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Data-driven HR evolution: Harnessing the power of people analytics

As employees' wants and needs change, organizations must transform if they are to meet their strategic goals. To do so, they will need reliable data and sophisticated analysis to make the best decisions and enhance business value.

Introduction

The modern workforce is changing. Companies are struggling to attract and retain talent with the right skills while developing the employees they already have. Organizations are managing more diverse and multigenerational workforces, and employees' attitudes toward their employer are changing as well. At the same time, economic pressures are forcing companies to weigh how to disperse employees across geographies. Meanwhile, artificial intelligence (AI) and rapid innovation are affecting how we envision roles.

As the world of work changes, companies often lack the mechanisms needed to gain an accurate understanding of the state of their employees' knowledge, skills, and abilities. To meet their future strategic goals and needs, organizations will need to transform their workforces. That will require complete, solid, and reliable data and sound and sophisticated analysis to render the insights leaders need to make smart decisions as they plan their organization's people strategies while maintaining agility and fluidity in their current workforce.

While Human Resources (HR) functions are making strides to build analytics capabilities, many organizations still don't have a dedicated program around workforce data. Many HR organizations lack well-defined metrics and data skills and rely on several technology solutions piecemealed together, resulting in crucial people data sitting in disconnected multiple systems, hampering information-sharing and transparency. Compounding issues, an organization may have disparate teams working in silos to meet the needs of the business without a clear vision or roadmap for bringing all the work together.

The reality of this new talent landscape demonstrates the need for a robust, future-proof, data-driven people analytics function that brings together multiple capabilities around data science, HR, AI, and technology and provides visibility to all the data across an organization's entire ecosystem and the analytics to glean all the insights that data can offer. People analytics offers HR the ability to access structured and unstructured data in real-time to support people,

talent strategy, and business decisions. Having data and insights helps an organization to make better and more informed decisions around what skills it needs and hire those skills more quickly.

This paper will describe how to create a truly data-driven HR organization that can help businesses to think more strategically around their people-related issues, drive autonomy, and understand and manage their workforce more effectively, resulting in increased employee engagement, cost-savings, employee retention, and business value.

Making decisions based on predictive insights

Most HR functions have the means to collect basic people-management data. However, these processes tend to focus on ad hoc reporting on the current or past state of the organization's workforce, for example, number of employees, types of jobs, demographic information—in other words, things that have already happened. A people analytics function, on the other hand, can add a predictive viewpoint that can suggest scenarios of what might happen and also offer insights to determine what we should do.

For example, HR functions typically have data about monthly turnover. While that information is helpful, it is only reporting outcomes. What is needed is a way to use data to shape a strategic view to drive outcomes. A people analytics function can look at turnover trends and offer ways to address the issue of people leaving the company. First, it can determine the voluntary turnover rate over a certain period of time. Then, it can analyze the explanations employees gave for leaving and uncover trends and root causes and what factors affected voluntary turnover the most. Next, it can predict which employees are at the highest risk of leaving the company. Finally, it can help determine what to do to retain these workers, such as increasing salary, providing opportunities for special-project assignments or leadership engagement, or offering other perks.

In addition to addressing turnover, people analytics can also increase the effectiveness of talent development. For training to be of value, organizations need to know what skills their employees will need, if those skills exist in the organization, and if not, then determine what upskilling is needed or where that skill exists in the marketplace and how to attract that talent.

More specifically, an effective people analytics team can help get the right answers to questions such as:

1. What is the internal and external landscape regarding geographic composition, hiring, attrition, career transitions, macrotrends, and gender/ethnicity?

2. What variables contribute to someone who is likely to leave? Which people are at risk of leaving the company? What retention strategies can we employ by individual and team? What is the forecasted number of leavers, hires, and retirees in six months?

3. On the other hand, how do we best prepare employees to be successful in their roles? Which employees have high potential in our organization? Who should we bring into leadership development programs? Who should we pull into special projects or stretch roles?

4. How do people's anecdotal experiences and sentiment around culture, work environment, leadership, career development, and total rewards correlate to the broader organization's data so as to understand trends and variables that drive experience?

5. What's the company perception from candidates who were hired versus rejected? Where in the recruitment process do we lose the highest volume of candidates? Why?

