The Datafication of HR: How you can make better people decisions

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The Datafication of HR Needs to Start Now

Bad hires, regrettable attrition, cost overruns, poor productivity — these are just a few of the challenges HR leaders face every day. Deciding how to tackle these issues is not easy: when it comes to human dynamics, things aren't always what they seem.

Consider the following situations:

- The leaders of a not-for-profit healthcare organization think they have a recruiting crisis: they do not always have the right people, at the right place, and right time at the optimal cost.[1]

- HR experts from a financial services organization notice that turnover is increasing at an alarming rate.[2] The pressure is on to boost retention.

- HR analysts from a multinational pharmaceutical company are tasked with determining the ideal span of control for managers. According to many studies on the topic, the global benchmark is 8 to 10 reports per manager.[3]

At first glance, each scenario presents the employer with limited options. But after drilling into their respective work-force data:

- The healthcare organization's workforce planning and analytics team determined that the recruitment crisis was actually a turnover and staffing-to-patient-outcome problem. They then implemented several interventions to address the real issues, which led to hundreds of millions in savings for the healthcare provider.

- The HR team from the financial services organization discovered that the turnover was focused within four key sales roles on the retail banking side of the organization, specifically in one particular region. With these insights, the company developed more effective recruitment, hiring, promotion, and training strategies, which led to $2.5 million in annual revenue generated by the roles that were retained.

- The multinational pharmaceutical company's HR analysts learned that its sales teams perform better when they have a smaller team size than the global benchmark. This insight enabled them to have productive discussions with leaders on the right solutions to implement.

With a clearer picture of the situation at hand, the employers in these examples were in a better position to make successful decisions. In each case, they were helped by a people analytics platform, which unifies data created by various transaction systems. People analytics enables leaders to uncover trends, apply appropriate interventions, and anticipate future developments based on hard evidence.

But instead of analytics, many organizations rely on the kind of one-dimensional workforce metrics that do very little to deliver true insight into the root causes of problems. A report on hundreds of employees, for example, only tells you about hundreds of employees—not why people are leaving the organization or why absenteeism is on the rise.

This guide will help you gain an understanding of how to move from metrics to analytics in a number of areas, including recruitment, learning, and diversity and inclusion. You will also find a glossary defining terms, like artificial intelligence and predictive analytics that frequently come up in analytics-based discussions and can help you have more productive conversations about the datafication of your people decisions.

