regardless of whether they measure past or future activities.

# Why Use People Metrics

People metrics assist HR to speak the language of the executive team. By measuring people management activities, the value to business outcomes can be translated into quantifiable evidence, and presented in a language that resonates with business leaders.

VPS departments and public sector agencies are at various stages in their use of people metrics and collection of data. Some organisations have limited data (and perceive this to be a barrier) while others are collecting data, and regularly using metrics in their business communications.

Departments and agencies also have differing tools and HR information systems for collecting and integrating data. In organisations with either complicated systems or no systems for storing data, developing metrics can prove a daunting and time consuming process.

These situations need not present a barrier. Instead, the focus needs to be placed on gathering information that will provide the most benefit to the organisation. This does not necessarily need to be complicated,

as simple measures often provide the highest impact if measured, presented well, and collected and reported regularly.

## Data Integrity

It is essential when using people metrics, as evidence of performance against objectives and goals, to establish the accuracy and validity of the data. Importantly, this quality assurance needs to extend to the technical aspect including data extraction, verification and report generation. This verification of data is an ongoing process.

# Different Ways of Using People Metrics

**DISCUSS** the approach to using metrics and the important relationship between HR and people metrics.

Strategically used people metrics are powerful tools that assist the HR leader or manager to proactively influence strategy and predict the need for change. So how are people metrics used strategically?

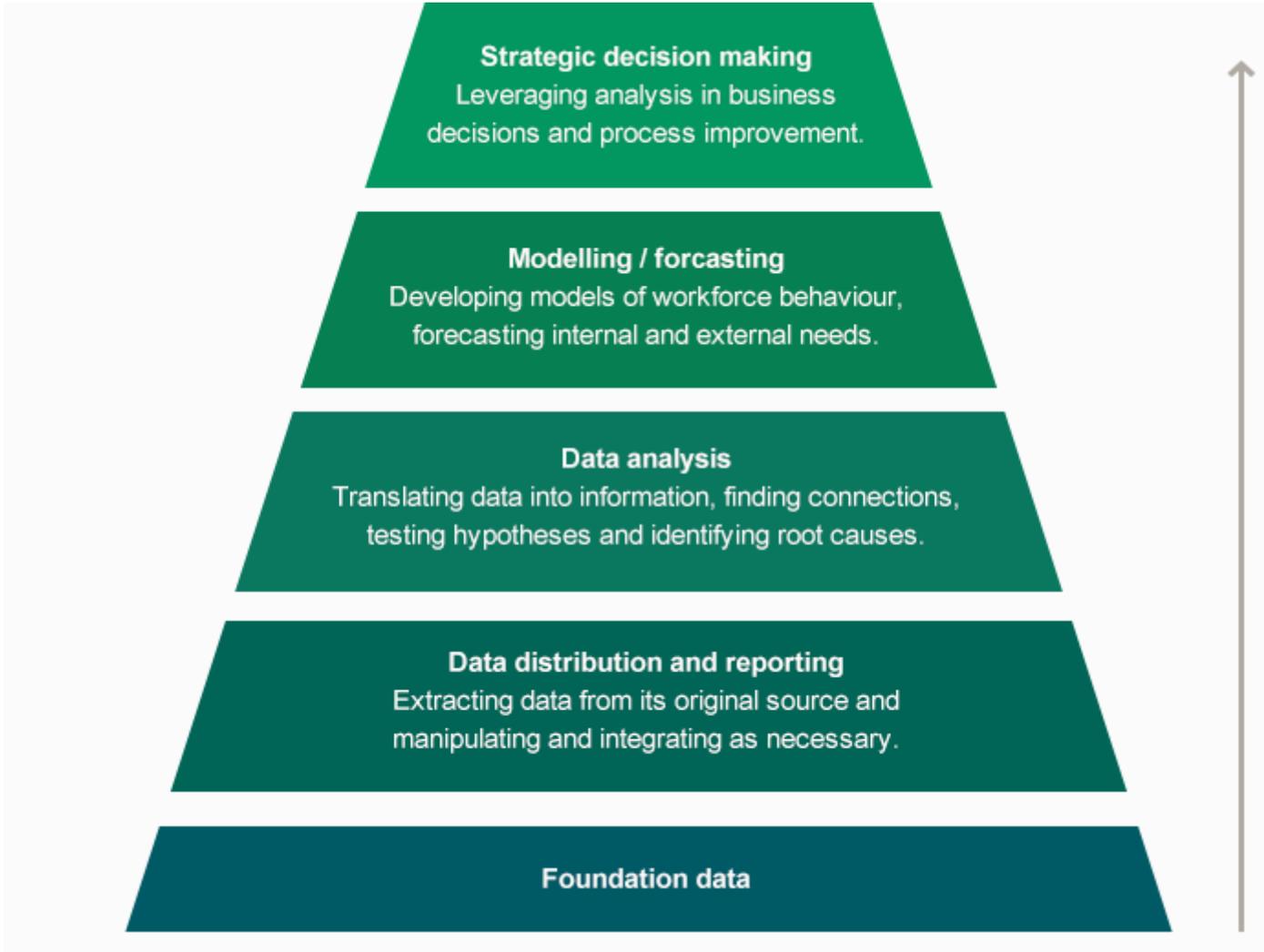
Using people metrics strategically is about the manner in which the metric is used and applied. It requires the development of a sophisticated approach to selection, analysis and application.

