

An Analytics Lifestyle

Building HR's Way of Life around Data

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Analytics as a Lifestyle within HR

There is unprecedented excitement about big data and data analytics—everyone is talking about it, everyone has a view on it, and most organizations we know are working on it. Organizations are striving harder to use data and predictive analytics to make investment decisions on product strategies, expansion into new markets, capital maintenance, predicting consumer preferences, foretelling market tendencies, and the likelihood of fraud. But the impact is broader. Viktor Mayer-Schönberger and Kenneth Cukier, authors of *Big Data: A Revolution That Will Transform How We Live, Work, and Think*, have commented on how big data is impacting all sectors of the economy and all areas of life: from predicting exploding manholes, tracking inflation in real time, and improving health care to predicting societal change such as urban sprawl and even the spread of the flu¹.

Within organizations, the finance, sales, marketing, and supply chain areas have increasingly relied on data and analytics to enhance their effectiveness and drive robust decisions. Despite the vast advancement in tools, technologies, behavioral sciences, and statistics, HR is the last function to truly use data for robust decision making. Fifty-one percent of HR organizations surveyed by the Harvard Business Review rarely or reactively use data to make critical decisions². Our perspective is that driving value through human capital analytics will be a strategic imperative for HR over the next few years. In this white paper, we will first discuss the four critical trends that will precipitate this change for HR. We will then discuss four key principles on which organizations should focus as they adopt analytics as a lifestyle.

What are some questions the business might want answered?

- What is the cost of replacing top talent?
- What kind of leaders can drive high engagement?
- What is the impact of manager skills on employee relation issues or team performance?
- What incentives are driving behaviors around retention?

1. Focusing on Fact Based Talent Decisions/Investments

The pressure on HR is increasing, and the C-suite wants to make decisions on talent programs and investments based on facts and not HR's "hunch" or "intuition." Human resource leaders are also striving to create a niche for the HR function as a core part of the business strategy. So the question is, "Can we reorganize the HR portfolio and make investment decisions based on data?"

For example, one of the most reputed brands in the information technology and consulting industry currently uses data, metrics, results, and year-over-year trend analysis to dramatically enhance how it appoints, inducts, and develops managers. It is integrating data on manager education, experience, and exposure to design the learning experiences that are most effective for a specific manager "persona." It is also using predictive analytics to predict turnover and plan manager succession.

Consider This

In the early 2000s, several progressive global organizations made heavy investments in wellness programs, fitness centers, and physical training concessions for their employees. This wave was largely advocated for by HR professionals who believed it was the "right thing to do" and that the expense "[would] definitely have an impact on engagement and wellness." Business leaders were influenced by

¹ *Big Data: A Revolution That Will Transform How We Live, Work, and Think*. Paperback – March 4, 2014; Viktor Mayer-Schönberger, Kenneth Cukier

² HR Joins the Analytical Revolution, *Harvard Business Review*, February, 2014

these intuition-based arguments and made the investments. Today, given the continually increasing focus on margins and the quarterly scrutiny from Wall Street, business leaders are looking for conclusive evidence about the ROI on these kinds of investments.

2. Quantifying Business Impacts

For decades, human resource teams across the world have been talking about talent being a competitive differentiator for organizations. The Society for Human Resource Management (SHRM) has gone as far as to publish a three-page calculation to compute the cost of turnover for organizations³. The need for better visibility into an organization's talent, and not leaving talent management to chance, has only increased over the past few years.

A large global multinational medical devices and pharmaceutical firm has a robust assessment strategy supplemented by a vast range of data and analytics. One of its main assessment processes, known as the "Integrated Executive Process," integrates several types of information—experiences, competencies, styles and attitudes, and motivators and interests. This data-based approach helps the company accelerate employee development through feedback and planning and address gaps in selection decisions.

Consider This

If you were to lose two of your top performers this week, what would the impact of that loss be on the productivity of your team? Now compute the exponential impact across your department, function, location, and organization.

What if talent analytics could predict these trends and quantify the risk for you and then help you determine a program that will have the best impact?

3. Preparing for the Next Evolution of HR Transformation

Over the past few decades, HR has been steadily transforming through the implementation of newer technologies, setting up of shared services, and realignment of roles. HR is driving value, and we see the next wave emerging from a radical change in the way HR business partners (HRBPs) use data and insights to consult with their business leaders. Moving from analyzing the impact of people-related decisions to knowing whether a decision makes good business sense is enabling HRBPs to add value to business leaders in a definitive way.

