

Industry Whitepaper

Realizing the Full Potential of Workforce Analytics

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The Current State of Affairs

Can you imagine a sales organization that would begin selling a new product without the benefit of a detailed market analysis and projected sales and market share targets? Or an operations department that would approve the construction of a new distribution facility without a thorough analysis of projected product demand vs. current distribution capability, current delivery cycles, and the ROI on the projected capital investment?

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Yet, how many organizations today make decisions about how to best manage talent without similar due diligence? The answer, sadly, is most. According to recent research by Cedar Crestone the adoption of Workforce Analytics capabilities is still at only 22% of surveyed organizations. Without this capability organizations cannot do the rigorous analysis required to determine what investments, priorities and resources are needed to maximize their most valuable asset – their workforce.

Most organizations do not actually have an adequate means for measuring the current state of their organization. HR leaders need access to information and decision support tools to assess and improve the effectiveness of HR processes and resources. Yet the majority of organizations are using outdated metrics and analyses to run their business – does *time to fill* sound familiar? In many cases, they are still doing it the same way – relying on manual collection, integration and presentation of data using spreadsheets. More time is spent preparing the data than analyzing and acting on the information. This model needs to change and is starting to do so at leading organizations across the globe. In order to find out how, let’s take a look back at the history of the analytics journey.

The Origins of Workforce Analytics

Starting in the late ‘70s/early ‘80s with the introduction of reporting and basic metric capabilities, came the widespread use of Human Resources Management Systems (HRMS) and the benchmarking opportunity introduced by the Saratoga Institute. Standard practices for calculating and reporting common metrics – like turnover, headcount, EEO representations - began to take hold. The utilization of process-focused metrics such as time to fill, organization-oriented metrics including HR staff employee headcount, and financial-based metrics such as cost per hire, led to efforts in the ‘90s to use balanced scorecards to help HR leaders reflect goals and

measure progress and results.

By the 2000’s early adopters, particularly companies that rely heavily on analytics in other areas of the business began applying more robust Business Intelligence (BI) capabilities to HR data. They found that by integrating people-related data into a single repository (often a Data Warehouse) and applying basic analytic structures toward such data, they gained valuable insight into the business impacts of workforce performance and talent management practices. This insight improved the decisions they made, and now many early adopters are evolving to using modeling and predictive analytics to drive workforce and talent management planning.

So where are we as a community of practice on the journey from baseline reporting to decision support and predictive analytics? The answer varies by industry, company size, and company strategy. Ventana Research’s Maturity Index² shows that 78% of organizations require substantial improvement in their use of Workforce Analytics. But overall, progress is accelerating. The acquisition of technology to support Workforce Analytics is growing faster than other areas of HR technology¹.

The majority of companies, however, have made little progress in the last 10 years. Interestingly most companies face similar challenges in practicing Workforce Analytics. Let’s identify, address and dispense some of these challenges.

Challenges

The early efforts in people related measurement for Workforce Analytics were hampered by challenges that still exist today – data problems, lack of clarity or understanding about what

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to measure, not involving the right people, and culture and competency issues within HR.

Disparate Data

A basic obstacle faced by nearly all organizations is the scattered nature of people-related data – it’s everywhere. Data critical to Workforce Analytics can be found in your HRMS, Payroll, applications that support HR practices and processes like Staffing, Performance Management and Training/Development, outsourced systems, spreadsheets, and unfortunately some is still only captured on paper. Clearly, data integration must

¹CedarCrestone, HR Systems Survey, 2010-2011.
²Smith, Mark. Maturity Index. Ventana Research, 2010.

be addressed. Conducting this integration manually with spreadsheets is resource-intensive, slow and subject to high error rates. The good news for practitioners is that today data integration can be accomplished using user-obvious data integration technology. We'll delve into this in more detail in the next section.

Identifying the Right Metrics

Another challenge is identifying the right metrics and comparative dimensions. The time you invest in deriving them will be time well spent. The goal is to measure what

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is relevant and meaningful to your business. This way, what you learn from monitoring and analyzing these measures improves your decisions and actions, which contribute to better business results. More on this later as well.

