

CAHRS Working Group—HR Analytics

January 31, 2013 — London, UK

Hosted by AstraZeneca

Opening Comments

This was the fifth CAHRS working group on the topic of HR analytics. The group's conversation focused on four key themes:

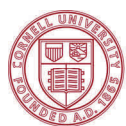
1. Current challenges and emerging issues;
2. Adapting organizational structures and systems to better support analytics;
3. Building analytical capability internally; and
4. Data quality and security/privacy issues.

For a summary of previous working groups on this topic, please see the [HR Analytics/Metrics Center of Excellence](#) on the new CAHRS website.

On January 31, 2013, Chris Collins, HRS Professor and CAHRS Director, and Brad Bell, HRS Professor and Executive Education Director, facilitated a day-long discussion on the topic of HR Analytics. AstraZeneca hosted the group in London, UK, which was attended by nine executives from six CAHRS partner organizations, including A.P. Moller – Maersk A/S, AstraZeneca, BAE Systems, Barclays, Coca Cola Enterprises, and Shell.

Current Challenges and Emerging Issues

1. **Pace of improvement in analytical capability:** A number of executives expressed frustration with respect to the pace of improvement at which their organizations are building capability in the area of HR analytics. They noted a few keys to accelerating capability improvement, including establishing connections between HR analytics and other parts of the organization, developing HR analysts that have the ability to interpret and communicate findings, and improving data quality and richness (e.g., identifiable data that can be analyzed at the individual rather than group or organization level).
2. **Shifting the mindset:** In addition to building the capability, the executives noted that it is also necessary to shift the mindset of people around analytics. It is important to demonstrate the value of HR analytics to key stakeholders and to balance day-to-day transaction tasks with more analytical work that can inform business decisions. Even when a particular finding has been well documented in the academic literature, it is important to show people that it applies within the company. They need to see the linkages between HR analytics and key business outcomes, such as safety and operational performance. Finally, it is important to communicate findings to managers in a way they will understand. If you use too much technical language, they will resist the information. It's important to understand what is important to the business and then use storytelling to help managers see the connections to the business.



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3. **Increasing ability to influence action:** One key capability that was called out was the ability of analysts to influence HR managers or line managers to take action based on the data and analyses that were run. One aspect of this capability is for analysts or the analytics team to clearly understand the context of the business and be able to develop recommendations that go along with the analyses – that is, that they are able to present ideas of what to do or how to respond and not just present the result of the analyses. A second aspect of this capability seems to be centered around communication skills and the ability to effectively communicate ideas, complex analyses, and solutions in ways that managers can both understand the results and will respond positively to the message
4. **Integrating disparate systems:** Executives noted that systems located in different countries often do not talk to each other. In addition, reporting systems are often tailored to individual manager or business needs, which can result in thousands of customized reports. Organizations are currently working toward integrating disparate systems and creating more streamlined reporting systems that focus on core analytics (e.g., headcount) that everyone wants and needs. One of the key challenges associated with building a global platform is security.
5. **Global/organization-wide versus localization.** There was some debate and discussion of the need to localize analytics to look within specific business units or locations because of the varying nature of strategy, customers, and employee capabilities versus the need to focus on system/companywide analytics and analyses. There seemed to be some agreement that analysts needed to have detailed knowledge of each of the different business units or regional differences or to be able to partner with line or HR leaders on the ground to understand contextual differences that affect the interpretation of results and an understanding of when to look at data and run analyses at local versus corporate levels of analyses.

Adapting Organizational Structures and Systems

The executives provided information on their current models of HR analytics and also discussed how they are adapting organizational structures and systems to better support and build the capability internally. Some of the themes that emerged from this discussion included:

1. **Evolution over time:** The participants noted that analytics in their companies originated in the form of transactional reporting. Within this model, it was not uncommon for the function to generate hundreds if not thousands of reports each year, and very little time was spent on project work and analytics (< 20%). Over time, organizations have evolved their structures and systems to gradually shift more emphasis to building forecasting and analytical ability. One way this has been done is by implementing self-report tools (i.e., automation) and focusing on core, rather than highly customized, reports. It has also been accomplished by shifting basic reporting to shared service centers or outsourcing transactional activity. Similarly, a number of the participants noted that they are gradually shifting from data mining to more predictive analytics. Again, this is often achieved by outsourcing or automating basic data mining activities.
2. **Outsourcing:** Although outsourcing transactional reporting can free-up more internal capacity for project work and analytics, the participants noted that outsourcing comes with its own challenges. For example, HR business partners need to be more precise about the data/reports that they want. When reports are run internally, analysts often recognize when a partner's request deviates from what they really want or need. With outsourcing, when you ask for a report on X, they provide a report on Y because they don't know the context of the organization. In addition, some organizations have found that their outsourcing contracts do not contain a provision for reporting. So, they can get raw data from the outsourcer, but not reports. In sum, outsourcing

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can free-up capacity for more strategic analytic work, but it sometimes creates challenges in terms of basic reporting.

