

# Organisation & People Analytics

## *Research study*

*prepared for the People Analytics Optimis  
Conference, 5 June 2014, Geneva*

*A research initiative conducted by:*

*Optimis Human Capital Management*

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## Purpose of the study

**People Analytics is now recognised as a strategic driver used to demonstrate the value of HR related programmes and to take better business decisions**

The purpose of this study is to investigate current practices, challenges and priorities in the field of **People Analytics**. The individuals taking part in the survey demonstrated a keen interest in this topic, viewing it as a priority for HR leaders and the Business.

The importance of People Analytics is increasingly recognised as a strategic driver used to demonstrate the value of HR related programmes and to take better business decisions. HR professionals struggle to establish the business impact of HR initiatives, processes and programmes and communicate with business managers on the value of their activities. With the increasing availability of data, it is now possible to link HR related information to business and organisational impact using modern analytical techniques and tools. It becomes possible not only to better explain the outcome of HR activities, but also to predict future success. Hence HR Analytics can be a key contributor to the business decision-making process and help ensure future organisational performance.

As Professor Wayne Cascio, pioneer and thought leader on the topic, says: “HR measurement is valuable to the extent it improves vital decisions about talent and how it is organized.” It is difficult to select and access data for the HR measures that have demonstrable business impact, and it is often easy to track specific HR measures where there is readily available data that has little or unknown business value. For instance, a measure of staff turnover has relevance only when we go below the high level measure and explore the context and drivers for turnover. So several important challenges are on the way and we will discover some of them in this study.

Optimis ran this research project at the same time as the “People Analytics, Driving Business Success” event held in Geneva the 5<sup>th</sup> June 2014. The event featured a panel of presenters and thought leaders that included Professor Wayne Cascio (University of Colorado), Professor Bill Fisher (IMD), Antonio Vegezzi (Board Member, Pioneer Investments) and Thomas Waterhouse (HR COO of Pictet Bank). Some outcomes of this study were shared at the event and participants enthusiastically participated in a discussion on People Analytics. Finally, an interview of Wayne Cascio was held prior to the event and was published in Swiss HRToday Magazine. You can find a copy of the interview in English and in French on the Optimis web site<sup>1</sup>.



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<sup>1</sup> <http://www.optimis-hcm.com/intelligence/research-articles---white-papers.html>

## **Methodology**

The study was conducted in 2014 using the Optimis online survey platform over the period May 12<sup>th</sup> to June 4<sup>th</sup>. The research questionnaire was designed to capture respondents' perspectives on their People Analytics challenges and priorities.

Survey participants were heavily represented by the conference attendees, as well as HR professionals in the Suisse Romande, coming from a broad variety of organisations and industries.

The findings of this study are not meant to be statistically representative of the HR population generally in the Suisse Romande, but do however uncover some common themes and findings which are endemic in this area. It is our hope that these findings will provide some clarity about the common challenges that organisations face and what can be done to address them.

## **Report of High Level Findings**

This report provides an overview of the consolidated findings and is available on the Optimis website [www.optimis.ch](http://www.optimis.ch). Demographic data was collected to facilitate comparisons among subgroups of participants and across organisation types, although only a limited number of these comparisons are reported in this paper.

Should survey participants or other readers wish to delve deeper into the findings please contact Optimis directly.

**“HR measurement is valuable to the extent it improves vital decisions about talent and how it is organised.”**

**Prof. Wayne Cascio**

## Research study participation



### Participants by industry

The survey attracted a total of 123 **respondents**, which gives us a reasonable sample given the time frame and the total population who were invited. We focused our study on professionals working with International and Multi-national organisations located in the Suisse Romande area.

As indicated by *Figure 1* below, a wide range of non-profit organisations took part in the study, representing the largest group of organisation at 39% of the total. This was followed by three other main participants groups represented as follows: Banking (12%), Services (10%) and Manufacturing (9%). The “Other” (17%) category is comprised of several types of organisations including for example legal, health and trading organisations.

