

What Matters in the HR Board Report

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One of the key functions of any board is to make sure the human resources (HR) of the organisation is put to good use. To enable the board to effectively execute this task they need information on how human resource activities are impacting on business performance. This task is made even more difficult by the fact that most of the Board HR Committees are chaired by people with no HR experience. This is not a major challenge as long as the committee members are provided with the right information to enable them to make informed decisions.

The major challenge facing organisations today is that the human resource function is one of the most under-reported functions in most organisations. As a result, most of the scandals bedeviling organisations tend to start in the human resources department. Most board members have no idea what happens in human resources. In most cases they only wake up after some form of scandal in the human resources department. This should not happen if the board is supplied with the key indicators from the human resources.

Most of the reports supplied to boards have tended to be narratives not supported by any factual information in most cases. Trends are changing. Human resource management and reporting needs to be data driven. I know a few progressive organisations that have started well on this journey. Those that have started have moved from opinion driven reporting systems to data driven systems. The only challenge with where they are is that even as they are moving into data driven areas, the information is still descriptive in nature with no major insights coming from the data.

I would like to classify the level of reporting at board level into four categories. Level one is opinion driven (primitive stage), level two is the descriptive stage, level three is predictive stage and level four is the prescriptive stage.

At level one, the information provided is mainly opinion driven. Reports at this stage are narrative and full of the opinions provided by the human resources department staff on a number of issues. The assumption at this stage is that the people in human resources know what they are doing and they will act in the best interest of the company. We know this is not normally correct as most senior managers, not only in HR, but in other departments, make decisions driven by their own personal interests. There are chances that the board may make serious human resources errors if they base their reports on the above. In stage two, you mainly find descriptive reports. Typical Board reports cover things like the number of people on sick leave, number of people on leave, headcount and number of disciplinary cases handled, number of people trained, etc. This is all good but no insights are driven from such reporting. It is almost like information for noting when it is supposed to assist the board to make decision. To enhance the reports at this stage, there is need to go deeper than just providing the figures. For example, instead of reporting on number of people on sick leave, annual leave, study leave, you could try to indicate the cost the company is incurring because this is paid leave. You could also add the costs of

covering up for the individuals on leave and loss of productivity. Every data you find in the human resources department can be turned into insights that would help the board make better decisions. On staff costs, instead of reporting staff costs to revenue on a global level you need to break staff costs to revenue by level and also executive staff costs as a percentage of the overall wage bill. If you have industry benchmarks for the same indicators it's even better.

The predictive analytics stage brings even better insight for business and not for human resources. While the data comes from the human resources department, the impact is always measured in business performance. Many companies are struggling, for example, at workforce planning. They neither know how many employees (establishment provision) they need for a particular period nor at what cost. If they do, many of these companies guess these figures and usually discover later, for example, that they are over or under staffed. Many of the retrenchment exercises that we are seeing could have been avoided if companies had done proper workforce planning using statistical models. Still in the predictive stage, the human resources department can predict the employees who are likely to be top performers before they are hired and the Board would be delighted to have such information, especially for senior and critical roles in the organisation.

Flight Risk Calculator, a human resources function, can predict which employees are likely to leave the organisation and when. This will enable the organisation to arrest the situation before the competent employees leave. Flight risk can also be calculated for new employees as they enter the organisation. I have given a few examples, but there are so many areas where predictive analytics (using statistical models) can be used to add value to the business. There are many other HR solutions based on your company's data that you can start implementing. Leading international companies such as Google have spent years methodically building Human Resources Management Systems which have subsequently paved way to their incredible success.

Companies of different sizes operating in different industries can benefit from extensive data analysis. If you have not given any thought to building a comprehensive database for your company, it is high time you do. Subjective (guess work) decision making is dangerous. Many companies are struggling because of it. Leading companies in the world have embraced a data driven approach to human resources management because of its immense benefits. It is high time Zimbabwean companies adopt evidence based management. The prescriptive stage is the pinnacle of human resources reporting. At this stage you can tell which human resources policies or interventions will bring immense value to the business before they are implemented.

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