Talent Retention

With the average turnover rate at 26%[4], retention of talent is a key objective for most organizations. Indeed, "turnover" is the single most prevalent HR metric. However, measuring your turnover rate does little to support strategic business plans. To achieve true insight, a more in depth analysis is required.
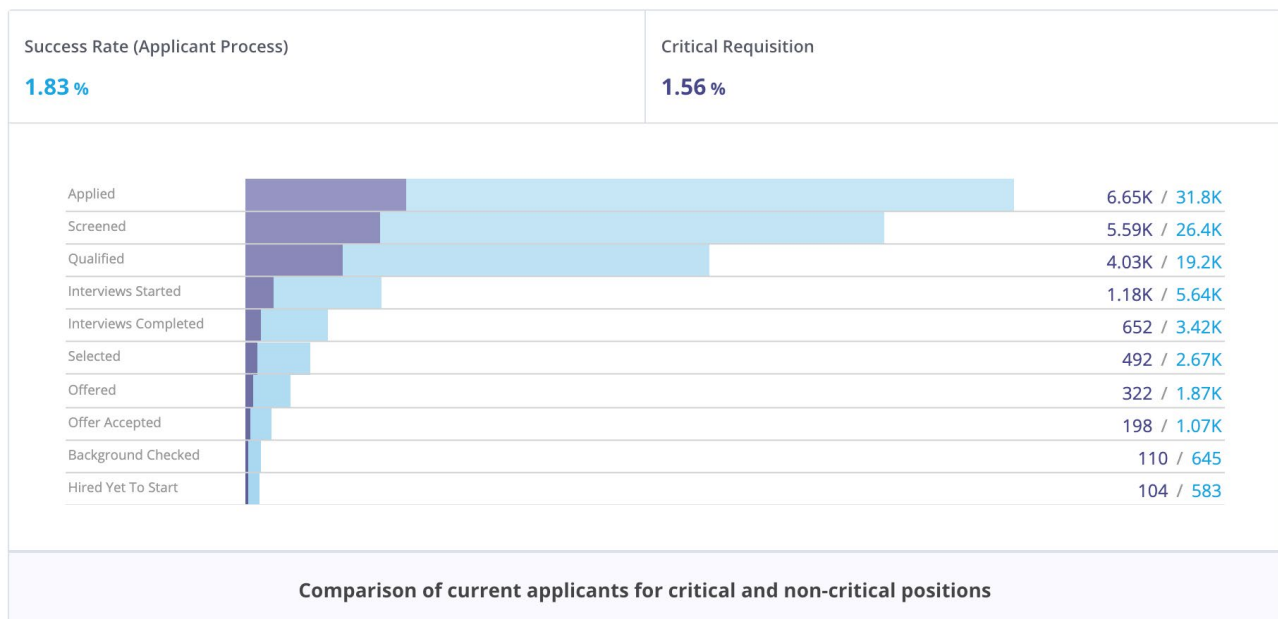
The analytics	The better decisions
Predicting the risk of exit	Identify employees at risk of leaving, based on analysis of key characteristics of past resignations, so you can take action to prevent top talent from leaving before they are out the door.
Resignation correlations	Correlate resignation with factors such as compa-ratio, promotion wait time, pay increases, training opportunities, and so forth, to make better and more cost effective decisions around changes to pay, benefits, and employee development.
Cost reduction	Identify the cost savings of retention programs by analyzing the direct and indirect costs of turnover in relation to compensation, absenteeism, productivity, and learning and development.
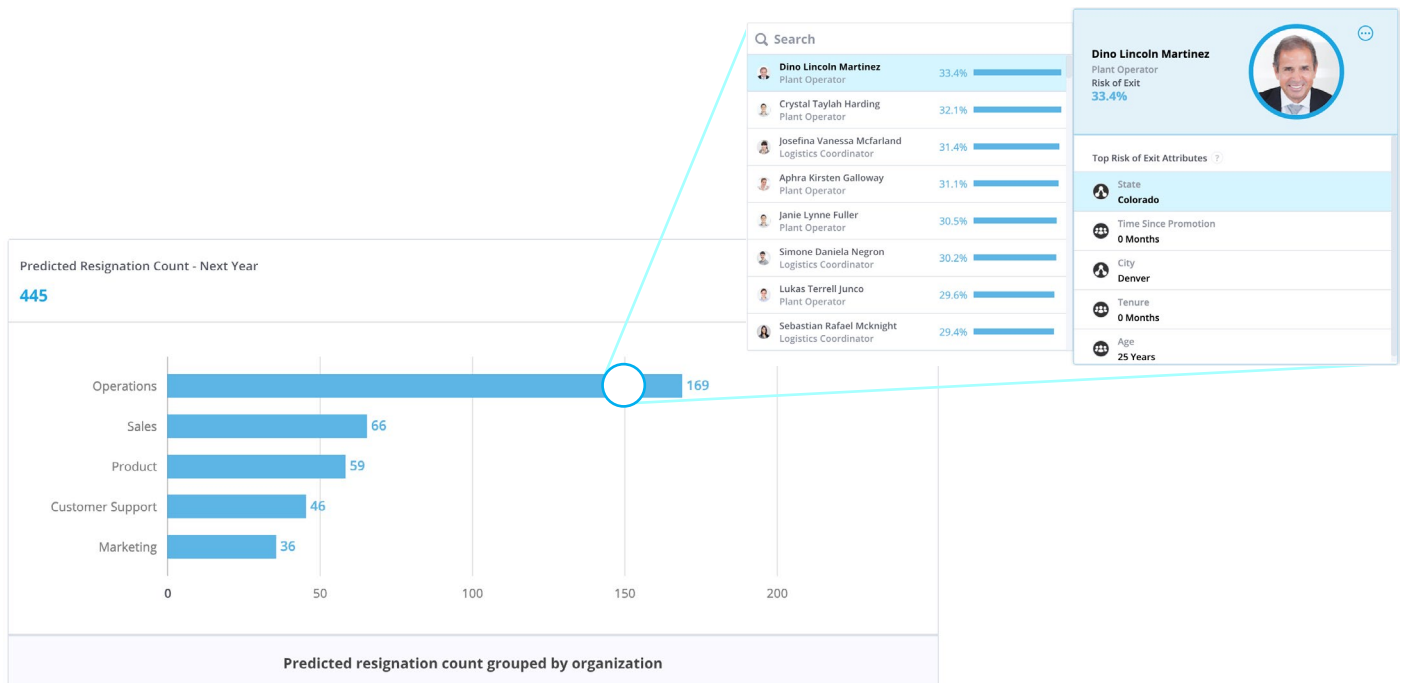
Recruiting Effectiveness