**A total of 123 participants took part in this research study (focus in Suisse Romande) which illustrates a strong interest in the area of People Analytics.**

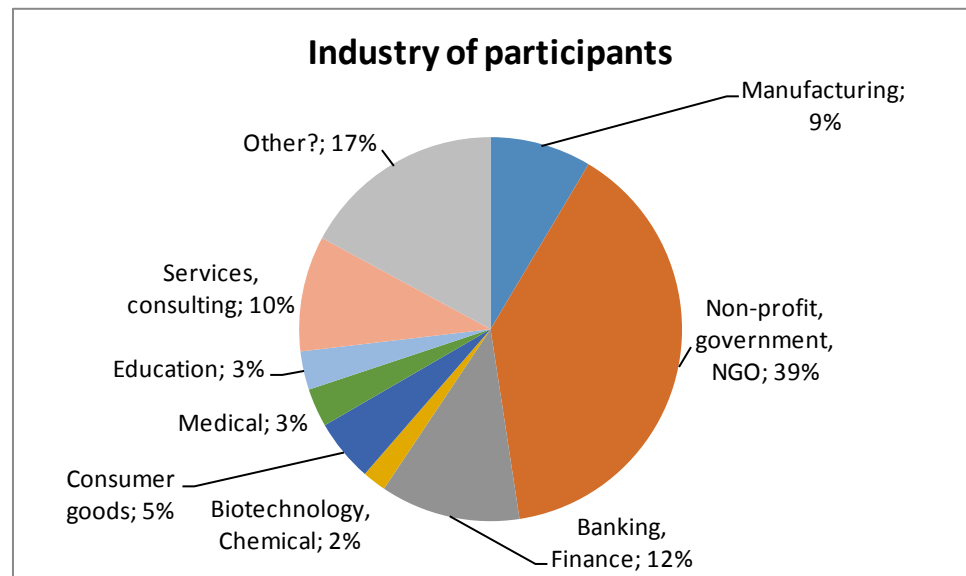


Figure 1: Participants by industry

### Roles of participants

Among survey participants, approximately 36% of the survey population were at senior levels (see Figure 2) – either HR Directors, HR Managers or Business Leaders. An additional 25% are classified as HR professionals. The “Other” category (27%) includes people from other support functions such as Finance or IT, as well as consultants or people in the education sector. And finally, 10% of respondents were HR assistants, indicating a significant level of interest on this topic from that population.

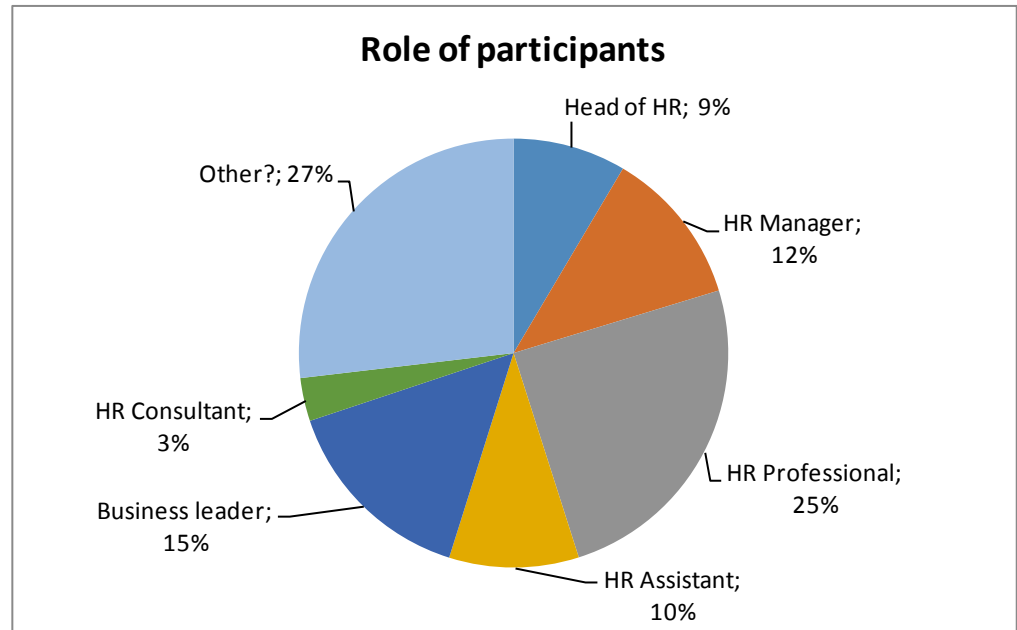


Figure 2: Participants by position

### Participants by organisation size

People often believe that People Analytics is of interest only for large organisations. Our research shows (see Figure 3) that while 33% of respondents come from organisations between 1000 and 5000 staff, half of the respondents (49%) come from smaller organisations with less than 1000 staff, and 40% from organisations with less than 500 staff. This suggests that small organisations also have a strong interest in HR related analytics to better understand the value of their HR programmes in terms of business impact.

