



HR Analytics: Why, What & How

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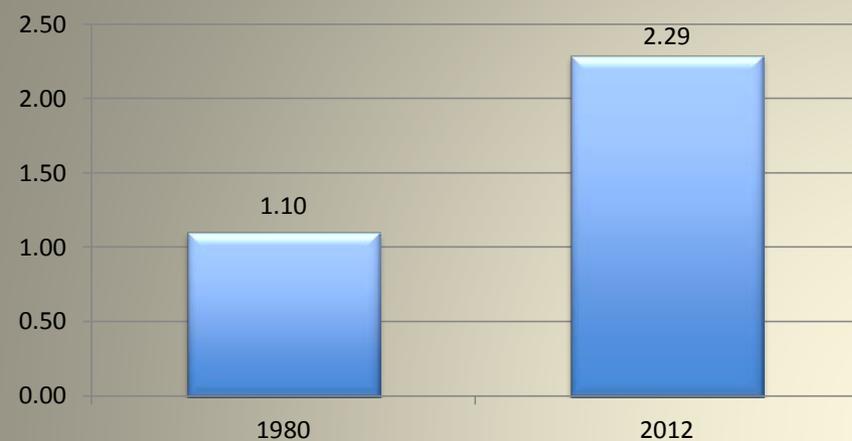
April 18, 2013

Why?

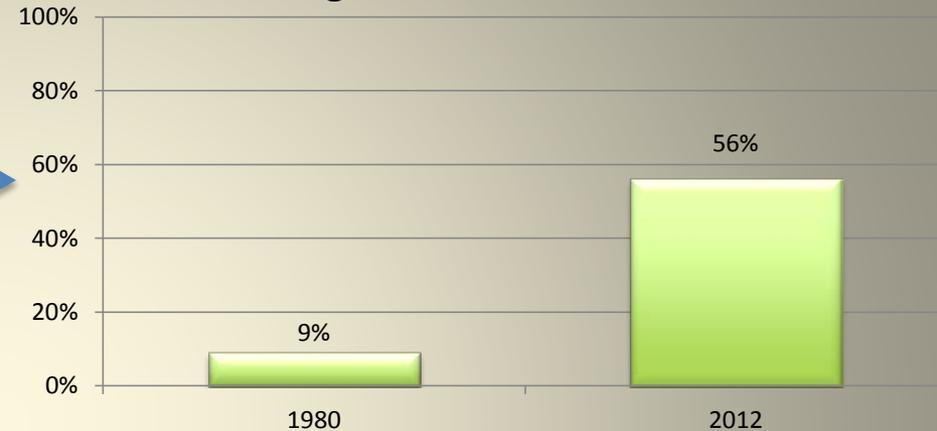
- Human capital management drives value creation
- Analytics drives better HCM
- Employee surveys have tremendous (but typically under-utilized) potential to create actionable business intelligence
- Big data & predictive analytics are coming to the “people side” of business