Recruitment is the HR function that has the most positive impact on revenue creation and profitability. Yet common recruiting metrics, such as "time-to-fill" and "offers accepted rate," do not answer strategic questions about the quality and value of the people being hired. Rather, the following analytics provide greater insight, enabling HR to take meaningful action to improve recruiting effectiveness, driving revenue creation and profitability.
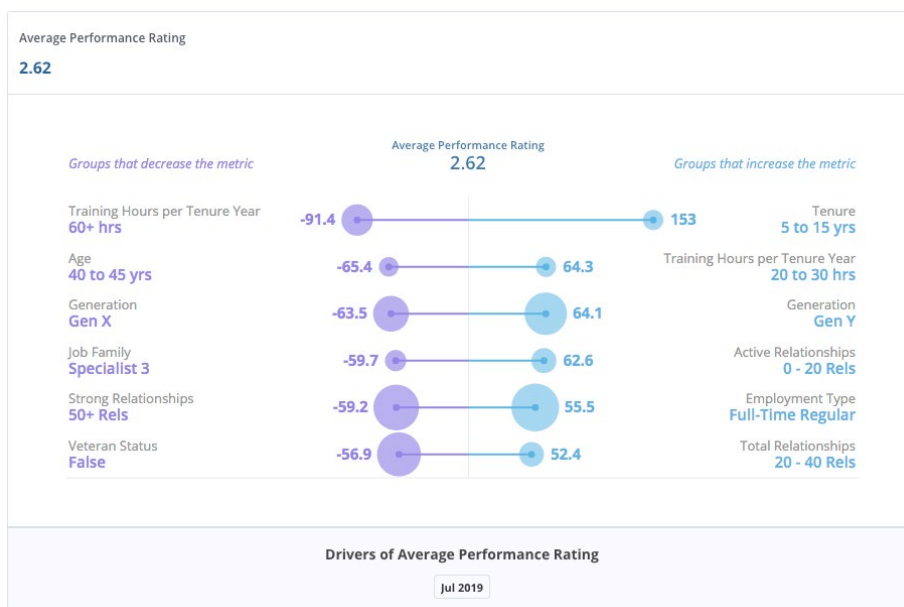
The analytics	The better decisions
Quality of hire	Identify which candidate attributes, such as source and education, are proven to produce quality hires (employees who stay past the first year and get good ratings from hiring managers), so you can focus efforts on the hiring activities that drive the best results long term.
Recruiter effectiveness	Spot trends in recruiter performance and workload, and adapt your processes if planned hires aren't being delivered fast enough.
Applicant diversity throughout pipeline	Track diversity ratios at every single stage in the hiring funnel to ensure equity throughout the hiring process.

