



HR ANALYTICS

DELIVERING A COMPETITIVE ADVANTAGE



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SYNOPSIS

In an increasingly competitive world, HR has a golden opportunity to harness the new HR analytics platforms that are becoming feasible, built on modern SaaS based HRIS/ HCM platforms. In so doing, HR functions can interpret complex data more efficiently and with greater confidence and accuracy. By following the model of the best marketing departments, HR is set to become data rich, able to provide hard evidence-based decision-making to its leadership teams and deliver valuable business benefits.

INTRODUCTION

Recessionary and competitive pressures have meant CEOs and CFOs are increasingly looking to their HR function to provide answers as to where excess workforce costs are arising and how to positively impact company performance through better people performance.

Many HR departments have been historically hampered by a lack of easy access to their own numbers, leading to a perception they don't understand them, resulting sometimes in poor decision-making, and weak commercial judgement. As a consequence, in extreme cases, HR can get accused of a detachment from the reality of day-to-day business challenges.

An organisation's operational plan will at any one time require a certain number of resources with specific skills – the mantra of “right skills, right time, right place at the right cost”. Too many resources, workforce costs will be too high and the bottom line is affected. Too few resources and the company might lose out on new business opportunities or suffer reputational damage through poor customer service.

So imagine a world where the entire workforce was always appropriately skilled, always performed at the highest level, never left, was never off sick, new staff would be instantly productive and everyone is paid fairly for their contribution, while operating the business at the lowest cost.

Impossible? Certainly... but increasingly, HR is beginning to understand that it has to first help identify and then close the gap between this theoretical nirvana and the actual reality in the most cost efficient way.

According to an increasing number of publications by leading academics, highly regarded research bodies and analysts, the advent of powerful HR Analytics is set to transform the traditional view and ways of working within HR.

WHAT CAN HR LEARN FROM THE MARKETING DEPARTMENT?

Around a decade ago marketing's use of technology consisted of sales tracking, sales forecast collation and analysing consumer surveys. Its challenge was to attract consumers with 'creative' campaigns targeted at very large homogeneous groups of consumers.

Now, technology permeates every aspect of marketing. Data from loyalty cards, on-line consumer actions and web hits are analysed to hone on-line advertising and even targeted offers tailored to the needs of individual consumers.



At the start of this revolution, much of this technology seemed complex and alien, advancing at a very fast pace. However, it is now mature and well established within most marketing functions. It has not changed the fundamentals of marketing – marketing wisdom is still probing the ‘what to do?’ and the ‘whys?’, but analysis and data are the bed-rock and foundations upon which these decisions and actions are taken.

Fundamentally, marketing’s new tools have moved the function from a shotgun approach to a telescopic rifle approach, supported by data and analytical tools.

Those same techniques for predicting consumers’ behaviour are now available for HR to predict employee and even applicant behaviours. HR functions are facing that same ‘adapt or die’ inflection point that marketing faced a few years back.

HR departments have spent a lot of energy debating and sometimes bemoaning how important it is for them to be at the top table and be strategic, but if data analysis is not embraced in the way marketing did and finance have always done, then there is a very real risk that HR will become less relevant in the future business fabric than now.

It is a vital time for HR to step into this opportunity rather than remain data poor and increasingly marginalised.

The marketing experience has many parallels with what’s been happening in HR more recently with tools for strategic HR reporting, HR Analytics, predictive analytics and strategic workforce planning.

DEFINING HR ANALYTICS

Defining what HR Analytics is can be challenging. The label has become widely used, ranging from a set of basic reports right through to very powerful predictive tools that can help with complex decision-making. Like many hot topics, there is a danger that the true value of the new ways of working gets diluted by poor imitations, riding on the wave of interest.

Ceridian believes that there are three levels to HR Analytics, all are relevant and layer upon each other.

DASHBOARDS

The dashboard level is a compendium of well designed, thought out and pre-cast charts, gauges, indicators and tables. The data is presented in the form of a series of dashboards that can be selectively assigned to different user communities. The dashboards track and visually report back what is happening within your HR data in ways that, in the past, would have been hugely complex, time consuming and expensive to achieve.

DISCOVERY

Layering upon pre-built dashboards come powerful discovery tools, these provide methods for non-technical users to change existing elements within the pre-built packs, or create new analysis. Key here is ease of use, and easy access to the data – unlocking the value and insight that exists within your HR/HCM system. You no longer need IT to help you build the reports so you can get to your requirements quickly.

PREDICTIVE

The most advanced layer, where you start to trend and track your data to use the systems to support you in decision-making. One might have a theory or hunch that certain interventions result statistically in positive outcomes. Predictive analytics uses artificial intelligence built into the system. With this level of sophistication, you can now use your data to support your experience and instinct to make data informed and correlated decisions. Make better hires, adjust elements of reward to improve engagement, improve bottom line through targeted training, etc.

HOW DOES THE NEW TECHNOLOGY HELP HR?