Role of intangibles has risen dramatically

Market to Book Ratio



Intangibles as % of Market Value



Intangibles drive value

Human capital is the source of all intangibles

Human capital management is now an essential organizational competence

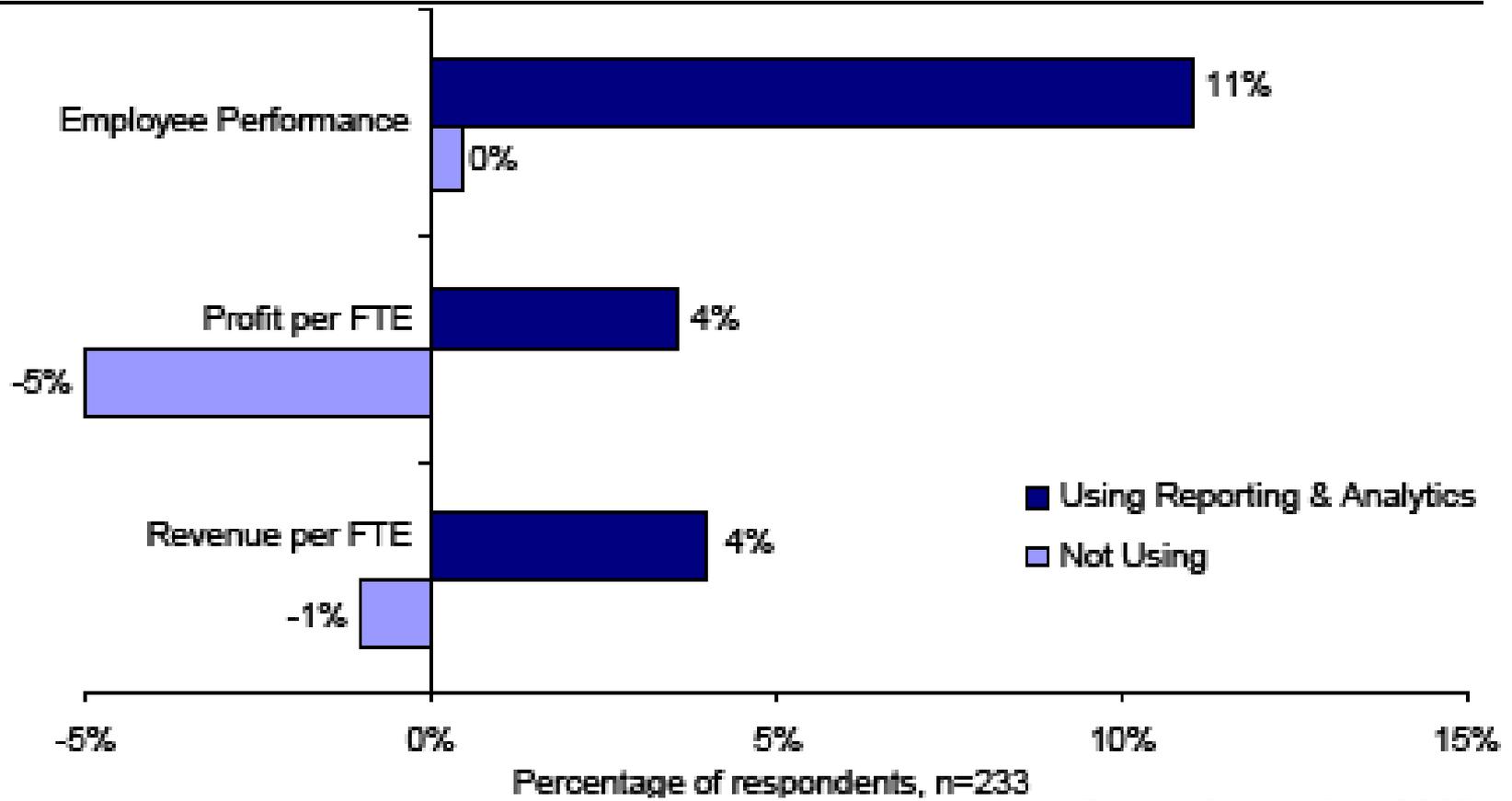
Analytics is now an essential HR competence

We've invested on this insight for over 10 years



Companies that use HC analytics outperform

Figure 4: Year-over-Year Impact from use of Reporting / Analytics



Percentage of respondents, n=233

Source: Aberdeen Group, September 2009

Example: Common sense can lead to very wrong conclusions



Why?

