
How Analytics Is Shaping HR's Role In Business



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* Views expressed by our experts represent their sole thoughts on the topic of Human Resources and analytics. They do not necessarily represent the views of their current organizations and should not be seen as an endorsement of any group, product or strategy.

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This topic is being discussed in more depth by Stela, Michael, Brian F., and Brian K. and other HR analytics practitioners at the Workforce and HR Analytics Summit West 2015 (March 9-10, San Diego).



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Introduction

Data analytics in Human Resources is quickly becoming a new area of innovation and focus because of the insights it can provide around workforce management. Workforce analytics has emerged as the key avenue for HR to become a proactive force for managing human capital and strengthen business strategies.

Analytics is being looked to as a way to break down human behavior into something that is easy to quantify and understand. That's a big aspiration for any analytical model, and the gap between the goal and some returns has caused the industry to shift its focus to a goal of understanding.

Workforce and HR analytics programs are currently allowing companies to:

- ▶ Monitor and relate information such as how new-hire salaries impact tenure,
- ▶ Identify sectors of high turnover,
- ▶ Project human capital costs for an annual budget,
- ▶ Help create a framework of top-talent performance that can point to valuable characteristics when expanding operations.

HR professionals are finding themselves working with other business units in a more direct fashion in order to understand their views on problems with the workforce, from attrition and cost to satisfaction and engagement. Analytics allows HR to effectively address these problems even in complex situations such as developing training plans to maintain institutional memory in the event of retirements, downsizing, and voluntary attrition.

Business leaders have provided us with their perspectives on the changing nature of HR in the workplace due to increased analytics and the improved ability to integrate data and systems. Their comments point to an evolution of HR analytics adoption in a three-tiered development structure that most companies are starting to follow: the What, the Why, and the What Will Be.

While many corporate functions look to software to create their understanding, HR has a unique position that requires it to look more at units outside of its direct control. Few other analytics roles rely as much on cultural and individual development and modeling, which has led HR down a unique path of working with other business units.

Analytics in HR is a story of the human element; it is not just the individual but also a study in how to create buy-in with management, use the proper business language to establish metrics that are easy to understand, and finding the right professionals in a talent pool that's never deep enough.

Culture of Data-Driven Decision Making

For many organizations to first adopt a data-driven approach, there must be strong evidence that links actions to their revenue structure. To establish this link, HR needs to make the connection between statistics and a realistic application of analytics with business impacts. Not only do HR professionals need to couch predictions with the proper probability to being correct or incorrect, but best practices need to be tailored specifically to the individual company's philosophy and culture.

"Predictive analytics is like counting cards in blackjack. You can know that the shoe is favorable but that really doesn't tell you anything about the next card," said **Michael Cook, VP of Workforce Analytics for Credit Suisse**. "I have to educate people that: if a model works it has predictive value on average. If I can show people model results in a way that matches their intuition that helps get buy-in."

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Another important concept when creating this culture of understanding is that a software purchase isn't an immediate fix or win. Software platforms allow companies to start to automate the integration of much of their data, but that doesn't create an end-point for data to rule decision making in any division, especially HR.

"The concept of workforce analytics is a journey. It's a business process and the chief mistake that organizations make is that they view it as a project with a specific start date and end date. It's an ongoing, iterative process," said **Brian Kelly, Founder and Principal at AnalyticsFirst.**

Establishing an Analytics Perspective

HR differs from other business units for analytics because there's a lack of understanding about what HR analytics involves and where it focuses. Business leaders aren't always fully keyed in to nuances of HR processes or their potential outcomes. It's sometimes hard to think of HR in the abstract and see how current reporting ties directly to their future operations. It's a problem of context.

That's the reason why some analytics advocates like **Kelly** think the field should adopt the term "workforce analytics" to describe efforts, instead of using "HR analytics."

"I encourage the industry to adopt workforce analytics because it creates a better connection to other business units. It's not the processes that HR manages but how the workforce interacts everywhere within a company," said **Kelly.**

"Strong linkage to the business results is really important. Without an understanding of what HR can do and how it impacts the business, analytics can't be part of the conversation," said **Stela Lupushor, Director of Workforce Analytics.** "Linking HR to the bottom line is paramount. We want HR to answer questions such as: 'Is there relationship between the engagement scores

of a team and their sale results? Can we determine the success characteristics of the highest performers? Can we link those characteristics to client satisfaction and net promoter score?"