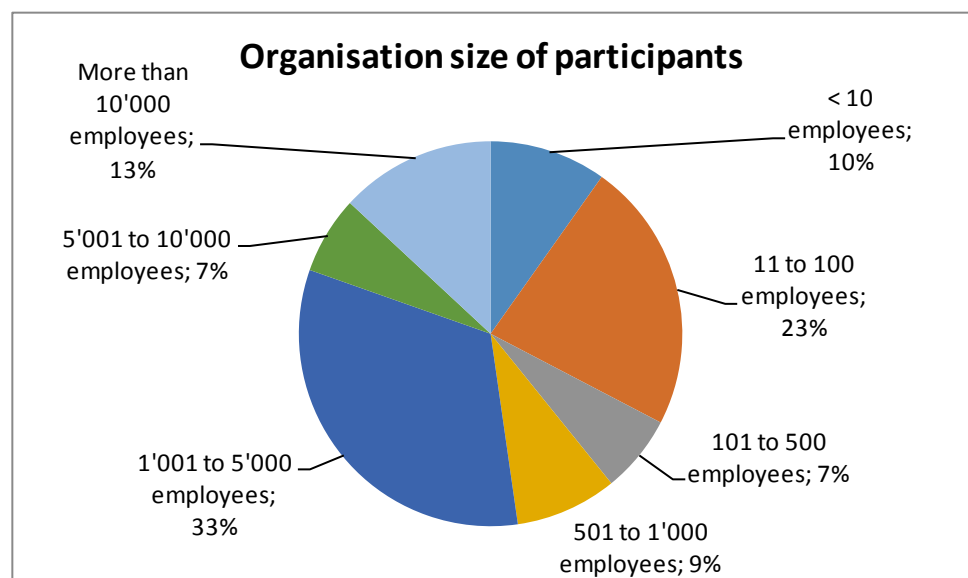


Figure 3: Participants by size of their organisation

**Almost half of the survey respondents come from organisations with less than 1000 employees.**

## Current areas of HR Metrics

Respondents were asked if they currently track HR related metrics and in which areas.

### 67% of respondents track HR related metrics

**Recruitment is the category with the greatest focus for our participants, both from a recruitment success outcome and from a process efficiency point of view.**

The four top categories of metrics tracked were selected by over 30% of survey participants. Recruitment (process and success rates) was the leader with 48% reporting that they gathered data in this area. Turnover was second with 40% identifying this classical HR indicator. Employee Engagement and Performance Management registered 34% each. The survey did not identify what data was collected or how it was analysed, only that the organisation made an effort to collect data in this area.

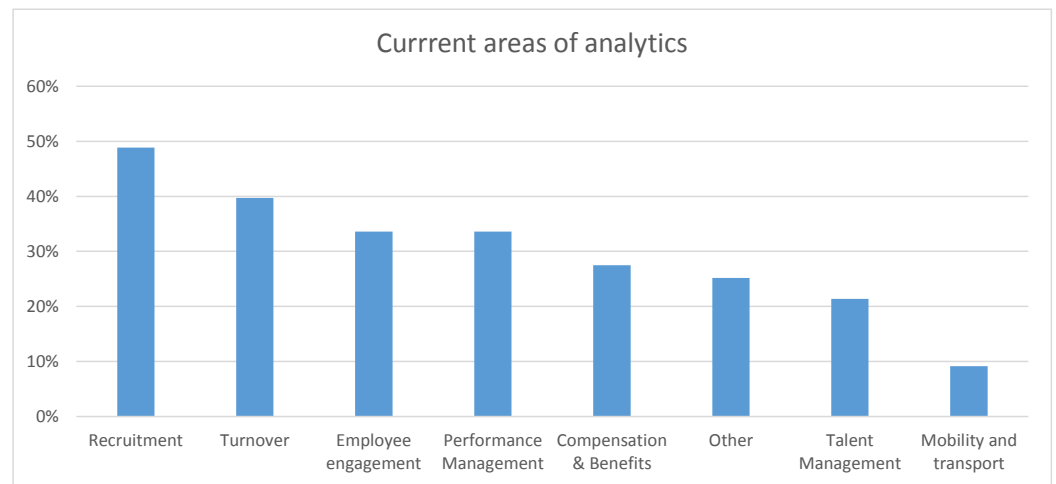


Figure 4: Current areas of analytics

The “Other” category includes topics such as Headcount/FTE, Health, Compliance and Absenteeism.

### Main focus today

Recruitment was identified as the top category by participants in this research, suggesting that recruitment is an area of focus for collecting data. From our perspective, the current “war for talent” leads to greater pressure on recruiting the best and in an efficient manner. Many organisations measure the number of staff recruited versus open positions and average time to fill a position. These numbers are only a beginning and do little to specify the business contribution of the recruitment process. In effect, what we know is that the position is filled, but not the quality of the recruitment outcome.

