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White Paper

Improving the employee experience using people analytics

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1 | Foreword

Organizations around the world are transitioning towards a customer-centric business model, a shift brought on by advancements in technology and consumer behavior. This shift brings with it the question of an employee experience that should, at the very least, be awarded the same importance as the customer experience, the two being intrinsically linked.

As new talent strategies struggle to bring to the forefront *the employee* and engage them to deliver better business results, technology has proven to be an essential partner in capturing key data and offering unique insights into how this employee experience should be shaped in order to deliver better retention, higher productivity and effective talent management.

In this white paper we'll be exploring the key challenges that HR leaders are facing today, as the so-called war for talent rages on. From workforce planning to employee engagement and retention, we'll be discussing how the industry is tackling this challenges and how they can be overcome, with the help of people analytics.

By mapping every touch point within the employee experience and using smart people analytics to personalize them, HR managers are able to better predict, manage and measure the impact of their operations, as well as link the to business outcomes.

This emerging HR discipline which operates with big data and predictive models offers a business legitimacy to HR operations which has been long overdue. It also enables CHROs to become a strategic partner in managing business operations and prove human capital ROI.
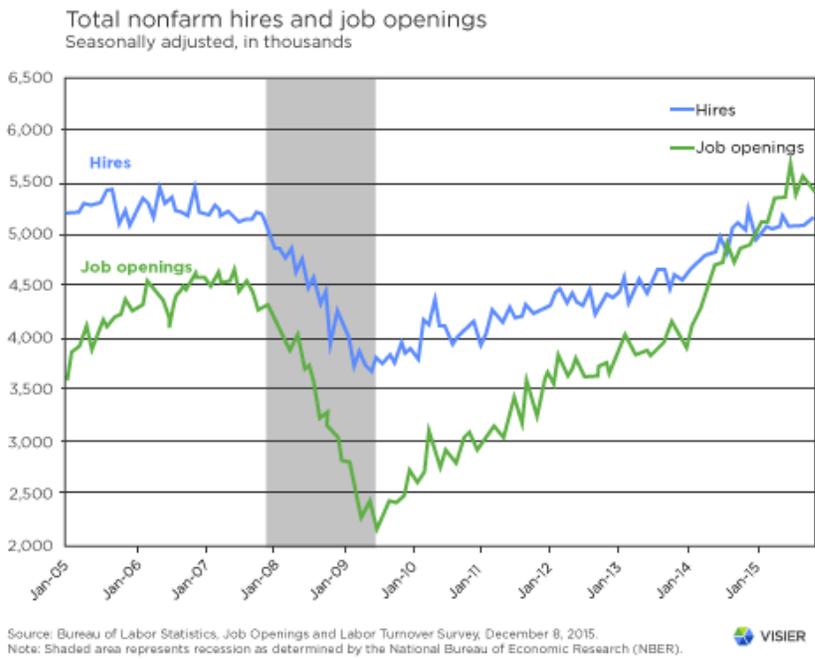
2 | Current workplace challenges

The most recent JOLTS, or Job Openings and Labor Turnover Survey published by the US Bureau of Labor Statistics, puts the latest US job openings level registered in November 2015 at 5,431,000(p).

An unprecedented increase in job openings shows that the demand for talent is forcing companies to plan better and recruit better. Workforce planning and talent recruitment have become a key focus point for HR professionals around the world, as they confront new challenges in finding and retaining the right employees.

"Companies cannot hire fast enough to keep up with their workforce demands."

VisierAnalytics

Total nonfarm hires and job openings
Seasonally adjusted, in thousands

Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, December 8, 2015.
Note: Shaded area represents recession as determined by the National Bureau of Economic Research (NBER).

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Workforce planning

Workforce planning is a finance-led process for a great majority of companies, focused primarily on managing headcount to budget, to ensure there are no cost overruns. The standard procedure is that average cost-per-headcount allocations are made, and hiring is closely monitored. But is this approach still viable in today's workplaces?

The latest data shows that it's not. A recent survey by Harvard Business Review Analytic Services found that for the vast majority of respondents, inadequate workforce planning has prevented them from meeting business goals. In fact, the majority of leaders surveyed (73 percent) have experienced talent gaps leading to missed business objectives as a result of poor workforce planning. In a recent SilkRoad survey, 36% of the HR managers interviewed said that not having access to analytics that allow them to have a clear picture of their workforce is a major concern.

But while company leaders recognize the necessity of a carefully mapped-out workforce planning, they are not taking action to improve the situation.

"These results don't surprise me. (...) Only a small percentage of organizations do anything more than headcount planning."

Karen O'Leonard, director of global client solutions at consultancy Towers Watson and former vice president of analytics at Bersin by Deloitte

The first step in redressing this situation is to run human capital and talent management strategies parallel to your business goals. To that effect, Sylvia Vorhauser-Smith, a global talent management consultant and Forbes contributor advises on a series of key actions:

- "Make workforce planning and strategic business planning parallel processes.
- Ensure your leadership values data-driven decision-making and promotes a culture of objective transparency.
- Invest in a sophisticated data engine with analytical tools to generate meaningful workforce information.
- Combine internal, external, structured and social data to produce deep insights into talent availability and shortfalls.
- Hire HR specialists who are adept at data modelling, interpretation and forecasting."

via Forbes

Julia Howes at Mercer Workforce Analytics & Planning recommends that strategic workforce planning start with gaining strategic insights on organization imperatives and talent implications for your company. This analysis needs to be followed-up with a measurement of talent gap risks, meaning talent demand, workforce gaps and risks, and talent supply.

As you dive into modelling your talent management plan, you need to consider quantity, quality and location. Mercer's workforce analytics and planning model, for example, takes into account a talent development, talent acquisition, contingent workforce talent deployment and retention strategy, while also taking into account a possible change in business strategy triggered by the previous steps.

