

Beyond HR Metrics: Building the Value Chain that Executives Actually Care About

What the C-Suite Discusses

Market Performance

- Market share growth
- Customer acquisition cost
- Time-to-market for new products

Customer Metrics

- Net Promoter Score
- Customer retention rate
- Customer lifetime value
- Service level attainment

Financial Performance

- EBITDA margins
- Revenue growth rate
- Return on invested capital
- Operating cash flow

The Uncomfortable Truth About Strategic HR

After a decade leading HR functions, many of you have developed impressive systems for measuring what you do. Employee engagement surveys. Diversity metrics. Training hours. Time-to-hire. But how many of these metrics genuinely demonstrate your impact on business performance?

When the executive team discusses market share, customer retention, or EBITDA margins, HR leaders often find themselves unable to quantify their contribution to these critical outcomes.

The Invisible Value Problem

Most seasoned HR leaders have implemented initiatives they know have added significant value - perhaps a leadership development programme that transformed management or a cultural shift that enabled cross-functional collaboration.

Yet when the CFO asks "What was the return on that investment?" HR frequently resorts to qualitative anecdotes or proxy metrics that fail to convince. The strategic value of HR remains largely invisible at the highest levels.

What HR Typically Measures

Traditional HR Metrics

- Time-to-hire
- Cost-per-hire
- Turnover rate
- Headcount

People Development

- Training hours
- Program completion rates
- Training satisfaction
- Promotion rates

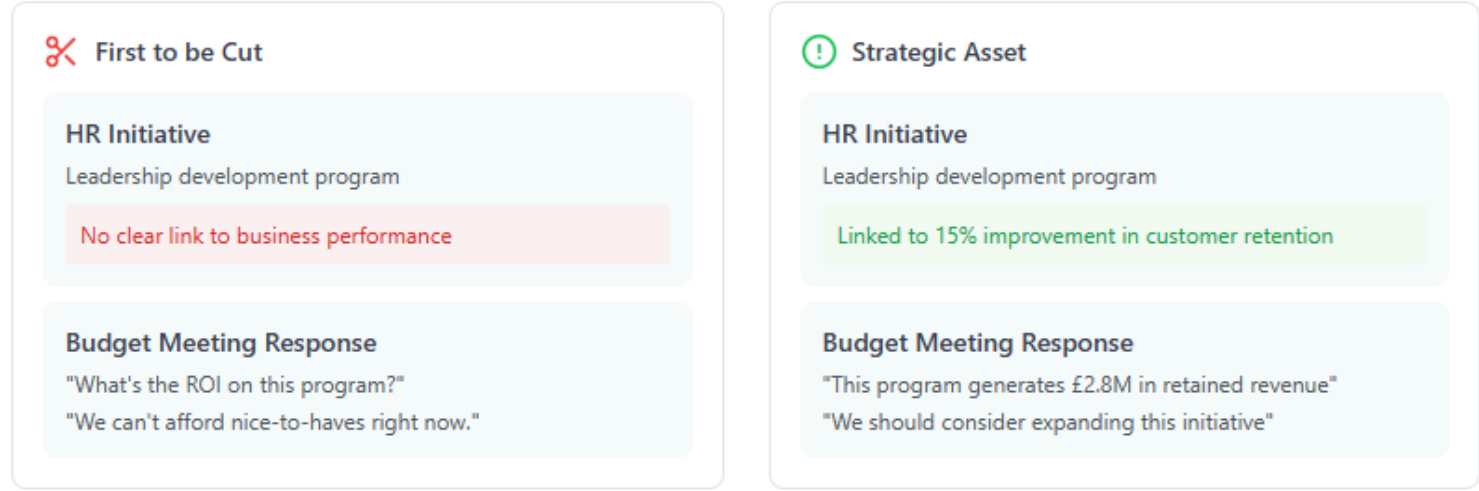
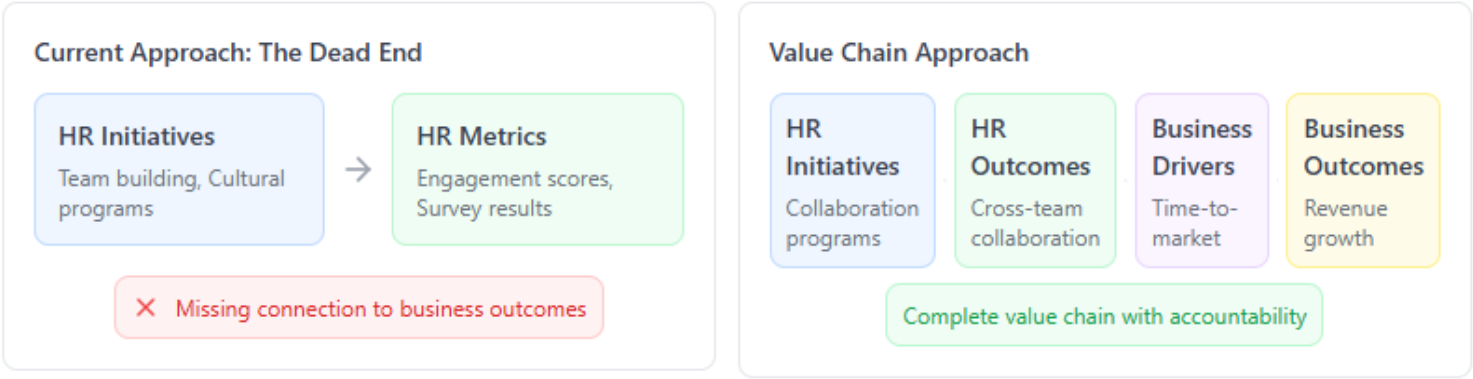
Culture & Engagement