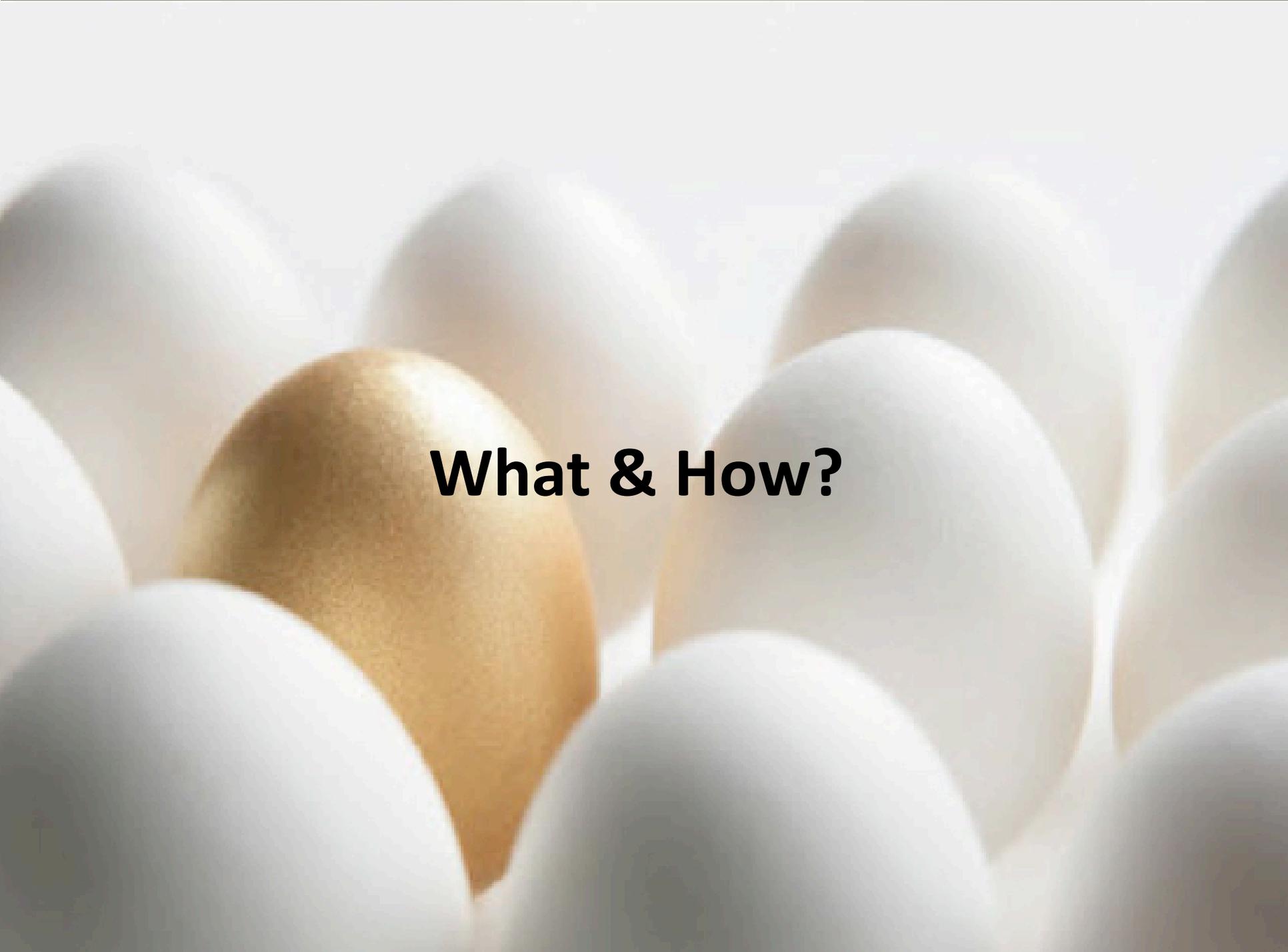
Opportunity Plus Necessity

Opportunity

Technological advances have greatly reduced the cost of doing analytics

Necessity

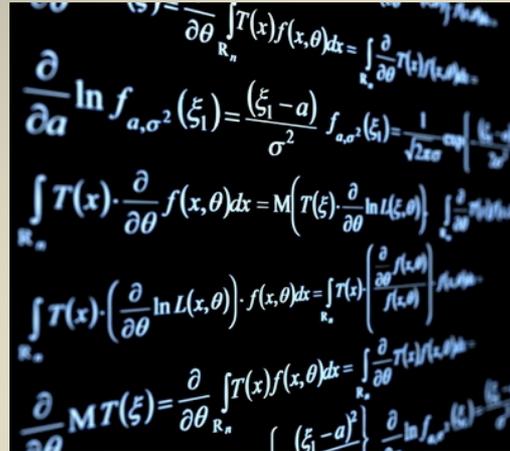
As HCM has emerged as one of the few sustainable sources of competitive advantage, decision-making by gut and intuition is grossly inadequate

A close-up photograph of several white eggs in a carton, with one egg in the center being a golden color. The text "What & How?" is overlaid on the image.

What & How?

What picture best describes analytics?

The image shows a complex 'Enterprise Architecture Score Card' table. It has multiple columns and rows, with cells containing numerical values and colored backgrounds (green, yellow, orange, red) indicating performance levels. The title 'Enterprise Architecture Score Card' is at the top left.