Once this planning is done, you need to decide on the people practice and programs to ensure talent attraction, retention, engagement, career development, performance management, rewards and recognition, but also leadership development and workforce mobility.
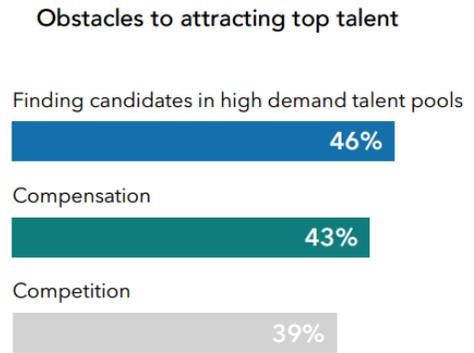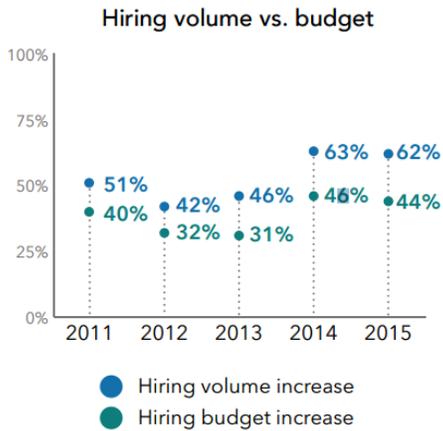
Recuriting top talent

With PwC's most recent Annual Global CEO Survey revealing that over 70 percent of CEOs identify the "availability of key skills" as one of the top three threats to their companies - an eight-year high for that question - recruiting top talent stands out as a particularly daunting challenge for HR practitioners.

"Talent, not capital, will be the key factor linking innovation, competitiveness and growth in the 21st century. More than a third of employers globally reported facing difficulties in finding talent last year and nearly half expected talent shortages to have a negative impact on their business results. "

The Human Capital Report 2015 - World Economic Forum in collaboration with Mercer

Marked by the lack of consistency in workforce planning but also by the "silver tsunami" with approximately 10,000 Baby Boomers retiring every day, talent recruitment is a top challenge for companies around the world. Recruiters are pressured to find the right talent, within the set budget, and to develop and retain that talent in order to drive business results.

LinkedIn's Global Recruiting Trends 2016 Report shows that the gap between hiring volume and budget is a continuous struggle. This imbalance prevents organizations from overcoming obstacles or transforming their talent strategies.

Hiring volume vs. budget

- 51% (2011)
- 40% (2011)
- 42% (2012)
- 32% (2012)
- 46% (2013)
- 31% (2013)
- 63% (2014)
- 46% (2014)
- 62% (2015)
- 44% (2015)

● Hiring volume increase
● Hiring budget increase

Obstacles to attracting top talent

Finding candidates in high demand talent pools
46%

Compensation
43%

Competition
39%

But the most important recruitment metric remains the quality of hire. Most companies are measuring quality of hire with feedback methodology, such as new hire evaluations and hiring manager satisfaction, or a long-term methodology, namely employee retention.

Most valuable metric

- Hiring manager satisfaction: 18% (2014), 21% (2015)
- Time to fill: 25% (2014), 28% (2015)
- Quality of hire: 44% (2014), 39% (2015)

● 2014 ● 2015

50% measure quality of hire through new hire performance evaluation

49% measure quality of hire through turnover or retention statistics
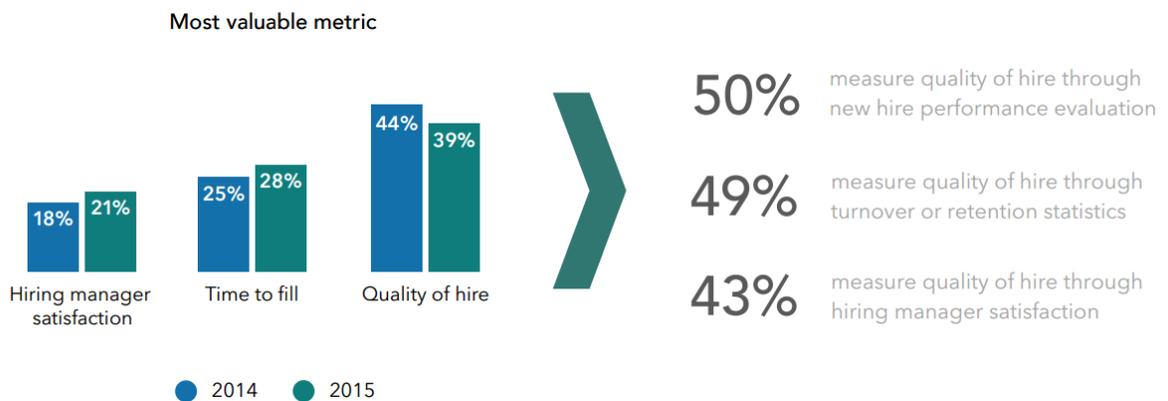
43% measure quality of hire through hiring manager satisfaction

Employee retention

Speaking of which, employee retention continues to be a challenge, even in today's modern workplaces that seem to provide everything you could possibly need or want.

Respondents to Globoforce and SHRM's 2015 Employee Recognition Study cited employee turnover as the biggest challenge they're facing:

TOP ORGANIZATIONAL CHALLENGES CITED BY HR PROFESSIONALS

Challenge	2015	2013
Employee retention/turnover	40%	33%
Employee engagement	39%	47%
Succession planning	35%	39%
Recruitment	29%	26%
Culture management	24%	35%
Performance management	22%	31%
Employee satisfaction	22%	18%
Relieving employee frustration	14%	18%
Employee enablement - providing	12%	19%
Productivity	11%	10%
*Employee happiness	9%	
*Employer brand	9%	
Revenue per FTE	7%	10%
Other	4%	4%

Q: What are the most important challenges you currently face in your organization?

via Globoforce

This has now become a CEO-level issue that weighs heavily on business results as this struggle for talent intensifies. A high turnover rate means financial losses, a decrease in the company's knowledge base as well as a low employee engagement level.

