

HR's business terms glossary

From financial metrics to forecasting tools, these are the business terms every aspiring HR leader should understand.

1 STRATEGIC WORKFORCE PLANNING AND ANALYTICS



Human capital disclosure (HCD)

Reporting workforce data in line with ESG standards, either voluntarily or mandatorily.



Linkage data

Integrating people data with operational, financial and customer metrics to reveal the business impact of workforce initiatives.



Monte Carlo simulations

A risk analysis method using repeated random sampling to model potential outcomes and assess uncertainty.



Multivariate analysis

A technique that examines relationships among three or more variables to identify key influences on outcomes.



Predictive analytics

Using historical and real-time data to anticipate future workforce trends, such as attrition or skills gaps.



Scenario modelling

A strategic planning tool to evaluate the potential impact of different decisions or future events on business outcomes.



2

FINANCIAL LANGUAGE AND METRICS



BCR (Benefit-Cost Ratio)

A metric comparing the benefits of a project to its costs to assess economic viability.



Benefit-cost ratio (BCR)

Compares the total benefits of a project to its total costs; values over 1 suggest economic viability.



Career path ratio (CPR)

The ratio of promotions to lateral moves; a high CPR indicates strong vertical mobility.



CAGR (Compound Annual Growth Rate)

The consistent annual growth rate of a value over a period, assuming compounding.



Compound annual growth rate (CAGR)

Average year-on-year growth over time, assuming steady progression – commonly used for revenue or headcount.



Contribution margin

Revenue minus variable costs; used to evaluate what remains to cover fixed costs and generate profit.



EBITDA

A profitability ratio that measures earnings before interest, tax, depreciation and amortisation; helps HR connect initiatives to financial performance.



Employee lifetime value (ELTV)

An estimate of the total net value an employee delivers across their tenure.



Enterprise value

The full value of a company (equity + debt – cash), useful when understanding how HR contributes to overall valuation.

2 FINANCIAL LANGUAGE AND METRICS (CONT.)



Forecast variance

The difference between projected and actual results over a set period.



Human capital ROI

The return generated for every dollar invested in employee compensation.



Operating leverage

Shows how profit changes with revenue based on fixed vs variable costs relevant to HR when scaling talent programs.



Profitability index (PI)

Ratio of present value of future cash flows to investment cost; values >1 signal a potentially viable project.



Risk-adjusted return

Assesses whether outcomes (e.g. from leadership programs) justify the level of risk involved.



TAM (Total Addressable Market)

The total potential revenue available if every possible customer adopted a product or service.



3 PEOPLE ANALYTICS AND TECHNOLOGY



API (Application Programming Interface)

Connects different HR systems so data flows seamlessly between tools.



Digital twin (of the workforce)

A real-time digital replica of workforce dynamics used for predictive modelling and workforce planning.



Organisational network analysis (ONA)

Mapping informal employee connections to understand collaboration, influence and information flow.



People analytics maturity model

A framework to assess how advanced an organisation is in using people data for decision-making.



SaaS (Software as a Service)

Cloud-based software delivered on a subscription basis, eliminating the need for local installation.