We recommend that recruitment success be measured based on the demonstrated value to the business of the staff hire. For instance, an organisation can measure the “Performance level of new hires after 6 months” or “Retention rate of high performers hired in the last 12 months”. The above example shows the linkage of the performance

**We often measure what is easy to measure rather than what is important to measure**



assessment of staff and recruitment, and only adds value to the extent that accurate and reliable data are collected in both areas. The bottom line is that we must ***shift our focus to include measures of the business impact of the activity, rather than only the efficiency of the effort.*** This goes back to the idea that we often measure what is easy to measure rather than what is important to measure. It also illustrates the understand the areas of interaction and impact.

Interestingly, **Employee Engagement** has become a top priority for many of the respondents, not only because many organisations do Employee Engagement surveys, but also because many realise that Employee Engagement is today the main source of Organisation Performance. But how many organisations optimise the process and get real results from their investment in collecting the data?

Our experience is that organisations often view the survey as the main activity and capture few if any of the improvement opportunities that the Employee Engagement data suggest, preferring to report back the consolidated data and move on. The real opportunity here is to use the data to understand root causes of organisational issues and implement a process to address the specific organisational challenges that are identified. Again we come to the challenge of going deeper into the data and identifying opportunities to leverage information to take management decisions that will improve the organisation and have a business impact.

At Optimis, we recommend that organisations conduct an Employee Engagement survey ***only if they plan to follow the survey with a robust process to analyse the data and drive improvements in the organisation.*** We believe that organisations that conduct survey processes to identify improvement opportunities and do little with the data actually destroy trust with staff. Participants to such survey have the reasonable expectation that improvements will be made based upon the findings and often want to participate in the improvement process.

## Prediction of business impact

We asked the respondents if they believed they could predict the business impact of their HR activities. This is key in the area of HR analytics as the purpose is to be able to justify and predict the anticipated real business outcome.



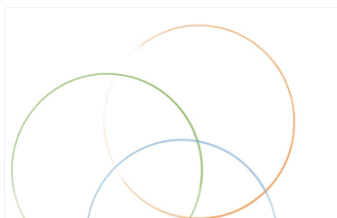
### 27% of respondents believe they can predict business impact with their HR activities

A selection of business impact opportunities mentioned is as follows:

- Recruitment cost and success
- Develop and enhance best practices
- Improvement of customer service
- Increased business process efficiency
- Cost per hire influences sourcing strategies within recruitment
- Increased motivation and retention based on turnover measure and adequate action
- Retention of best performers (Compensation & Benefits and annual performance management approved at board level)
- Cost of internal transfers
- Business continuity impact due to recruitment time to hire
- Cost of absenteeism

**A total of 27% of respondents report that they can measure business impact compared to 67% who measure HR activities. This shows a significant opportunity to take the next step in using HR metrics.**

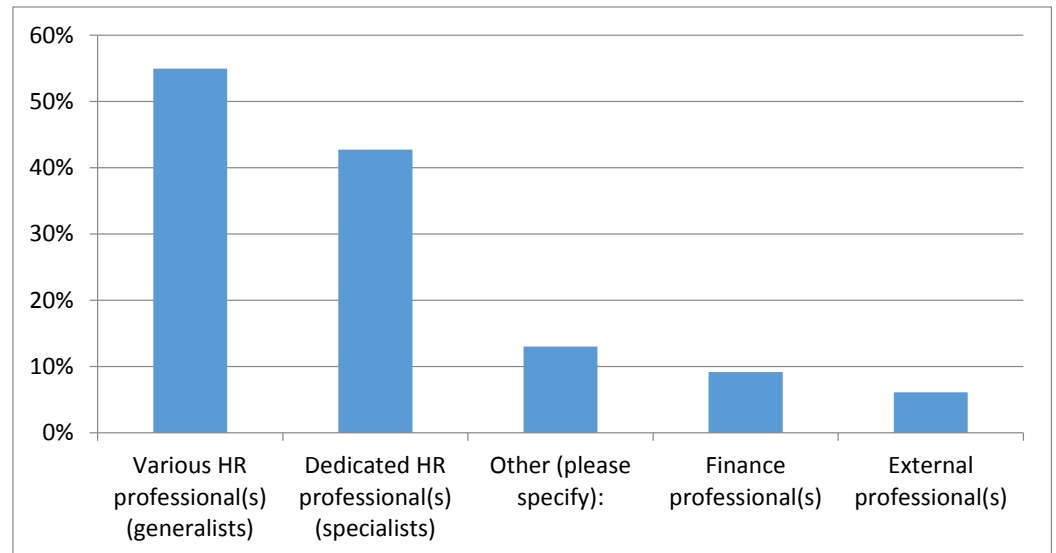
As only 27% of respondents believe they can measure the business impact versus 67% involved in collecting HR data of some type, this shows the difficulty of linking HR measures to business value. On the other hand, there is a significant opportunity present to take the next step in using HR metrics by building the business case for impact and value.