By using analytics to crunch vast amounts of people data, HR can now discover revealing perspectives from patterns and correlations that were beyond the human mind or eye.

But does this technology remove the years of experience working in HR, and make the process cold and...well analytical?

Using a sporting analogy – until recently the football referee had to make on the spot decisions as to whether the ball crossed the goal line, his ability to do this is limited by not being in the right position, not being able to replay nor having any supporting technology. In complete contrast, in tennis, a system called Hawkeye is used to decide if a ball is out or not. The computer reviews the video data and makes the decision by plotting the trajectory of the ball. Finally, in rugby, the decision still remains with a human who reviews the video data and decides on the outcome. Many HR functions today, are like the football referee, having to make near instinctive decisions, often unsighted, with little or no help from technology. HR Analytics, brings technology to the HR professional, it is not Hawkeye, which overrides the line-judge's decision and is absolute in its outcomes. HR Analytics is better thought of as a supporting technology, in the same way technology is used in rugby, to aid with decision-making.

Continuing with the sports theme, we all accept that for an athlete to improve they need to monitor every aspect which affects their performance at a sufficiently granular level – key metrics such as heart rate, sleep and nutritional intake. Sir Dave Brailsford coached Britain's most successful cycling team, winning numerous medals at London 2012. He understood that the "aggregation of small increments" was the key to competitive advantage and used analysis of data to great effect. Imagine if you could improve by 0.1 seconds through stamina, 0.1 seconds through technique, 0.1 seconds through a more aerodynamic helmet and so on. Adding all these small increments together results in a significant competitive advantage.

The same can be said for HR. For HR to improve, we need to start measuring things that we have either not measured before or not worried about the accuracy of, and link and review this data in new ways.

Like the athlete, the business will benefit from the aggregation of small incremental improvements driven by more and more insights – sometimes from more and more granular data.

Some people portray HR Analytics as "bringing the same level of rigour to people decisions as engineering or financial decisions". While it brings more rigour than previously it is rarely appropriate nor practical to get to the same level. HR Analytics can identify



insightful correlations that *might be* illustrative, however, only HR's traditional wisdom and experience will decide if the data insights are 'real' and requires some action or further investigation. As in the real world the best analysis and decisions are taken with first-hand knowledge from employees and line management.

It is also worth noting that unlike an engineer or financial analyst, the user of HR Analytics does not need to understand the 'maths' or programming that produces the output, and the best of the tools available even abstract the complexity of the underlying HR data. Creating your own trending analysis and publishing the chart on a dashboard is something a non-technical HR user can achieve with a minimal amount of training.

In the past HR may have had hunches and theories as to why some HR programmes or business areas worked and others did not, and made judgements based on just the hunches/theories. The new technologies now give HR the ability to follow these instincts and validate them with data providing statistical evidence that leads to insights that support change, re-direct the HR budget/effort, and convince the senior leadership team of the need for change.

An optimal process may look like the following:

1. Alongside, the annual planning process for HR, a workshop is held at the senior HR levels to determine and prioritise how Analytics will help measure and improve HR strategy, monitor HR programmes and align to the business strategy.
2. HR and business leaders can view a dashboard of relevant and meaningful metrics which give real insight to the "health" of the workforce.
3. A deep dive workshop is held examining the top priorities in detail where HR and business pose hypothesis and theories as to how to improve.
4. The technology is used to produces insightful correlations that might be illustrative.
5. HR reviews the results, and decides if further analysis is needed, if action needs to be taken, or 'the case is un-proven'.

AN EXAMPLE OF HOW YOU CAN USE HR ANALYTICS

Let's use the example of a retail business. Imagine combining employee engagement scores and retail sales by store. Analytics can tell you if there is a link between high performing stores (in terms of sales) and high engagement scores. If we assume there is a link, you could then look at why the high performing stores have high engagement scores – what do they do well?

If you then implement the learnings across the retail estate, you should see engagement scores and store sales go up. Predictive analytics will allow you to model this in more detail. Very powerful information and insight for you to share with your colleagues at the boardroom table.