6. What skills do we currently have, and what will we need in the future and at what volume to meet business needs? How will we acquire this talent? Who do we currently employ who could be upskilled? Which courses are the most impactful and correlate to high performers?
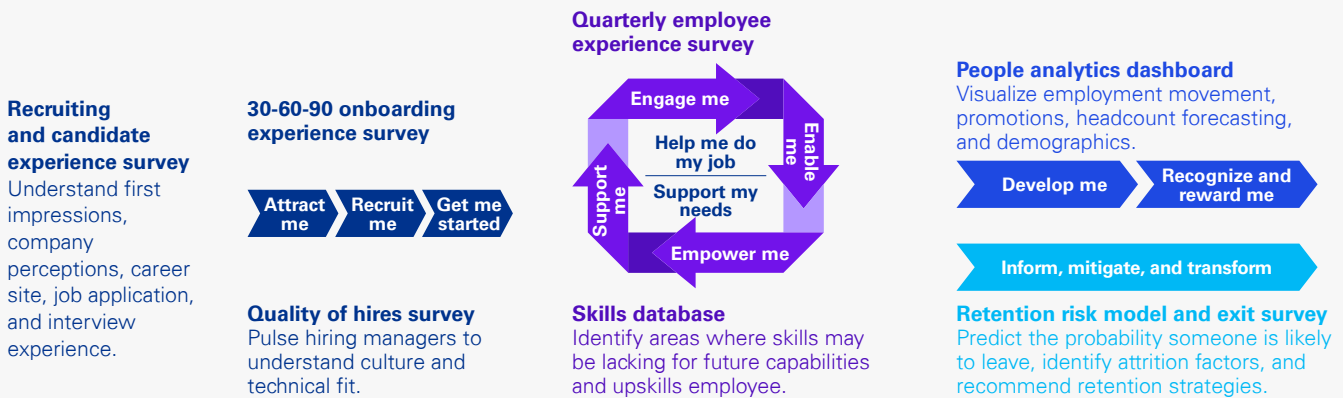
It's important to note that addressing people challenges will typically involve more than one factor but rather involve correlating multiple data points. For example, the root cause of retention issues may be multifaceted—compensation, career development, and poor onboarding experience, for instance. And this issue may be confined to one part of the business or disproportionately focused on one particular underrepresented group. Therefore, it's important to have a full picture of the data to understand all facets of these issue.

People analytics in practice

How does people analytics work in practice? One use case is evaluating the employee experience from time of hiring to exit, using various data points along the way. As the following diagram shows, the process involves gathering employee impressions about their experience from hire, through onboarding and onward throughout their time at the company. The data can help determine the need for training to develop new skills and chart the employee's promotions. Finally, all this data can be used to identify attrition factors and be used to develop retention strategies.

Telling a holistic employee lifecycle story using various data points

Recruiting and candidate experience survey
Understand first impressions, company perceptions, career site, job application, and interview experience.

30-60-90 onboarding experience survey

Attract me → Recruit me → Get me started

Quality of hires survey
Pulse hiring managers to understand culture and technical fit.

Quarterly employee experience survey
Engage me / Enable me / Support me / Empower me / Help me do my job / Support my needs

Skills database
Identify areas where skills may be lacking for future capabilities and upskills employee.

People analytics dashboard
Visualize employment movement, promotions, headcount forecasting, and demographics.

Develop me → Recognize and reward me

Inform, mitigate, and transform

Retention risk model and exit survey
Predict the probability someone is likely to leave, identify attrition factors, and recommend retention strategies.

People analytics can also benefit specific roles within the organization. In particular is the chief human resources officer (CHRO), who often hears anecdotal evidence of issues but struggles to find consistent data to support the business issues presented to them. The prioritization of challenges can be difficult when executives lack solid data and must rely on intuition and judgment alone. The following graphic compares how an HR executive deals with issues today compared to how they can be managed with people and analytics.