## Resources involved in HR metrics

Participants were asked to indicate who usually deals with HR metrics within their organisation. See Figure 5 for the distribution:

**Larger organizations tend to have internal specialists to complement external expertise.**



**Figure 5: Who deals with HR metrics**

Generalists are the biggest population in our study who have responsibility for HR metrics, representing 55% of the respondents. The “Other” category includes CEO’s, Top Management and various administration departments.

Looking at how the split is spread based on organisation size, we found that External Professionals are mainly hired by SME’s with less than 100 staff (who are probably not always equipped with specialists internally) or by big organizations who are engaging deep expertise that they do not have in-house. Also, the larger organisations tend to have internal specialists to complement external expertise, whereas Generalists are in charge of HR analytics in smaller organisations and may not be as comfortable with the technical aspects of People Analytics.

Our experience is that a level of specialist knowledge is needed to structure and develop the People Analytics processes within an organisation, especially the identification of what to measure and the models that are used to relate the measures to business impact. In addition, the data analysis requirements can be quite specialised and must be carefully undertaken to ensure that the linkages to business impact are clearly specified. A further challenge is to then explain the analysis process and outcomes in clear business terms.



## HR Metrics Challenges

Research shows that practitioners of HR Analytics have many challenges. Many authors on the topic, including Wayne Cascio, recognize that it is usually not easy to choose the right things to measure, to get access to the right data, to analyse the data correctly and to report it in a way that demonstrates business impact and supports the decision making process. The participants ranked their challenges in the following way: (see figure 6)

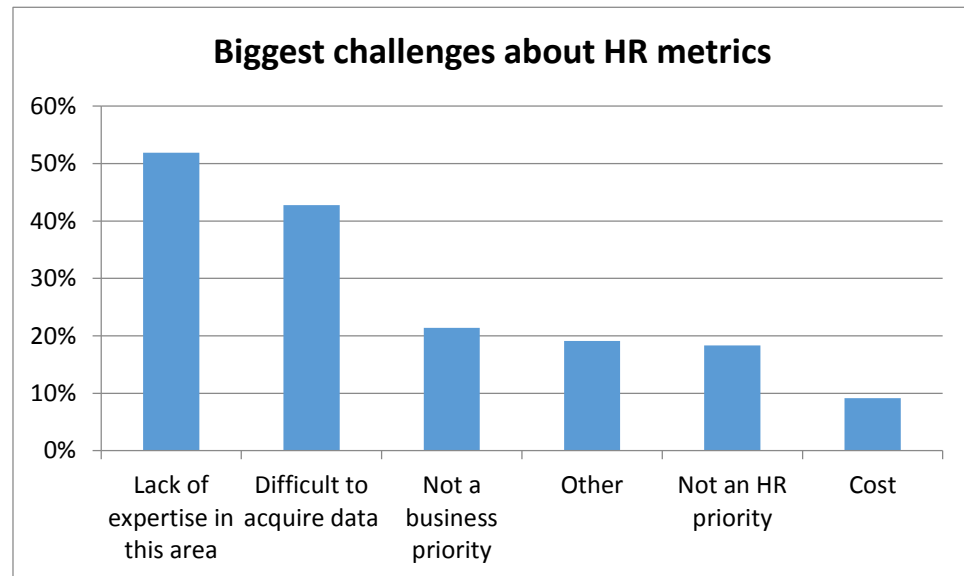


Figure 6: HR Metrics Challenges

Two main challenges came out from the study:

Lack of expertise in this area was reported by 52% of respondents. Although two thirds (67%) of participants do track HR related indicators, more than half believe that they lack the expertise to fully exploit the data.

The second main challenge reported by 43% of respondents was that it is “Difficult to acquire data.” This relates to the reality that HR data is often spread across various Information Systems (IS) such as: Finance IS, HR IS, Excel files, departmental data bases and other repositories. This limits the use of enterprise wide off-the-shelf systems that cannot possibly accommodate the multitude of data sources that exist in this area.

Cost is the least important challenge (9%), but about 20% of respondents believe that People Analytics is neither a Business nor an HR priority. This is often linked to the fact that it is difficult to build a story and interpret HR related data/information for effective decision making, hence is not perceived as a priority.