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Companies have come to realize that the biggest drivers of retention are not always compensation and benefits, but a variety of intangible issues, including other job opportunities available, the brands and positions at competing companies, and the skills and experience of their people.

This is especially important since in 2015 Millennials have surpassed gen Xers, to become the largest generation in the U.S. workforce. Although studies show that Baby Boomers, gen Xers, and Millennials' priorities largely align on key job-related issues: fair treatment, opportunities to grow, flexible work hours, and measurable impact of their work, the current global state of employee engagement and high turnover rates signals a problem when it comes to employers aligning to these issues.

Employee engagement

Which brings us to one of the most talked-about aspects of talent management in the last couple of years - employee engagement. Globally, employee engagement is declining, after hitting an all time low in 2014, with only 65,9% of employees engaged, according to Quantum Workplace.

Gallup U.S Daily estimates U.S. employee engagement at 32.1% for November 2015, with a current year-to-date average of 31.9%, despite the improving economy.

The UK is also experiencing a worrying decline in employee engagement. According to the Office for National Statistics figures, in UK workforces were 31% less productive in 2015 than those of the US and 17% less productive than the rest of the G7 countries (Source).

More research from Aon Hewitt shows that less than half of global employees (46%) think they are paid fairly for what they contribute (a perception unchanged in the last year) and even though there has been a slight improvement in other key engagement drivers like the employee value proposition, recognition, and innovation, the overall net change in the average employee's work experience is negative.

Among all organizations, there's a desire to increase employee engagement, improve talent recruiting and retention and better employees' health and wellbeing (Virgin Pulse – State of the industry: engagement and wellness in 2015). While executives' objectives align with overall organizational objectives, managers prioritize talent recruiting and retention over other areas. Managers need to work on building trust and providing a strong employee value proposition. Communication and business transparency are key to this endeavor, empowering employees with the necessary knowledge to perform well and stay longer.

3 | Aligning the employee experience to the customer experience standard

Perhaps one of the biggest shifts in recent business development trends has been the customer-centric approach. In order to stay relevant and competitive in their industries, companies have started asking more and more questions about who their customers are and what they expect from their brands. Instead of focusing on the external forces shaping the market, company strategists chose to understand their customers better, in order to deliver personalized products and services, and also to create a more transparent and powerful brand.

But what about the customer within? What about the key resource that ensures a company's competitive advantage over other businesses?

Focusing on the engagement and development of your employees can ensure a strong company culture, where people thrive and perform their best work, where their efforts are recognized, retention is high and the overall satisfaction levels are conducive to great results. And it's not just that, it also makes perfect business sense, especially for a customer-centric company. Following the perennial service-profit chain theory, such an approach strengthens the relationships between profitability, customer loyalty, and employee satisfaction, loyalty, and productivity.

A quick recap for those who haven't visited this theory in a while:

- "Profit and growth are stimulated primarily by customer loyalty.
- Loyalty is a direct result of customer satisfaction.
- Satisfaction is largely influenced by the value of services provided to customers.
- Value is created by satisfied, loyal, and productive employees.

- Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers."

The numbers check out. For example, Answer's 2014 Experience Index, correlated with employee engagement data from its American Employee Study, quantitatively validate the causal relationship between retail store employee engagement and customer satisfaction, showing that employee engagement has a direct, positive effect on customer satisfaction for two dozen of the top global retail brands in the US. In fact, employee engagement programs can increase profits by $2,400 per employee per year (Workplace Research Foundation). More research from the Temkin Group also shows that 91% of highly engaged employees always or almost always try their hardest at work, compared with 67% of disengaged employees.

In order to achieve this level of correlation between employee engagement and business results, HR must create an integrated employee experience that tracks a candidate from their first contact with the company brand, until their last day at the office and even further. Every interaction that an employee has with your brand is an engagement touch point that can ensure the success or the failure of your strategy.

Creating an integrated employee experience

The employee experience is the sum of all the interactions between that employee and your company. It starts with the first social media post they see, the first job listing or the first headhunting email, and ends with keeping in touch even after they leave, including everything in between.

Throughout this experience, a number of emotions, processes, people and objects are involved, and they can either be linked effectively to attract, engage and retain top talent or they can be disconnected and perpetuate high turnover and disengagement.

"Organizations have always assumed that they can create a place where they assumed people needed to work there and are now realizing that they must create a place where people want to work there. "

Mapping the employee experience

HR practitioners can learn a lot from the principles of design thinking. The movement that started a decade ago continues to revolutionize business practices, making a strong case for human-centered innovation. The two popular bestsellers *Change by Design: How Design Thinking Transforms Organizations and Inspires Innovation* by Tim Brown, CEO of design firm IDEO in Palo Alto and *The Design of Business: Why Design Thinking is the Next Competitive Advantage* by Roger Martin, dean of the Rotman School of Management in Toronto, talk about using design thinking to improve user experiences, develop new products or services, revamp corporate strategies, disturb or reinvent industries.

If you look at your current HR processes with a critical eye, how many of these processes are truly necessary? How many of them are efficient? How are they shaping the employee experience?

Design thinking can help you keep only relevant processes and organize them to work together to provide employees with a seamless experience that brings real value to both the employee and to the organization. What if you applied this way of thinking to every step of the employee experience journey?