3. **Sometimes smaller is better:** Several executives noted that there are benefits to limiting the size of the analytics team. If the team grows to 20 or 30 people, there can be the tendency to do analytics simply for the sake of analytics. When the team is smaller, you have to focus on only what is essential. It also forces a close examination of what analytics services need to be closely aligned with the business, and what can be moved out.
4. **Organizational structures:** *Where* the analytics team sits was variable across the different companies. In some organizations it was positioned in the top leadership team, whereas in others it was located with compensation and benefits, talent management/performance management, or OD/HRD. It appeared that where the team was located within the organizational structure largely depended on how analytics were primarily utilized by the company (e.g., operational decisions vs. talent-management decisions).
5. **Should HR analytics be separate from the broader organizational analytics team?** Multiple participants noted that their organizations had large analytics teams that were looking at consumer or customer insights, operational effectiveness, and/or economic trends and wondered if HR analytics might be better positioned in that broader team or might be absorbed by this broader team. The upsides of being part of a broader team might include greater access to and ability to integrate data across employee, operational, customer and financial outcomes and potentially a greater understanding of business or strategic issues to address. However, the downside included a diminished focus on key people and HR drivers of the business and a disconnection from the HR function and activities.

Building Analytical Capability Internally

As noted earlier, a number of the participants expressed frustration with regard to the slow pace at which their organizations have developed analytical capability. Yet they also noted gains in this area and shared how they are approaching this issue:

1. **Different paths:** When building analytical capability internally, there are two primary paths that organizations can follow. The first is to look for the blended person - the individual who can run the analytics and also interpret the data and tell the story to consumers (e.g., managers). The second path is to develop a department that is staffed with role specialists – the statistics and methods experts and the consultants who communicate the story to consumers. Participants noted that the blended person is very difficult to find, as the two skillsets are often mutually exclusive. The challenge with the department model is attracting the consultants to the analytics function. Whether they will want to join the department depends on whether they see analytics as a value-added function; are they just running reports or are they doing projects that are impacting the business? In addition, talent is sensitive to how moving into analytics may impact their careers. Are there people who have used their experience in the analytics function to advance within HR or the organization? Participants noted that you can create visibility for the function by putting highly visible people into analytics, which gradually becomes self-perpetuating.
2. **Training:** Participants noted that the analytical ability of HR talent is generally not very high. Thus, some organizations have created information analytics courses, which are often targeted at their graduates. In addition, companies have developed programs designed to provide business partners with a basic understanding of analytics and how to use them. Participants noted that it is much harder to train HR generalists how to run good analyses than it is to teach them how to ask good questions.

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3. **Importing and expanding the capability:** A number of the executives noted that there is strong technical and analytical capability in other parts of their organizations. One approach to capability building is to import this talent into the analytics function, but the challenge is attracting these individuals to HR, which they often see as a non-technical specialty. Several participants also noted that in the future they want to expand the capability cross-functionally - not just in HR and finance, but in all functions.

Data Quality and Security/Privacy Issues

Issues surrounding data quality and security/privacy were salient in much of the discussion throughout the day. A few of the specific issues that were discussed included:

1. **Building credibility:** Participants noted that data quality is critical to building credibility for the analytics function. One organization, for example, noted that over time the businesses have come to see HR as the “one version of the truth” when it comes to fundamental metrics, such as headcount. By getting the basics right, the function has established the trust necessary to grow its influence within the organization. At the same time, participants noted that data quality is an issue in the early stages of the journey. Rather than waiting for the data to be perfect, participants realized that they needed to start reporting to hold people accountable for data quality and to recognize where gaps in the data reside.
2. **Data privacy:** When dealing with data from certain countries, data privacy issues can create challenges. For example, one company found that they were unable to share data for Germany and Canada with a provider in Manila for some basic data checking. The result is that sometimes analyses or reports cannot be run with subsets of data situated in different locations. Participants also noted that data privacy issues can arise when trying to make data (e.g., from engagement surveys) individually identifiable. Response rates may decline, but typically only in locations with low trust, which is useful intelligence. In difficult locations, such as Germany and France, employees can be allowed to voluntarily self-identify. Another strategy is to have an external partner, such as a university, house and analyze the identifiable data, so that the company never has access to individual responses.
3. **Data security:** Data security is always a concern, particularly when dealing with systems that are integrated globally. When implementing self-reporting tools, data access can be restricted via individuals’ credentials within the HRIS. More broadly, it is important to have clearly defined access rules that dictate who can see what and why, and to build those rules into the system architecture.
4. **Contractor data:** Participants noted that contractor data always raises concerns with the organization. It is important to push back against the legal department, because they will always resist including them in data systems. One solution is to classify contractors as externals in the HRIS.

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