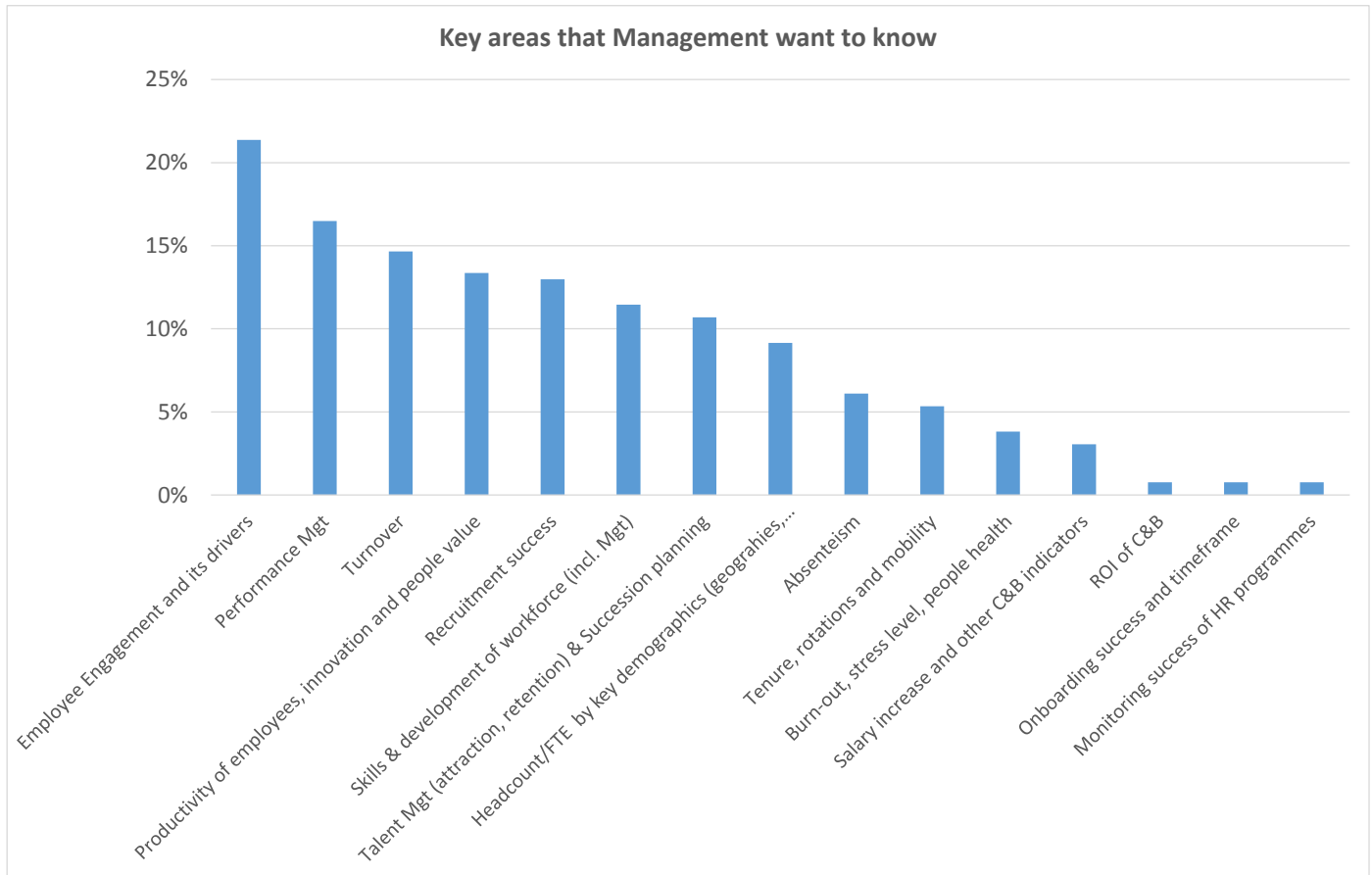
The “Other” category includes challenges such as:

- Lack of accuracy / quality of HR data
- Linking HR data to business impact
- Internal political reasons
- Cultural reasons (HR is important, but not a hard business discipline ...)

**Many authors write that it is not easy to choose the right things to measure, to get access to the right data, to analyse the data correctly and to report it in a way that supports the decision making process.**

## The key HR Metrics areas for Management

Respondents were asked to give what their Management wants to know when it comes to People related data and analytics. This was an open question and we categorized the answers into 15 categories as in Figure 7 below.

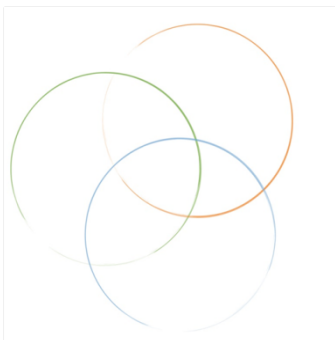


**Figure 7: The key HR metrics areas that Management wants to know**

There is some alignment between what is measured today and what management wants to know, in particular when it comes to Employee Engagement and Performance.

