The Power of
People Analytics

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Data-driven insights are transforming the HR function. Yet how can HR leverage people analytics in order be one step ahead of business needs, gain a seat at the table and become a trusted, strategic partner across the business?

Foreword:
A seat at the table

Data-driven insights shared with business leaders should be beneficial and help to drive change and success - yet business leaders won't value them if they can't understand their importance

Peter Crush

Take a guess. Which HR statement is most likely to cause board members to sit up straight: Is it: 'We need to hire more salespeople'; or 'Without more sales staff subsequent increased workload has a 17 per cent risk of unwanted attrition rising by 10 per cent [rising to 25 per cent amongst star performers]; causing a five per cent fall in engagement and associated productivity and presenteeism issue'?

The answer, of course, is obvious. But the uncomfortable truth is that often, this second assessment of events, when workforce analytics takes the mood of a company and translates it into actual business risks, is simply not the boardroom norm.

Ironically, it's not necessarily that people analytics remains under the radar. Recent predictions point to a 13 per cent compound annual growth rate in the global workforce analytics market between 2018-2023, nor that CEOs fail to understand it. In fact data actually

suggests the opposite – 77 per cent believe the availability of talent is the biggest threat to their business, while research by Sierra-Cedar research shows that 45 per cent of large companies and 51 per cent of mid-sized companies are increasing their spending on HR technology. The bigger problem, it seems, is the lacklustre way HR presents the data HR analytics provides – either it being meaningful, or solving real-problems. And behind all this it seems, is one key attribute that's felt to be missing: credibility.

"HR's focus on process has just about worked to date, but it hasn't equipped practitioners well for the more strategic thinking that analytics now requires," agues Devyani Vaishampayan, former global head of HRD at Rolls Royce.

She says: "Analytics is capable of throwing up insights, so the task for HR professionals is to piece together, and collate and translate what this means. It's business-case skills mixed with data, and what impact it could have on the bottom-line." What's sometimes the problem, adds Jo Taylor, MD, Let's Talk Talent, and ex-director of talent and resourcing, TalkTalk: "is that HR only adds value by introducing insights congruent with the wider business. But at the moment there are two types of HRD: data driven ones that report to the CEO and those that still need help writing strategies. We still need more of the former."

For analytics to be fully embraced, HR needs to show how the data provided can steer a company down a desired path. "The best interpreters of analytics are those that spot which factors get in the way of best performance," says Amrit Sandhar, founder, The Engagement Coach. He adds: "At the same time though HR professionals also need to be cautious with their presentation. There's no point using analytics to simply label people as 'actively disengaged' or using it to put people into boxes; the analytics story should be a broad consensus about what people are saying about an organisation."

Do this, and Sandhar says confidence around additional value, will be gained – especially if they can provide predictive elements too – for instance if X-course of action is continued, Y-set of results will happen. Says Frank Bafaro, consultant in McKinsey's Corporate and Business Functions Practice: "The time is right to accelerate the reinvention of HR as a hard-edged function capable of understanding the drivers of strategy and deploying talent in support of it."

McKinsey's own Global Institute research finds companies using a portfolio of HR-analytics solutions could realise average increases of 275 basis points in profit margins by 2025 – numbers boardrooms should certainly take note of. So important does he think the value that analytics can provide will be, that he even argues for companies to formally create a 'talent value leader' position.

As Mitra Azizirad, corporate VP of Microsoft AI – who has recently partnered with leading business school INSEAD, specifically to expand AI and analytics knowledge in the boardroom, says: "Data, analytics and AI is going to change the way business is done. Boardrooms should rightly be skeptical of fluff and hype, but also trust HR's judgement that with appropriate deployment of next generation technology, there can really be true business transformation." •

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> ## The analytics story should be a broad consensus of what people are saying about an organisation
>
> **Amrit Sandhar**
> **Founder, The Engagement Coach**

How data analytics demystifies the workforce

If human resources professionals are to demonstrate they provide strategic value, they need to start using analytics across the organisation rather than simply in isolated pockets to help shape the future workforce

Cath Everett

Given it's people who create value in any business, the notion that human resources professionals should have a seat at the top table to influence organisational strategy is a strong one.