Step 1: Create a persona and empathize with them

Who is your end-user? The persona, the ideal employee, is a construction that helps you understand who you want to attract and how that person thinks and feels. It will tell you where to find them, how to talk to them, what to offer them and how to build a relationship with them.

Step 2: Define their needs and wants

Research their needs and their objectives like you would any potential customer. Go deep into their lives and find out what makes them feel valued, what challenges them, what their passions and fears are, what they do to overcome them and who they rely on to make decisions.

Step 3: Ideate

Brainstorm ideas for every stage of the employee experience - get creative with your solutions.

Step 4: Build a prototype program

Build a representation of one or more of these ideas to show to others and check if they work.

Step 5: Test

Test your ideas and get feedback from your existing employees.

Engaging employees throughout every step of their experience

Beginning with the employer branding and recruiting phase, you can analyze each stage of the employee experience through the employee engagement filter. You can, for example, convey your company values during the recruitment process. If an organization is saying it is innovative, that should be reflected in their recruitment message and actions. A company's values should be aligned with the way people behave.

That level of integrity and transparency is a powerful engagement driver for candidates, even before they become employees, fostering trust and respect for your brand. This simple action can help you attract the right employees. Moreover, these employees are more likely to stay longer in the organization and invest more in their work. Robert Hohman, the CEO of Glassdoor, declared that 51% of job seekers have buyers remorse and 83% of those individuals leave their employer in the first year. That's because the candidate's expectations and understanding of the company's culture didn't match their experience.

The application process is another essential step that is often overlooked as an engagement opportunity. By re-designing your applicant tracking system and online job submission processes from being employer-centric to being employee-centric can help create an engaging experience right from the start. This can, in turn, lead to a longer and better relationship with that future employee.

Giving specific and relevant feedback is not only an engagement tactic, it's also common sense. This shows the candidate that you are there to help them be successful, as a part of your organization, or as an external. In case a candidate is rejected, inform them through a phone call or personal email. Generic emails infuriate candidates because they usually provide no feedback and imply to the candidate that they are unworthy of your company's time.

Onboarding and even pre-onboarding are also key steps in the overall employee experience and can be leveraged to foster engagement even before the job starts.

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"Given the fact that in Indonesia regulation states that employees can freely leave the company without any liability and without a 30 days' notice during their 3-months probation period, I would say that onboarding is crucial for the employee experience. After that, having an integrated engagement program is vital to keep employee motivation up."

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Maris Karima Rahadiyan, Global HR Operations at Cargill

Before their official first day, Ernst & Young provides an innovative onboarding portal that includes an online virtual tour that provides their new hires with information about their firm, walks them through the onboarding process and answers the questions that are most frequently asked by previous new hires.

Warby Parker sends "an electronic welcome packet", with the company history, core values, press clippings and what a new employee should expect during their first day, week and month. Also, the night before starting, new employees at Warby Parker get a call from their direct supervisor to make sure that they know "where to show up and when". (LinkedIn) These are some great examples of small things that can really make a difference.

Make sure resources are accessible during the onboarding process. Streamlining and organizing your files should make it easier for everyone to find things. Another thing you can do is to have managers of new employees initiate conversations with new hires during the first one to three months on the job, to help assimilate new employees to their new job, the organization, the culture, and the work environment. You can also create a job shadowing program for employees to job shadow and learn about other departments in the company.

Growth opportunities represent one of the most significant drivers of employee engagement. In fact, it has been cited as the number 1 engagement driver across all job functions in Aon Hewit's 2014 Global Survey. In the past few years, employees' expectations have not only grown exponentially, but they have also been molded by the explosion in HR software solutions that have made the future possible. Projecting learning lessons in an employee's workspace when they're not occupied or intuitive pop-ups when they need more information to complete an action are just some of the ways that employees are learning today.

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Gamification is another rising trend in employee learning and development and a market that's currently expected to grow at 67.1% CAGR to 2018, according to a recent global gamification research report.

By using game techniques and game theory in an every-day business context, this method raises employee motivation and involvement. In her book *Gamification in Business*, An Coppens explains how gamification can have a massive effect is as a feedback mechanism:

"What people are craving, and particularly Millennials, is a level of feedback. In most organizations this is once or twice a year, but what games do is give everyone instant feedback on how you're doing. I think that's a key lever to play with – it's what millennials want and what Baby Boomers haven't received."

Marking special moments, whether it's a work anniversary, a birthday or a new project being released, is another component of employee engagement because it reminds everyone that there are real people performing that work. And these people deserve to be recognized and supported throughout their long hours, their success and even their failures, in order to improve and perform together with their teams.

As we reach the end of the employee experience, on the last day, it may seem a bit counterintuitive to still speak of employee engagement. Except it's not. Letting that employee go without so much as a "See you around" is not only sad, it's bad for business. What you should do, instead, is conduct an exit interview. Set the stage for employees who leave to believe that returning at some point in the future is an option. Rehired employees, or boomerang employees, know the organization and the organization knows them. That's why it's great to have a plan in place to maintain relationships with former employees after offboarding has taken place. It's good to keep communications open with former employees through social media groups and email newsletters.

Retirement is another step of the employee experience that often gets overlooked. Engage the people who've served you well by creating an Alumni community. You can use retired employees as an excellent project-based, flexible source of experience and make them feel like an essential part of your company's story. Keep in touch with employees who already know your business and offer them a chance to keep working in some capacity. This will help you manage your knowledge better and it will also give them a purpose after a life's work.

About three quarters of individuals approaching retirement have for some time said that they would like to keep working in some capacity, yet only about a quarter of them actually do. Something is keeping them from working, and that something is on the employer side.