The main difference is that Management focuses on wanting to know the outcome of HR activities (e.g. level of Engagement/performance, Recruitment success, turnover, productivity, level of competence) and how this will make a difference to the business, whereas what is measured today by HR is mainly linked to the HR activities themselves (process efficiency and effectiveness) and not always their outcome. In reality, only 1% of respondents indicated that their Management is interested in the success of HR programmes.

As Wayne Cascio points out: "There is little correlation between what is usually measured in the terms of HR and the business main objectives". Our study confirms this dilemma.



The positive aspect is that respondents are aware of what management wants, which is more related to the outcome/impact of their HR programmes, but only 27% of them believe they can measure business impact as indicated earlier.

Other specific areas of interest mentioned by participants are as follows:

- Measuring innovation and new project contribution to the business
- Hours of Management commitment/Performance
- Cost of recruitment/tenure of employee within the organisation
- Measuring the company specific and often unstated recruitment objectives not captured by SAP or other enterprise systems
- Total value of employee lifetime contributions/cost of employee departure
- Development objectives vs. progress actually made
- Business Unit costing

In sum, we found that respondents had some insights on what Management would like to know but were not necessarily delivering these results in their current HR metrics practices. This suggests that there is a great opportunity to develop the People Analytics capability and support Management further in business decision-making and in adding business value.



## Conclusions and future outlook

This research project demonstrated a number of prominent challenges and areas that can be explored. It is clear that organisations today measure People related data/indicators, but that they are not necessarily corresponding to what Management expects. Indeed, Management would like to know the value of HR programmes in terms of outcome and business value.

HR faces a number of main challenges: HR professionals must collect the right data, formulate the analytical framework, analyse the data and communicate business relevant information in a way that tells a compelling story for decision making. We recommend that HR begin the process of People Analytics with a focus on strategic business questions. When HR professionals are able to start with important strategic questions then they have a relevant context to develop the People Analytics models, processes and data needed to address that question. They are also ensuring business relevance and that the topic will be of interest to senior leadership.

For example, business leaders will be interested in the turnover by key talent groups, what types and profiles they are losing, the potential impact to the business, the reasons why key talent is leaving and what possible solutions can address the turnover that has a significant business cost. HR usually tracks overall or average turnover, at a minimum, and often does a poor job in assessing the results of exit interviews. Overall turnover figures often do not say much. It is impossible to determine the impact of x% turnover without a deeper analysis of what is behind that number. ***Our solution is to analyze HR metrics that answer a strategic question. This provides a strategic perspective, structure and relevance to the people analytics efforts.***

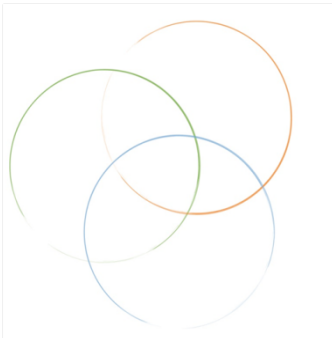
In order to meet the above challenges HR functions must develop or source the expertise to frame the key strategic questions, structure the people analytics model, collect and analyse the data, translate the analysis results into the language of business, and develop contextual stories to communicate the business impact possibilities.

To summarise, we at Optimis believe that the key success factors required to succeed in implementing a robust People Analytics approach are the following:

- HR analysis frameworks and data respond to key strategic questions
- Collect and analyse the data required by the analytics framework
- Integrate people data from multiple sources
- Segment metrics and analytics by talent groups
- Include qualitative analysis where ever possible
- Story telling when distributing analytics to Management
- Integrate business data in your analysis
- Demonstrate business impact opportunities

Optimis has experience in developing the People Analytics practices in both public and private sector organisations. We would be pleased to discuss further this opportunity and to share further our experience. Our strong conviction is that organisations can benefit enormously from linking people data to business performance through People Analytics.

**Organisations today measure People related data and indicators, but they are not necessarily corresponding to what Management expects. Indeed, Management would like to know the value of HR programmes in terms of outcome and business value.**



## How can Optimis support you now

**At Optimis we can support you in taking the necessary steps to increase the business value added impact of your HR initiatives.**

It can be daunting to know where to begin in the People Analytics journey for your organisation. The constant operational demands, the legacy HR metrics, the new enterprise level HR system conspire to provide a confusing environment within which to make a strong start.

At Optimis we can support you in taking the necessary steps to increase the business value added impact of your HR initiatives. Below are some typical services that we provide:

- **People Analytics Audit and Feasibility Study**

We recognise that there is no “one size fits all” solution and that you have an operational and cultural legacy to work with. We also know that it can be expensive to modify existing IT systems and that the work needs to be done right the first time. To support you in this process we suggest a People Analytics Audit and Feasibility Study where we will make recommendations based on your company context and the level of maturity of your current analytics efforts.