Aon Hewitt's observation is that data and analytics are changing the dialogue between HR and the business—positioning HRBPs to be more strategic. Data has the power to effectively transform HR's interaction with the business over the next five years.

What are some of the talent insights critical to organizations?

- Big talent risks—capability gaps, retirement waves, Millennial retention, hiring hot skills
- High performers likely to quit
- Characteristics of high-potential employees
- Organizational capability risks

³ http://www.shrm.org/templatestools/samples/hrforms/articles/pages/1cms_011163.aspx

4. Expanding Technology Choices

The fourth trend is an increase in the number of organizations that have access to a vast array of business intelligence and analytic technology solutions. Field HR and business leaders need technology that is intuitive and requires little training. They are also looking for technology to provide immediate and relevant data, to support decision making process. HRBPs need technology they can bring to a meeting with a business leader that allows them to drill into details on the spot without having to take the time to pull data together and manually create the visualizations.

HRBPs need to present a detailed, data-based perspective to human capital issues, rather than being seen as deploying reactive approaches to business and people issues through the use of obsolete technologies.

Navigating Technology Choices⁴

The building of data warehouses is a lengthy (multi-year) and expensive (multi-million dollar) undertaking. A typical data warehouse has a 70% to 80% failure rate⁵ and by the time it is built, it is already out of date. In addition, the upkeep of data warehouses requires an intensive investment of time and resources in order to match constantly changing business needs. However, in the last three to four years, a large number of new players have entered the HR analytics space offering increasingly more innovative solutions with varying analytical capability and data visualization functionality. The human resource information technology (HRIT) function is now faced with a wide range of technology choices each with a separate investment and a different value proposition.

Over the last year we reviewed many technologies, and continue to evaluate new ones as they come into the market. We classify the various technologies into three main categories when it comes to the choices available: ERP vendors, vendors agnostic to HR, and HR-specific vendors. No matter how the technology is classified, one element common to the new technologies is that they have changed how the HR function can record, store, curate, manipulate, and access data. Evaluating the analytics solutions in the market is a complex undertaking. While we have included some key considerations for vendor selection alongside, there are also several published resources that offer detailed reviews of available technologies.⁵

What are some key HR technology considerations for organizations?

- Technology strategy—single instance system of record or best of breed solutions
- Current technology landscape
- Appetite for investment
- Most valuable functionality desired
- Implementation timelines

Consider This

When a business leader became concerned about losing a number of high-performing and high-potential Millennials in a specific North American region (for a specific business unit), traditionally HR would have needed to go back, pull turnover reports from HRIS, do some creative work on spreadsheets, and build the report for the business leader within a week.

Today, HRBPs can instantly have access to this kind of data on a tablet and can respond to the question and even drill down into specific demographics to problem solve in real time with the business leader. The

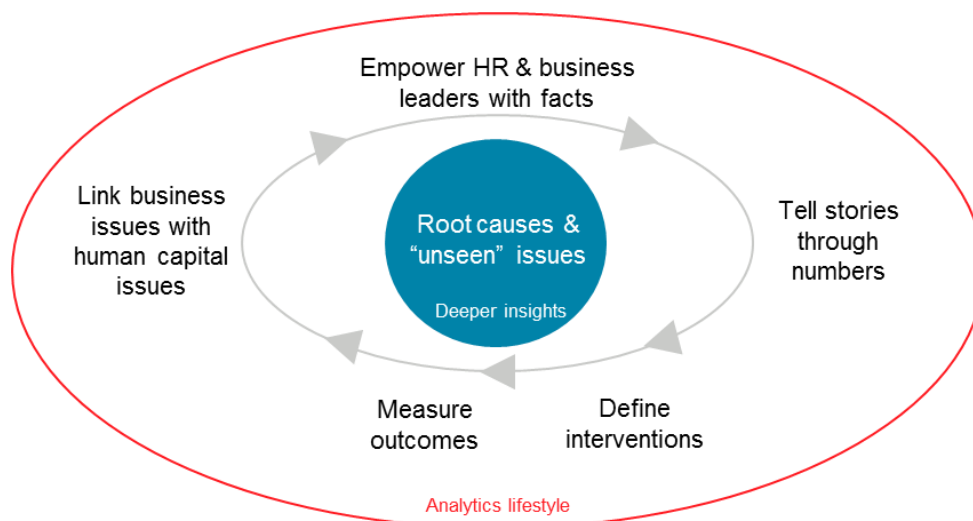
⁴ See detailed evaluation of BI and analytics technology solutions at: <https://www.gartner.com/.../magic-quadrant-business-intelligence-analytics>

⁵ "Data Warehousing: Lessons We Have Failed to Learn," posted on Smart Data Collective by Ian Nicholson (May 2013)

next step for HRBPs is to move from a problem-solving and reporting approach to adding significant value by developing hypotheses, predicting turnover, and designing interventions to manage attrition.

