

## HOW TO BUILD HR CONTROLLING METRICS, SIMPLY & EASY-TO-USE?

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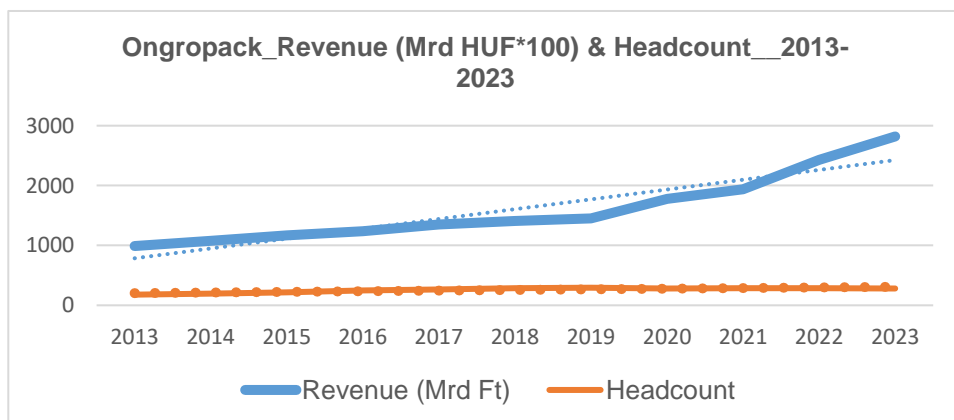
**Abstract:** *The descriptive field study showcases how the HR controlling “Key Performance Indicators” of an industry leading company (Ongropack Ltd.) have evolved step by step from the state without professional history to the professional level. The milestones are presented in a clear tabular form. Finally, I set up a simple, transparent and efficient dashboard version of the KPI structure (completed with rarely published real company data). The sole source of the field study is the data collection from company databases and HR documents, according to the social constructionist research methodology.*

**Keywords:** *HR controlling; KPI; decision making; management report; field study*

**JEL classification:** *M50*

### 1. A brief introduction to Ongropack

Ongropack Ltd. is a 100% Hungarian owned company with 93% export rate (worldwide). Main activities: PVC based plastics processing and trading. Average growth rate (sales volume+revenue+EBITDA average) over the last 10 years: 12%/year. Products: Folpack film for the packaging industry, blister film for the pharmaceutical industry, sheet & insulation for the construction industry, foam sheet for the advertising industry.



**Figure 1**

## **2. The development and evolution of the HR controlling system at Ongropack Ltd.**

### **2.1. "Prehistory" 1993-2008**

Company history: The independent company BC- Ongropack Kft is formed from BorsodChem Zrt Plastics Processing Plant I-II (owner: BorsodChem Zrt), static company performance, market stagnation.

HR: no independent corporate HR manager and department, passive controlling functions are performed by the HR Department of the parent company BorsodChem, if necessary.

HR controlling: no Ongropack specific HR controlling, monthly and year-end accounting data requests (statistical headcount, total labour cost), individual ad hoc executive / CFO data requests from BC HR Department, data source: payroll/accounting\_Pyramid payroll system.

### **2.2 "Middle Age" 2009-2013**

Company history: 2008-2011 credit market/financial/financial crisis, company stagnating, company's business value declining. BC-Ongropack Ltd. sold by BC parent company at a discount to former BC CEO. The company transferred to Hungarian (local) ownership with significant international management know-how in 2009. The "Ongropack growth trajectory" program is launched, with 10-15% rapid growth per year.

HR: independent corporate HR manager position created, no separate department ("one-man HR"), HR functions are not profiled (e.g. includes full EU tender administration and management of cleaning team)

HR Controlling: no separate HR Controlling function, individual ad hoc HR manager/executive/ CFO data requests from BC HR Department, data source: Payroll/Accounting, Pyramid payroll system, new reports from data processed by HR Manager (headcount, labour costs by plant, age, education)

### **2.3 "Modern History " - 2014-2017**

Company history: Ongropack's dynamic growth phase continues, with growth already reaching 15-20% per year; the work organisation, operational and decision-making practices of the company are undergoing significant changes. The company "outgrows" its site, a new greenfield site is built 20 km south of the headquarters. Wage administration in BC replaced by Workforce then Prohuman (both: outsourcing)

HR: HR manager change (quality change), one-person HR remains; profiling and classical 3-structured task provisioning emerges (recruitment, labour, training), HR process improvement (Best Practice approach), 1 HR trainee appears, expansion to 2 offices by arbitrary office occupancy (Front-Office solution emerging), independent HR controlling task provisioning emerges (KPIs and reporting matrix agreed with management). October 2016: external service provider Nexon payroll software pulled from "Status database" with fixed data structure provided by HR - partial independence from outsourced payroll, immediate reporting option opened. August 2017: first Dashboard indicators released (headcount, turnover).