It's not about reporting, dashboards or complex math.

It ***IS*** about data-derived insights that drive better decisions.



Fundamentally, analytics is about:

- Asking better questions
- Putting together disparate pieces of data to produce actionable insight

Example:

Identify the human drivers of

Table 4-4. Summary of Top "Areas of Opportunity" for Improving Key Sample Company Outcomes

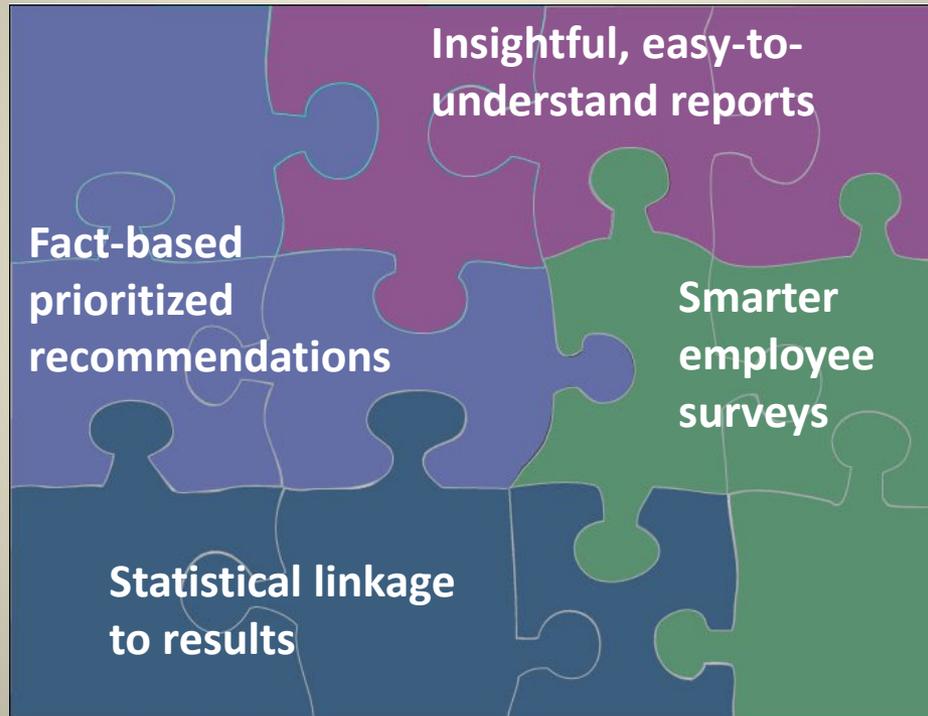
Survey Item	Key Outcomes for Sample Company		
	Employee Commitment	Sales Productivity	Customer Satisfaction
The senior management team seeks and uses input from employees in making decisions.	✓		✓
The senior management team clearly communicates what is expected of employees.			✓
Employees' performance problems are addressed appropriately.		✓	
The most competent employees are promoted.		✓	
Sample Company improves the processes we use to get work done.		✓	
Sample Company has well-defined processes for getting work done.	✓	✓	✓
Our hiring process results in the best candidate getting the job.	✓		✓
Sample Company encourages and expects teamwork.	✓		

Examples:

WHO	USED ANALYTICS TO	RESULT #1	RESULT #2
Payroll provider	Improve leadership development	Significantly increased leadership effectiveness	4 percent more productive workforce and a \$20 million improvement to the bottom line
Telecom company	Improve customer service	Over 10% increase in service productivity	More than \$40 million in operating profit improvement
US DoD corporate university	Reduce scrap learning	50% reduction in wasted investments	Hundreds of millions of dollars in cost savings for American taxpayers

Examples provided by Knowledge Advisors

4 Step Process



Step #1 - Asking the right questions

McBassi People Index[®]



Typical employee engagement surveys are too narrow - not up to the task of creating actionable business intelligence.

A more innovative version of Step #1

McBassi Good Company Assessment



Includes all elements of MPI, plus additional measures of “Good Company”

- Diagnostics
- Outcomes

Step #2 - Statistical linkage analysis

Depending on specifics of data, there are **three primary statistical methods** for linking people factors and business outcomes:

1. Multivariate analysis
2. Correlations
3. Comparison of means/t-tests

Analytics is the “missing link” that enables you to identify the top human drivers of your business results.