Collaborative Efforts

In addition, Workforce Analytics needs to be a collaborative effort between HR, Finance, and IT with significant input from line managers and executives. HR groups that go it alone often wind up where they started – with data and analyses no one really uses. Therefore, it is to your benefit to get others engaged in the process. This will help you align the capability and the content to what's important to the business, and to other measurement capabilities and reporting practices already in use as part of what some companies call their Business Performance Management (BPM) framework.

Culture and Competency

Lastly, identify, understand and address your culture and competency challenges. Most HR professionals are not skilled in, or comfortable with, quantitative analysis. And it's likely that HR doesn't have a reputation internally as “the numbers group.” Communicate your vision for the value Workforce Analytics will add and slowly get people – inside and outside HR – on board with a strong communication and change management plan.

At the end of the day, most successful Workforce Analytics initiatives are “owned” by the line of business – that is, they state the direction, strategy and analysis required. HR is the facilitator of the process, delivering the analytics and findings that the business needs to be successful.

Role of Technology

When selecting technology, you have myriad options to

execute Workforce Analytics. Much of the growth we are seeing in the market is with the dedicated Workforce Analytics products because of their attractive total-cost-of-ownership profile and ease of implementation.

Five criteria are particularly critical to your choice of technology to enable your Workforce Analytics efforts:

1. Flexibility

The solution should be flexible enough to handle your HR information technology (HRIT) environment today and into the future, readily tolerating the changes inherent in your enterprise.

2. Scalability

Be sure the solution will scale efficiently and economically as your organization and practice grow.

3. Security

Security is crucial for obvious reasons. No company wants their workforce data leaked or compromised.

4. Usability

Be sure the user will find the tool easy and intuitive. This reduces your up-front implementation costs and ongoing maintenance costs, and enhances the value you derive through higher adoption rates and increased user satisfaction.

5. Extensibility

Be sure it will easily extend to incorporate data from that new Talent Management suite you're migrating to, or the Performance Management system you may purchase in two years.

What should I measure?

Unfortunately, there is no magic Top Ten List that applies to every organization. Effective practice of Workforce Analytics requires a hierarchy of measures with different purpose, audience, and visualization. The basic components of this hierarchy (see Figure 1) are Workforce Reporting, HR Metrics, Talent Management Analytics, and Key Human Capital Measures. The bottom two levels support the management and performance of the HR

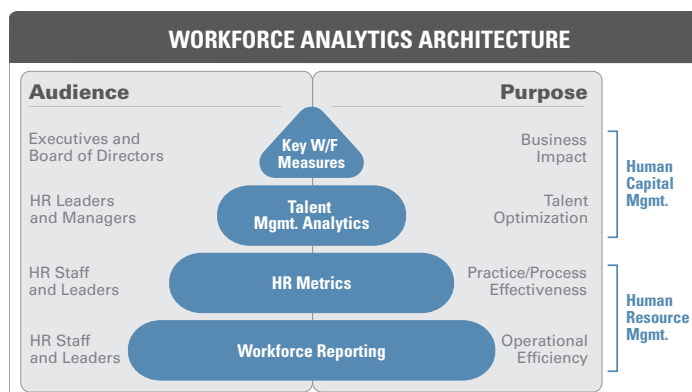


Figure 1

function; the higher two levels support the management and performance of the organization's human capital. Your measures and dimensions within each level must be derived from your business strategy, annual business plan, objectives and goals, human capital strategy, annual HR plan and objectives as well as regulatory and risk management requirements.

Chances are you're operating in levels one and two today with some success. Most companies track headcount, calculate turnover and cost-per-hire (CPH), and report EEO statistics. But are these measures the right ones to measure per your organization's objectives? And if so, are you getting as much value from your efforts as possible?

The greatest payoff with Workforce Analytics is realized as you move into levels three and four. Here you focus on prioritizing the Talent Management practices that have the greatest impact on business results, maximizing those impacts, and creating workforce measures that capture the critical risks and enablers for your business strategy.

Workforce Planning

Workforce Analytics can play a wider role than just measuring and analyzing past and current outcomes – it can also provide a platform for predictive modeling and planning the workforce which is critical to support mid- and long-term plans.

