Q n A with Dave Millner on People Analytics

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Memory caught up with David Millner, a people analytics expert to discuss people analytics and its impact on business.

MN: *What is people analytics?*

DM: People Analytics is the use of business and workforce-based data and analytic tools to identify insights on people that enable faster, more accurate, and more confident business decision-making.

MN: *What is the business case for people analytics?*

DM: The challenge for HR is to take the leap forward and make the business case for data-driven HR underpinned by people analytics to provide greater insights than ever before. This is driven by two, elements strategy and focus. Strategy: HR needs to not only map out a clear link to its strategy but also demonstrate how HR will contribute to achieving the objectives set out in the business strategy through the application of people analytics. Hence, HR needs to outline its own strategy with clear objectives and the data required to achieve these aims. People analytics only works when it supplements the business strategy, remembering of course that not every analysis will necessarily drive new insights. Focus: Any data-driven initiative needs to owned by the whole organization. It is sometimes hard to break a prevailing intuitive culture and introduce a data-driven culture. Nevertheless, it is HR's responsibility to develop a plan of action outlining how a data-driven approach can enable the business to answer key talent questions. This should highlight HR data-strategic objectives and how this adds value to the organizational objectives. Having a strong strategy with a focus on core objectives will allow HR to filter the noise that big data brings with it. Nevertheless, success requires both the senior management team and cross-functional departments to buy into the benefits of a data-driven HR system. Remember not to over promise and under deliver.

MN: *HR has been accused many times of not being able to show the value of HR interventions on the business. Has this changed with the advent of people analytics?*

DM: Most HR functions and organizations as a whole are starting to see the benefits that people analytics can make to corporate performance. However, when looking at business challenges such as sales growth, market expansion, regulatory issues, customer experience issues and supply chain bottlenecks, HR is not the first port of call to try and address the problem. Conventional obstacles are most often addressed with conventional solutions and yet, as high-functioning HR organizations know, nearly every business problem has a talent component to it, an element that functional business managers don't always consider. Therefore, proving the value of people analytics to the larger organization involves two tasks, convincing business managers of the relevance of people data and the insights that can be derived from them and then applying the people analytics discipline to the specific

challenge at hand. Opportunities exist to show the benefit of people analytics, it's the role of HR to find them and show what can be done.

MN: How can HR through people analytics show value to the business in the following areas:

MN: *How can people analytics be applied in the area of training and development? Do you have a top case study you may want to share in terms of key learning points?*

DM: Without strong learning and development (L&D) programs employees may have a harder time being productive, moving up in the organization, and contributing to financial performance. Additionally, it can also lead to lower employee engagement and increased turnover. Without this capability, L&D is seen as an overhead rather than a competitive advantage and the whole function clearly needs to up its game when measuring the success of the interventions it provides, especially as the technological driven future of work will demand the application of new learning in a far quicker way than ever before. It's one of the easier areas to work with in terms of data availability and yet learning seems to be behind the curve when it comes to analytics. Case Study: I worked with a utilities organization where the capability of Customer Service Managers were perceived to be a business-critical issue due to productivity challenges, upselling targets not being met and service management issues, especially relating to customer problem resolutions. Key behavioural gaps were identified from research and a learning program was devised (generic learning solutions alongside personalized learning solutions focused on each of the 100 leaders/managers involved). Their capability was assessed both before they commenced the learning, and six months after the learning. The outcomes using people and business data were that capability improvement of between 5 and 15% were seen in 3 key competencies, team engagement had improved by 8% across the teams that were managed by these leaders/managers, productivity of teams had improved by 5.6% (c€155,000), Customer Net Promoter Score had improved by 9% and upselling of services had exceeded targets by 4.5% (c€145,000); all of which demonstrated a clear business return on the learning program.

MN: *How can people analytics be applied in the recruitment and selection of competent staff {share examples where possible}?*

DM: Data provides the opportunity to learn and improve the recruitment process itself using reports and analysis to where candidates come from (which job boards, social media or referral routes), how long it took your eventual hire to be recruited, where your hiring bottlenecks are, which line managers require support in their recruiting capability, etc. These are important but too much recruiting analytics have been focused on calculating the cost per hire. The point is not to hire more cheaply but to obtain better hires as a result of the process being used; the quality of hire. Case Study: I was involved with the technology solutions business arm of a European projects organization. The organization needed to improve the quality of the Project Manager (PM's) recruitment. There was no one perfect measurement or metric but wanted to focus their efforts on their best hiring sources, the factors that drove superior job performance from PM's and identify a benchmark for their Quality of Hire. The research highlighted a standard of 55% and was raised to 97% within a 6 month period saving c€250,000 in terms of improved organizational project performance, saved training, onboarding and saved recruiting costs.