As you put these experiences together, you'll start to see the big picture and be able to identify improvement opportunities and track ROI. After all, your goal is to track and measure if your overall engagement strategy is paying off and if you're really creating the employee experience that can attract and retain valuable talent.

4 | Bridging the gap between human capital and business outcomes using people analytics

The employee experience isn't an isolated set of actions. Instead, it depends on a wide array of capabilities, tools, teams and systems. In order to create relevant employee experiences that can impact business results, companies need to look at their business from a variety of dimensions, to ensure that all of the different parts of the system work together efficiently.

Culture

The transformational power of people analytics is linked to a company's culture. The process of attempting to unify existing HR practices with new digital solutions has revealed the differing goals, values, attitudes and more that exist within any given organization. Any deviation to the existing culture is hard to manage. Regardless, it is a crucial foundational element to achieving a personalized employee experience that can improve engagement and retention.

Strategy

In many cases, the customer strategy is owned by HR, which is to be expected. However, it will be incumbent upon organizations over time to reorganize around stakeholder input and create processes which enable the entire organization to play their part in the employee experience. Moreover, HR will have to acquire technological and analytical skills that used to belong solely to the IT department.

Technology

In today's hyper-connected world, we're submitted to a constant flow of emails, messages, mobile apps and gadget notifications that enable us to communicate with anyone at any time and this has had a major impact on the way we work. We now work anywhere and everywhere, at the office, on the train, in coffee shops

and at home. This "always-on" way of working is proving to be overwhelming for both employees and for HR managers who are trying to drive productivity and improve work experiences. The answer lies in the personalization of communications and the smart use of technology to deliver the right experiences at the right touch points.

Design

These technological solutions have to be mapped out carefully. The employee experience is not a linear experience; instead it's a contextual one that has to be optimized to fit the employee's wants and needs, while fostering collaboration, productivity and engagement.

Process

While strategy is considered most important, process is often an overlooked piece of the puzzle, and, for HR, process should be the critical element. That's where implementation fails, results don't show and strategies tumble. HR specialists need to make sure that strategy is being carried out effectively, with the help of technology.

Data

The key to understanding employee journeys and creating personalized experiences is people data. However, it's just as important to have the tools and personnel to understand and manipulate datasets, with the purpose of revealing something new. Collecting data is extremely important, but it is useless without the analysts to make sense of it.

Using technology to track and measure employee engagement and retention

HR is oftentimes thought of as an intuitive function. And that's not necessarily a bad thing. It's true that many HR decisions are focused on individuals and bear this subjective aura that it impossible to quantify or analyze.

People analytics is the key to that problem. It finds a way to organize all those instances where HR decisions were made, compare them to workforce trends and improve HR processes.

"Just as advertisers and retailers are using data from customers' online and social media activity to tailor their shopping experience, organizations could soon start using workers' personal data—with their permission—to measure and anticipate performance and retention issues."

Anthony Bruce, HR analytics leader at PwC

The value that people analytics brings to managing employees is in identifying and analyzing the relation between engagement and retention. How and why people are engaged with what they do, how does that translate into the business metrics and what you can improve to retain them - these are the key insights that can transform the way you do business. To obtain this key information, you simply have to ask employees.

Start by looking at your team as real people, with ideas, aspirations, accomplishments and challenges, within the workplace and outside of it. These people are not a means to generating business results, they are a formidable resource that needs to be understood and nurtured in order to deliver on what's expected of them as workers. Get to know your employees, be available for them

and connect by simply asking how they feel and what's happening in their lives. Try to understand the challenges they're facing and the long-term goals they've set out for themselves, and how you can help.

While many companies still conduct employee engagement surveys biannually or semiannually, pulse surveys have proven to be much more efficient in gathering real-time, actionable data that can really have an impact. The results from these surveys can help bring the employee voice to the table as decisions are made about company priorities and goals. They can also guide leaders in developing business plan implementation strategies that are most likely to be successful, as the year progresses.

"Earlier, when CEOs and CFOs talked, the conversation was based on solid data. HR conversation, however, was merely anecdotal. Now, thanks to data analysis, HR is able to spot trends, make predictions, create a roadmap to succeed and have conversations with other C-suite members of the company based on solid facts."

Shaswat Kumar, partner, Aon Hewitt via Business Standard

Knowing how employees are feeling and promoting a culture of feedback drives accountability for managers to take action. Moreover, having employees constantly giving and receiving feedback not only streamlines collaboration but it also lets employees know that their opinions are valued and that they can make an impact on the workplace. Employees also feel that they have a constant outlet to express their feelings, giving them a sense of empowerment.

Productivity and retention can be measured in the context of engagement drivers - the key reasons behind every action. Management, for example, is a key engagement driver. In fact, managers account for as much as 70% of variance in employee engagement scores, according to Gallup research. But, while this is a well known fact, companies don't seem to be focused on addressing this issue.

Globally, it is reported that 80% of employees dissatisfied with their direct manager are disengaged. Other key engagement drivers are:

Confidence in Leadership   Commitment   Positive Outlook on the Future   Meaningful Work   Relationships with Coworkers   Innovation
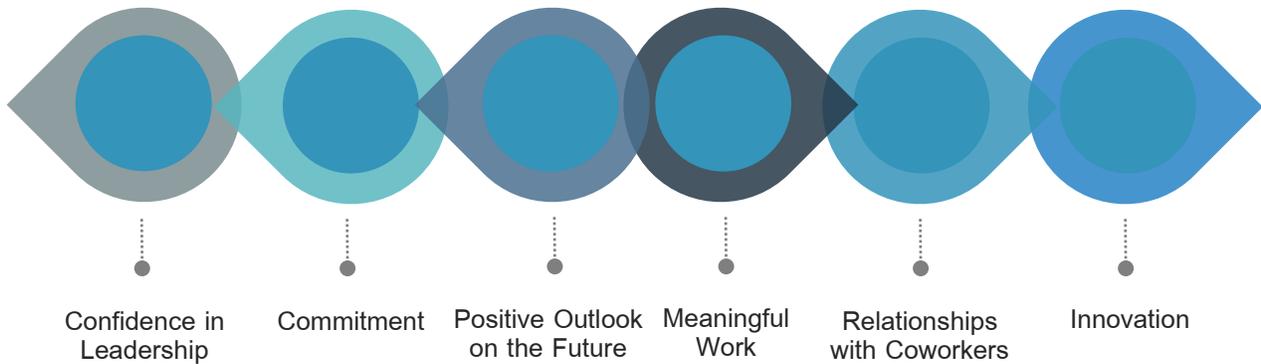
Using HCM technology to model and predict talent needs and people outcomes