Adopting the Analytics Lifestyle

The four trends we described are making analytics a strategic imperative for HR organizations. So how do HR organizations embrace analytics and leverage data to drive value? We believe HR needs to adopt analytics as a lifestyle to truly evolve to the next stage of driving value to the business through data. Organizations that are adopting analytics as a lifestyle are focused on four key principles in how they are organizing, synthesizing, evaluating, and communicating data and insights to their business leaders.



Following are the four key requirements for adopting the analytics life style within HR.

1. Start with the Business Issues and “Right Questions”

With advances in technology, HR has access to several kinds of reports and a wide range of analytics. It has the ability to slice and dice the data across job levels, performance groups, talent pools, functions, demographics, business units, geographies, regions, products, and other dimensions. We’ve seen organizations that deliver voluminous reports on human capital data. We’ve also seen slick dashboards that take weeks or months of data curation to develop.

In order to have targeted impact, HR should start with the “critical few” questions that matter to its specific business/business unit. Our experience in consulting with organizations on HR analytics and HR data has led us to discover a few patterns. Business leaders tend to focus on large business issues and related talent issues; they do not have a siloed view of compensation or talent acquisition or benefits. In other words, they are looking for data crossing over talent

What are the business-impacting talent questions on CXO’s minds?

- What are the potential talent risks affecting high-impact strategic and operational roles i.e. why are we losing our high-performers in pivotal roles and to whom?
- Where should we hire the top talent from?
- What selection parameters have succeeded?
- What is the return on investment on long term incentives for the “ready soon” successors on the succession plan?

acquisition, compensation, benefits, talent review, diversity, succession planning, and other functional areas. In addition, a study run by Visier Inc., a leader in workforce and analytics planning, indicated that 87% of organizations are focused on reactive or standardized reports and have not been able to get to strategic and focused reports⁶. HR needs to start combining data across HR disciplines to answer the integrated questions as well as predicting the drivers of human capital—retention, engagement, and career growth patterns.

We repeatedly see business leaders focus on talent interventions that drive impact. These are different for each firm—one size does not fit all. Business leaders are willing to cut back on investment in HR, when HR's investment ask is for generic/broad-based programs addressing diversity, retention, or talent development. HR is being asked to differentiate and refocus its investment on the specific talent issues that will drive business results. HR should build and deliver talent insights on talent groups that disproportionately drive business results, such as analysts focused on emerging markets or emerging products, professionals with hot IT skills, network engineers, and sales leaders.

2. Focus on Data-Driven Narratives

Once HR has a deep understanding of the talent questions and challenges, has gathered data from the various systems, organized it with a keen eye on patterns and insights, and experimented with it, the next step is to build a cogent narrative with insights based on the data. We recommend creating a storyboard that connects to the strategic business priorities and their resulting implications on talent, along with a set of analytics that highlights and addresses the business leaders' key priorities for human capital.

For example, an HRBP is meeting a business leader to review the workforce plan for the business unit. The two possible approaches HR can deploy to present the data are:

- Less-than-optimum approach
 - Presenting primarily enterprise-level talent flow data
 - Providing broad talent analytics
- More comprehensive or recommended approach
 - Presenting enterprise data highlighting key insights on overall talent flow
 - Diving into specific data for mission critical roles, capacity, and capability
 - Succession bench for mission critical roles, mix of talent available for mission critical roles
 - Heat map of talent capabilities for mission critical roles
 - Plans to address gaps

The less-than-optimum approach may dilute the real business issue at hand and lead to non-resolution of the critical role and talent challenges. The comprehensive approach focuses on the content and enables a rich dialogue with the business leader around the topic. The richer the dialogue and the deeper the impact on the organization, the greater is the credibility of the HR leaders.

Spotlight

A global consumer goods manufacturing and distribution company was experiencing 50% failure of its front-line sales people within the first two years after they were hired. Consultation efforts with the

⁶ The State of Workforce Analytics and Planning 2014 Survey Report by Visier Inc.

business leader all circled around this problem of the new hire failure rate. The company had a hiring strategy of sourcing strong students from a range of local colleges and community colleges; however, regardless of where the sales people were hired from, the failure rate was still more than 50%.