- Assess your current practices, data sources, HR processes, IT environment and the business operating environment
- Gather data from key stakeholders to understand the key strategic challenges, the context and the opportunities for making an impact with People Analytics
- Prepare a set of recommendations based on the above assessment

- **Design, Pilot and Implement People Analytics Solutions in key Strategic Areas**

In order to demonstrate the power of People Analytics and its value to the business we can support you in the choice of a few strategic areas which are suitable for initial pilot projects. This may be in the high priority area of recruitment, in staff motivation (engagement), in compensation and benefits, or in any strategic area where there is management interest and an expectation to improve.

- Select the strategic areas
- Design the frameworks and models
- Identify key data required, plus collection methods
- Select data analysis methods and protocols for the analysis
- Design easy to use, flexible and powerful tools that allow collection and distribution of the analytics
- Pilot the solution
- Conduct the data analysis and confirm results
- Translate results into business language
- Create the “story” to demonstrate impact
- Prepare the team to present to senior management



- **Ongoing support for your People Analytics efforts**

We are committed to supporting your People Analytics efforts and the type of support can be tailored to your requirements. For instance, some initiatives are best handled by outside agents due to confidentiality requirements. In the case of an Employee Engagement Survey, Optimis can handle the full survey process and guarantee confidentiality of the responses.

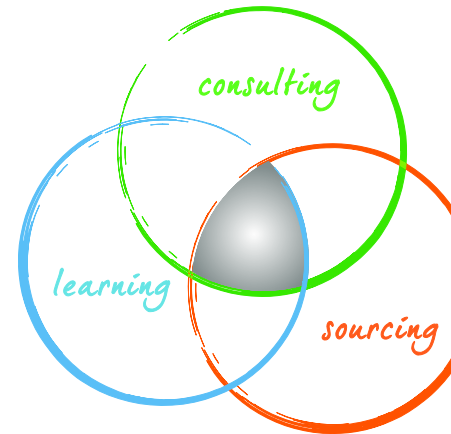
We also take it a step further and provide a full service “action planning” process to support your organisation in reaping the full benefits from a particular initiative that you have undertaken. As well, we measure the impact of the change initiatives.

In sum, Optimis can fill the gaps in your internal expertise for developing and implementing People Analytics solutions and the change initiatives that are associated with them. We will work flexibly with you to ensure that the value proposition remains attractive.



## Annex A: About Optimis

Optimis is an international consultancy group based in Switzerland. We support private and public sector organisations in the achieving greater **organisational effectiveness** by reviewing, developing and optimizing their Organisational and Human Resource Management strategies, structures, processes and systems. We are a group of senior professionals committed to measuring the benefits of our client's investment and operating as a strategic advisor to help achieve optimal returns, financial as well as organisational. Our service areas are split into three main sectors:



### Optimis Strategy Consulting

Below are several areas where Optimis offers strategic consulting services:

- **Organisational Diagnostics and Research**

We are committed to understanding the organisational context, challenges and issues of our clients through organisational surveys, organisational analysis, research and functional audits. We provide our diagnostic services on three levels: organisational, functional-team and individual

- **Developing Strategy Initiatives**

We support our clients in defining and developing appropriate organisational and HR strategies, structures, policies, processes and systems to address organisational issues and deliver business strategies

- **Implementing Programs and Projects**

As a partner, we support the implementation of solutions through rigorous change management and learning activities to ensure successful execution

### Optimis Learning

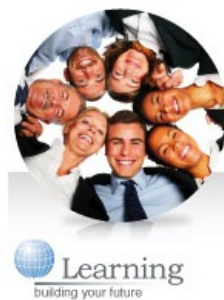
Optimis provides **customised learning programmes** designed to meet the organisation's needs and to build management and leadership capabilities. Optimis delivers enterprise wide learning solutions for your leadership and management teams. We use experiential applied learning techniques and seasoned facilitators to draw out the potential of individuals, groups and entire organisations. Our learning architects assist in the design of custom programmes that are linked to our clients' priorities and the specific capabilities required achieving their goals. Through a mix of learning and coaching, we help them create an environment where engagement, performance and learning are fully integrated into the day-to-day activities and are everyone's priority.

### Optimis Sourcing

We support your strategic change initiatives with expert **selection and assessment services** to ensure you have the right talent to implement your organisational strategy. In addition, we provide **interim management** placement to support our clients in accessing difficult to find profiles



How will you take it to the next level?



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