Success Rate (Applicant Process)	Critical Requisition
1.83 %	**1.56 %**

Applied	6.65K / 31.8K
Screened	5.59K / 26.4K
Qualified	4.03K / 19.2K
Interviews Started	1.18K / 5.64K
Interviews Completed	652 / 3.42K
Selected	492 / 2.67K
Offered	322 / 1.87K
Offer Accepted	198 / 1.07K
Background Checked	110 / 645
Hired Yet To Start	104 / 583

Comparison of current applicants for critical and non-critical positions

Employee Performance

Strong performers can make the difference between hitting business objectives and missing them. To truly understand and improve on performance management, companies need to look beyond metrics, such as "performance appraisal participation rate" and "median performance rating," to analytics. When it comes to analyzing performance to drive business success, consider the following areas.

The analytics	The better decisions
Pay for performance	Correlate total rewards, compa-ratio, and performance levels to determine if you are effectively rewarding performance— top performers will revert to average or resign if they do not perceive themselves to be receiving a level of reward that recognizes their differential performance.
Top talent characteristics	Examine the characteristics, tenure, work experiences, and managerial connections of your workforce, and leverage your findings to grow future top talent.
Career progression	Analyze and predict the promotion rates, lateral moves, promotion wait times, and internal hiring rates to determine whether you are using the tools of opportunity to retain and maximize performance.

Average Performance Rating
2.62

	Average Performance Rating 2.62	
Groups that decrease the metric		*Groups that increase the metric*
Training Hours per Tenure Year **60+ hrs**	-91.4 ⎯⎯ 153	Tenure **5 to 15 yrs**
Age **40 to 45 yrs**	-65.4 ⎯⎯ 64.3	Training Hours per Tenure Year **20 to 30 hrs**
Generation **Gen X**	-63.5 ⎯⎯ 64.1	Generation **Gen Y**
Job Family **Specialist 3**	-59.7 ⎯⎯ 62.6	Active Relationships **0 - 20 Rels**
Strong Relationships **50+ Rels**	-59.2 ⎯⎯ 55.5	Employment Type **Full-Time Regular**
Veteran Status **False**	-56.9 ⎯⎯ 52.4	Total Relationships **20 - 40 Rels**

Drivers of Average Performance Rating

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Employee Movement

When it comes to employee performance, success is not just due to experience and raw talent, but also connections between employees. The primary way in which these workplace connections are created is through employee movement—how people move laterally from one team to another and vertically into more senior positions. The following analytics provide a greater understanding of the impact that movement has on an organization.

The analytics	The better decisions
Movement in and out of organizational units	Ensure the business units that make the most difference to your bottom line are increasing in talent quality, and not experiencing "brain drain" as employees leave that team or the organization.
Career paths	Analyze career paths to uncover the lineage for leaders and mentorship opportunities for employees on the same trajectory, and also see how departments have evolved over time in order to understand how to develop existing employees to meet future needs.
Succession coverage	Align succession pipelines with workforce plans to gain the ability to see when and where replacement talent will be needed and whether this talent can be developed from the existing workforce or whether external hires need to be made.
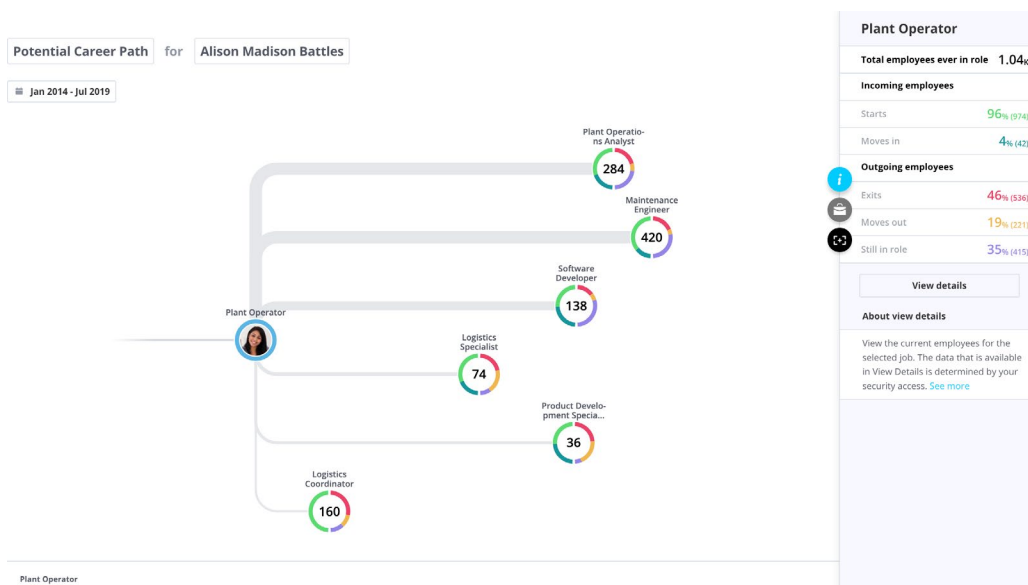
Total Rewards