But getting a seat on the board is by no means guaranteed and must be earned. What this means in reality is HR chiefs need to show they offer more than a support function that merely implements senior management decisions.

Instead they must demonstrate their ability to add strategic value to the company by playing a central role in the decision-making process. A core element of this approach involves diagnosing people-related business problems and coming up with effective actions to remedy them.

As Dirk Buyens, professor of HR management and director of open executive education at Vlerick Business School in Belgium, explains: "Adding strategic value could be about making money or lowering costs, but we're not talking about a specific activity, such as hiring someone. Instead the focus is on enabling business outcomes, which in this context means finding the right person for the job."

Unfortunately though, members of the executive suite consider less than 20 per cent of their HR professionals to be strategic partners in this way, according to research undertaken by human capital management software provider CoreHR.

Sharon Looney, the firm's HR director, points out: "As a function, HR has too many 'priorities' and spends too much time on administrative, tactical activities. But it's vital to think more broadly to understand the prevailing organisational context and align ourselves better to the priorities of the business."

Return on investment

Moreover, to demonstrate value, it is also important to provide objective evidence that the organisation's people processes and initiatives are delivering a return on investment.

An effective way of doing so is by making use of data analytics tools to demystify

workforce behaviour. Such tools enable users to analyse the wealth of HR and people data available to provide actionable information and aid decision-making.

Ramyani Basu, digital partner at management consulting firm A.T. Kearney, explains: "Data is power and analytics tools help HR to turn that power into action. It's about using the right data points to help make the right decisions."

Put another way, says Ms Looney: "Analytics tools allow the C-suite to see in specific and measurable ways how HR services are directly impacting the bottom line, and doing so is the only way HR is ever going to be seen as strategic."

But while most medium to large companies are using HR analytics tools in some form, their application has traditionally been limited to talent-focused areas, such as understanding succession pipelines or measuring span of control. Nonetheless, Fosway's *2019 HR Realities* research indicates that 68 per cent of companies intend to increase their investment in such tools, making it the top area for technology expenditure this year.

Wider adoption

Indeed, adoption is already expanding into other fields, most notably recruitment, where analytics tools are being used to help ensure more effective candidate selection and optimise the interview process. The tools are also starting to appear in areas such as performance measurement, compensation, workforce planning and retention to measure everything from employee turnover and absenteeism rates to the effectiveness of onboarding programmes.

For example, to boost staff retention levels, Swiss investment bank Credit Suisse uses the technology not only to predict which of its employees are in danger of quitting, but also why they might decide to leave the company. UK shoe giant Clarks, on the other hand, employs it to optimise its staff compensation and benefits packages, with the aim of boosting engagement.

US-based industrial technology firm Kennametal, meanwhile, has gained deeper insights into issues, such as attrition rates, diversity at management level, employee-to-manager ratios and the like, to help it streamline its recruitment process, identify up-and-coming internal talent and track their careers.

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> # Analytics tools allow the C-suite to see in specific and measurable ways how HR services are directly impacting the bottom line

Sharon Looney
HR director, CoreHR

Slow progress

Despite the promise, the current picture in terms of uptake remains a very mixed one and progress has been slow, even though such offerings have been around for a good ten years. For example, while high-performing companies may employ analytics tools for evidence-based decision-making, the percentage that link HR data to business outcomes, undertake predictive analytics or deploy enterprise scorecards remains low.

As Ms Basu explains: "It's not that they don't do analytics, it's just pretty basic, focusing on things like employee engagement or the quality of a hire. But it's the tip of an iceberg; by taking control of your biggest asset, you can shape the future workforce and help the organisation go from A to Z. But that's simply not the case for most organisations."

The problem for many HR functions is an overall lack of investment in technology. Many use a mix of spreadsheets and IT systems based on disparate databases, which contain duplicate and, at times, inaccurate information and make it almost impossible to obtain a wider enterprise view of workforce behaviour.

To make matters worse, insufficient rigour and consistency are often applied when collecting the data itself, while the traditional HR skillset does not usually stretch to data analysis, which is likely to require either in-house training or the hiring in of external data scientists.