People analytics combines traditional HR data with real-time data from a myriad of mobile apps. engagement apps and feedback apps, that come together in a database of what people are doing and how it's impacting their performance.

This data is extremely valuable if interpreted correctly, giving way to a predictive function within the HR department that can address business problems like improving sales productivity and leadership pipelines, reducing turnover and increasing productivity. Coupled with design thinking and the employee persona, this data enables HR managers to predict absences and turnover, improve internal communication and create effective learning and development plans.

These analytics are used to model and predict capabilities so that an organization gets an optimal return on investment on its human capital, as well as quickly answer workforce-related questions, monitor potential risks, and identify trends. Its potential is so vast because it gives palpable data that cat inspire truly creative solutions to attract, engage and retain top talent. Here are just a few examples

that Thomas H. Davenport, Jeanne Harris and Jeremy Shapiro referenced in an article for Harvard Business Review:

- "Almost every company we've studied says it values employee engagement, but some—including Starbucks, Limited Brands, and Best Buy—can precisely identify the value of a 0.1% increase in engagement among employees at a particular store. At Best Buy, for example, that value is more than $100,000 in the store's annual operating income.
- Many companies favor job candidates with stellar academic records from prestigious schools—but AT&T and Google have established through quantitative analysis that a demonstrated ability to take initiative is a far better predictor of high performance on the job.
- Employee attrition can be less of a problem when managers see it coming. Sprint has identified the factors that best foretell which employees will leave after a relatively short time. (Hint: Don't expect a long tenure from someone who hasn't signed up for the retirement program.)
- Professional sports teams, with their outsize expenditures on talent, have been leading users of analytics. To protect its investments, the soccer team AC Milan created its own biomedical research unit. Drawing on some 60,000 data points for each player, the unit helps the team gauge players' health and fitness and make contract decisions.
- Other business cases referenced in Deloitte's Human Capital Trends 2015 Report are also pointing to creative ways of using this data to streamline processes and improve HR efficiency.
- One vendor has become so sophisticated at analyzing HR data that it can predict retention within weeks, simply based on data available from an individual's behavior on social media.
- Another company found that its compensation was too evenly distributed, pleasing mid-level performers but leading high achievers to depart for greener pastures.
- After years of forcing job candidates to endure endless rounds of interviews and tests, Google used data to discover that, after the fourth interview, every following interview is largely a waste of time. Not only did this discovery streamline recruiting, it also helped the company understand what management factors led to the best job performance.

- Companies such as Oracle and ADP analyze sales performance based on talent characteristics. They can now better decide who to hire, how to set quotas, and who should become a sales leader."

This is the best time for HR to make the same leap that the finance function has made in recent decades and become a true partner to the CEO. With the data at hand, the CHRO should help the CEO by building and assigning talent, especially key people, and working to maximize the organization's energy, proving their essential role in corporate decision making.

"CHROs should recommend ways to use human capital to unlock or create value."

Harvard Business Review

Proving human capital ROI

According to York University (Ontario, Canada) business professor Brenda Zimmerman, complex systems like criminal justice, health care, and schools, are filled with hundreds of moving parts, scores of players of varied expertise and independence yet missing a "mission control" that runs all these different parts within an ever-changing political, economic, and societal environment. A complicated system, on the other hand, assumes expert and rational leaders, top-down planning, smooth implementation of policies, and a clock-like organization that runs smoothly.

One practical outcome of this distinction is approaching planned change differently. Those who run complicated systems (e.g., airplane and automotive industrialists, investment bankers, computer hardware and software CEOs) introduce change by laying out a detailed design of what is to be changed, step-by-step procedures to implement the change and overcome any employee resistance, and reduce variation in performance once change is implemented. Highly rational, mechanical, and smooth.

We would argue that proving human capital ROI is a complicated problem that can be dealt with in a rational, planned manner. This is where most companies struggle - interpreting the data and actually linking it to business results. Analyzing the impact of every touch point and correlating it to retention, engagement and leadership pipeline objectives is the Holy Grail of people analytics but it can be done, with a logical approach.

Having a dedicated team and a budget to go with it is an essential first step in calculating human capital ROI. The skills required to be a part of this team should include HR expertise, IT knowledge data systems expertise, statistics, match and operations research.

Any project of the sort should be driven by key executives, together with the different levels of management, to ensure that all the variables are known and that there is an overview of the entire HR program.

Among the KPIs studied, HR managers should also measure the relationship between employee engagement and productivity, compensation and retention, and recruiting and retention. The goal of analyzing these relationships along with the other HR KPIs is to drive decisions, improve processes and promote human capital programs that enhance team capabilities and improve management support.