With compensation contributing to the largest share of total expenses, it is imperative to ensure that total rewards programs are competitive, yet also aligned with business goals. Typically, compensation strategy and budgets are defined centrally, but allocations and decisions are distributed throughout the organization. This can create a disconnect between strategy and execution. The best analytics approach is to focus on the following areas.

The analytics	The better decisions
Total direct compensation dynamics	Understand the rate at which direct compensation costs are increasing and how this reflects the FTE (full time equivalent) count in the business—if your costs are higher and rising faster than your competition, then you are at a cost disadvantage, which will impact profitability.
Flexible workforce costs	Identify effective cost management options by analyzing where people costs can be flexed to reduce expenses or speed up revenue creation (for example, overtime spending, budgeted salary for open hiring requisitions, forecasted bonus expenses, costs of contingent workers, and so forth).
Total cost of workforce	Move beyond total rewards and consider your total cost of workforce—including taxes, long-term incentives, facilities, contingent labor, and other costs—to accurately plan for the future.
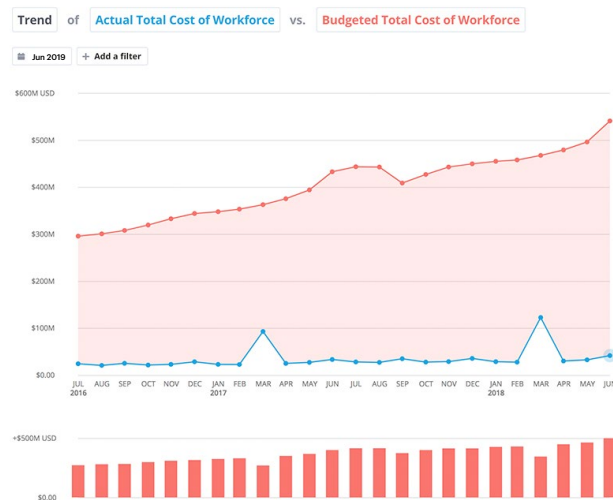
Learning & Development

Learning is a key part of work and crucial to retaining top talent, increasing productivity, and improving financial performance. However, simply knowing metrics such as "learner satisfaction" and "cost of training" does little to improve the efficiency of learning organizations and their impact on business results. To achieve better insight, monitor the following analytics instead.