Some companies make a jump too soon to other data sources, from publicly available social content to benchmark data that's sold to help companies evaluate their performance.

"The problem is that benchmarking data that's available to compare against is too vague. No company neatly fits into the benchmarks that are provided because most are not pure-play within their own industry," noted **Brian Fruchey, Analytics Manager, Talent Acquisition, at eBay.** "Just because it's benchmarked doesn't mean it's optimized."

The Need for Change Is Changing HR

"For most organizations, reporting is 95% of what HR analytics is. Most of us are focused on getting basic data reporting simplified and generating visuals that are easy to interact with to start to tell a compelling story. Today, on a day-to-day basis, life is simple metric reporting," said **Fruchey.** "Our struggle is to build the time to move to actual analytics while still producing reports (some of which we question the value)."

That daily life now contains a greater amount of persuasion than ever before. HR has always been a key component of company culture, but now it is shaping culture through an analytical approach that relies on a very different set of interactions and observations to create that "aha" moment.

It is still very difficult to influence new behaviors, especially in HR where analytics driven decision-making doesn't come naturally, even with all the evidence that analytics can bring.

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"One thing that's really underestimated—and you could argue that this is really the most important thing—is change. What you're asking people to do is to act different tomorrow than they are today based on little pieces of information," said **Kelly**. "If business managers know people, trust people and have relationships, they're more willing to change their behavior."

The Three Pillars of Workforce Analytics

All of our thought leaders presented ideas about the state of HR and its best structure, typically in a set of three principles: the What, the Why, and What Will Be.

What: This is the data processing and analytics currently happening within an organization. It tends to be dashboarding and basic metric reporting that looks at outcomes in the rearview mirror. Its focus is on proper data and reporting, but doesn't quite lay down actionable steps.

Why: This step is understanding the data that's been collected and then determining what it means. Is an attrition rate of 12% a good thing for a specific company? Is it better if that rises to 20% among the lowest performers or is that rate still too low? "We need to move away from the KPI mentality to a business outcome mentality. We need to align our work with business objectives and not just have KPIs for HR," said **Fruchey**. "Metrics mean little without context."

What Will Be: This is the main focus for business leaders outside of HR. It is about articulating what decisions can be made based on the insights. It's hard to achieve but it's the future promise that can save them from trouble with employees, especially turnover. The problem with this future look is that it takes time and that requires an understanding with management and business leaders to allow for that time.

"It's really hard to get to the final stage quickly. Promises for a quick evolution do harm when they don't provide a company the chance to establish the context of success and the business application. Too often HR departments will race to get the final stage but they don't lay a solid foundation for the 'What' and the 'Why,'" said **Kelly**.

Is Time on Your Side?

There's some debate as to the element of time in workforce analytics: do you strive for immediate business insights or do you give it time? Best practices include conversations with business units to determine problems and look for answers; that includes setting up time to come back to these units, but there's no standard for how long to wait.

"One thing that helps to get buy-in is simply the passage of time. Say we've created a list of people at risk of leaving. If you return to that a year later and one-third have left, it will make an impression," says **Cook**.

You don't need to have 100% accuracy or nail a project exactly to impress units. That's important because there's never going to be a good time to wait until you have that 99.99% accuracy. Few will ever have the luxury of waiting to take action on such a high-precision model.

Allowing for variance, moving forward when results start to roll, and continuing to tweak models allows analytics programs to keep maturing. Maintaining this momentum is important, even if efforts are mostly dashboarding, because it establishes a foundation to think about business problems and creates more reference material for solving issues that arise. It encourages conversation.

"The problem today is that we can answer any question, we just don't know what questions leadership needs answered. And for the questions we are specifically asked, there's no 'So what?' There's little action that leadership takes based on our answers," said **Fruchey**. "Creating understanding requires writing a story about our people – who they are, what they want, and where they want to go."