	Today	Tomorrow
Understanding the workforce	We have access to descriptive reports and understand basic metrics such as turnover, some compensation data, and other segmented employee information but not everything I would like to read.	If we see concerning trends, then I feel like I can vocalize these concerns and there is a dedicated team that's capable of assessing data using advanced analytics whether this be an ad hoc request or part of normal business practices.
Determining the HR strategy	I would like to leverage insights to better understand our workforce and our internal HR processes. We have some workforce data but not much access to process data.	Recommendations are brought to me from the analytics team, this helps me understand how we need to address our strategy and adapt to better serve HR customers.
Surveying our people	There is a separate survey team from the analytics function that we collect feedback from, but the two groups function independently so I'm unable to tell a historic story.	Survey design seems intentional and data driven. There is anecdotal feedback available but can also be measured to monitor if there is progress made over time.
Predicting employment trends	We currently don't have any capabilities to forecast employment/turnover trends, or predict potential leavers.	I can make informed decisions regarding our talent acquisition, compensation and benefits, and succession planning strategy. These help alleviate burdens created by reaction-based hiring.
Forecasting demand/ effectiveness of HR services	Process effectiveness is currently managed internally to the HR Center of Excellence (COE) and relies heavily on the worker survey feedback and our own experience.	Our policy decisions and HR staffing model can be developed based on historical/seasonal trends, and we can predict anticipated effectiveness based on data collected internally and externally.

Building a people analytics function

Building a people analytics function won't happen overnight. It will require a well-thought-out strategy, beginning with overall buy-in and pilot programs that deliver meaningful KPIs that can build the business case to drive organization wide adoption. Here are seven guiding principles for enabling people analytics.

Obtain buy-in from executives and operations and identify a champion

It is important that all C-suite executives are aligned on the power that people analytics can provide, not only for HR, but also for the entire organization. It will also require buy in from operations to support a holistic workforce view. Additionally, a visionary leader should not only have analytics acumen but also the charisma and communications skills to bring others on board and drive engagement.

Build on a solid foundation

Building a strategic people analytics function requires a solid foundation: hiring experienced resources that are enabled and organized in the right way, having a robust ongoing listening strategy, ensuring data visualization and automation tools are leveraged appropriately, properly configuring your HRMS, combining disparate data sources via a HR data mart, and establishing strong data governance/quality.

Invest in infrastructure

Leading companies invest in technology infrastructure, in addition to beyond the basic out-of-the-box functionality from cloud human capital management (HCM) vendors, such as data visualization tools and analytics automation tools.

Create a data partner role

A liaison between the business and core people analytics colleagues who understands business needs to scope requests and excels in presenting data, insights, employee experience surveys, customized recommendations, and research that lead to actionable solutions.

Start with a pilot program

Begin with a small-scale pilot program in one department and use the results to build use cases that can encourage buy in and drive adoption. People analytics can go beyond just the basic people metrics, like attrition, retention, and attraction. So, one way to demonstrate value is to link the people metrics to financial metrics.

Borrow expertise from throughout the organization

The capabilities to be built in HR are the same as those that have been built in finance functions or supply chain functions, for example. Those same principles and resources can be applied to support POCs and early builds.

Increase self-service

Create intuitive, user-friendly dashboards and reports that employees can access themselves, freeing HR from the tyranny of the mundane to work on strategic, insights-driven analytics. It is also important to remember those employees who may not use a computer every day and provide alternatives, like workplace kiosk where they can access self-service features.

Conclusion

Data-driven HR organizations demonstrate broad-based commitment, sponsorship, and passion to using data to drive strategy, decision-making, and change. Decisions are supported and informed by data and are proactive in nature, enabled by integrated dashboards and predictive analytics.

People analytics can enable HR to move beyond merely collecting historical data to use data to determine not only the "why" behind workforce issues but also the "what to do" to address them.

Supported by people analytics, HR teams can gain comfort and capabilities around telling stories with data and analytics, as well the ability to ask the right questions to drive predictive insights that can drive people strategies that can empower organizations to meet challenges of today's changing workforce.

Case studies

Global professional services firm

A global professional services firm faced a lack of comprehensive dashboards, inadequate self-service, and an Oracle HCM platform that was underutilized due to lack of experienced resources. These challenges led to a disjointed support model, lack of clarity responsibility for requests, lack of insights, and analytics resources who were primarily focused on reporting, instead of analytics work.

By developing a target operating model (TOM) and roadmap, the firm enabled the people analytics function to enhance the end-user experience, increase self-service, reduce people analytics administrative tasks, and enable an increase in strategic insights and value-added analytics work that will also increase employee retention.

American multinational corporation

An American multinational corporation faced lack of comprehensive dashboards, lack of self-service adoption, and a HCM platform that was underutilized due to lack of experienced resources. Security gaps led to "offline" reporting. Lack of awareness of when tools became available was also common.