Example of unified analysis database



Two major types of business intelligence analysis

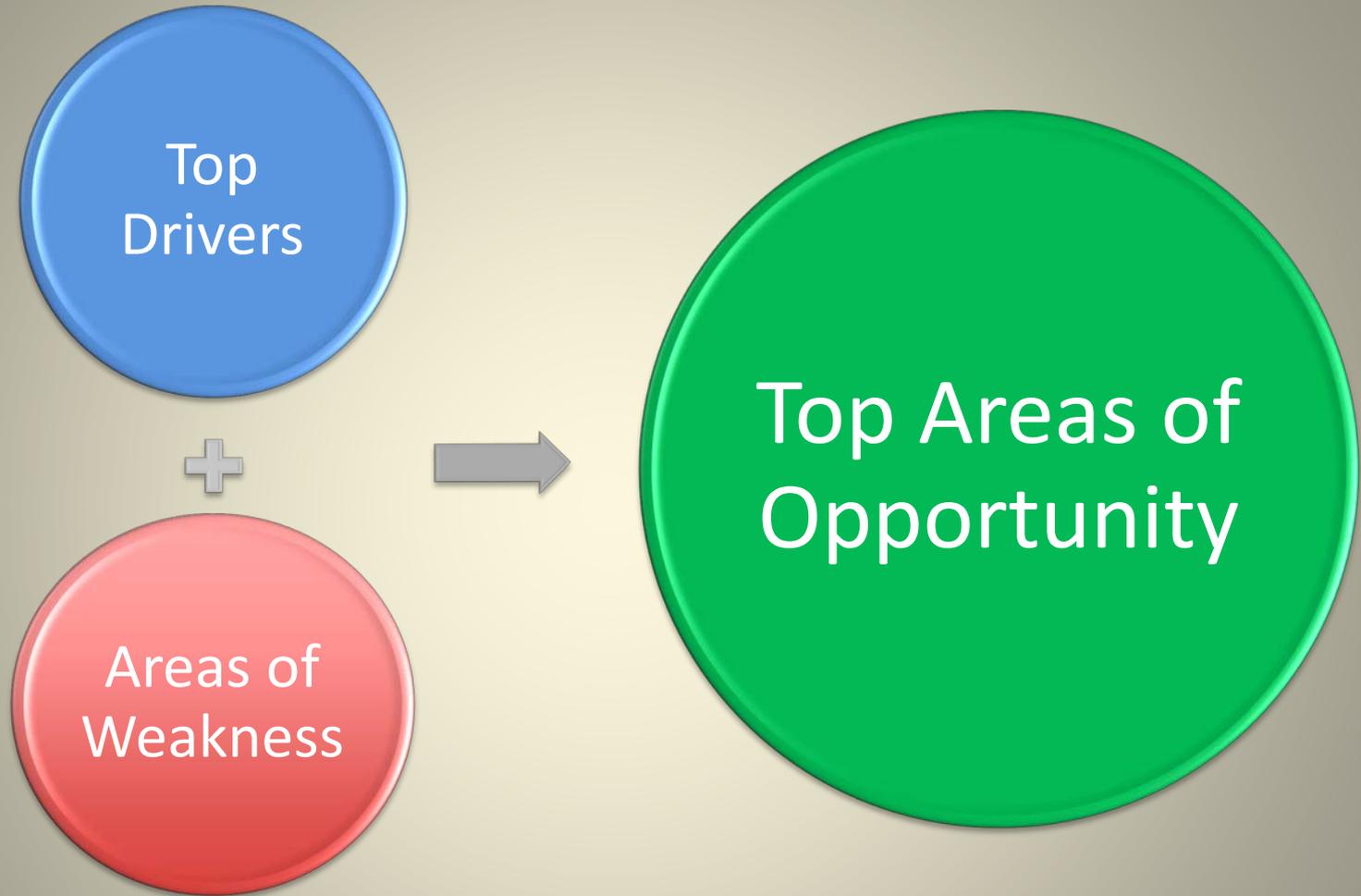
1. Creating insightful reports from your employee survey

- Conduct statistical linkage analysis based on outcomes collected in the survey itself
 - Engagement (including intent to stay, willingness to refer a friend)
 - Support for customer service
 - Etc.