As Professor Buyens concludes: "There's a lot of enthusiasm for HR analytics today, but many people don't really understand what it means or the cost and time required to do it. So there'll be a huge boom, followed by some disillusion. But we ain't seen nothing yet." ●

Turning people insights into business growth

Designing surveys that ask the right questions is essential in order to find solutions for business growth, says Sarah Johnson, Vice President enterprise surveys and analytics at Perceptyx

Sarah Johnson, PhD

Advances in technology are starting to give HR teams the opportunity to become strategic business partners to the business, something they have spoken of and aspired to for years. Facts and data are what will get HR to the table, but many HR organisations are unsure where to start with HR analytics. It can feel complicated and the cost of entry high, yet many are closer to making this a reality than they realize – and the employee survey can be a perfect launching point.

Start with the right data

Since I started my career working in survey research in the 1980s, many organisations' philosophy of human resources have evolved significantly. The world of work was different: we had different expectations of employees, there were fewer women in the workforce and technology had not yet dramatically altered the way we were connected and worked together. Businesses had different priorities, so surveys and the questions we asked reflected those times.

Back then it was difficult to link the survey data to any sort of business outcome. The technology simply wasn't there. But business and tech have evolved side by side and now we are able to measure things and run analyses that were almost inconceivable then. We have the ability to be more strategic and analytical than ever.

But make no mistake, better technology doesn't necessarily make better surveys. Having the right tech doesn't mean we are going to ask the right questions or focus on the most meaningful issues. It's still crucial to have a clear strategy and a knowledge of what data you need and how you are going to use it.

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Designing surveys with outcome and organisation in mind leads to effective solutions that drive business success

Sarah Johnson
Vice President enterprise surveys and analytics, Perceptyx

It all starts at the start. One of the challenges is that there is so much talk in the market about the "right" way to do surveys. Should organisations launch surveys every month, quarterly or annually?

Business strategy

All this discussion of administration methodology doesn't get to the point of what you're actually collecting. To design a survey properly you have to put aside methodology and start with business strategy, what you're trying to achieve, what kind of employees and behaviours are going to get you there and how.

These are questions such as, "Do we need to be more global? Are we going deep into software development? Do we need to understand more about what developers think? Are we changing our values or management?" These provide valuable insights for leaders, but only if you know what you want to accomplish first.

It's also very important to understand who are the users or the consumers of the data. Who's your audience and how savvy are they? Will they be overwhelmed if you provide them with too much information? Do they care about the data?

Another challenge is that a lot of non-survey datasets reside all over the organisation, belonging to different groups. It's important to have a plan for how you will bring it all together; collaboration is vital. Combining survey data with other business performance data can provide deep insights into the link between employee behaviours and tangible outcomes.

Then, of course, you need to know how you're going to interpret the data. Do you need access to other data in your organisation? It's easy to collect and report, but interpreting and creating a storyline is the challenge.

HR analytics

HR teams have long aspired to be seen as strategic partners to the business and technology is now starting to enable this. However, while data will help HR get a seat at the table, many HR teams still perceive analytics as too complicated and too costly.

Our view is that it doesn't need to be that difficult. Any organisation that has employee survey data and a connection to an HR management system can get started with analytics. All you need is a strategically designed survey and careful planning.

In our experience working with hundreds of enterprise clients, including over 30% of the Fortune 100, we have never done the same survey twice. Every organisation must figure out its own motivation and strategy, and subsequently the best questions and most suitable methodology.

How does this affect the bottom line? Of course, engagement and productivity are linked, but we need to go deeper than that. We're now able to do more granular work and even predict future trends. For example, if software engineers are critical to the success of a particular business, an analysis of survey results for those engineers who left and those who stayed can uncover the reasons for attrition. This could be linked to relationships with management, flexible work arrangements, access to tools or decision-making.

These findings drive actions that solve real problems. Designing surveys with outcome and organisation in mind leads to effective solutions that drive business success. ●

Predicting people problems

HR is primed to play a crucial role in refining how organisations approach people strategy via data-driven and predictive analytics.

Nick Martindale

More effective use of data has the potential to transform almost every aspect of business, and HR is no exception. It's now possible to apply data gleaned from sources such as employee surveys, benefits take-up and exit interviews to identify trends and even the potential for future people problems to emerge.