| The analytics	The better decisions
Impact on business outcomes	Compare learning metrics directly to business metrics and determine whether, for example, training efforts are increasing productivity of certain units or are correlated to better sales performance.
Future compliance analysis	Keep on top of recertification deadlines by monitoring how many and which certifications are expiring in the coming months, and use this data to ensure there are no business interruptions as a result of non-compliance.
Time to productivity	Analyze how long employees are taking to become fully ramped up and how this impacts the business, and also identify which training programs are best at getting new hires onboarded and productive the quickest—and which still need improvement.
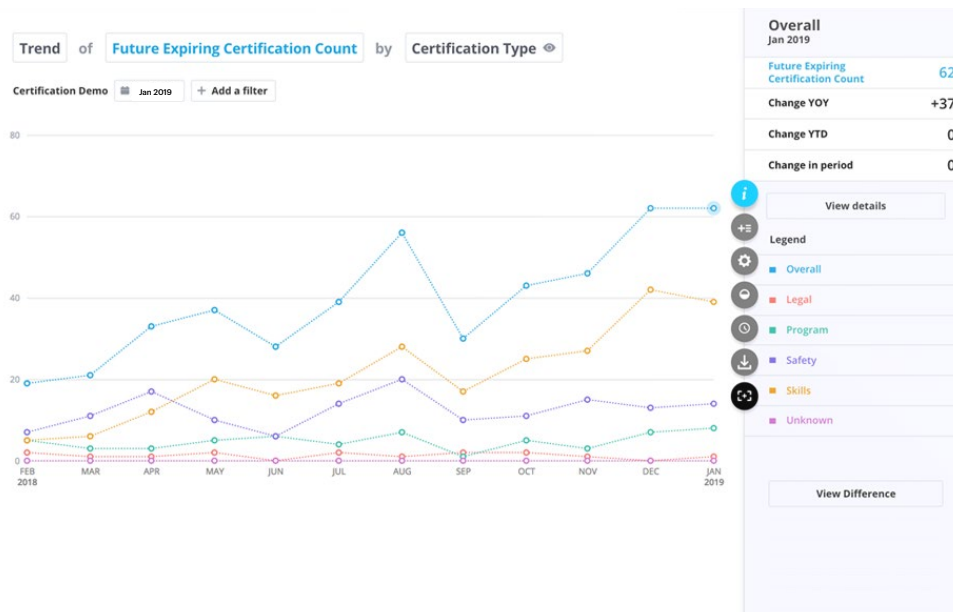
Diversity & Inclusion

While the majority of organizations state that diversity and inclusion is a top value or priority, achieving meaningful results is challenging. Compliance reports filled with general quota numbers aren't useful for decision-making, and addressing the diversity gap with hiring does not ensure adequate representation at all levels in the organization. The best analytics approach is to focus on the following areas.

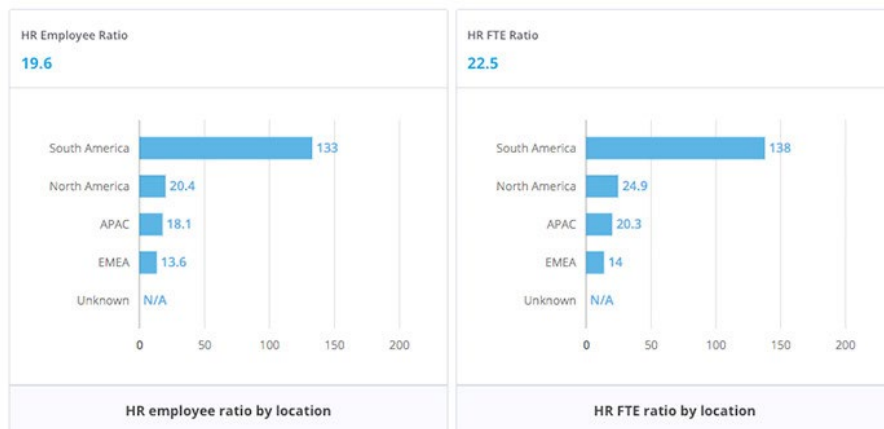| The analytics	The better decisions
Engagement scores of diverse employees	Compare the engagement scores of women and minorities (particularly in leadership) against overall engagement scores. Engagement is an excellent way to gauge how included people feel and provide an indication of where you're succeeding—and where more work needs to be done.
Turnover rates of employees	Monitor turnover amongst minority groups by location, organization, manager, job tier, and more to determine how well your culture is working for your diverse employees.
Hiring of diverse candidates across pay levels	Look at results across pay level to determine if you are making a difference across the board or if you need to take a more proactive approach at more senior levels.
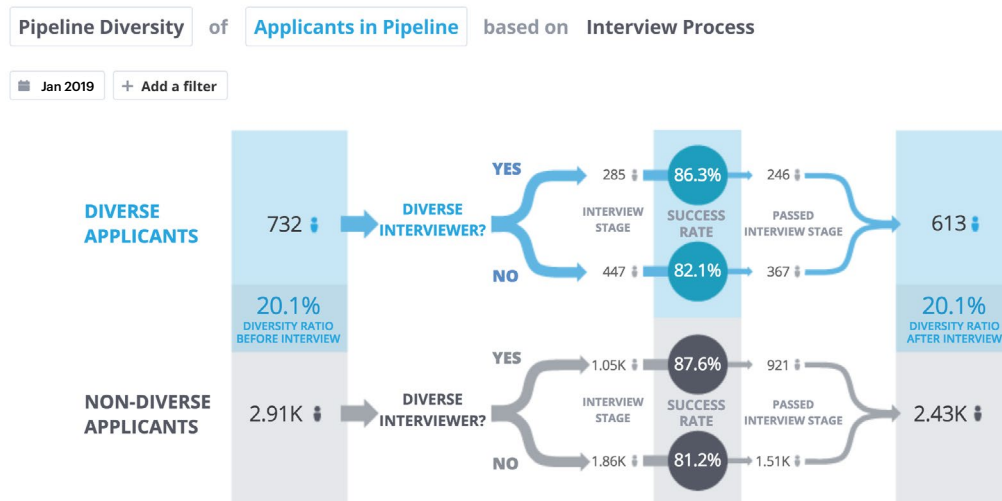
HR Effectiveness