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Part of this understanding may be found in offloading some processing to give your team the ability to focus more directly on those larger questions.

"If you can have the software do the math, then it saves you a significant amount of time. When it comes to analysis and relating is back to your business, that's where there's a premium on the human value with knowledge specifically of your company from the inside and business context for presenting information to senior leaders," said **Kelly**.

Don't Chase Perfection In A Single Package

Analytics divisions across HR and many other business units often spend too much time searching for unicorns: those data scientists who know how to fetch, analyze and visualize data, and know the business well enough to tie the findings back to a specific business case.

"It's very good to have different skills on the team. It is very rare to find one person who has everything needed to make data analysis have significant business impact," said **Cook**.

That will often mean looking outside of current on-staff talent for starting or expanding an analytics program.

"Most of the people in today's HR world started when analytics was not a requirement to be successful. That means our biggest challenge isn't technology or data, it is the organization. Most of the current teams are excellent at reporting. However, analytics groups need to focus on finding talent that can both uncover insight and communicate that insight in a way that informs business units," said **Fruchey**.

The existing talent pool is shallow enough as it is, even for strong analysts. Unfortunately for most, demand for analytics professionals and data scientists is only set to grow. This can seem counterintuitive to some because software has empowered many individuals who are not pure scientists with a set of analytics that's easy to use and create. But, the challenge continues to be the ability to integrate the ever-increasing amount and types of data.

"The more data exists and more applications exist, the faster the demand will grow for data scientists. Technology has made it easier but not removed the needed foundation of talent to interpret data," said **Kelly**.

It's Time to Tell Stories

"You need a good storyteller to pull it all together. This can mean looking outside of statistical skills alone because it's not always their style to look beyond a strict interpretation of the data," said **Cook**.

Storytelling is also a way to engage other business leaders who may not have a complete grasp on what can be gleaned from particular data sets or what is relevant when they're presented with data.

"It's one thing for a data scientist to identify a recruiting source that has a relative turnover rate. A business analyst can apply that to business cases and to the cost. It's a different discussion from just throwing data up," said **Kelly**. "Every organization needs to have people who understand the business model and data analytics in HR, and then bring them all together."

When it comes to establishing understanding, the best chance may be to speak in the language of everyone else, instead of purely resting in the language of data.

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Top Challenges In Data

Control over data is often a significant concern for HR analytics teams because it presents many integration and data quality problems and these concerns may lead to a timid hand for pursuing results.

"Many times you have no control over how the data comes from the source. It requires a lot of relationship building, persistence, and great collaboration to get it right," said **Lupushor**.

This can lead directly in to the most common issues faced analytics professionals, even those outside of HR. Many will get struck with "analysis paralysis" and worry about providing predictions or inferences that are using data that is not 100% clean.

For many, this 100% precision is simply not possible and not needed. It may often be best to think of analytics in the same light as finance. It reforecasts every month and these projections don't have to be exact, they just needs to prove that assumptions are directionally correct. That means taking what data is on hand and getting started.

"If you can make payroll, you have enough to data to start on this journey. Think about it. You know the number of employees, their title and pay, plus you probably know their tenure and some basic demographics. That's your start and there's really no reason not to start besides fear and uncertainty," said **Kelly**.

The Human Element

"People are irrational but they're predictable. As HR analysts and scientists, we need to be able to observe and learn in order to predict their behaviors," said **Lupushor**.

Part of that includes throwing old conventions out the window when they no longer apply. Two of our experts noted specifically that gender issues around retention are often not as plain as they seem. Both said that the common knowledge is that women have a higher voluntary attrition rate than man, but found that this didn't play out when looking deeper.

In their operations, the gender effect dropped away when analysis was performed on combined variables such as age, business unit, tenure, and education. This type of knowledge can better shape HR practices because it allows HR to focus on the variables that are within their power to influence. Without analytics, this would still be done based on gut feelings viewed as the way things are, at least at two organizations.

Creating A Culture of Conversation

Maintaining company culture and improvements through HR are a tough balancing act for many to strike.