**Figure 1** represents the growing levels of sophistication in metrics application. As each layer moves up the pyramid, there is an increase in the level of sophistication or manner in which they are used, which allows them to be more influential over the strategic agenda.

Increasing sophistication means the HR professional can use people metrics to:

- define workforce drivers of success
- communicate the impact that future HR activities could have on the goals and objectives of the organisation
- provide a people perspective in organisational strategic planning.

## Figure 1: Growing sophistication in people metrics



Source: Corporate Leadership Council

## From Transactional People Metrics to Strategic and Transformational People Metrics

The approach to using people metrics will depend on the situation. It is not always appropriate to spend a lengthy period of time developing a sophisticated approach to issue measurement, and in turn a one-dimensional approach may not be thorough enough for the given situation or audience. How people metrics are integrated, analysed and communicated will need to change to suit the situation and the audience.

For the HR function to effectively support the organisation, and move its activities from the transactional to the transformational, it needs to develop a higher level of sophistication in metrics applicability. Developing a sophisticated approach to metric usage will result in more frequent data-driven decision making, and will better position HR to speak the

language of the business and influence senior leadership.

On the following pages are four HR roles, some examples of how people metrics could be used within the role and the impact this has on the organisation.

These HR roles are as a:

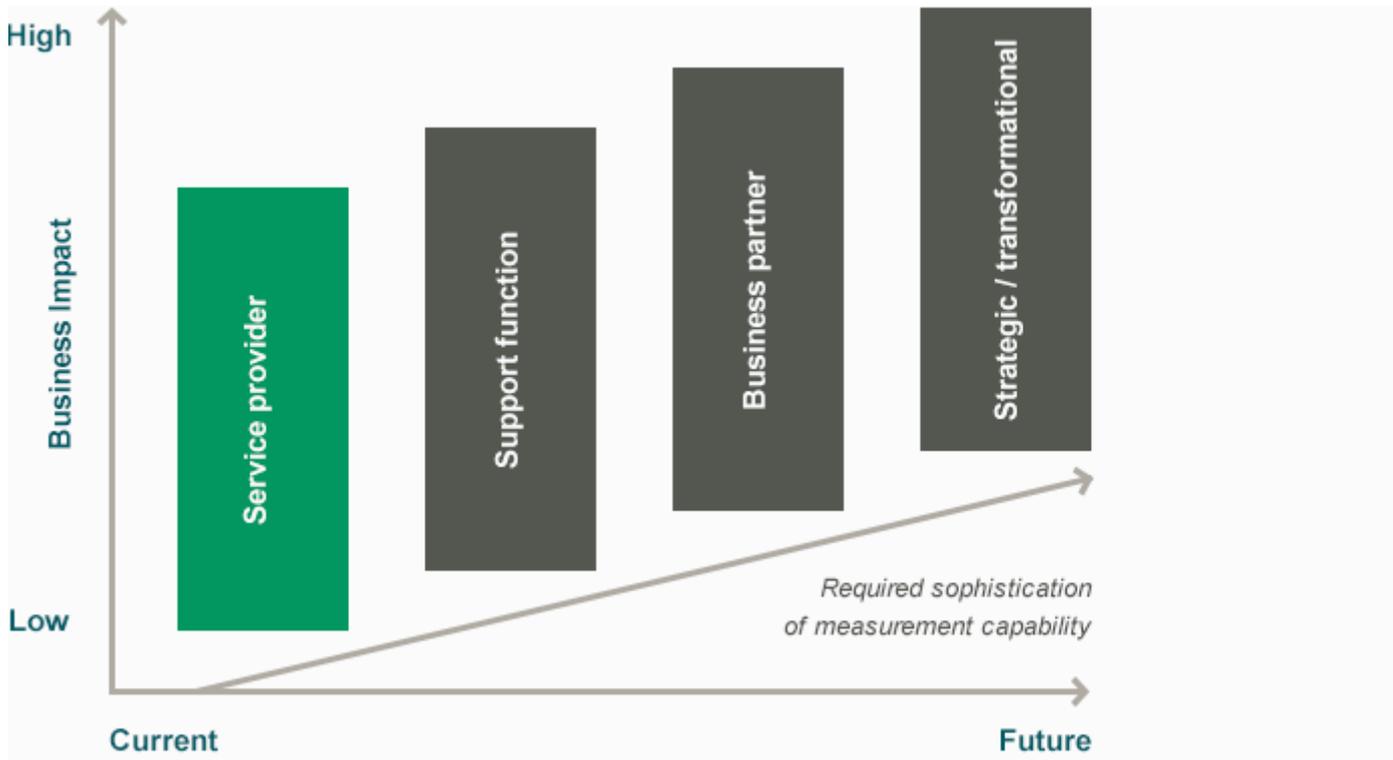
- service provider to the organisation
- support function for the organisation
- business partner with the organisation
- strategic and transformational driver.

## Human Resources as a Service Provider

One function of HR is to provide services to the organisation. This service provision is operational, supporting the day-to-day management of the workforce and may be generalist or specialist in nature.

Some of the services provided by the HR function include:

- provision of advice on policy and procedure
- delivery and coordination of learning and development interventions
- advising and coaching managers on the recruitment and selection processes
- coaching managers on the performance management process
- administration of systems that hold employment data
- management of the payroll function.



In the provision of these services, HR will collect data and maintain a database that captures workforce and HR history.

