

Analytics: HR's 'Moneyball'

The era of big data and analytics is here. Gut instinct is being supplanted by concrete people analytics that can inform workforce strategy, quantify capability gaps and enhance the productivity, performance and careers of organisational talent. Are we tapping into it effectively?

The Analytics Paradox

There is an overwhelming quantity of HR information available today, but predictive insights arising from this are rare and underwhelming.



'Moneyball' is an analytical approach to assemble competitive sports teams. The term was made popular by a 2011 movie charting the success of a low-budget baseball team that uses player statistics to make smart investments and game day decisions. Transfer this technique to the corporate world and it becomes a game changer for organisations. Big data and analytics are transforming customer-related functions but they are not yet being tapped effectively in HR.

Information ≠ Insight

The digital revolution has delivered an explosion of data about people. Information about our interactions, purchasing decisions, preferences, location and habits is now accessible, alongside traditional HR data points and business metrics. Simultaneously, there have been rapid developments in analytics tools creating enormous potential for business. Examples include the analysis of emails to track how people are feeling, and network analysis to explore collaboration across organisations to identify high value relationships or dependencies for knowledge and advice.

But information does not equal insight and there are more questions than answers in HR. How can we find and attract the best people today and in the future? Who are our top performers? What makes them succeed and what makes them want to stay? What levers can we pull to have the greatest impact? People analytics have the potential to answer these questions and forecast the impact of different interventions, therefore powering the transformation of HR.



Privacy vs Transparency

What legal and ethical considerations apply to the use of personal data and how does this vary across regions?

We live in the “Glassdoor era”.¹ The actions and decisions of individuals and organisations are publicly shared and debated online. The line between privacy and transparency has blurred, exposing companies to reputational and legal risks. How can organisations manage their brand when they can’t censure or control public communications? What legal and ethical considerations apply to the use of personal data and how does this vary across regions?

HR needs to have a working knowledge of legislation that governs the collection, management and use of different types of data, whilst remaining sensitive to workforce sentiment. 63% of employees lack confidence that their employer keeps data private and 72% believe that companies are not telling them what information they are collecting.² Damage resulting from breaches of workforce trust could outweigh the benefits of your analyses. Being transparent about the information being collected and its use will help to alleviate privacy concerns.

Executive Priorities

Analytics should elevate the strategic profile and credibility of HR. It provides a mechanism to quantify the contribution of human capital to the business and the impact of HR interventions. But executives aren't convinced of the value of metrics in the HR domain. CFOs point to obstacles in establishing accurate data and isolating the impact of HR.³ Only 4% of CEOs are seeking to change or invest in predictive workforce analytics, and personal data usage and safeguards are a low priority relative to other workforce issues.⁴ This perspective is in sharp contrast to the high priority that executives place on human capital challenges. The onus is on HR to connect the dots and build a business case that demonstrates how people analytics can be used to influence organisational performance, including financial, market and people outcomes. To do so, most CHROs will need to bridge a capability gap within their own function and buy or develop the requisite analytical skills.

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Opportunity and Risk

Not enough companies are using people analytics to solve business problems. This however, is expected to change and Josh Bersin predicts exponential uptake as this practice becomes mainstream.⁵ The opportunity for HR lies in leveraging technology to understand how workforce data drives business value. New analytics are predictive, and enable HR to model different scenarios and proactively address business challenges such as unwanted attrition, talent supply shortfalls, and performance gaps. Whilst adoption remains low, there are several use cases that demonstrate the potential of this opportunity, with companies attributing savings in the order of \$50 million, to predictive workforce analysis.⁶ Machine learning also has enormous potential in talent applications. Intelligent algorithms analyse talent data to formulate recommendations, delivering both efficiency and personalisation, e.g. identifying the best people for particular roles or the most appropriate learning activities.

Actions, not information or even insights, create competitive advantage and herein lies the risk for HR. Failure to derive value from workforce data will incur hard costs and a performance disadvantage. As analytics capabilities evolve, HR is challenged to remain business centric, address organisational priorities, and act on insights to implement meaningful change.



Moving the Needle

So what strategies and actions can you take to execute a more data-driven approach to human capital management at your organisation?

- **Understand your starting point.** How complete and accurate is your workforce data? Set parameters on acceptable levels of quality and explore options to unify multiple data sources. Tap into the statistical and analytical capabilities of your current systems and get to know what's possible, as well as strengths and limitations.
- **Deliver a quick win.** Identify a discrete business problem and start analysing the people data associated with this. For example, is there a turnover or quality issue in one segment of the organisation? Focus on an activity that can be implemented quickly and connect data insights directly to the business.
- **Create the right team.** This will be multi-disciplinary and integrate technical skills in statistical analysis, data science and technology, with business and HR domain knowledge and consulting skills. Define a strategy to bridge capability gaps – buy, build or partner?
- **Define your boundaries.** Get to know relevant legislation across the geographies you operate in. Work with colleagues in legal, risk and information management to introduce rigorous policies and procedures to manage people data. Expose risks at the C-level and lead a robust discussion on ethical considerations and transparency of practices.
- **Enhance business impact.** Use scientific principles to evaluate the impact of HR interventions. Learn from leaders in this emerging field – how are companies like Google using data to answer business questions? Connect people and business metrics to improve organisational performance, e.g. address talent supply and retention risks, objectively evaluate 'build versus buy' investments in people, and assemble more competitive teams.
- **Empower individuals and teams.** Invest in new technologies that help people learn, perform and progress. Identify the activities that drain resources, and explore intelligent solutions to address these. Would it add value to serve up recommended learning and performance goals to equip managers to answer workforce questions on demand?

Interested to learn how you can further drive a data-driven approach to talent management at your organisation, with PageUp's help?

Chat with us now.

References

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About the Author: Alison Brady

Alison leads the PageUp Talent Lab thought leadership program and is responsible for research in the field of strategic human capital management. She has more than 15 years of experience delivering organisational development solutions, consulting and advisory services to a diverse range of companies. Alison is a Registered Psychologist with a Masters Degree in Organisational Psychology and memberships with the Australian Psychological Society, the College of Organisational Psychologists, the Change Management Institute and the American Psychological Association.