"There are a vast number of issues that HR analytics could look to solve, ranging from turnover, burnout and absenteeism, and even areas such as employee retention," says Dirk Buyens, professor of human resources at Vlerick Business School. "Over time, analysing data can allow a company to spot trends and also predict them, and really understand the reasons behind a lot of employee decisions."

One area this can help with is recruitment, says Jerome LeClercq, senior manager in product marketing at LinkedIn. "Insights are able to provide information on anything from the number of hires, time to hire, conversion rates between different steps in the process and the type of candidates engaging with the business," he says. "But we've also found that insights can provide answers to a much wider variety of deeper issues like employer branding, benchmarking against competitors and geo-location decisions."

Predictive HR analytics can also be used to help ensure people are effectively onboarded, and ultimately that they stay with the business. Cloud communications firm RingCentral recently worked with Perceptyx to examine staff engagement levels, and found a direct correlation with how effectively staff had been onboarded.

"There are certain things we could see at the 60-day mark for employees that reliably predict higher or lower engagement a year or two later, and which can be predictive of increased retention or attrition," says Bradley Wilson,

director of research and insights at Perceptyx. "In the case of RingCentral, it requires a really big emphasis in the first two months on understanding the products and services."

Karen Hebert-Maccaro, chief learning experience officer at O'Reilly Media, says such insights can be almost limitless. "Organisations may find out, for example, that individuals who live outside a certain geographic range and have never worked for an organisation in their current industry are three times more likely to leave the organisation within the first year," she says. "This may result in an organisation making decisions to provide more supportive onboarding education about the industry, and offering shuttle services, transportation reimbursement or other incentives to employees outside the target geographic range."

Analytics can also be used to track and improve operational efficiency. Dr Charmi Patel, associate professor in human resources management at Henley Business School, gives the example of a US software firm, which identified characteristics of "toxic employees" who had engaged in activities such as fraud, drugs or alcohol abuse, and sexual harassment. "By fine-tuning the hiring process, companies can prevent hiring candidates who are likely to become toxic and create a healthier working environment," she says.

Cyrus Gilbert-Rolfe, MD, EMEA, at workforce communications platform SocialChorus, meanwhile, highlights the potential use in spotting the signs of disengagement. "By catching this early, HR and leaders can act quickly before the damage is done," he says. "The potential of predictive analytics is a game-changer. HR could save their companies on hiring costs, productivity and even revenue."

In the benefits space, such insight could be used to tailor spend in a more effective manner, says James Akers, director of product
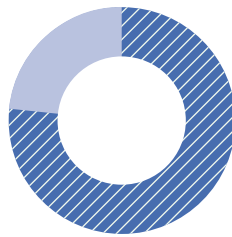
76%
of organisations plan to increase investment in HR technology

HR Realities Research, Fosway/SD Worx

management at Thomsons. "If they see a trend towards employees claiming for musculoskeletal disorders, they could increase spend on benefits to improve employees' musculoskeletal health," he says. "Alternatively, employers could look at how the need for musculoskeletal care could be met in a more cost-effective way."

To make any use of predictive workforce analytics effective, however, businesses need to have access to high-quality employee data. "'Garbage in, garbage out' is the maxim of data science that always holds true," says Dr Alex Linley, CEO and co-founder of talent technology company Capp. "You need to begin with getting the right data, in the right format, in the right place. In practice, this means ensuring that everything is clearly labelled, that you understand what it relates to, and ideally that you can link it back to an individual."

Wilson stresses the need to start with an end-goal in mind. "You need to understand what the organisation is trying to accomplish and then build a bespoke project and process to meet those needs," he says. "If organisations skip that, they may have a great survey but it won't answer the questions that leaders want."

But smaller firms can also benefit from predictive people analytics, says Jess Brook. "Organisations of any size and shape can benefit from tapping into wealth of anonymised data gathered from thousands of leading organisations across the globe, comprising of millions of employees between them," she points out. "They can also learn from the shared experiences of this collective group in terms of addressing any required actions which the data findings may reveal."

Currently, most organisations are only at the stage of measuring or analysing the data they hold, rather than using this to predict future trends, says Buyens. "Many companies analyse this data and pick out trends and reasoning behind decisions," he says. "But it is the prediction of data that is really the most impactful on a company."

