

The State of Workforce Analytics in Europe

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Introduction

Workforce Analytics has become a hot topic recently as there is a growing demand for data-driven decision making to drive strategic actions that impact critical business outcomes. While there is a general agreement among HR professionals that Human Resource initiatives have a significant effect on business performance, it is more controversial whether Return on HR Investments can be precisely calculated. Nevertheless, – as you will see through the case studies presented in our report – there are a few pioneering organizations, who already are beyond the novitiate in the journey towards developing solid Workforce Analytics capabilities.

To this end, we surveyed 255 European business and analytics professionals to investigate whether or not the mass of European organizations are to follow the latest trends of setting up a more analytical and fact-based HR function.

Along with presenting the findings of our Europe-wide research of applied Workforce Analytics practices we invite you on a journey to get acquainted with how Workforce Analytics efforts may be leveraged.

What is Workforce Analytics?

Workforce Analytics is a diverse collection of data analytic approaches for uncovering unique insights about people in organizations that enable faster, more accurate, and more confident business decision-making (Guenole et al, 2015).

Workforce Analytics, therefore, may be interpreted as a systematic approach to a deeper understanding of the business and how exactly the workforce and various HR practices are contributing to organizational success and the bottom line.

In the meantime, Workforce Analytics is certainly not only about analyzing data and linking performance measures to business outcomes. Even the most sophisticated analysis would be useless if it wasn't followed up by the right actions of strategy alignment and execution.

Josh Bersin has identified a range of typical Workforce Analytics projects and the questions they answer, including:

- Employee retention – what creates high levels of engagement and retention?
- Sales performance – what factors drive high-performing sales professionals?
- Accident claims – what factors and which people are likely to create accidents and submit claims?
- Leadership pipeline – who are the most successful leaders and why are some being developed and others not?
- Loss analysis – why are some locations more prone to theft and loss and what causes the variation?
- Customer retention – what talent factors drive high levels of customer satisfaction and

retention?

- Candidate pipeline – what is the quality of our candidate pipeline and how do we better attract and select people who we know will succeed in our organization?
- Training effectiveness – how does training contribute to overall performance improvement?

Workforce Analytics not only has practical business benefits, it could also improve HR's credibility in the boardroom. As Dr Jac Fitz-enz, the 'father' of Human Strategic Analytical Measurement cites in his interview with Stamford Global (2013): "If HR used the analytics technology that is available today, they wouldn't be asking for a seat at the table, they would own the table." (p. 2).

Drivers and levels of Workforce Analytics

There are numerous market trends and environmental changes that contribute to the rising interest of Workforce Analytics. Benchmarking studies, such as IBM's Institute for Business Value's (IBV) Unlock the people equation, have identified a number of internal and external drivers of this growing interest:

Internal factors range from the increasing importance of traditional HR responsibilities (e.g. hiring, managing attrition) to changes in strategic direction. In fact, 80 % of executives say their company cannot succeed without an assertive, data-driven CHRO, who takes a strong stance on talent issues and uses relevant facts to deliver an informed point of view. (Swartz 2015)

External factors include regulatory requirements and labor market factors that are changing faster than it is possible to monitor using intuition and observation alone.

The above drivers combine with an explosion of data, and better ways to manage and analyze it to create the perfect growth environment for Workforce Analytics. This is an environment that is only likely to become more fertile as the near future is set to bring the increasing penetration of Internet of Things (IoT), more sources of external and internal big data (e.g. from mobile applications or social platforms) and the continuing evolution of artificial intelligence and cognitive computing. All of these developments will make it possible to explore entirely new insights.

As in any emerging field, stages of development in Workforce Analytics vary. According to Pease, Byerly and Fitz-enz (2012) the levels of Human Capital Analytics can be viewed as a mountain as shown in Figure 1.



◆ Anecdotes ◆ Scorecards & Dashboards ◆ Benchmarks ◆ Correlations ◆ Causation ◆ Predictive Analysis ◆ Optimization

Figure 1. Continuum of Human Capital Analytics | Source: Pease, Byerly & Fitz-enz (2012)

The research presented in this report provides some insights into just where organizations are on this continuum, and where they anticipate being in the future.