People analytics was enabled to understand the factors that led to attrition and identify additional interventions other than compensation, such as increasing internal career mobility, improving talent development, increasing employee engagement, and reducing burnout.

British retail bank

A British retail bank's people analytics team was providing limited people-related insights to the broader HR team and the business. Reports and dashboards were built manually, data was disaggregated, self-service capability was unestablished, and overly strict security led to data accessibility issues for report generation.

People analytics was enabled to tell a more data-driven and comprehensive analytics story in regard to all phases of the employee lifecycle such as attrition, internal mobility, compensation, etc., enabling them to be more strategic, consultative, and provide better insights.
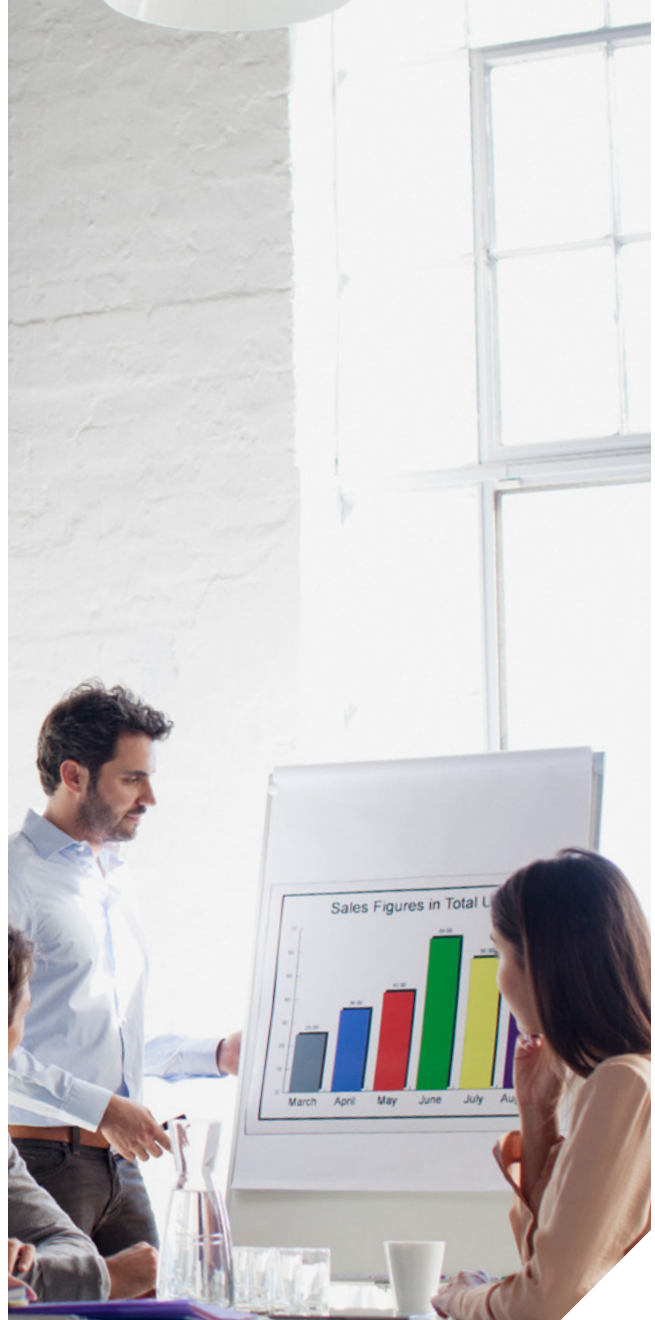
National fast-food chain

A national fast-food chain encountered historical resistance to change, lack of data consistency, and limited insights. Additionally, the company faced technology, data accessibility, and resource limitations. The company's primary objective was to empower business leaders and HR to validate decisions using data.

By developing a TOM, the company enabled the people analytics function to streamline their processes and specialize in their analytical areas of expertise that was comprised of a mix of data engineers, data partners, data visualization experts, and data scientists.

How KPMG can help

People cannot lead effectively based only on feel, experience, and anecdotes. They also cannot deliver more with less without the right resources. Leaders need data, analytics, and dashboard capabilities to address trends. Our professionals have deep experience across all industries and the knowledge to help organizations have the data needed to see into the organization and the analysis tools to make informed workforce decisions. Adding people analytics as the foundation will help improve your organization's talent lifecycle—from beginning to end—for better workforce productivity and retention.

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