When problem solving was focused on its distribution chain, the company discovered that sales people who had prior experience of getting to work early, stacking shelves, and doing a combination of physical and management work were consistently more successful at the company. Identifying these criteria, and applying the knowledge to the hiring process, allowed the organization to reduce its hiring, training, and development costs.

3. Develop a Narrative-Building and Analytical Capability

HR professionals tend to gravitate to data sets such as headcount, turnover, time-to-fill, and other basic process-level metrics—either because they do not have complete understanding of the issue at hand and therefore have never been able to get better data, or because that's how they are organized and these are some of the traditional questions they have received. While HR teams have been building capabilities in organization design, change management, evaluation of top talent, and interview and selection of top candidates, they have frequently neglected the use of data when consulting with business leaders. Instead, HR has been celebrated for its intuition and gut-based decision making. In a 2014 research study led by the *Harvard Business Review*, 47% of surveyed companies reported that the lack of analytical acumen or skills in HR professionals was a large obstacle to achieving better use of data, metrics, and analysis.⁷

There is a need for HR to elevate itself to focus on strategic business questions rather than more functional HR questions—in other words, a transition from headcount and turnover analysis to evaluating the flow of top talent in the business value chain, the depth of the succession pipeline in pivotal areas, the impact of engaged managers on the business performance of their teams, and the effect of risk-averse leadership on business outcomes.

In order to be effective at identifying key questions, seasoned HR professionals should be able to understand the key business priorities and the impact of those priorities on talent needs. That is, HR professionals should be able to leverage their business acumen and combine that with their broad understanding of talent issues to identify the critical few talent indices on which the organization should focus.

For example, a leading multi-national quick-service restaurant chain was trying to build a business case for deepening the investment in its organizational talent review and succession processes. It analyzed the demographics of the current bench, which yielded insights on the current age trend of the senior bench. As a result, it successfully demonstrated the necessity of investment in building the next two or three layers of succession within the organization.

Our experience has shown that HR struggles in the following ways as it tries to gain ground in analytics:

- HR starts with the data and not with the problem. It tends to measure what is easy to measure or where data is easily available.
- HR spends a lot of time gathering the data and does not have enough time to analyze the data.
- Data orientation is a gap in current skill sets.

⁷ “HR Joins the Analytical Revolution,” *Harvard Business Review*, February, 2014

- HR does not lean toward using technology to support analysis or problem solving.
- HR traditionally has not built business cases or provided a proof of concept through numbers.

To succeed in building an analytics lifestyle, HR needs a strong focus on capability building and coaching to address the above-mentioned skill gaps.

Spotlight

One of the clients Aon Hewitt assisted in launching the Analytics Lifestyle was focused on building the analytics capability of its HR team. This involved creating focused narratives for the business units, telling a story using numbers, and ongoing coaching to ensure that HRBPs were able to provide talent insight and problem-solving support to their business leaders.

4. Establish a Cadence

The next step and a core principle in making analytics a lifestyle within HR is to develop a regular and disciplined cadence of reviewing data, metrics, and findings. We believe it should become second nature for HR to look at the key metrics each month/quarter, select insights from the data, and be able to proactively consult with the business on ways to move the needle and monitor results when specific interventions have been put in place.

HR needs to be able to tell stories with the numbers the way its counterparts in finance do. HR needs the discipline to be able to review data on an ongoing and sustainable basis and not just in an event-driven manner such as during annual compensation cycles or at talent reviews. HR's review of data should be proactive and bring business insights before the business is looking for them.

Continued cadence will drive the next evolution of HR as the HRBP gets closer to critical talent issues within the business and is able to revise and tune the focused narrative to meet new needs as the business continually evolves. A regular and disciplined cadence has the capability to fuel an upward spiral of HRBP insights and contribution within the organization.

Once HR is armed with facts and trends on key measures, it is able to come up with data-driven interventions that focus on the problem, rather than relying on intuitive answers. HR can then use the monthly/quarterly measures to monitor the impact of those talent interventions, determining if they are making a difference.

Spotlight

At one of our clients, a global financial institution, the HR leadership team committed to a monthly cadence of reviewing critical talent indices with their business leaders. Each month a human capital briefing book is prepared with 10 critical talent insights, and a story is crafted for the business leaders around the insights that HR has gleaned from reviewing and synthesizing talent data. This cadence in reviewing data and making HR decisions based on data is helping sharpen the client's conversations about talent management.

What are some key deep research HR projects?

- What makes a successful sales associate?
- Is our high-potential group yielding leaders?
- What are the retention drivers of our top performers?
- How are costs for sick leave/days absent trending?
- What is my ROI on my human capital spend?