- Employee engagement scores
- Diversity metrics
- eNPS (employee NPS)
- Pulse survey results

When Culture Becomes a Dead End

Cultural initiatives represent some of HR's most important work. We celebrate improved engagement scores, but too often, these metrics become a dead end rather than a pathway to business performance.

A "collaborative culture" only matters strategically when you can demonstrate how it translates to faster innovation cycles, reduced time-to-market, or higher cross-selling rates. Without these connections, the value chain remains broken.



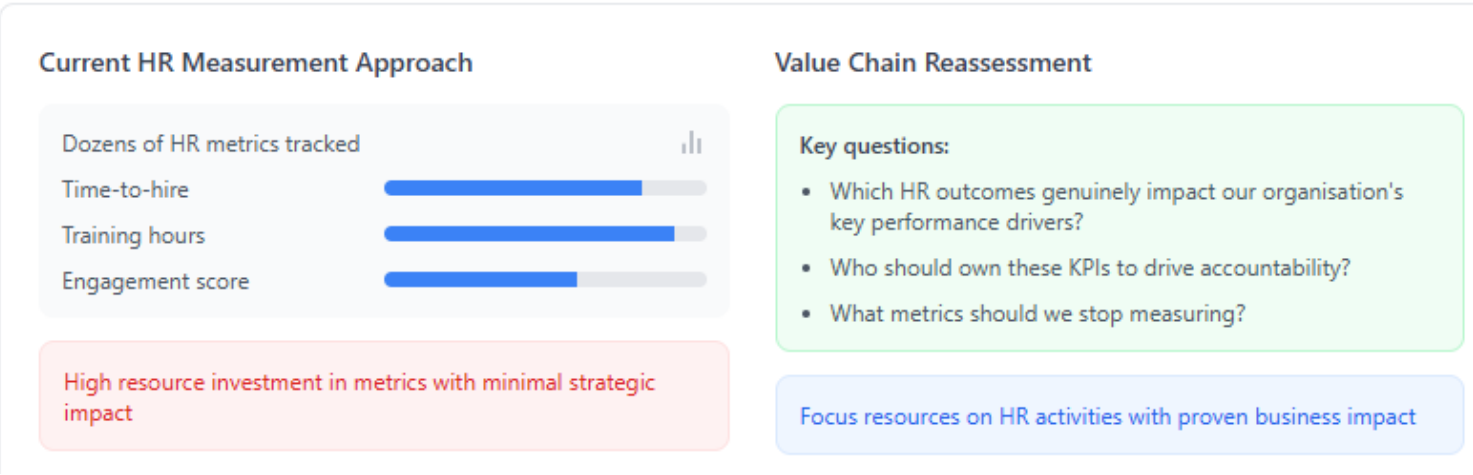
Protecting Resources When It Matters

When organisations face headwinds, initiatives without clear links to business performance are invariably the first to be cut. By contrast, those who can demonstrate these connections transform their department from a cost centre into a strategic asset.

The Misalignment Challenge

Most HR functions measure dozens of metrics that consume significant resources but may not align with what actually drives business performance. A value chain approach forces a fundamental reassessment: Which HR outcomes genuinely impact our organisation's key performance drivers?

This often reveals that we're investing heavily in activities with minimal strategic impact, or that KPIs are not owned by optimal stakeholders such that they drive business results.



From Respect to Strategic Credibility

After many years in HR leadership, you've earned respect. But respect is not the same as strategic credibility. True strategic credibility comes when HR leaders can articulate precisely how their function drives measurable business performance, transforming perceptions from "HR does good people things" to "HR drives the outcomes this business cares about."