MN: *How can people analytics be applied in the area of employee compensation?*

DM: Strategically using people analytics enables organizations to optimize salaries and rewards which can help HR positively impact the bottom line while also providing employees with fair wages. There is no shortage of available people data from technology systems such as HRIS, payroll data, LMS, etc. – the key is being able to use it appropriately to help make better decisions based on fact. Whether it's about managing job candidate salary expectations, addressing pay concerns or helping managers understand the opportunities to differentiate between average and top talent, this has to be done using data not intuition or guesswork. Take a simple example where an employee receives a competing offer from another organization. The first instinct is to match that offer but that can lead to costly mistakes or poor judgment. Reviewing data can enable you to find out how the employee compares to the rest of their team, their peers and also consider what the market is paying for similar jobs. By comparing compensation profiles, incentive rates, performance ratings, and attributes of employees to others on the same team or in similar positions, managers can make decisions that are no longer based on emotion, but reality. The value of employee talent will emerge as a key area over the next few years as it will be driven by the measurement of Capability divided by Employee Cost to provide a talent index.

MN: *How can HR show business value through people analytics?*

DM: With the ongoing global economic uncertainties that all HR functions have faced, it's not surprising that the function has tended to focus on process efficiency which has meant ongoing trade-offs between quality and cost. When cost containment efforts start, the results can be fairly significant but as time passes and the efforts continue, the value of the savings starts to diminish. Today, cost containment efforts relating to people are likely to be a small proportion of the overall corporate budget, so the savings are likely to be minimal when the focus should be on growth which has far fewer limitations. Every Head Office function has to focus on "adding tangible value" and should ultimately aspire to become a profit centre in their own right. Against this backdrop, analytics can support the HR function in demonstrating the economic value of its programs and practices through a commercial focus (what activity will impact upon the business effectiveness of the organization such as costs, efficiency, productivity?), a data focus (how can the HR function prove the financial benefits and "added value" of their interventions?) and a growth focus (what activities can tangibly impact upon the "bottom line" of the organization such as increased income and growth streams?). There needs to be an ongoing drive to demonstrate the business impact of everything that the HR function does. This might be a direct correlation between the improved business outcomes such as sales, process efficiency from an employee program, or the linkage between a particular people process, such as recruitment for example, and its' impact upon productivity, sales revenue or profit. With that mindset, it means that we can now think about HR being a profit centre not a cost centre because we are 'on the front foot' and talking about growth, profitability, productivity not about process efficiency and the "HR to employee ratio", the most irrelevant metric ever invented.

MN: *When HR is preparing a report for the Board what can HR report cover at the predictive and prescriptive levels? Currently, they seem to focus entirely on the descriptive level.*

DM: When preparing a report for the board it needs to be concise yet incisive, with data that tells a

story, whether it is looking backward or predicting something into the future. Boards are focused on making key strategic decisions so there is a clear need to ensure that any analytics-based insight is focused on an organizational challenge that could shape and change the way that the organization is currently operating. The priority for me, therefore, is to provide the right information and insight at the right time using the right analysis technique. Whilst it would be preferable to shape the organization of the future through prescriptive or predictive analysis, for me, it is more important to make an impact on the board that changes the perception of the HR function; i.e.: HR is as much a business function as any other support function.

MN: *Can you give a brief summary of a case study at the predictive analytics level in the area of people analytics that you would rank number one in terms of value?*

DM: Case Study: I worked with a retail convenience store chain in the UK where the business problems revolved around a lack of consistent business growth and that the most business-critical job in the organization, the Store Manager, had an annual turnover of 32% per annum! By working with the HR and Finance functions I was asked to build a business case to make changes to the "out of date" recruitment process that existed (costing c£500,000 per annum to operate). A new evidence-based process would cost c£650,000 per annum to operate and hence the CEO wanted a clear rationale to make such an investment. By working with Finance and their cash flows that they had available for the next 3 years for every store, I was able to identify and predict that the difference between high performers and average performers in that role was 400% sales and 190% profitability. Based upon this, new cash flow projections were created on the basis that if high performers were recruited through the new recruitment process rather than average performers the impact on the bottom line for the organization in profitability terms would be £100,000 in year 1, £250,000 in year 2 and £275,000 in year 3. The new process was agreed upon and implemented. Over the next 3 years, profitability increased by £95,000, £263,000 and £278,000 respectively – HR had made a real commercial difference to the organization through people analytics.

