



'Metrics' system

While people are undoubtedly a company's greatest asset, performance-based metrics could help improve the bottom line, says **Sarah MacKinlay**

Measurement is entirely man-made and therefore prone to error

A requisite of any modern management team is the continuous monitoring and measurement of an expensive yet useful asset – its people. As David Hughes, head of marketing at workforce management company Crown, says: 'Show me a more important element to your organisation than your people. Monitoring their time and activity is important because they are also your biggest cost, so it has huge implications for the business.'

Performance-related metrics systems are used to help a company improve its bottom line. Their use allows businesses to align and assess activity against that of the people who are undertaking it. It allows people to monitor an organisation's performance and strategic goals.

One of the most notorious systems – the balance scorecard – was developed by Harvard Business School founders Robert Kaplan and David Norton in the early 1990s. Balance scorecards started as a simple performance measurement tool, capable of linking employees' work to a company's long-term goals. A series of articles and books chronicled the methodology, which was considered an answer to some of the problems associated with other approaches available at the time.

In essence, Kaplan and Norton's aim was to

develop a process that provided a clear prescription as to what companies should measure in order to balance the financial perspective.

The classic model of scorecarding has four elements: learning and growth; business process; the customer perspective; and the financial perspective. However, it has since developed into a more sophisticated management system, with software used to meet the growing demands of zealous managers keen to improve their strategic plans and enable managers to execute their strategies.

Holding data

It is well known that payroll departments hold valuable information that is relevant to the board of any business. But capturing this information in a coherent way is not well developed. And this is where performance-based metrics can help the payroll departments that hold important information, but are unsure how to report on it.

As Hughes points out: 'With all due respect to payroll, the profession does what you tell it. If you tell it to pay Joe Bloggs £50 it does, yet it generates efficiencies throughout the organisation which could allow big cost savings to the bottom line of the organisation.'



Hughes is referring to things such as the measurement of non-productive time, attendance and absence – all of which is information held by the payroll department. Hughes says: 'When you get a handle on that sort of thing, it has enormous cost implications for any organisation.'

The next step is for the payroll department to become more proficient in its ability to use metrics systems effectively in order to measure and report on company productivity. Yet aside from being a useful financial analytical tool, metrics-based systems have now developed so that the emphasis is on what it can offer the employee in addition to the business.

ADP's senior HR implementation manager, Esme Pansegrouw, explains that metrics systems don't simply improve the company's bottom line, they can inspire confidence in the workforce. 'It massively improves employee empowerment within the organisation. All of a sudden, managers and employees are engaged because they see what the others see and what HR sees, and they can see the metrics that managers use. From this they can run their own report; you don't need to go to HR and ask for a copy, for example.'

She also cites the obvious cost savings of online metrics-based systems. 'You can schedule appraisals with a click of a button for the entire workforce, which creates obvious cost savings such as environmental costs [by saving on the cost of paper] and the time saved by the HR department,' she says.

While it is common practice to use performance metrics in most industries, it is also increasingly used for greater strategic planning and management. But Hughes has found his clients requiring it to measure more complex processes within an organisation. 'The more complex the business, the more mercurial the demand, or the more volatile it can be. If you're just coming in from 9am to 5pm and doing the same thing day-in day-out, that's easy to measure because you're not measuring a lot. But if you have a business that fluctuates in demand – for example, the police and seasonal businesses – you can use that data to better predict demand and future planning, and apply your metrics accordingly,' he says.


Efficiency gain

Metrics systems will only ever be as good as the underlying processes that are put in place. Hughes argues that even the best systems in the world can't hide underlying inefficiencies. 'All you are doing is highlighting and computerising those inefficiencies.'

His advice is to suggest first analysing what you wish to use your metrics for and how useful your measurement will be to the business. Measuring metrics can be very subjective. 'You need to go back to basics and look at what constitutes acceptable or unacceptable performance. You might decide a 20% absence rate is perfectly acceptable. What I'm saying is the measurement is entirely man-made and therefore prone to error.'

Finally, he offers a cautionary note: 'All manner of companies use scorecards, so you could go on accepting it when in reality it is not at all acceptable.'

Pansegrouw's emphasis, meanwhile, is to stress the benefit to employee morale. Although people can often be resistant to change, if there is a chance to get the workforce involved from the start of an implementation of a new performance monitoring system, then they are more likely to accept it as good practice. 'Typically, I would say it is positive most of the time, but when there is a change, get employees involved up front and encourage them to participate. Communicate as early as you can – don't make it sound like something being forced up on them.'

Self-service based software that monitors performance allows everyone involved in the monitoring process to view objectives for the year. With paper-based monitoring you can't do this because it gets filed away, deep within an HR folder. 

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Business continuity

Go with the flow

Recent criminal activity in London is a reminder to the business world that it must have in place a process of business continuity, writes **Peter Holland**

Over the past few months, there have been a number of global incidents that have had a detrimental effect on business continuity – from earthquakes to revolutions to the recent criminal violence across the UK.

These events have accentuated the importance of contingency plans, communication plans and flexibility of process, including using diverse methods of payment such as cards. Important in all of this is selection and maintenance of



Peter Holland

the aim – ie, what are we trying to achieve in any given situation? This might entail getting employees and their families to safety and providing them with emergency funds, or sending money to the individuals affected when the banks are only open intermittently, or in some cases not at all.

The effect of the recent riots in the UK fall into the category of business continuity; shops and businesses closed early and cordons were set up in certain areas of the UK. This made me revisit our business continuity plan and consider how we keep functioning when we are unable to get into work to do our jobs.

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Our office systems were built with all this in mind, especially after 7/7, and we were very much aware that our global environment is becoming yet more complex with time. These are some of the considerations the payroll department should consider. Where is the data held to carry out the role? Ours is held at a secure data centre, accessible via a secure process by us and our clients, and backed up elsewhere.

If it all resides in the server in your office, and you cannot get to it, clearly your process is at risk. Can you redirect phones to another location, for example? How do you make payments or upload payment files remotely?

These basics, and indeed many more, should comprise a business continuity plan. Payroll and payments should be a vital part of that and individuals need to be aware of its contents.

Peter Holland, CEO, Expatriate Management Services

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