It may still be early days, but the use of more proactive HR systems is likely to become much more common over the coming years. "Predictive people analytics truly has the potential to create a smart HR function," says Linley. "Whether these smart HR functions are provided by external consultants or are internal to the company themselves, they are coming, and will be a driver of differential people and so company performance in the years to come." ●

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Dirk Buyens
Professor of human resources, Vlerick Business School
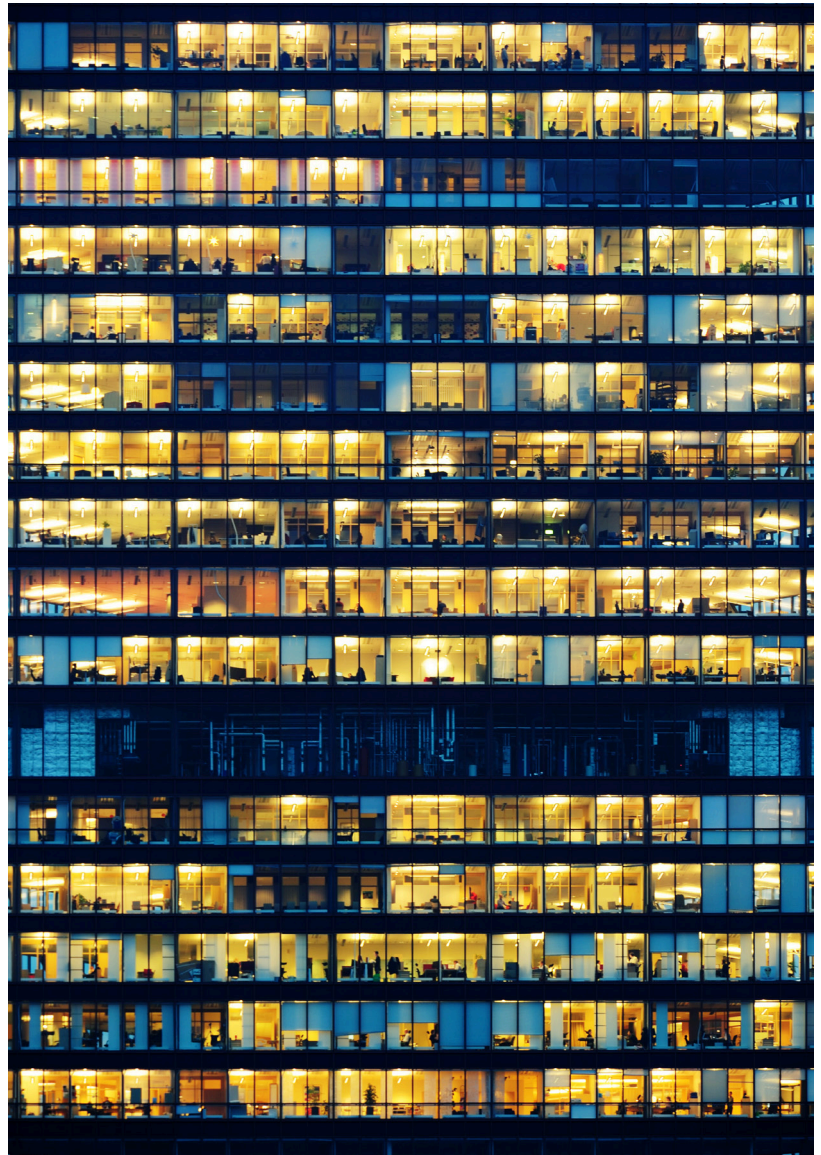
How to start leveraging HR analytics

When it comes to HR analytics, organisations need to start asking the right questions up front to avoid becoming stuck.

Peter Crush

If you're not already into HR analytics, it's highly likely your rivals are. Globally, the digital workforce analytics market is expected to worth more than $1billion by the end of 2023 (according to forecasts from Market Research Future), which means there are businesses out there successfully leveraging the opportunities it provides better than others.