As a service provider, HR regularly use metrics in response to requests that include:

- information to support managers and executives
- requests for data and information from external agencies
- preparation of one-dimensional reports of past activities.

Some examples of the types of people metrics that would be used in this role include:

- a manager requesting a report on absenteeism days per employee
- the executive requesting a workforce classification breakdown
- a manager requesting the recruitment cost per hire.

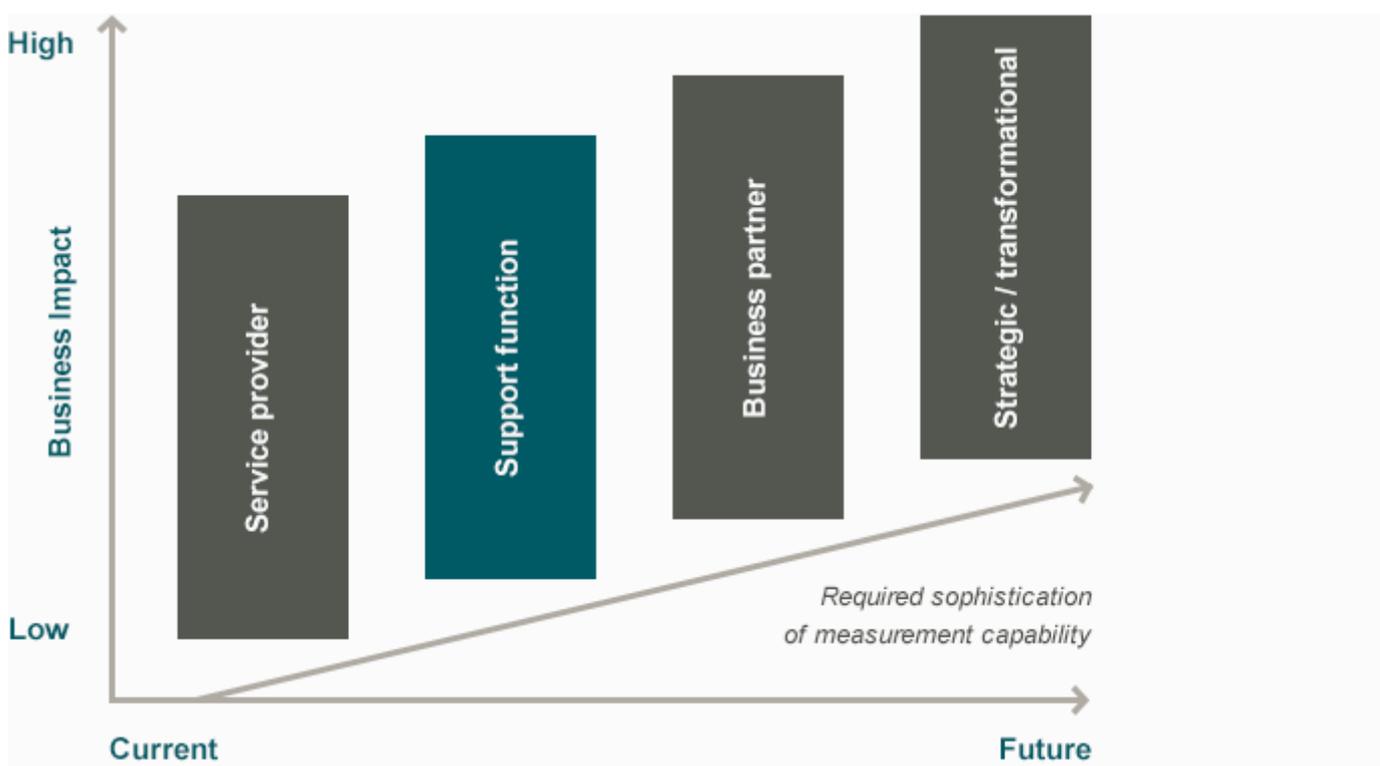
At a point in time, the data collected and reports produced service a need or requirement in the day-to-day running of the workforce. The metrics used by the HR function in this role are generally confined to reporting on the current situation, and use information that measures past performance.

# Human Resources as a Support Function

An important role of the HR function is to support the organisation with the tools that enable employees to access real-time services. Differing to the HR role as a service provider, this role supports the organisation's employees to undertake activities themselves, from their own desktops. This support is provided in the administration of a number of online systems that managers and employees can access, to receive information about the workforce.

Some of the tools the HR function administers to support the organisation are:

- payroll systems
- systems that hold employment data
- online portals that allow employees to update personal information, access and apply for leave, and view pay information and personal employment information
- online performance management systems.



The administration of these online tools enables the HR function to:

- provide automated workforce reports

- set what the automated reports will produce, which consequently ensures consistency of measurement across the organisation
- support data self-service within and outside of the function.

Some examples of the metrics used in this role may include:

- the average annual leave or sick leave days of a particular organisational subgroup
- performance management information
- a calculation of training days per employee
- personal development plan prevalence.

The people metrics used in this role report on the current situation, so are only relevant at a given point in time. However, this is an important role performed by the HR function, and while these metrics can have relatively low impact on the organisation, they are still important in supporting business operations.