HR controlling: independent HR controlling is in place (HR manager's job description includes controlling tasks), KPI and reporting matrix developed (management report,

qualification report, job descriptions, turnover and causes, etc.), positive feedback from management and external ISO auditors. Data source: outsourced payroll, Nexon payroll system, HR controlling structured data report requested by HR manager from service providers, recent reports from processed data

#### **2.4 "Contemporary History" - 2018-2023**

Company history: An era of radical environmental change! 2015- migration, 2017-2021- phased relocation, 2020-2022- COVID, 2021- commodity inflation 2022- war and energy price hikes

HR: HR position significantly strengthened, work organisation established (one-person HR to 6-person HR), differentiated tasking (Business Partner type tasking), strong separation of disciplines, shift from multitask to functional tasking, HR controlling reporting system further developed, emergence of project management controlling reports supporting decisions on crisis management projects. HR becomes an "expert" and member of the "narrow decision making cabinet", department involved in ex ante norm checking; ad hoc reports are produced faster; HR reaction time and task delivery speed increases 2.5x. Payroll and thus the case management database will be brought in-house in 2022 after 3 years of preparatory work!

HR controlling: to "HR controlling report". Significant increase in prestige, HR manager in addition to HR employee in charge of payroll also learns HR controlling tasks (quasi HR Controlling Group), payroll database (huge unfiltered data repository) brought in-house, HR masters company-specific data mining, HR controlling report continuously improved according to management needs. Task delivery efficiency continues to increase (first in the area of labour cost savings, now in the area of recruitment). All active sub-systems built, all data needs met. 24 individual ad hoc reports/analyses requested from management March-April 2020, 4 projects with KPIs (staff rationalisation, leave and working time management, Home Office / teleworking, short-time working, Research & Development- Innovation wage support) launched within COVID main project chapter; daily cycle reporting at "corporate operatv trunk" meeting. Provide reports requested by managers, accurately, timely, with objective data, visualized. Confidence deepened, HR controlling valid and relevant.

#### **2.5 "Futuristic Age" - 2024-**

Company history: environmental changes with accelerating dynamics and increasing amplitude ("spin off"), long-term vision and decreasing time horizon coexistence of challenge-managing micro-project mixes, simulation-type decision making and the need for continuous measurement and data analysis is intensified. A 5% annual growth rate and a 10% reinvestment rate are planned.

HR Controlling: simulation-modelling functionality will be added to the task provisioning; statements will be interactively modified and restructured.

### 3. Development of the HR controlling indicator system at Ongropack Ltd.

Date	Change in HR controlling metrics
1 January 2009	The independent Ongropack Kft. starts its activity, legally separated from the parent company BorsodChem Chemical Co. The company is on a "growth path". Number of employees: 138.
12 January 2009.	The weekly "Management meeting" system is launched; ad-hoc topics, running text descriptions, not even a separation by department. <u>NO HR REPORTS</u> . HR role is just administrative: taking meeting minutes and sending reminders.
25 May 2009	For the first time, a separate <u>HR TOPIC REPORT</u> appears among the mixed themes, marked with a "scoop"; thereafter, there are rare HR reports with ad hoc topical issues, including a lot of <u>NON-PROFESSIONAL INFORMATION</u> (e.g. cleaning tasks, state of buildings, tenders for machinery). The next report on 31 August 2009 is related to the submission of a tender for machinery; there are no more HR reports in 2009. In the 2nd year of operation of the autonomous company, HR topics appear only on the following dates: 26.02.2010, 29.09.2010, 13.10.2010, as ad hoc reports: e.g. English course starts, no priority order, <u>NO KPIs</u>
2014-2016	Acquisition of a new site territory and architectural design of the greenfield site
13 May 2014	The Managing Director's "Personnel Assistant" takes over from HR the task of taking meeting minutes.
January 5, 2015	<u>PERMANENT WEEKLY HR REPORTING</u> is launched according to the classic threefold thematic division of (1) headcount, (2) recruitment, (3) labour. The report chapters are written in a running text yet. Regular <u>MONTHLY LABOUR COST REPORT</u> is published at the first time!
November 2, 2015	<u>DATA FOCUSED REPORTING</u> : no unnecessary words or phrases, only relevant data are reported.
2016-2018	New greenfield project construction work under process
11 January 2016	Measuring the rate of fluctuation (OP innovation: number of voluntary leavers / current annual statistical headcount / 52*current number of weeks), + previous 12 months' statistical headcount
January 4, 2016	Recruitment_Number of open positions are presented
1 February 2016	Recruitment_Which plant are we recruiting to?
4 April 2016	Riport_Recruitment is a separate chapter, separated from the headcount chapter!
2 May 2016	Labour_Turnover rate of key staff ("know-how shareholders") (shown separately in the total turnover report)