Oft-heard explanations for slower adoption of HR tech range from the classic – the Catch-22 issue of the board wanting proof but proof requires investment occurring, to the cultural, to lack of budget or leadership buy-in. But according to many, HR's task would be so much easier if there wasn't one other factor still here: the very significant mental barriers to entry that many HRDs have – and it's one myth that really does need busting, according to experts. "The barriers to entry are getting lower and lower all the time," says Brian Kropp, group VP, Gartner (HR Practice). "Not only are there more technology solutions at less cost, but the capability of this technology is such that lack of smart analytics professionals is becoming less of a problem. Lessons have been learned from marketing and other departments, and are able to be much more easily adopted by HR."

Says Laura Timms, product strategy manager, MHR Analytics: "There is a misconception analytics is rocket science. It isn't. And crucially technology alone is not always the answer; it's culture. If HR becomes custodians of organisational data – that's how analytics can really get buy-in." She adds: "Our own research finds HR departments are typically ahead of the rest of the business in analytics – even though they might not think so – because they traditionally collect lots of data."

But that doesn't mean they can take things for granted. So what does HR really need to ask to be really able to leverage analytics in-house? Here's our top five questions to consider:

Ask which data makes the biggest difference (and start small)

"HR can often have a hard time identifying which datasets analytics best supports," says Lisa Sterling, chief people and culture officer, Ceridian. "What HR first needs to do is a company-wide audit – of where you currently stand – to identify where there might be data gaps that need plugging. After that, remember that it's less about the data itself but what you're going to ask of it." Adds Tom Lakin, senior innovation manager, Resource Solutions: "HR actually already has a lot of data – that's never the problem. Analytics is simply turning existing data in new insights. The data doesn't even need to be perfect – for that you'd be waiting forever. What HR departments simply need to do is start small, and use existing data to prove the business case – by asking a question the business wants to solve – like attrition after six months; and what patterns this shows. The best way to start is to identify the questions that in answering them, will create the most value."
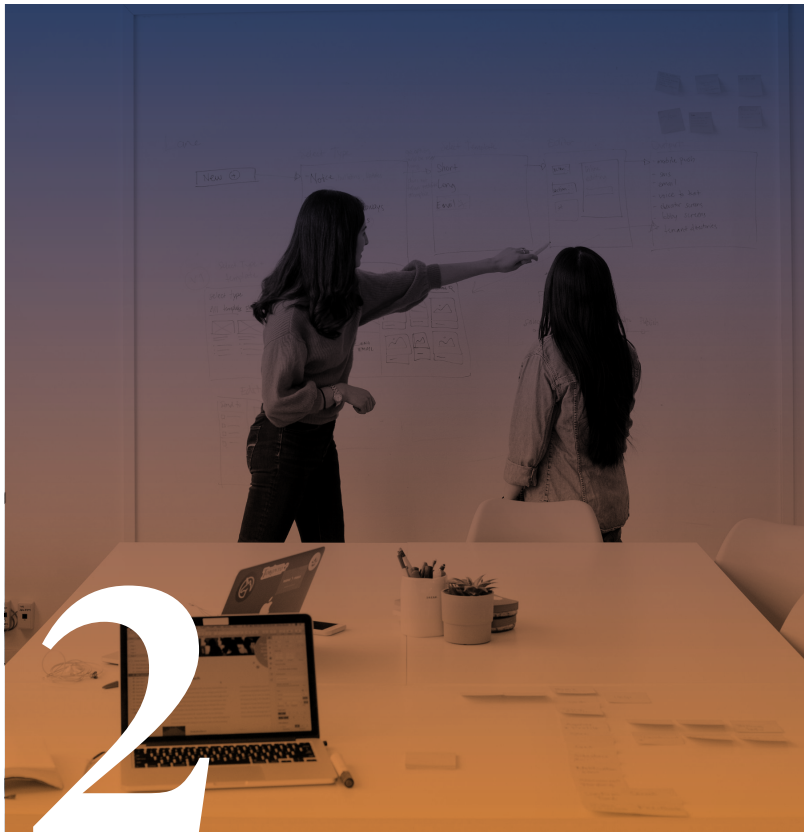
Ask 'what would the CEO want to hear?'

