



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

MBA – Masters of Business
Administration
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Management [Assessment 2]

Lecturer : Mushfiqur Rahman, Gladius Kulothungan

Student Name : Parth Kapadiya

Student ID : 2228187

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Introduction

Human Resource Management is a practice which refers to process of managing and hiring employees for a establishment. HRM itself is crucial part of any organization as it enables them to choose the best available candidate for any task or job based on several requirements

and criteria not only that it also updates the firm about the potential of such candidate their strengths, weakness, aspirations and lot of other things that company uses to gain more profitability, better efficiency in work and resolving any dissatisfaction that employee may have towards the organization. Now HR Effectiveness is a part of Human Resource Management, which refers to how effective the practice of HRM is for a company as it is important to know its usability since exceptional management in human resource is what's responsible for direct success of a company. When employees feel one with company and along with feeling valued they would be willing to work in engagement to the organization thus yealding higher profitability and efficiency that results in betterment of establishment which is seen as direct success. That makes understanding HR effectiveness all the more enticing so there is always a HR department in a company overseeing employee.

Now HR effectiveness is measured based on certain metrics like :

Employee net promoter score (eNPS), Engagement rate, Employee turnover rate, Employee retention rate, Absenteeism rate, Training effectiveness, New hire performance, Cost per hire, Internal mobility rate, Cost of HR per employee, HR tech ROI, HR tech user adoption rate, etc. Based on the results of surveys and measurements that also consists of opinion and feedback from employees and customers Human Resource department of any organization can form rules and regulations, precautions, practices, and measures to improve, improvise and adapt to the already existing customs and traditions. This also enables them to understand trends, analyse market and demand thus improving overall situation.

Some of the HR effectiveness metrics are explained as below,

Employee net promoter score :

eNPS is a common metric that most companies uses nowadays. It is a scheme in which employees are asked to rate the company or organization from number 0 to 10 about how likely are they to recommend the organization as a place to work and based on the answer provided by the employee it could be concluded whether that employee is a Promoter, Detractor or passive respondent.

In case the rating is 9 or 10 it is implied that employee is a promoter.

In case rating is 7 or 8 It is implied that employee is a passive respondent.

In case the rating is between 0 to 6, Employee is said to be detractor thus in that necessary steps are to taken to resolve the issue by taking feedback from employee about where they are dissatisfied and improve it.

Engagement rate :

Engagement rate refers to how close do employee feels towards the place of work, or simply put how much are they willing to work for establishment and their commitment towards their job. Higher the engagement rate better it is for a company as it means that company has more people willing to put effort thus making it highly successful. Contrary to this if the engagement rate is low for a company it means that organization is struggling to hold employee at their position which is not good for its future thus this warrants immediate substitution in policies of company.

Employee turnover rate :

When in a company during a certain interval of time a percentage of employee leaves the firm it is termed as Employee turnover rate. Lower the Employee turnover rate is higher the chance of success and development is for the company. If a establishment has high turnover rate it means that company need to improve its HR policies provide certain incentives, promotions and various other gimmicks to put everything back on track. Now there is a equation generally used to measure the percentage of turnover rate it is.

Monthly Turnover % =[Employee separated / Average number of employees] × 100

Annual turnover rate% = [Number of employees who left / (Beginning + Ending number of employees) / 2] × 100

For example if in the start of a year there were 50 employees and at the end the number is 65 but during that period of time if 5 employees left the company the employee turnover rate would be

Annual turnover rate % = [5 / (50 + 65) / 2] × 100

= [5 / (115) / 2] × 100

= [5 / 57.5] × 100

= [0.0869] × 100

= 8.69 %

Employee retention rate :

It is a percentage of workers who have remained with the firm from start to a certain period of time. It is contrary to employee turnover rate and as such higher the employee retention rate is greater it is for company since that means that corporation has a highly satisfied workforce and this would also mean higher engagement rate with employers making it profitable.

For example if a business has 170 worker at the start of year 2020 in January and in December of 2020 if the number is reduced to 155 then the retention rate would be calculated as :

$$\begin{aligned}\text{Employee retention rate \%} &= \left[\frac{\text{Number of workers left at the end of year}}{\text{Total number of employee in the beginning}} \right] \times 100 \\ \text{Employee retention rate \%} &= \left[\frac{155}{170} \right] \times 100 \\ &= [0.912] \times 100 \\ &= 91.2 \text{ percent}\end{aligned}$$

There are other metrics as well that plays important role in determining effectiveness of HR as mentioned above it could be seen that using various other metrics any organization can find various analytical data such as their training effectiveness making sure how competent the workers are in field. Determine the New hire performance so as to allocate appropriate wages based on performance review, calculating cost per hire which gives estimate on how much money is spent by firm for training, learning and development purpose.

Conclusion :

It could be concluded that HRM is one of the base pillar of business world paving way towards a developed future and metrics used in measuring HR effectiveness is an essential and credible part that enriches and directly influences the lives of numerous employees and helps employers by supporting the organization as whole. In recent times the demand for HRM is on rise due to it being a crucial variable towards success and one of the best example that could be take is Apple corporation in which employees are given more freedom in their work environment as compared to traditional enterprise *[Apple's Employee Engagement Strategies: By Rani Joseph]* but are constrained in positive engagement with company. There are few other companies as well that treats employees differently and as a result yeilds enormous success in respective fields that is due to employer understanding the potential impact of dedicated workforce in the area. These companies use various incentives, schemes,

employee welfare packages, enticing offers that includes discounts, retirement plans, etc which attracts many employees this creates an environment or a demand of sort for working in such a establishment. This enormous demand creates a competition between employees and through elimination method enterprise hires the best of the best employees to work for them. This also works in favour of employees as such they are more dedicated towards the completion of task efficiently in search of higher positions within organization through promotions. All of this effects engagement rate, retention rate and eNPS score that is crucial for development as such it is a symbiotic relationship between employees and employers.

Reference

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