Building Your HR Value Chain

The pathway to strategic credibility begins with building a clear HR value chain that connects:

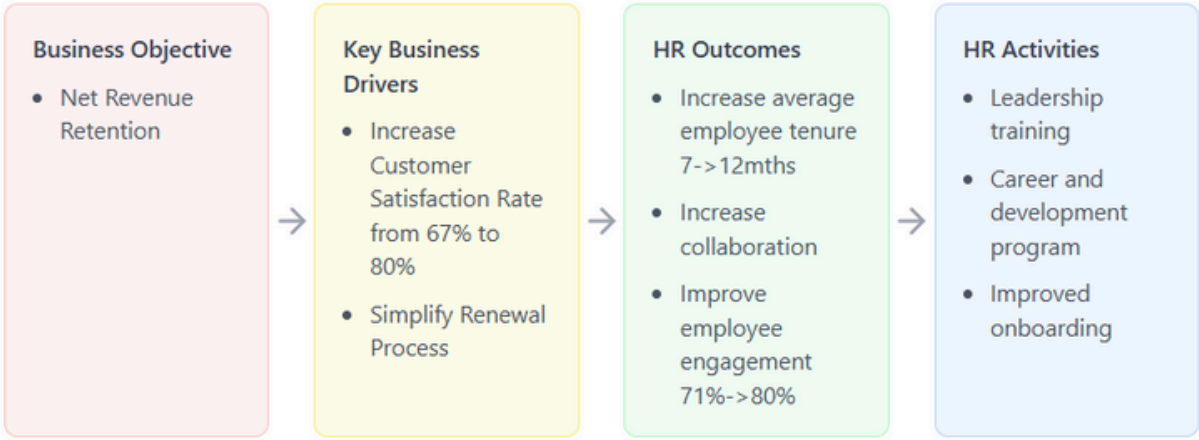
- Organisational Objectives (the ultimate business goals)
- Key Performance Drivers (how these outcomes influence business performance)
- HR Outcomes (what these activities achieve)
- HR Activities (what you do)

As an example, rather than simply measuring employee engagement, the strategic HR leader demonstrates how specific engagement initiatives drive retention of key talent, which reduces knowledge loss and improves product quality, which enhances customer satisfaction, ultimately delivering improved revenue.

This approach requires starting with what the business needs to achieve and working backwards to identify the HR outcomes that drive those results.

HR Value Chain

Q3 2024 • HR Strategy Implementation



Through measuring and connecting these elements, HR demonstrates direct business impact

Making the HR Value Chain Work in Practice

Many HR departments are already using the value chain approach, but three critical elements are typically missing. First, measurement specificity is often lacking. It's not enough to assert that engagement drives productivity—you need metrics that directly correlate specific HR outcomes to key business drivers. For example, measuring how psychological safety initiatives translate to innovation metrics (number of ideas implemented, time-to-market for new products), or how cross-functional collaboration practices directly reduce client project delivery times by specific percentages.

Second, joint accountability with line managers rarely exists. For the HR value chain to work, KPIs must be jointly owned. For example, when a sales capability programme is implemented, both HR and sales leadership should share accountability for the resulting metrics—from competency improvement through to conversion rates.

Third, regular tracking and course correction is essential. The value chain isn't a one-time exercise but a living framework requiring ongoing review to ensure HR resources remain allocated to activities with proven business impact.

When these elements are in place—specific metrics that connect people initiatives to business outcomes, shared accountability with line managers, and disciplined tracking—HR transforms from a support function into a strategic driver of business performance—earning not just a seat at the table, but a voice that commands attention when the conversation turns to strategic priorities.

Collaboration to Client Satisfaction Value Chain

Q3 2024 • Initiative Owner: Sarah Parker (HR) & James Wilson (Client Services)

HR Value Chain Connection



Joint Accountability & Progress

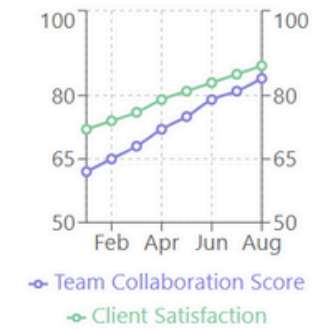
ACTION	OWNERS	STATUS	UPDATED	RESULTS
KPI Redesign Joint metrics development workshop	HR Team Leads	Complete	20 Jul 2024	100% adoption of new KPIs
Cross-team Collaboration Workshop 2 sessions completed	HR L&D Team Leads	In Progress	2 Aug 2024	+12pts collaboration score
Digital Collaboration Tools Training Guidance on use of platforms for collaboration	HR IT Teams	Complete	15 Jul 2024	87% tool proficiency

Key Insight

The data shows a clear causal relationship: For every 10-point increase in team collaboration scores, we see approximately a 7.2-point increase in client satisfaction ratings. This correlation (r=0.86) demonstrates that investing in collaboration capabilities directly translates to business outcomes.

Correlation Analysis

Team Collaboration → Client Satisfaction



Every 10pt increase in collaboration yields approx. 7.2pt increase in client satisfaction

Measurement Methodology

Team Collaboration

- Monthly pulse survey (5 questions)
- Team observational assessments
- Cross-functional meeting effectiveness
- Information sharing metrics

Client Satisfaction

- Post-project NPS scores
- Quarterly client feedback surveys
- Project milestone satisfaction ratings