"Fear of data itself – HR folk aren't often schooled in statistics – can create a tendency to regurgitate complex relationships to the executive level," finds Will Cleare, Head of HR for Europe at The Myers-Briggs Company. "The question HR professionals have to ask is one aimed at themselves – what is the expectation from the board about how analytics will transform the business?" Framed like this, HR has to find ways of talking about leveraging data in a meaningful way." He adds: "They need to educate the board that results aren't always big-bang, but more of an evolutionary process. That said, any results do need to be stripped back. Forget talking about coefficient correlations; talk in real sentences. In our own business, for example, analytics revealed large drops in customer service team productivity whenever we were looking to replace people that had left. We were able to produce a compelling business case for over-hiring into this team, to avoid this."

Ask what your appetite for failure is

Failure may not always be something the business wants to hear, but appetite for risk is a key question that must be broached in any analytics conversation: "It could well be that the analysis leads the wrong way, or that you have to deal with hiccups, or relationships that you thought would show up but haven't" says Melanie Robinson, senior HR business partner, ADP. "What should always be at the back of people's minds though, is that while a hypothesis might not have worked out as planned, the results will invariably have thrown up something." She adds: "A revelation can often be more of an unexpected surprise, rather than something anticipated."

Ask searching questions of the data itself – be bias aware

Analytics can be seen as a panacea, but experts argue widespread adoption is most successful when a sense of perspective is maintained about what it reveals. One of greatest concerns right now is bias, and analytics creating patterns based on error. "Bad data creates bad data insights," says Lakin. According to Dr Wayne Holmes, lecturer in the Institute of Educational Technology (IET) at The Open University, caution is needed especially around any algorithms-based conclusions. "Analytics is giving data to a computer, which then looks at patterns to draw conclusions." He adds: "If the data you give it is already biased, then the outcomes will be biased too – for instance using historical recruitment data. If there's already a predilection for hiring men the algorithm will continue to suggest hiring more men rather than women."
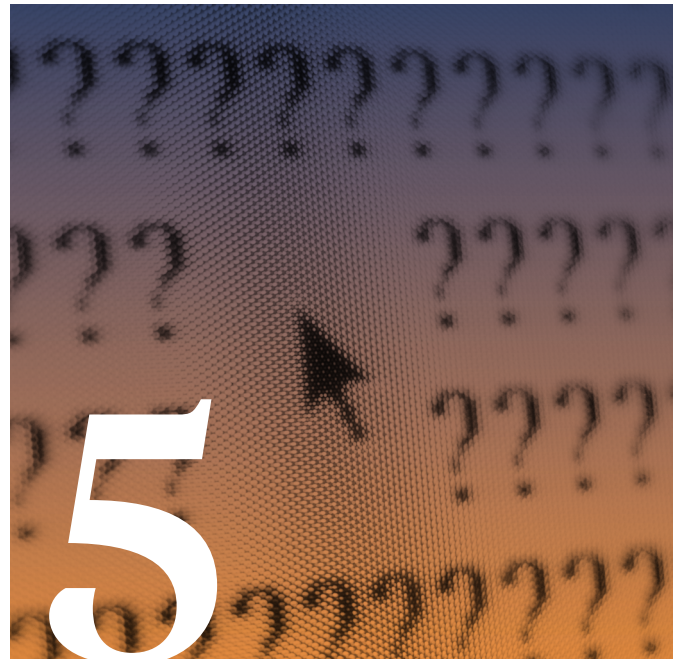
Ask whether it's analytics for the sake of it?

Whilst it feels like analytics is de *rigueur* right now, perhaps the best question to still ask, is whether the analytics is being done to follow the crowd, or out of real interest and quest for change. "All too often, businesses do analytics for analytics sake and they end up with interesting findings, but without anything that's really actionable," says Brian Kropp, group VP, Gartner (HR Practice). He adds: "Analytics needs to move from being interesting to being actionable. Without this companies will fail to achieve an ROI on their analytics investments." ●

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Perceptyx is revolutionizing the employee survey and people analytics industry, delivering enterprise-level employee surveys and people analytics to more than 30% of the Fortune 100. With an unrivaled technology platform and a tailor-made, flexible approach, we make it easy for managers and HR and business leaders to discover insights deep within large and complex organizations, driving meaningful action to improve business outcomes.

Driven by a deep intellectual curiosity and culture of innovation, Perceptyx is challenging the status quo – to help people and organizations thrive.