If we take employee engagement as an example KPI we see that it touches on a number of business goals, such as:
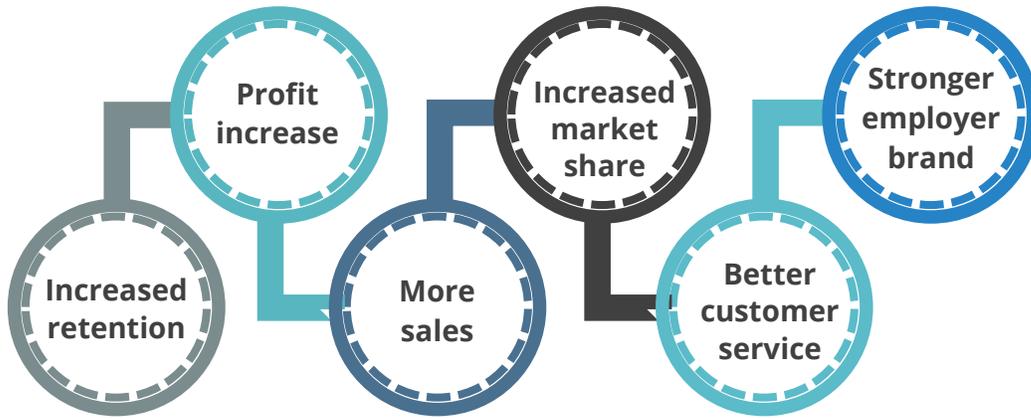
Specifically, companies with an engagement program interviewed in a recent study said that 91% of highly engaged employees always or almost always try their hardest at work, compared with 67% of disengaged employees.

The Workplace Research Foundation also found that employee engagement programs can increase profits by $2,400 per employee per year, while research from Demand Metric shows that organizations that have over 50% engagement retain over 80% of their customers.

Companies with a formal engagement program vs. other companies
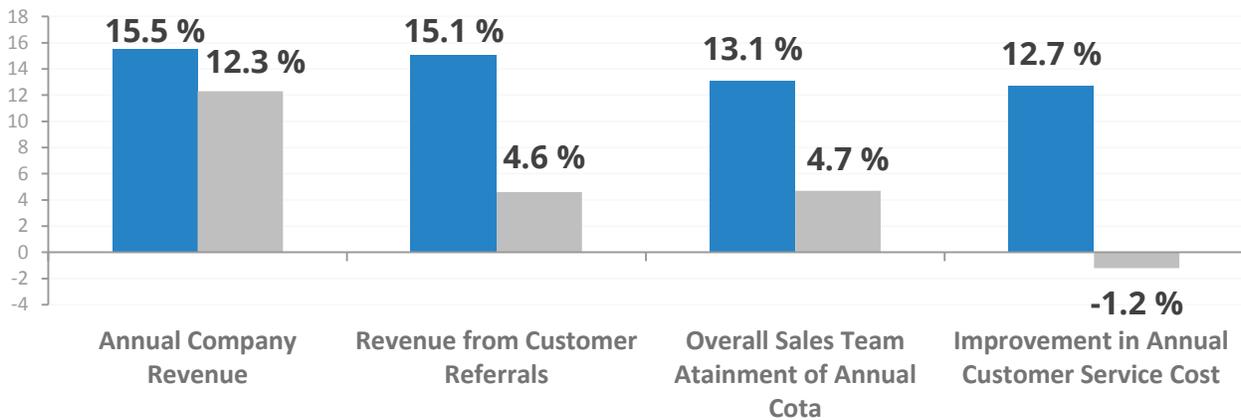
Aberdeen Group

Here are some examples of other HR KPIs that you can link to your business results in order to demonstrate human capital ROI:

1. Contribution on Sales / Person
2. Productivity / person
3. Manpower Cost / person
4. Training Cost / Person
5. cGMP savings / Person
6. # of Attrition per month
7. # of Additional Manpower per month.
8. Cost on Recruitment / annum
9. Incentive for Controlling rejections (over the benchmark) per month
10. Loss of Mandays per year
11. # of accidents / year (Major - Loss of earning capacity: Minor - less than 3 days absence from work)
12. # of incidents / year
13. Welfare cost / person

4 | Finding the right HR solution

Selecting a vendor

While the pressure remains high to replace aging core HR software and secure an advanced solution that can track and analyze these KPIs, it's critical that you take the time to assess and choose the right solution.

Cloud solutions are leading the industry right now, delivering nearly twice the return on investment than on-premise services. In fact, the 2015 HCM buying intentions study from Nucleus revealed that more than 7 out of 10 deals involving the purchase of new technology for HCM/HR are in the cloud, a finding that is supported by Sierra-Cedar research which showed that, on average, cloud HR technology takes nine months to implement compared with 15 months for on-premise technology.

When looking at HR software providers, it's important that you have a list of critical functionality and solution attributes that can guide your decision and help you evaluate the potential candidate. For example, you'll probably want to look at:

- Product capabilities
- Single-code functionality
- Additional services
- Usability
- Implementation methodology and assistance
- User experience

- Security
- Data storage management
- Analytics and reporting
- Customer support
- Customer satisfaction - Referrals
- Geographic presence

Integrating your HR solution with existing systems

As organizations join the big data revolution, everything becomes tracked, measured and analyzed - from high-level financial data to sales, marketing or operational efficiency.

HR departments are creating their own analytics and KPIs for better management, but it is the relationship to other areas that can show management how HR is performing.

> "CEOs are interested in revenue growth, profitability, innovation and the ability to retain customers (...) They are interested in business issues and talent issues, but not HR issues."
>
> Jeff Schwartz, principal in Deloitte Consulting's human capital practice and co-leader for Deloitte's global talent initiative
> via Fay Hansen - What the CEO Wants from HR

Integrating HR KPIs with business objectives

HR data needs to reach the boardroom.