All business plans rely on accurate planning assumptions. Typically these assumptions focus on your customer, competitive, financial and regulatory environment. For your plans to successfully guide action, your workforce environment - internal and external - must also be reflected.

The Path Forward

A proven best practice in building a Workforce Analytics capability is to begin with an assessment. Find out in advance what data, measurement, alignment, culture, and competency problems exist in your organization. Then build your plan with those in mind.

Case Study

A large multi-national retail company is planning significant global growth. A key workforce threat to the success of this plan is the need to have a skilled and trained leadership team and staff in place in each new outlet in time to open the store on time. Every day of delay costs money and risks market share. The priorities are to have attraction, selection, on-boarding, leadership development and training programs and processes that ensure the stores open on time. Key measures may be time-to-productivity in new stores, new hire assimilation time, new hire retention, and number of ready store management successors.

Your plan should start with a review of your business strategy, operational plans, objectives and goals, human capital strategy, and HR plans and objectives. Be prepared to make changes to the latter two over time, since your organization's strategy may change and highlight different priorities. This review should include an analysis of the greatest workforce related threats to success. Once you understand the threats you can identify key workforce enablers (your talent management and HR priorities) and the measures that will help you monitor the status of the risks and the impacts of the enablers.

Next, identify and implement the tools required to support the measurement you need. Based on the choices and criteria we discussed earlier, select technology(ies) and build processes

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that integrate Workforce Analytics into other management activities and provide for easy interaction, timely information, and robust analytical capability. These tools are critical. Without them you cannot move beyond basic reporting and metrics.

Strongly consider a phased rollout approach. One way to do this is to start with improving the HR management pieces so you can work through trial and error without unwanted external visibility and risk. Or start with a pilot in a business unit that is very supportive of the effort. Either way it will be easier to get the rest of the organization engaged when you have several success stories to share.

Remember that measurement must be iterative. The measures that are right today are not likely to be right five years from now. As strategies and plans change, measures must change. Operational metrics may change annually. Strategic workforce measures should be validated every 2-3 years.

Payoff

The central objective of Workforce Analytics is to improve the decisions we make relative to human capital investments, talent management, and HR management by gathering information about what has the greatest impact on business results. Enabling business success through the alignment and optimization of workforce performance is the largest payoff. Analytics will also help you engage business leaders in this effort. Now when business leaders seek to optimize business performance, launch new products or enter new markets, Workforce Analytics will be a key variable in their analysis. They manage with numbers aligned to corporate strategies. It's time we did too. ♦

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Joanne Bintliff-Ritchie, Founder and Principal of JBR Associates, specializes in Strategy Formulation, Workforce and HR Analytics, HR Transformation, Organization Integration, Change Management, and Leadership Development. Joanne's strong reputation stems from her innovative approach to aligning HR strategy and capabilities to the economics of a business; and, building workforce solutions that enable leaders to manage their organizations more responsively and effectively.

Prior to founding JBR and Associates, Joanne worked for leading companies such as DoubleStar, Cigna, AstraZeneca, McKesson, and Munich Re America. As an HR leader, Joanne has transformed HR organizations by setting a vision, introducing needed capabilities, engaging staff and partners, and aligning solutions to business strategy and needs. Joanne's additional experience includes work in Recruiting, Communications, Team Dynamics, Organization Design, and Employee Engagement. Joanne holds a BS in Psychology with a concentration in Industrial Psychology from St. Joseph University in Philadelphia.

About eThORITY

The DataTalent Performance Suite is a workforce performance solution designed from the ground up to help HR deliver intuitive workforce analytics, reporting and benchmarking metrics. Powered by the eThORITY platform, DataTalent helps HR leverage workforce performance management to meet and exceed corporate business objectives. Organizations choose eThORITY solutions because they provide real time end-user interaction with data in a secure, state-of-the-art platform capable of scaling from a single department to thousands of users. eThORITY's CODiE™ award winning platform is in use around the globe at major research universities and leading corporations. For more information, please visit www.eThORITY.com/datatalent



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