2. Ongoing (post-survey) analysis of the drivers of business results

- Make decisions now that will ultimately make possible statistical linkage analysis based on “hard” outcomes (collected **outside** the survey), even if that’s not part of the first round
 - Turnover
 - Sales
 - Cost containment
 - Customer satisfaction
 - Etc.

Step #3 - Identifying areas of opportunity



This step systematically combines information about the top drivers of business results with measures of relative weakness.

Example: Common sense can lead to very wrong conclusions



Step #4 - Insightful reporting

Highly visual, easy-to-understand reports serve as a catalyst for change

One of the most important lessons we've learned: *less is more* when it comes to reporting and recommendations – tell what's important, **not** everything you know

- Avoid “data dumps”
- Focus on simple reporting that makes it easy for busy managers and leaders to know what actions to take.

(Sample portions of) report elements

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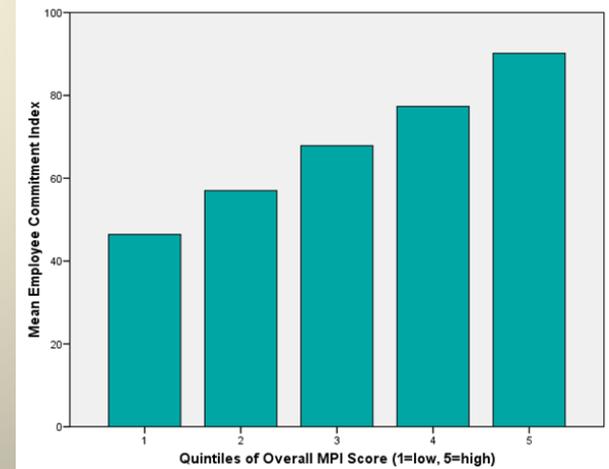
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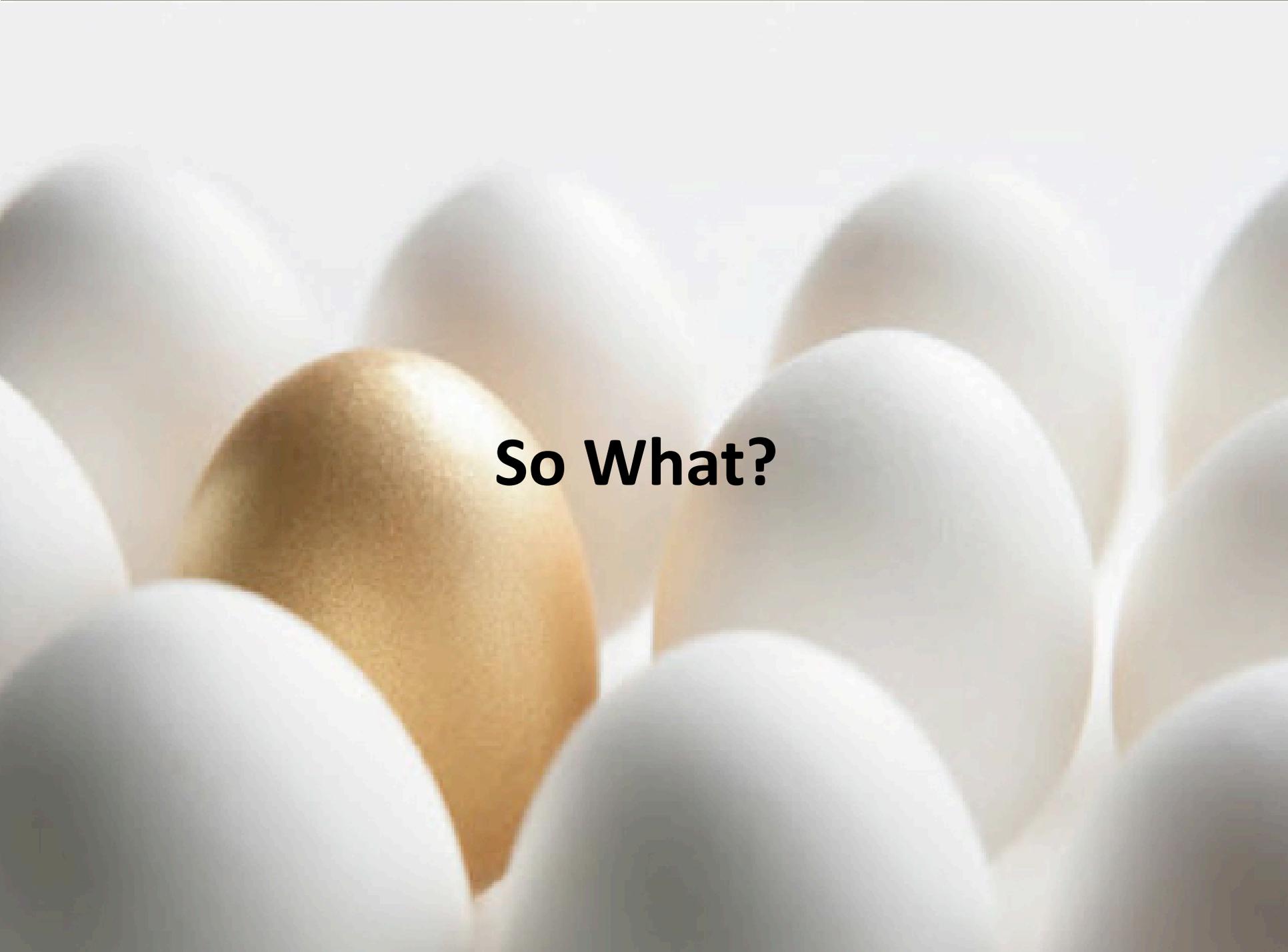
	Operations	Senior Manager #2
	Overall	Overall
Overall Score	73	76
Leadership Environment	76	80
Work Environment	74	77
Learning Environment	69	72
Employee Commitment	72	81
Customer Focus	68	74