## Human Resources as a Business Partner

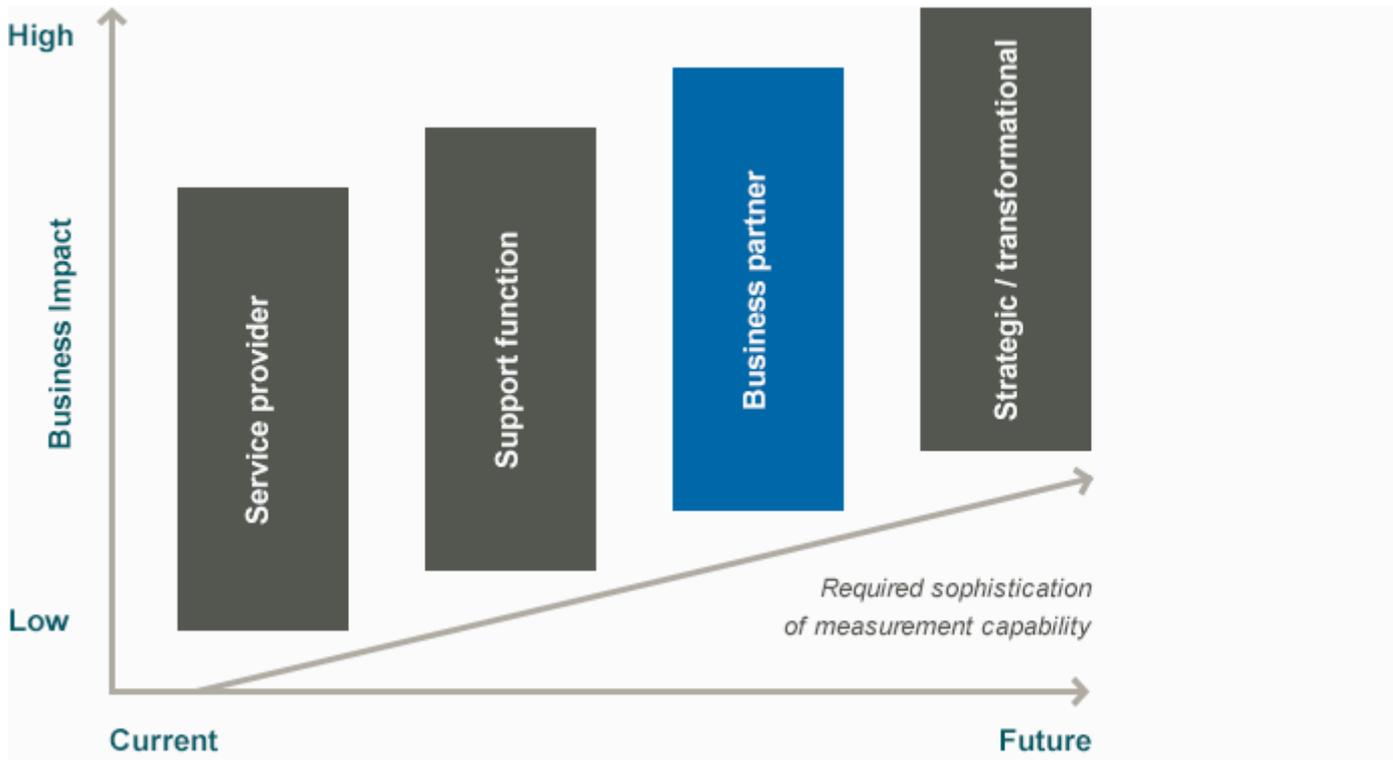
The HR function advises the organisation about the impact of the workforce on overall organisational performance and identifies opportunities for improvement.

For example, workforce planning is one of the most critical HR management challenges currently facing the public sector, and requires organisations to plan and address issues proactively, rather than react belatedly to the business and environmental changes.

For example, HR has the responsibility to advise the organisation on the impact of skills shortages and the ageing workforce, and identify any opportunities to pre-empt loss of critical knowledge or skills.

Within the HR role as business partner, the practitioner will:

- identify problematic workforce trends
- define the opportunity for intervention by HR
- educate the organisation about the impact of workforce trends.



To undertake this role, the HR function will:

- undertake a workforce analysis establishing a clear understanding of the organisation's direction
- forecast workforce needs
- analyse gaps between demand for services and the supply of labour
- develop strategies to address problematic workforce trends
- implement the specific programs
- and projects required to develop and maintain the capability and capacity of the workforce
- monitor and evaluate.

Some examples of how people metrics may be used in this role may include:

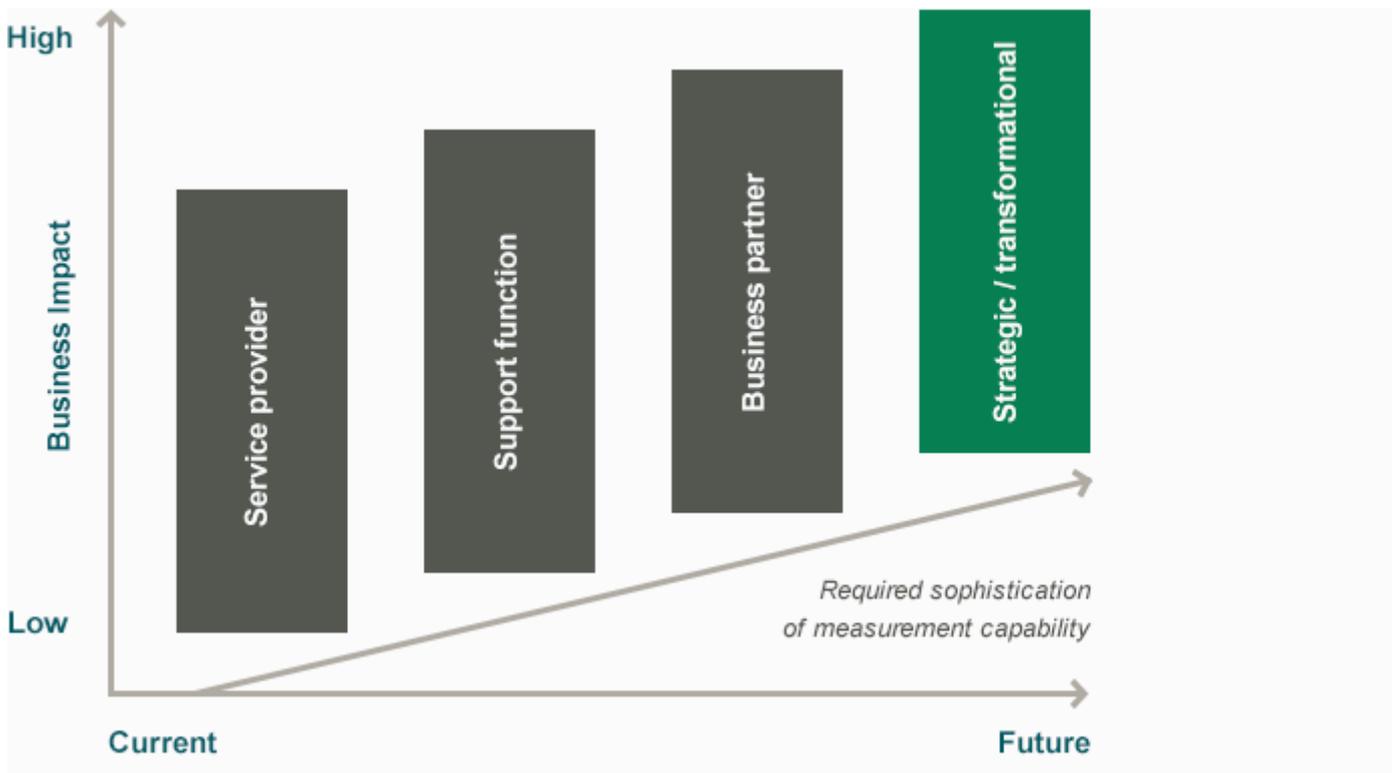
- a demographic analysis of people employed within the organisation to calculate age staffing breakdown, gender staffing breakdown and staffing rate 50+ years;
- a cross-analysis of people metrics including successor pool coverage, positions without a ready candidate, and leadership development plan rate to inform the organisation's succession risk; and

- a cross-analysis of recruitment, employment brand strength and new hire failure rate, to establish if attraction strategies are being successfully implemented.

## Human Resources as a Strategic and Transformational Driver

HR is a key function alongside finance and other core business areas that can help an organisation achieve its goals and objectives. For HR to be successful in this role, it needs to be aligned with the organisation's strategy.

In this role the HR professional consults with the executive team so it can be more responsive, and proactively provide direction about how the workforce is best managed and leveraged, to drive organisational achievement of goals and objectives.



The HR professional uses people metrics in order to:

- define workforce drivers of success
- communicate the impact that future HR activities could have on the goals and objectives of the organisation
- proactively identify people issues and influence strategic conversations

- provide a people perspective in organisational strategic planning.

To use people metrics in a strategic and transformational way requires the greatest level of sophistication in planning and selection, to ensure alignment with objectives and clear, accurate insight into the issue. Significant business impact can be achieved if HR can perform this role successfully.

How people metrics are used in this role will depend on the organisational strategic frameworks, structures, expectations of the HR function, and existing capabilities within the organisation to undertake a sophisticated analysis of issues.

Some examples of how people metrics may be used in this role include:

- identifying the people elements critical to the organisation meeting its goals and building a model of people metrics that inform activities toward those goals or objectives
- as business intelligence gathering, based on an identified or hypothesised business needs.

On the following pages are some principles to guide strategic and transformational use of people metrics. These principles also pose questions to consider in a strategic and transformational approach.



# Principles to Guide Strategic and Transformational Use of People Metrics

**PROVIDE** some principles for using people metrics that are meaningful to the organisational strategic goals.

## Developing a People Metrics Framework

Strategic and transformational people metrics can be used by the HR function for two purposes:

- as business intelligence gathering, which is generally ad hoc or a once-off, based on an identified or hypothesised business need
- as part of a people metrics framework that is relevant to the ongoing and future needs of the organisation.

An optimal people metrics framework includes a selection of strategically aligned people metrics that will measure the workforce priorities that are most critical to the organisation's ability to meet current and future goals.

By regularly and consistently measuring the critical workforce priorities, the organisation can monitor the environment in which it operates and mitigate any foreseeable risks with appropriate strategies.

**Figure 2** represents an 'in principle' example of what a people metrics framework could look like. This framework makes reference to 'people elements' and 'workforce factors'. These terms are defined in this publication as:

**People elements** – are the business considerations that are impacted by the workforce. For example, Figure 2 suggests that to successfully meet 'Goal A' the organisation needs to assess succession because it is a critical business consideration in meeting that goal.

It is important to note, that the people element is not an 'issue'. However, measurement and analysis of the people element may expose it as an issue or a business risk.