MN: *Can you give a brief summary of a case study at prescriptive analytics level in the area of people analytics that you would rank number one in terms of value?*

DM: This is a piece of work undertaken by a Dubai and US consulting business that I have worked with. A Dubai Government agency needed to grow its productivity by 10% or better to reverse a downward trend and it needed to decouple output growth from headcount growth (i.e.: the only way to increase productivity was to recruit more people). They use a Trigger-Task-Time algorithm, that observes employee behavioural and work patterns and productivity. The aim is to define new levels of productivity through capability improvement, process refinements/changes and proposed new management behaviour through nudges that help leaders and managers to drive focused business improvements. Based on the analysis of four business functions and twelve months process data (some 480 million rows of data from twelve disparate systems), a series of outcomes emerged: only 1.1% of the work actually led to its' intended result from a process point of view; there was a 261% like-for-like task variance between high and poor performers; 65,000 hours were replaced due to poor process and capability issues; 270,000 hours of increased workforce capacity was identified and finally an 11.5% productivity increase was achieved through the process assessment and improvement activity allied to

behavioural change to support those changes.

MN: *Can HR be digitally transformed? If so what are the key learning points?*

DM: HR can and must be digitally transformed as technology is an enabler that will allow HR to focus on "value add" processes such as workforce/succession/scenario planning, organizational and job design, personalized learning strategies, etc. rather than the "low value" operational processes with which HR has been bogged down with for years. Digital transformation is commonly defined as the process of integrating digital technology into a business and for HR this means incorporating digital technology to improve how the function (and the organization as a whole) operates. This digital technology includes cloud-based HRIS, digital recruitment solutions, internal communication platforms, workforce engagement software, new continuous performance management processes, 24/7 personalized learning solutions and much more. When integrating these digital technologies, HR needs to consider how new apps, tools, and programs that will transform the workforce and how work is performed and completed. HR teams that are able to look beyond just their own function and operations will start to develop a competitive edge. HR needs to:

- Goals: Establish goals before introducing any new technology that ensures that you're moving in the right direction. Having a clear aim before starting your transformation will give you an aligned path to work towards and give you guidelines to measure your success.
- Expert Team: Your digital transformation team should be comprised of multiple experts such as someone who understands the HR processes and how they contribute to the organization's productivity as a whole, experts in digital transformation who know how technology can refine and enhance those processes and a change manager who can should facilitate the shift and ensure everything is aligned and in place to drive success.
- Strategy: A strategy is key to efficiently transforming your organization. Without a clear process in place, your transformation team will not know what steps to take next or what kinds of technology they need to implement. You need a step-by-step plan that outlines how you're going to get from where you are to where you want to be. Identify what steps you're going to take first, and what you're going to do when those steps are completed. Think both short term and long term to create a complete strategy that brings you through your transformation process.
- Technology: Consider the user throughout the process; it's about the right technology that is relevant for the users, not necessarily the most complex or "leading edge" technology.
- Prototyping and Experimentation: Don't be afraid to try something new. Experiment with the technology you're using or the processes you've created. Look for more efficient ways you can achieve your goals and try new paths to getting them done. Evaluate how well each system works and eliminate the processes that don't bring you closer to achieving your goals.
- Measurement of Results: measure before and after all changes to capture the savings and value that the process changes can bring (time, cost and efficiency savings, etc.). What gets measured gets done!
- Communication Transparency: Digitally transforming your HR function and practices will not only influence the way employees work but will also create changes for the entire organization. Transparency, therefore, around what is happening can help employees deal with the growing pains. Employees will need to be educated on how rules are changing, what new processes they

may need to know, and what new technology will be introduced. Keeping them well informed not only helps with the user experience but also enables them to provide ideas and feedback throughout the transformation.

- Culture: Never forget the organization's culture as every transformation is a culture change that can impact on the way the organization operates and the behaviour expected from the workforce.

If you are interested in more case studies and insights into the role of people analytics within the HR function of the future then consider buying "Introduction to People Analytics: A Practical Guide to Data-Driven HR" by Nadeem Khan and Dave Millner, Kogan Page – available 3 April 2020.

Dave Milner is an Author, Futurist and Consulting Partner at @HRCurator. He is skilled in Executive and Career Development, HR Transformation, Culture and Employee Engagement programs, Organisational Development interventions (organisational design and workforce/succession/scenario planning), and Executive Coaching. Strong consulting professional - Chartered Institute of Personnel and Development and Occupational Psychology professional.
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