"(...) People analytics is a big piece of the business data landscape and belongs in the boardroom. While human resource executives have long realized the impact that this information can have on employee engagement and hiring practices, people analytics has yet to make its way out of the HR department, in spite of the value it brings to the C-Suite. Mining valuable employee data gives executives a better understanding of their organizations and sets them up for success by allowing more informed decisions not just in HR, but across the entire enterprise."

Edwin Miller, CEO and Founder of 9Lenses via

A management meeting can use people analytics solely within the HR context, or it can integrate them within the overall business context. The relevance of each scenario is determined by the information you use to match.

Here's a practical exercise:

Let's look at a couple of HR KPIs and their added value when correlated with relevant business KPIs.

By analyzing the following four employee engagement KPIs in the overall business context of a company, we can prove the strategic role of HR in the boardroom:

- Employee Engagement
- Voluntary turnover
- Employee retention
- Employee productivity

Scenario 1: HR standalone data

Here's an isolated view of our HR KPIs:

65%	82%	5%	76%
↑ 8%	↑ 3%	↓ 2%	↑ 4%
Employee Engagement	**Employee Retention**	**Voluntary Turnover**	**Employee Productivity**

As you can see:

- Employee Engagement level has grown by 8% within the last 12 months.

- Employee Retention increased by 3% within the last 12 months.
- Employee Productivity increased by 4% within the last 12 months.
- Voluntary turnover decreased by 2% within the last 12 months.

At an HR level, these KPIs can offer relevant insight into the performance of the employee engagement strategy: employee engagement drives retention and productivity, or vice versa, improving retention and reducing turnover can drive better engagement levels. Both can be seen as valid, and it depends where the company has focused their efforts. If the main HR goal for the last 12 months was to address retention levels, then employee engagement growth is a consequence of those actions.

But how does this translate into business performance?

Scenario 2: Linking HR data to business objectives

When data is collected and analyzed at a business unit level and matched with relevant information from other areas, it creates a better sense of how the organization is performing from the human resources perspective.

Sales, Customer Support, Delivery Workforce Departments – Customer-facing team's engagement level versus customer satisfaction

65%   75%

8%   15%

Employee engagement in customer-facing departments   **Customer satisfaction with service**

If we look back, one of the assumptions is that the company took actions to decrease employee turnover which increased employee engagement. This leads

to employee engagement levels growing by 8% within the last 12 months, while customer satisfaction levels have jumped by 15%.

The correlated data shows us that improving engagement within the customer facing workforce impacts customer satisfaction levels.
Production Departments - Operational teams' engagement level versus customer satisfaction with the final product / service

56%

70%

7%

12%

**Employee engagement
in production**

**Customer satisfaction
with product**
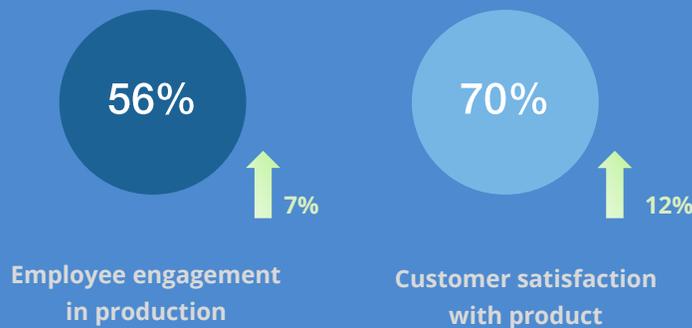
Similarly, we can track how customer satisfaction is linked to employee engagement at production level.

Integrating data collection

A critical factor in collecting employee data is the disturbance that the collection process itself creates throughout the organization. What's also important is how the data is connected to the core business activities.

Introducing new systems is always a challenge, especially if the process is added on top of a pre-existing daily routine. The accuracy and performance of a data collection system, be it employee engagement, feedback or other KPis, increases with the degree of integration within the current way of working.

Employee survey response rates range from 30% to 90%, depending on how complex the survey is, and what incentive it provides. Creating a simplified survey that links to pre-existing hidden data and is part of the daily work could improve response rates and increase participation.

Asking an employee to rate their engagement level when completing certain important tasks could be just a 5-seconds action for the employee, while, in the backend, the response can be linked to the type of task, time of day, location of submission etc.

Organizations have multiple tools that are used on a daily basis by their employees, from intranet portals, to task management tools, phone applications, email, timesheet apps. Collection of human resource data can be more efficient if designed and integrated inside an existing work routine.

What could companies consider integrating with?

- CRM systems: They can be used to collect people analytics together with customer analytics, but also to track sales force engagement during the sales process. This can help uncover exactly how engagement affects sales cycles and it would also simplify data collection for the sales department.
- Customer Satisfaction: Measuring the impact that employee engagement has on customer satisfaction levels and business revenue.
- Enterprise Resource Planning: Integration with ERP systems can help to collect data much easier from employees using the ERP, as well as match HR data with operational performance indicators.
- Task management systems: Integrating with task management apps can create a valuable link between the tasks being performed and real-time engagement levels associated with those tasks.
- Intranet software integration: Organizations use intranets as virtual meeting, storage and announcement rooms. Employees regularly revert to their organization's intranet in order to complete their tasks, or stay on top of company updates, which makes these portals a good medium to collect engagement data.
- Business KPIs integration: Integrating people analytics inside the company KPI dashboard can bring revenue and profitability, and people analytics together.
- Account Management: Integrate with the credential management system, so that employees can reuse existing credentials.

About Hppy

Hppy is an online publishing community for HR specialists interested in employee engagement, happiness at work, HR trends and workplace culture.

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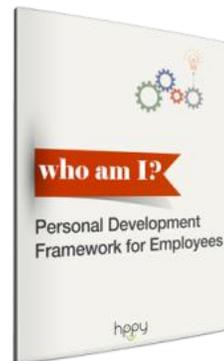
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