Table A-1. Areas of Top Opportunity for Brooks & Truslow¹

	Brooks & Truslow Overall	Consumer	Pharma	Devices + Diagnostic
There is open and honest, two-way dialogue between front-line employees and leaders.	53	50	55	53
My work environment fosters teamwork.	57	53	56	61
Employees at all levels of the organization are held accountable for producing quality work.	53	44	56	60

**Figure 4-1
Relationship between MPI Scores and Employee Commitment at Sample Company**



A close-up photograph of a cluster of white eggs. One egg in the center is a distinct golden color, standing out from the surrounding white eggs. The lighting is soft, highlighting the smooth texture of the eggshells.

So What?

- The “people side” of the business has become too important to be left to guesswork and intuition
- Companies that use analytics wisely will continue to outperform their competitors that don’t
- Analytics helps us speak the language of business – it elevates our function
- It helps firms operate in the “sweet spot” – the intersection of sustainably profitable & enlightened management of people



**Best Practices
&
Pitfalls to Avoid**

Best Practices

- Learn to think of your organization as a “naturally occurring experiment”
- Start small and build credibility
 - In the early stages, focus on solving immediate problems
- Have the end in mind and build an infrastructure to support it
- Collaborate with other analytic groups within your company
- Build/buy analytics competence within HR
- Provide the right level of executive leadership support
- Engage a leader who has an analytics understanding, passion, and interest

Avoid

- Using analytics to “prove HR’s worth”
- Assigning this mission to a lower level technician
- Confusing:
 - Data dumps with insight
 - Benchmarking with analytics
- Allowing the perfect to become the enemy of the good



Resources

Useful resources

Good Company

Bassi, et al.

Predictive Evaluation

Basarab

Analytics at Work

Davenport, et al.

HR Analytics Handbook

Bassi, et al.

Drive

Pink

Investing in People

Cascio & Boudreau

The Business of Learning

Vance

Free Resources

McBassi Articles

- How to Create More Value From Employee Surveys (*Talent Management*, September 2012)
- Other briefs & white papers: mcbassi.com/free-resources/

Knowledge Advisor Resources

- [Talent Analytics Module—June 2013](#)
- [What is Talent Analytics and Why Do We Measure?](#)

Talent Development Reporting Principles

- centerfortalentreporting.org/



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