**Workforce factors** – inform the people elements. For example, to meet 'Goal A' succession

has been identified as a critical business consideration. Succession is impacted and informed by a number of workforce factors including retention, development and recruitment. People metrics that say something about these workforce factors will begin to build a picture about succession (the people element).

The relevance of the strategic goals presented in this framework may alter over time.

**Figure 2: Example of what a people metrics framework could look like**



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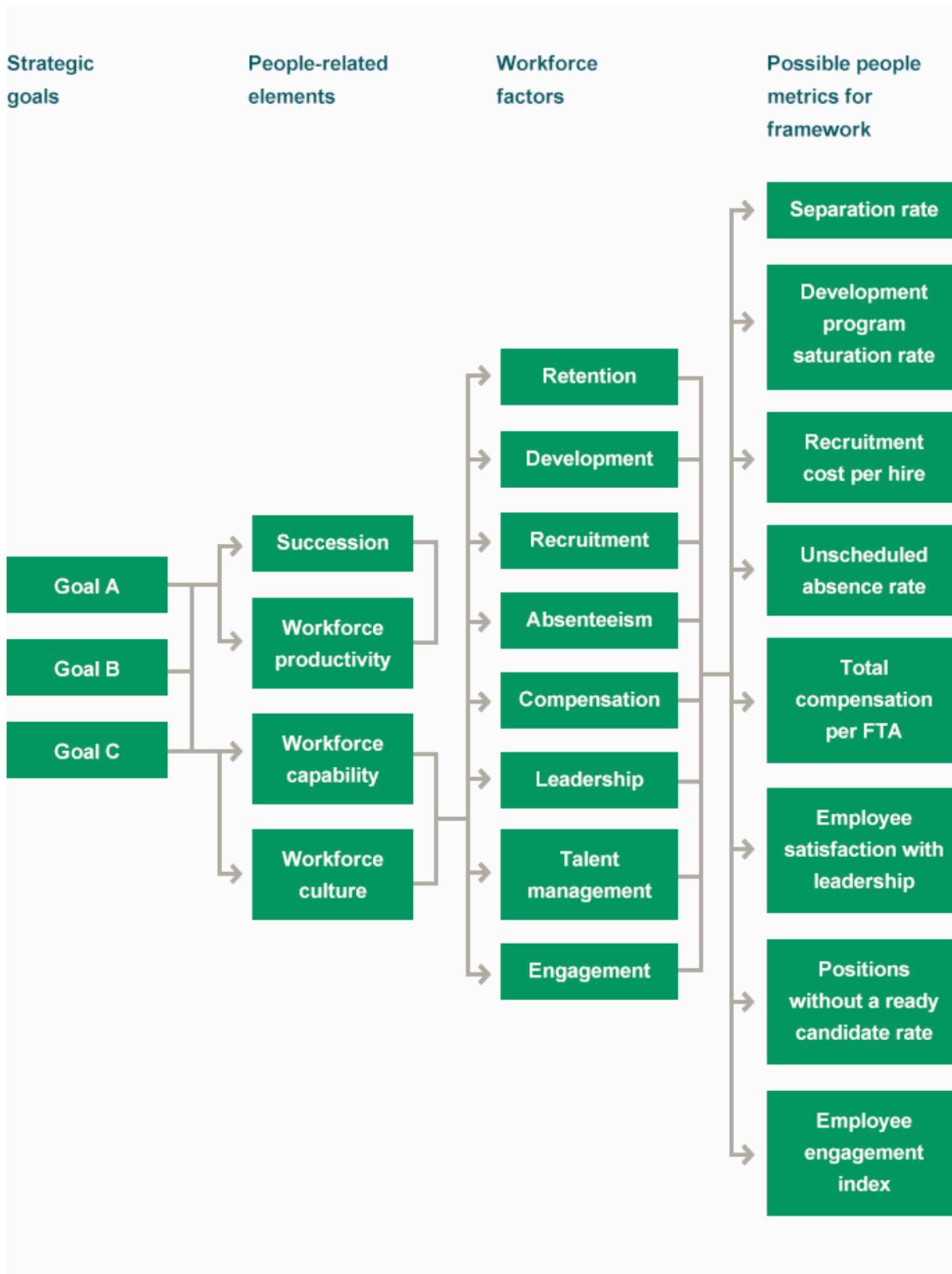




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## Selecting Meaningful People Metrics

The selection of people metrics that are meaningful to the business can be a daunting task. However, people metrics are meaningful to the business if they:

- provide evidence of performance against a business need
- inform activities toward an organisational strategic objective or goal
- provide an evidence base for a strategically aligned HR opportunity.

The diagram below represents a process to consider in selecting meaningful metrics.

The underlying principle of this process is the primary consideration of the organisational strategic goals.

The stages presented in this diagram include:

1. What matters? Identification of the organisation's people elements and workforce factors. To establish the business considerations that are critical to the organisation's ability to achieve its strategic goals.
2. How are we doing? Identifying meaningful people metrics that monitor the organisation's performance against the identified people elements. This stage includes gap identification, issues identification, and cause analysis.
3. What does this mean? Communication of the findings in a way that is meaningful to the audience. The following pages further extrapolate on this model by providing some additional questions to consider.