1 August 2016	Labour_Number/percentage of inactive hours (inactive, unjustified, certified unpaid, leave)
3 October 2016	Key Performance Indicators are visualised by colour
2017-2021	Relocation from Kazincbarcika to Szirmabesenyő
5 January 2018	Riport_DASHBOARD!, visualisation of the data of the last 12 months. Headcount_separate rehab separation (management needs to define as a new KPI), atypical employment will be reported separately: retired employees and temporary workers
12 January 2018.	Headcount_statistical headcount, staff turnover Recruitment_number of active open positions
22 January 2018	the weekly report name has changed to <u>HR CONTROLLING REPORT</u> . Recruitment_number of successful recruitments in the latest week.
29 January 2018	Labour_previous year's headcount (KPI for public support)
16 April 2018 - 4 April 2022	Labour_headcount of persons employed in the new site / in the old site.
27 November 2018	Recruitment_changes in the open positions (dynamic analysis) from the beginning to the end of the week, number of positions filled
6 February 2019	Recruitment_job offer acceptance status: accepted or rejected by candidate, or under negotiation
25 March 2019	Statistical headcount_data of previous month also presented
18 June 2019	Headcount_separation: school cooperative (trainee and student work are separated)
3 Feb 2020	Headcount_separation: number of students in dual training
4 March 2020	First COVID case in Hungary
23 March 2020- 31 December 2020	Temporary Covid report: out patient:0/ hospitalisation:0/ quarantine: 0/ suspected Covid: 3/ voluntary home quarantine:5/ sent home from work:2, / Home Office: 8
14 October 2020	Number of students_separation: headcount of training students (secondary technical school/higher education)
February 2022	Russian-Ukrainian war breaks out, turnover rate spikes to 30%, newcomers suddenly drop out
29 August 2022	Labour_new fluctuation indicator: number, rate of turnover within 60 days; follow-up by onboarding questionnaire
1 September 2022	Recruitment_job offer acceptance, by name: offer accepted: candidate x, rejected: candidate y, in negotiation: candidate z
6 November 2023	Headcount: 319; Athypical employment 15%, Labour cost/ revenue: 8,5 %; Training penetration: 61%; Fluctuation: 28%

4. Suggested sample of the general HR controlling KPI system\_report matrix

HR controlling system_report matrix											
What?			KPI (Key Performance Indicator)				How often?				
Level I	Level II	Level III	Metrics	Plan	Fact	Variance	Y	Q	M	W	ad hoc
Headcount	Daily HC		number	270	269	1,00				x	
	Statistical HC		number	275	271	0,99			x		
	Recruitment	Efficiency	open position filled /	12	11	0,92				x	
	Job classification (HAY rates)		number	31	33	1,06	x				
	Fluctuation	Reasons	rate/ latest 12 month	0,25	0,28	1,12				x	
	Turnover		Rate	0,45	0,67	1,49			x		
	Demography	Age, sex, residence, blue-white-collar, average length of employment, disabled	cross-sectional survey	1	0,9	0,9	x				x
Labour cost	Completed working hours	Cost revenue (/employee)	number	46980	40072	0,85	x		x		
	Inactive hours	Cost revenue (/employee)	number	7047	7399	1,05			x		x
	Accidents		cumulated number/year	5	6	1,20	x		x		
	Number of hours lost due to accidents	Cost revenue /	cumulated number/year	400	387	0,97				x	
	Paid leave / holiday		balance / day	607,5	511	0,84				x	
	Overtime	Cost revenue (/employee)	number	6443,6	9700	1,51			x	x	x
	Travel expenses	Cost revenue /	Amont (Mft)	4,5	4,4	0,98	x		x		x
Training	Hard skill/soft skill trainings	of wich: internal / external; EU source	number	41	35	0,85	x	x			

	Training hours		cumulated number	13500	11712	0,87	x	x			
	Costs		amount (MEur)	5,3	4,7	0,89	x	x			
	Company penetration		rate	0,25	0,19	0,76	x				
	Skills	of wich: obtained in company	cross-section analysis	0,3	0,3	1,00	x				x

## 5. Conclusion

- In a turbulently changing environment like this (2015-Arab Spring, 2020-COVID, 2022- war, 2022-2023 commodity and energy inflation), the need for data-driven decision making in the work organisation of companies is dynamically increasing. In all cases, the aim is to support the accuracy of "navigation" between "storms" and "black swan" to reduce the reaction time in the decision-making process.
- In a system of value streams assigned and restructured according to corporate objectives, the controlling approach is playing an increasing role and becomes the management framework for data-driven decision-making mechanisms.
- The controlling decision-making process repositions the organisational units as well. Departments that provide shorter reaction times, more professional, valid, sophisticated, relevant and understandable reports will be in a better position in the internal competition for trust and validity.
- The individual style, interests and management techniques of the head of the organisation also have just a little bias and influence on the perception of the usefulness and added value of the data analysis unit.
- The digital IT data storage allows the accumulation and theoretical maximisation of data and information needed for the decision-making process.
- Data literacy, visualisation and reporting capabilities becomes essential for classifying, processing, analysing and transforming accumulated but often unstructured data, set into information.
- Dashboard reports, based on the Balanced Scorecard approach, can play an increasing role in corporate decision making, corporate PDCA cycle management and "navigation".
- HR Controlling has a key role to play in the spread of the Balanced Scorecard approach. The meeting of this two aspects reinforces each other, supporting the continuous quantitative, in-depth and qualitative development of HR controlling metrics.

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