HR-to-employee ratios are a somewhat controversial metric that can help establish HR staffing and determine how well HR delivers services. But many organizations are not calculating and using the number correctly. To achieve insight, monitor the following analytics.

The analytics	The better decisions
Manager to HRBP ratio	Understand whether your HRBP workload is too widely distributed or whether they can take on more managers. HRBPs need resources to provide their managers with strategic, as well as practical, advice.
Impact of HR staffing levels on employee outcomes	Compare how different numbers of HR staff impact employee outcomes. Determine whether doing more with less is the right strategy, or whether increasing your HR team in the right places will lead to improved outcomes for your entire workforce.
HR recruitment coverage	Monitor whether the HR recruitment team has enough coverage to support hiring needs and whether higher coverage leads to improved hiring outcomes.

How is the level of HR support distributed across locations?

Identify how many employees an HR person supports, in each location. Compare the levels of support to determine if coverage is sufficient.

HR Employee Ratio
19.6

Location	Value
South America	133
North America	20.4
APAC	18.1
EMEA	13.6
Unknown	N/A

HR employee ratio by location

HR FTE Ratio
22.5

Location	Value
South America	138
North America	24.9
APAC	20.3
EMEA	14
Unknown	N/A

HR FTE ratio by location

The Value of People Analytics

More than just a data extractor and number-crunching system, people analytics provides the insight and information that your HR organization needs to pivot from reactive to proactive, from tactical to strategic. Your talent drives your business' competitive advantage and understanding the drivers to success—so you can remove obstacles and plan new initiatives—will continuously give you a fresh advantage.

There has never been a better time for the datafication of HR than now. The proliferation of new technologies—such as people analytics platforms that bring your data together from all your systems and enable you to find the valuable answers in your mountains of data with a few clicks—have made it easy for anyone to become an analytics expert and feel empowered to make better people decisions everyday.

For more productive conversations about the datafication of your people decisions, use the glossary below to better understand commonly used analytics terms and capabilities:

People analytics (also called HR analytics or workforce analytics) refers to the analysis of data to uncover workforce trends. It is a tech-agnostic discipline and refers to all the business data that applies to employees.

People analytics platforms unify data created by various transaction systems so non-technical business and HR leaders can gain insight into how workforce trends are impacting business outcomes.

Analytics refers more broadly to the algorithmic sifting of large datasets for relevant correlations and patterns.

Metrics

Provide a standard system of measurement

Measure single data points

Provide information

Guide tactics and operations

State the past and present

Provide tabular outputs of counts and rates

Analytics

Provide systematic computational analysis of data or statistics

Connect multiple data points

Provide insights

Drive strategy

State the past, present and predict the future

Visualize patterns and trends

Predictive analytics uses data from the past to predict the future. It enables HR leaders to answer questions like: Who is at risk of resigning? Who should be considered for a promotion or a new role? When will we fill a key role? Robust analytics platforms continually train predictions on current employee data and events including promotions, resignations, and internal hires so that HR leaders can predict and plan for change.