## 1. What matters? Identification of the organisation's people elements

To establish which business considerations are impacted by the workforce, use the organisational strategy to consider:

- which goals will the workforce have a critical impact on the organisation's ability to deliver that goal
- which of the identified goals is most critical to the organisation's overall success
- which parts of the workforce needs to be working well, to achieve the identified goal.

Having identified the people elements impacting on the organisation's ability to achieve success, consider which workforce factors inform this people element. For example, workforce factors influencing culture include engagement, retention, performance and leadership.

From what is known about the workforce factors consider:

- what the organisation does well
- what the organisation has difficulties with

- how these workforce factors influence the people element and what successful management of the people element would look like in the organisation. This may be based on past performance, internal benchmarks, external benchmarks or labour statistics
- which questions need to be answered about the organisational people elements.

## **2. How are we doing? Analysis of the organisation's people elements**

To determine which people metrics will be an indicator of performance against the people element consider:

- what you need to know to get the most comprehensive measure of the identified people element – consider the identified workforce factors that inform this people element. The workforce factors will help 'break-down' areas of measurement
- what data is collected by the organisation and what is available from outside the organisation and if the organisation wishes to measure this people element, then consider collecting this data in future
- whether developing a hypothesis would help guide the analysis.

Working with the data need not be complicated. Simply start with one or two measures and build on that information. When looking at the data also consider:

- why any high or low results are returned from the metric and what this means
- what the possible impacts or drivers are
- what the impact of this result is on the organisation, now and in the future
- whether the meaning in the data changes when cross-analysed with another related metric, and how this further enhances the story.

## **3. What does this mean? Communicating a story about the business**

Communicating a story about the business gives meaning to the measurement by building a narrative around the data by linking concepts back to business outcomes.

When building the narrative consider:

- what the findings say about the organisation
- whether the findings were expected
- whether the story changes when one people metric is compared to another
- what impact this will have in the future
- whether there is any missing piece of the story, or what would further enhance the story.

Presentation of the story plays a key role in how the information is received, therefore consider:

- which elements of the narrative the audience would be most interested in
- whether each use of data, or graphical representation of data, has been supported with an explanation of what it means
- whether the narrative has all the elements of a story, including beginning (purpose or scene setting), middle (content and findings) and end (recommendations and conclusions).



# Using People Metrics to Tell a Story About the Business

**GUIDE** the communication of stories about the business using people metrics.

Employing a storytelling approach when presenting people metrics will give meaning to the measurement and aid in building a compelling case that links concepts back to business outcomes.

The following pages include a checklist for using people metrics to tell a story about the business, and two case studies from VPS departments regularly using people metrics. These case studies are:

- Victoria Police – measuring unplanned leave to meet the needs of the community
- Department of Primary Industries – monitoring performance and retention by measuring engagement. The stories they tell about the business are clearly linked to possible business outcomes.

## Checklist for Telling a Story Using People Metrics

Using metrics to tell a story about the business gives meaning to the measurement activity. The following checklist considers some of the elements of using metrics to tell a story about the business.

Checklist for telling a story about the business using people metrics:

- the purpose of the measurement activity has been defined
- the people elements and their impact on the organisation have been identified
- a considered approach has been taken to issue measurement. This includes revisiting the principles to making metrics meaningful to the organisation
- consideration has been given to what else may say something about the issue
- metrics have been integrated and consideration has been given to issues outside of the HR function
- each use of data has been explained so the information will have meaning to the end user
- consideration has been given, and linkages have been made, to the future impact of these



findings on the organisation.

## **Case Study: Victoria Police**

### **Measuring Unplanned Leave to Meet the Community's Needs**

Victoria Police provides an essential service to the Victorian community to ensure a safe and secure society. It contributes to a high quality of life for individuals and to the economic, social and cultural wellbeing of Victorians. Its priority for a safer Victoria focuses on crime, public safety and road safety.

Victoria Police provides a 24-hour police service, 365 days a year, and employs over 14,000 police, public servants and protective services officers.

To reduce crime and road trauma, increase community safety and confidence, and provide effective policing services, Victoria Police needs to maximise the resources available at the frontline.

Factors impacting availability and the health and safety of its employees are a key focus in Victoria Police people management strategies, and ongoing monitoring of these factors is crucial to improve results.

One of the people issues impacting on availability is rates of unplanned leave. This is why Victoria Police continuously measures unplanned leave rates at various levels of the organisation – from corporate through to the local workplace level.

Monthly management reports allow tracking of leave rates over time, as well as comparison with other similar work locations.

Measuring unplanned leave on a regular basis provides the opportunity for managers, working in conjunction with the HR function, to intervene before a long-term issue develops.

This improves the health and safety of employees and maximises operational capacity, thereby contributing to the delivery of effective policing services to the Victorian community.

## **Case Study: Department of Primary Industries**

## Monitoring Performance and Retention

The Department of Primary Industries (DPI) has identified the need for a capable skilled workforce in order to meet its strategic goals and objectives, now and in the future. This is why it proactively monitors staff engagement levels as a predictive indicator of performance and turnover.

The role of DPI is to design and deliver government policies and programs that enable Victoria's primary and energy industries to sustainably maximise the wealth and wellbeing they generate. It does this by providing essential goods and services, employment, investment and recreational opportunities. To deliver on this role requires an innovative and diverse workforce, with specialist experience ranging from scientific knowledge to policy experts.

As Victoria faces an increasingly competitive workforce and talent market, there is more pressure to be able to have high levels of employee performance and retention in critical and specialist roles.

