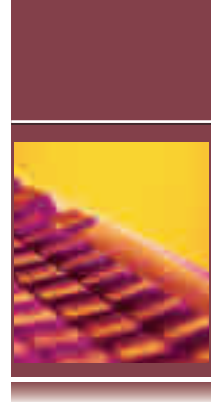

From the Editor

By Karen V. Beaman



In his 1984 book, *How to Measure Human Resource Management*, Dr. Jac Fitz-enz was perhaps one of the first to advocate that HR needed to speak the language of business: numbers and dollars. Since then there has been an evolution of ideas and concepts to enable us to measure the effectiveness of our human resources. In this issue, we will hear from several authors who offer additional thoughts about this evolutionary process.

In "Making Metrics Matter" Robert H. Stambaugh writes that the metrics that matter in the future will be defined and created by *individuals* in the field, as needed, in response to immediate needs and challenges. They need access to flexible HR databases and protection from standard data and process definitions and models. They need collaborative tools and spaces for sharing what they learn, first in the form of personal, metrics with a few other individual stakeholders and then with some of the informal communities in the business environment, which apply local findings in a broader framework. What really matters is that the metrics remain in play: if we deliver measurement and analysis that sit on the shelves of offices or on a worker's hard drive, neither we nor the metrics matter at all.

Our second feature, "Hiding in the Average: Why Human Capital Metrics Must be Disaggregated to be Effective Management Tools," author Andrea Kropp states that each organization must determine for itself the right KPIs and the right data cuts based on strategy, institutional knowledge, data validation studies and a bit of trial and error. The next goal should be reporting at a sufficiently disaggregated level to allow for interventions targeted at hundreds of employees not thousands, or tens of thousands. When human capital measurement was in its infancy, there was a lot of focus on selecting the "right" metrics to measure. However, a scorecard of

all the "right" metrics reported only at the total company level does little to further an organization's goal of improving performance on those metrics.

Dr. John Sullivan, in his article "Metrics For Measuring Outsourcing Effectiveness" concludes that when it comes to assessing its effectiveness, outsourcing should be treated no differently than any other business function. By insisting on a comprehensive measurement and metric system as part of the vendor agreement, you can actually improve the probability that the vendor will provide the same or higher levels of service that your employees have come to demand. A high success rate is important not just for building HR pride but also because employees and managers will still blame HR (outsourcing does not relieve responsibility) if the level of service falls below expectations. CFOs will be equally as unhappy if the total cost of outsourcing exceeds the initial baseline costs that existed before the service was outsourced.

Accurately identifying the costs and benefits of new HRIS functionality play an important role in organizations' HRIS investment decisions for the foreseeable future, according to Kevin Carlson in his article, "Justifying HRIS Investments Post Y2K: Identifying Sources of Value." This transformation is well underway and is reflected in the collective responses of vendors who now emphasize payback rates, ROI, or reduced cost of ownership in their promotional materials. This renewed interest in detailed investment analysis is healthy and should be embraced rather than feared by HRIS managers. More thorough analyses are likely to identify implementation contingencies and opportunities that can increase the chances for successful implementations.

Our final feature in this issue is written by Naomi Lee Bloom and is titled "The What, Why, and Why Not of

HRM Outsourcing." Ms. Bloom contends that many, if not most, organizations will have much to gain from comprehensive HRM BPO, especially as the provider landscape matures, if they select the right vendor, enter into the right contract, and then manage the relationship effectively. Presumably strategic, comprehensive HRM BPO deals are focused heavily on the basics, at least initially, and that's absolutely understandable. Unfortunately, these initial business rules, data structures, workflows and broader process designs, although able to deliver vastly improved administrative services metrics, are not always designed with sufficient attention to their foundational role in unleashing and supporting strategic HRM. Organizations should consider long-term HRM business outcomes and their HRM business model needs sooner rather than later when considering any outsourcing activity.

In addition to these in-depth features, I hope you will take a few minutes to scan the Departments and International Perspectives, and as always we look forward to your suggestions and comments.

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