SEVEN ILLUSTRATIVE COMMENTS FROM SEASONED HR PROFESSIONALS

1. "This approach is proven and working in Sports (see the Moneyball book/film) and in consumer behaviour. Your loyalty card is there to provide the supermarket with data which they mine to both reorganise stores, target their offers, and drive their business with data."
2. "These practices have been around for a long time. What's changed is the ability to be granular on success and failure rather than having 'global' success/failure."
3. "The actions you take will not be new; the decisions areas will not be new. What will be new is being faced with more decisions, as well as the logic of more granular and tailored solutions versus the traditional 'one size fits all' solutions/programmes deployed. This is not new to HR, decades ago they replaced standard benefits with flex bens in many companies, when enabling technologies allowed them to do so. HRA is less an enabling technology than an investigative tool."
4. "Humans decide what to measure. Think of the new technology as an eco-system: of people with theories, tools to investigate them, a forum to validate/test/query them, and finally decisions on actions."
5. "Subjective Decision-making or Data-based decision-making....Science or Art or Both?" Because similar technologies have an excellent track record in predicting consumer behaviour some vendors portray HR Analytics as science. In HR, however, the science bit i.e. the technology, is an impediment without the art part....the interpretation of the results by seasoned HR practitioners. It's not Art OR Science. It's a glorious combination. To further demonstrate this observation, Google, the largest Analytics organisation on the planet, do not let their data tell them who to hire.... it is still people interviewing and deciding. However it does help them decide who to interview, and also validate, over time, if the hires are staying and becoming top performers.
6. "Data is foundations, analysis tools are key building blocks, illustrative presentation of information assists understanding, however interpretation is king."
7. "HR professionals and good line managers know what makes good hires for their organisation, but traditionally the ability to spot this prior to interview was quite limited. Now this is vastly improved, as is the validation and tracking of the quality of hire."

FOUR COMMON MISCONCEPTIONS ON HR ANALYTICS

1. "Data dictates action."
No, it can influence and sometimes convince – only HR professionals can take action when convinced.
2. "I need to understand the tools..., analytic techniques, etc."
No, like marketing departments do, keep the focus on drawing conclusions and the 'why' rather than the 'how'.

3. "The rest of the business leaders will not 'get it.'"

On the contrary, they are familiar with data supporting decisions rather than 'making' the decision. FDs don't just accept a business case for a new investment, if it's positive, they interrogate all aspects of the proposal. Data is illustrative not definitive.

4. "We don't have the right data."

Using HR Analytics always improves the quality and scope of people data as it focuses on the data that is important to run HR and the business.

IT'S TIME HR EMBRACED THESE NEW TECHNOLOGIES

Failure to do so has inevitable outcomes. Firstly an organisation runs the risk of a slow decline as competitors who embrace the technologies gain incremental benefits to improve the quality of hires, improve retention, and have a greater percentage of high performers.

An HR leaders career can come to an abrupt stop if he/she does not understand what can be achieved by the technologies, and what can't. They need to align with an experienced partner who will be a long term partner in ensuring the foundations are correct or put in place, and the process to investigate areas and challenge results are developed and fostered.

FIVE STEPS TO GETTING ON THE RIGHT ROAD

1. To realise the full potential that HR Analytics can offer, recognise it's not merely a product you purchase, rather a series of steps, changes of working methods and disciplines that over time can radically change the way HR operates and is viewed in their business.
2. Choose an Implementation partner who understands the need for a process rather than just a product.
3. Choose a solution that has already done a lot of the hard work rather than a toolset. HR Analytics has similarities with an iceberg. What you see above the surface are the fancy reports and charts. What's under the surface is the complex data warehouse. Modifications to the data warehouse may be required, but you should build on the work of an experienced vendor rather than re-invent the wheel. This under-the-covers work can be expensive and time consuming, especially if starting with a blank canvas.
4. Involve line management in the development of theories of what's working and what's not in all aspects of employee management. Also involve them in the interpretation of the results of any analysis from the process.
5. Be prepared for discovering some uncomfortable truths along the way – a performance process that hasn't delivered better customer service, a reward policy that encourages your best performers to leave...overall HR's stock will rise by facing up to these challenges and doing the right thing.

CONCLUSIONS

So, if you want to...

- Successfully predict retention issues as they develop and before they are terminal
- Have the ability to get to root causes of issues like retention, diversity, recruitment success, performance issues, etc.
- Know which recruitment resources are working relative to each other
- Interview candidates more likely to succeed with you
- Offer the right incentives to retain high performers
- Have an impact on improving your company performance and really be a hero of the boardroom.

Start exploring what HR Analytics options are available to you, recognise if your current HR platform is substandard and past its sell by date – dropping fancy charting on-top will not be sufficient. Integrated core HR/HCM solutions with built in analytics will be a quicker more successful approach and has the advantage of a much needed HR systems refresh to boot. Whether you need to replace your core HRIS or not, there is evidence that by introducing HR Analytics you will improve use and satisfaction of your core HR system by 25 per cent.

Finally, Nucleus Research conducted an examination of return on investment case studies in the US and found organisations earn an average of \$10.66 for every dollar spent on deployments of analytic applications such as business intelligence (BI), performance management (PM), and predictive analytics.

With such high returns to be earned on the deployment of analytics, management teams should consider these technologies to be one of the most attractive investment opportunities available to the CFO.

About the Author

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David joined Ceridian as Chief Information Officer in 2006. In 2011 he took on the exciting role of Chief Product and Innovation officer, enabling him to focus solely on all product strategy and innovation within the UK.

Before joining Ceridian, David held a number of leadership positions, including Director of Software at RebusHR, and Midland HR where he was responsible for a new product development and launch.

David is hugely passionate about all things technology; leading a dedicated team to ensure Ceridian deliver exciting, innovative and compelling solutions to its customers.

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