Drive Toward High Value, Deep Inquiry

Ongoing review of the focus narrative will organically identify questions that require further research and deeper inquiry. Deep analysis of this nature needs data from multiple sources, both internal as well as external to the organization. If you are looking to predict the profile of “high-performing sales people,” the data could come from the internal performance management solution, from the CRM database, from the sales database, from LinkedIn®, from finance and accounting, from a skills assessment, or from a development center. Rarely would you find all these answers within one technology solution. You need expert data scientists to unpack the questions, determine what data is needed, gather the data, model the data, and conduct the analysis.

While the role of data scientists is considered a critical skill for organizations foraying into analytics, we believe that creating effective hypotheses around the deep research questions requires the synthesis of two capabilities:

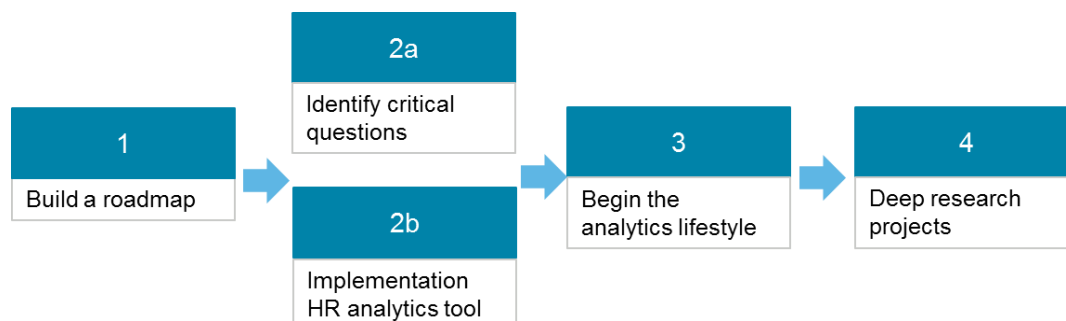
1. **Knowledge of HR and workforce talent**, to see patterns and understand what impacts human behaviors and drives HR outcomes
2. **Understanding of data and its variables and dependencies**, to create the data models and conduct statistical analysis

In other words, data scientists cannot work in a vacuum. They need to work hand in hand with seasoned HR professionals to build meaningful data models and drive strong outcomes.

Every organization venturing into this area has a hard choice to make—“Do we hire the data scientists or do we outsource this function to an expert third-party provider?”

Our experience tells us organizations that have hired high-value data scientists end up having them lead high-value research projects, as well as oversee low-end, but essential, reporting. Motivating and energizing high-quality talent needs a constant supply of those deep, challenging questions the organization must solve. Volume, complexity, and business appetite to solve the deep questions is critical to your staffing strategy—whether you are internally staffing or outsourcing the function.

Getting Started on the Analytics Lifestyle



While there are huge expectations from big data and predictive analytics in terms of the impact they can have on organizational effectiveness, we are seeing and learning that organizations cannot just make big investments and hire data scientists in the hope of getting started on their analytics journey. In order to

truly gain a return on investment, we think organizations need a long-term roadmap and a phased plan for their data and analytics journey that includes building the capabilities of HRBPs at every step.

- The first step is to build a vision and roadmap by evaluating the foundation of data, understanding the business appetite for analytics, and assessing HR capabilities and readiness to take the organization on the path toward analytics. A key element of this step is to evaluate the current technology solutions and the business intent of acting on the findings of talent analytics. This enables the organization to pace itself on the journey.
- The second step is beginning the analytics focus by identifying the “critical few” business questions and launching a nimble set of tools to support the analytics. The tools should ensure that HR is not using people as data aggregators, but as a means to handle the data aggregation.
- The third step is launching the analytics lifestyle by building focused data-based narratives, investing in HR capability development, and maintaining a disciplined cadence of fact-based dialogue with the business.
- The fourth step is using the dialogue with business leaders to identify deep research questions that can help evaluate the current talent assumptions and influence future changes in human capital programs and investment.

These four steps can lead to the successful launch and follow-through of an analytics lifestyle.

As Target predicts customer pregnancy from shopping behavior, Tesco increases redemption rates of coupons by a factor of 3.6, Netflix predicts which movies/shows you like, and Con Edison predicts energy distribution cable failure, data is touching our socio-economic lives in ways previously unimaginable. It is time for HR to participate in this revolution not through incremental, unconnected changes, but by adopting analytics as a lifestyle.⁸

⁸ *Predictive Analytics: The Power to Predict Who Will Click, Buy, Lie, or Die.* Eric Siegel

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