"HR often has a big role in shaping the culture of the business, so it has some sway in creating a forward looking mindset. HR has to also continue playing its traditional risk management role, so there's a tension between the policing aspect and the desire to move forward," **Lupushor** said.

The culture change needs willingness of management to establish goals or an understanding, but HR has to be proactive with these connections. Business leaders need to help HR by talking about what they perceive to be the major workforce problems.

"I want to know what my business cares about, so I need management or other business units to take the time to tell me what they care about," said **Fruchey**. "This sort of work is not sitting back and learning about data in general. It has to be an interactive conversation to come up with insights."

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Solve Other People's Problems

"For Analytics in HR, it is important to look at what's going in HR as well as your company's other business units. Work on problems for other sections or that have crossover with HR because your biggest benefit comes when it impacts or improves business," said **Lupushor**.

Sometimes that involves providing information and analysis but not pushing forward to demand a change.

"It's a mix of trying to get people to take this information as another data point or decision variable and then use it with their own intuition and judgment to guide their response. The action is up to them; no one is trying to dictate policy based on predictive models. We're just trying to give people information," said **Cook**.

Starting An HR Analytics Process

Workforce planning is one of the most impactful places to begin to look for a return and proof of value for analytics in HR, but it's not a 100% guarantee. Efforts should be tied to a business outcome outside of HR and there should be some fine-tuning to make sure the pilot fits the needs of the organization at large.

"While it's much easier to try and solve an internal HR problem with your data – because you usually have greater control over that data – it may not have as big of an impact on the organization as a whole," **Lupushor** warns. "Workforce planning has so many downstream impacts – on hiring, space planning, retention etc. - that if you solve here you can save a tremendous amount of money at the enterprise level. It is not easy and it requires a high degree of collaboration with finance and the business but it is probably one of the most important processes where HR analytics can have an impact"

Once a new unit has established the goal of helping other business units out with a small-term win or useful set of data, the next step is often establishing a relationship with the business units who may benefit first.

HR also should not forget to look at the validation needed for analysis to be viewed as credible and valid.

"HR metrics should be tied to dollars, when possible. To be true business partners we need to develop an ROI mindset," said **Cook**. "That means you need a relationship with the finance department. It has to sign off on your data when you say 'turnover costs us \$X' or it won't be credible."

It's important to have these business leaders on your side and that may even be more important than the exact deliverable or specific topic that you're addressing.

"It's best to start with a small, discreet effort with some tangible effect. If that's a business outcome, such as cost savings, you're better off. However, that's not always key. Sometimes it's more important to work with a business unit whose leader is open to new things and partnerships with HR," said **Kelly**.

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Closing Remarks/Key Takeaways

To close out this report, we're turning over the spotlight to our experts. These are the key takeaways that they want you leave with as you plan to improve your HR functions, launch a new analytics program, or shift to a more data-driven workforce.

"Workforce analytics needs to be more holistic. For example - looking in isolation at engagement scores is interesting but understanding the relationship between engagement and Net Promoter Score is where you can make a difference. Don't look at exit surveys - go check glassdoor.com or indeed.com - you will find a lot more honest feedback. More importantly, don't wait till exit survey is needed - look upstream at the moments that create disengagement," said **Lupushor**.

"One of the unique problems to HR is that data is different. Companies can't just bring in data scientists from other units and expect instant results because HR is fundamentally different. In sales for example, at the end of every quarter they can create a report that doesn't change. Two months later that information is still the same. HR data is inherently unstable. We don't start over each month; it'd be a very different world if we fired everyone at the end of the month and then hired them all back," said **Fruchey**.

"Analytics, and in particular workforce analytics, is a very exciting space with a lot of possibilities in the future. HR will play a large role in any major shifts in the economy and we can lay the groundwork to understand or expect some of that. It's an open space and I think the people who capitalize on it will have an edge," said **Cook**.

"Get started; don't wait any more. There are good people doing good work at every company. Don't wait for perfect, just get started and go through with it. If you wait for perfection, business leaders are going to dislike the process. They may be willing to accept 85% to 90% accuracy, so don't wait until you get 99.99% because you'll waste that opportunity to just get started," said **Kelly**.

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