Business intelligence (BI) refers to a technology-driven process for analyzing data and sharing actionable information. It is an umbrella term that includes basic reporting as well as the most advanced analytics.

Reporting (within the domain of business intelligence) refers to the use of static documents, presentations, or dashboards to share data points and metrics related to a specific area of business interest.

Data exploration is the process of using interactive data visualizations to drill down or into information, grasp relationships, spot outliers, and determine trends.

What-if analysis uses pre-built mathematical models to project trends if one or more contributing factors were to change. It uses both historical data to project the trend if things were to remain the same, and user-input values for variables that could change to project the "what-if" scenario. For example, if hiring isn't happening fast enough, HR can ask: "What if we add more recruiters to deliver the required volume?" By finding answers to what happens if the organization takes a particular course of action, HR can assess where the risks and opportunities are in the plan.

Machine learning is a type of artificial intelligence (AI) that continuously looks for patterns and correlations in past data and events to make predictions. The amount of data the machine learning system can access determines the accuracy of the calculations. The more data the system has, the more accurate the outputs.

Reporting delivers key metrics that reflect day-to-day operations of the enterprise. Provides answers to questions around "how many?"

Data science/specialized analytics leverages transformed and normalized data from people analytics to answer more complex cross-functional business questions and generate predictive models.

The Differences Between Reports and Analytics

Analytics connects data points in a way that facilitates exploration to boost insight. Unlike analytics, reports are static and do not provide the capability to drill down into the data.

The underlying structure supporting reporting tools makes it difficult—if not impossible—to create reports that are sourcing data from different locations within a transactional system. This makes it difficult to determine whether one thing is impacting another.[5]

Comparing analytics, Business Intelligence (BI), and reports is like comparing the navigation tools you would use for a road trip:

To read more on this topic, visit: visier.com/clarity/reports-vs-analytics-the-difference
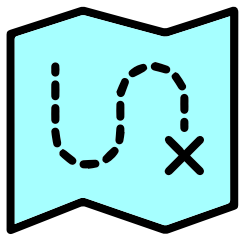
Reports are static like a paper map

BI is more like a GPS receiver that shows the precise location and provides directions on how to drive to the specified destination, but does not allow you to filter by real-time information—a significant problem if a major traffic jam suddenly develops.
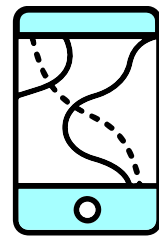
Analytics is like an interactive navigation system that provides a choice of routes and real-time updates on traffic patterns. It can make all the difference between whether you get from point A to point B on time.

Appendix

[1] From Business Case to Patient Outcomes: A Healthcare People Analytics Success Story. Visier. https://hello.visier.com/healthcare-people-analytics-success-story/

[2] First West Credit Union (Part 2). Visier. https://www.visier.com/resources/videos/first-west-credit-union-part-2/

[3] Griep, L. 2019. What is the Ideal Span of Control?. Visier. https://hello.visier.com/clarity-magazine-data-driven-leaders-volume-2.html

[4] Visier Value: People Analytics Drives 17% Manager Turnover Reduction. Visier. https://hello.visier.com/people-analytics-drives-manager-turnover-reduction/

[5] Bigsby, C. 2018, December 18. Reports vs Analytics: What's the Difference? Visier. https://www.visier.com/clarity/reports-vs-analytics-the-difference/
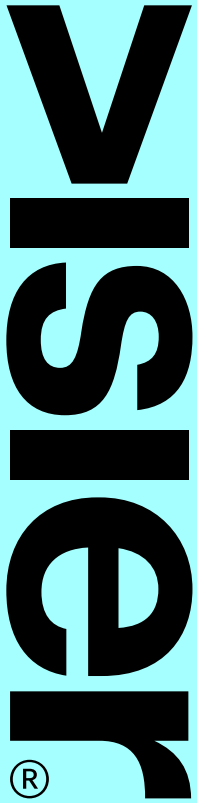
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