DPI recognised that engagement levels are a key indicator of motivation and high performing cultures, and are also an indicator of an employee's intent to stay.

So the Department of Primary Industries undertook an engagement survey, which found that many of its employees believe DPI is a great place to work and one where they value their ability to make a difference. This information was then cross-analysed with turnover, intention to leave, unplanned absences, the number of grievances, and the number of bullying and harassment complaints.

Using this evidence, the people and culture function is able to address engagement levels in problem areas within the organisation, thereby mitigating the risk of poor performance and high turnover.

By undertaking a regular review of engagement across the organisation, people and culture is able to track progress of mitigation strategies and re-design intervention strategies as required.



# FAQs – Frequently Asked Questions

## How do I get help with analysis?

Analysis is a skill that plays an important role in using people metrics. If you do not currently have strong data analysis skills there are options available, including:

- **tools to assist data analysis** – there are many computer applications on the market that can aid the data collation and analysis, to make it easier to work with and easier to integrate
- **expertise in the market** – if the skills are not available internally, there is external assistance available to undertake data analysis
- **internal expertise** – consider where within the organisation these skills may already exist, for example, another division within the organisation may already have the capacity and expertise to assist.

## Where do I find benchmarking and best practice information?

Benchmarking performance with a like organisation, or against best practice, is often helpful when target setting to establish how the organisation is doing. Benchmarking provides a snapshot of performance against an industry standard or best practice.

Metric benchmarking, however, is complicated as it requires a standardised measure and consistency in application.

Some sources of benchmarking and best practice information are:

- the Workforce Data information collected by the VPSC, Knowledge Management and Governance Group, which provides data comparisons with similar public sector organisations
- the Corporate Leadership Council, which conducts surveys with clients globally, to establish best practice in HR and learning and development
- in the market, at cost, there are organisations that collect and distribute best practice bench-marking information.



# Where can I source data?

Consider some of these sources of data when undertaking a measurement activity.

## Internal Labour Market Workforce (Information):

### State of the Public Sector in Victoria

Produced annually, it reports on the people activities of the Victorian public sector and how these have supported the Victorian Government, and worked with the community, to meet government objectives for Victoria and Victorians.

### Workforce Data Collection

Each year the Victorian Public Sector Commission conducts an annual collection of workforce data from each employing body under the *Public Administration Act 2004*, and provides reports comparing the organisation to a grouping of similar organisations.

### People Matter Survey

The annual People Matter Survey measures Victorian public sector employees' perceptions of how well the public sector values and employment principles are applied within their organisation.

The survey also gathers useful information on a broad range of people management issues, including levels of job satisfaction and the ways in which organisations, managers and workgroups operate. Reports are provided to participating organisations comparing the organisation's results to a grouping of similar organisations.

## External Labour Market Workforce (Information):

- [Australian Bureau of Statistics](#) census and labour force data
- Department of Education, Employment and Workplace Relations
- Relevant peak industry, professional and training bodies Government Skills Australia <http://www.governmentskills.com.au/>
- Student information (eg. individual TAFEs and Universities) eg. [www.unimelb.edu.au](http://www.unimelb.edu.au), [www.rmit.edu.au](http://www.rmit.edu.au)

# **We already use people metrics, how will this help our organisation?**

This guide may help you rethink how the organisation is using people metrics, and if the desired outcomes are being achieved with the current approach. *A Dictionary of People Metrics* provides some additional people metrics that may be helpful in measurement efforts.

## **Why does *A Dictionary of People Metrics* not include some people metrics that my organisation uses?**

There is an extensive number of people metric combinations available to assist the HR function.

To include every people metrics applicable to the HR function would have produced a large and daunting resource.

*A Dictionary of People Metrics* only includes those metrics that may inform a story about six people elements. This is not an all-inclusive list, but a sample to pick and choose from, depending on requirements. This selection has been designed to complement people metrics already being used.



# Glossary

## Analysis

The process of breaking a complex topic into smaller parts to gain a better understanding of it.

## Benchmarking

The process of measuring an organisation's internal processes then comparing them to other organisations, in either a like industry or one that is considered best practice.

## Capability

Current skills and knowledge, and the capacity to develop skills and knowledge in the future.

## Critical Role

A role that is currently crucial to the achievement of the organisation's outcomes. A vacancy in a critical role would have a significant tangible impact on the ability of the organisation to deliver outputs, achieve milestones or meet budget requirements.

## Lag Measure

A metric that informs on activities or movements that have occurred over a preceding period.

## Lead Measure

A metric that indicates likely trends or behaviour into the future.

## Metric

A metric in business is a measure used to gauge some quantifiable component of an organisation's performance, such as return on investment (ROI), or revenues.

## People Elements

People elements are the business considerations that are impacted by the workforce. For example, organisational culture.

## People Metrics

People metrics, in the area of HR management, provide a quantifiable measure of people activity. People metrics can provide evidence of performance against objectives and goals.

## Qualitative Data

This type of data is extremely varied in nature. It includes virtually any non-numerical information that can be captured.

## Quantitative Data

This type of data measures or identifies information using a numerical scale.

## Target Setting

The process of establishing an agreed level of performance, and communicating a level of expectation. Targets are helpful to establish trends over time.

## Workforce Factors

Workforce factors are those factors that inform business considerations. For example, organisational culture is informed by engagement, absenteeism, and leadership.



# Additional Resources and References

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