Results of the European Workforce Analytics Maturity Survey

Maturity of Workforce Analytics

As we may have expected, most of our respondents have yet to fully develop their Workforce Analytics capabilities, although the journey for most has begun (Figure 2). The majority has either started to build (28 %) or is in the process of building (41 %) their capability. However, just one in 50 (2 %) have yet to get started at all.

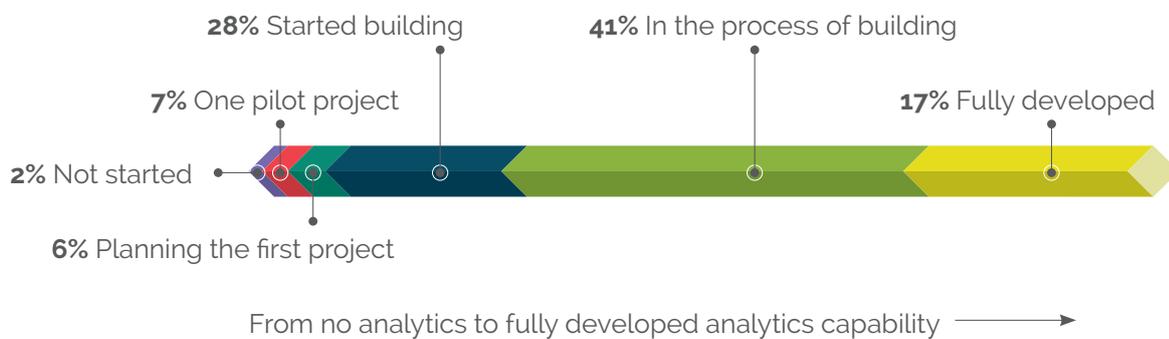


Figure 2. Level of Workforce Analytics capability

Workforce Analytics projects can be delivered by internal resources, external resources, or a combination of the two. Preferred options from our respondents vary quite considerably (figure 3). Almost one quarter (23 %) of respondents have no analytics team at all, presumably relying on expertise in other areas of the business to cover projects, or perhaps they have yet to formalize their preferred resourcing option. Deciding whether to outsource or insource resource for Workforce Analytics is a key decision for HR and at the moment, the respondents in this survey are fairly evenly divided on their preferred approach.

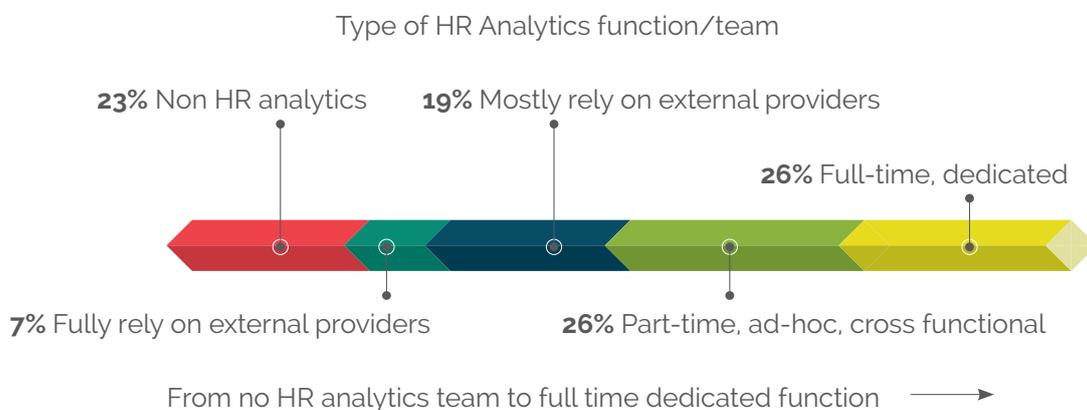


Figure 3. Structure of Workforce Analytics function/team

Although the above data highlight that there is still much to do to embed Workforce Analytics in HR, it is encouraging to see that the strategic use of Workforce Analytics is a priority that is set to increase (figure 4). Twice as many respondents say they intend to use Workforce Analytics as a driver for the business in the next two years, compared to today.

- 31.6% Today
- 63.6% In the next 2 years



Figure 4. Main focus for building Workforce Analytics capabilities

The use of Workforce Analytics as a driver for business is a key indicator of the strategic importance of the function. Such strategic importance is further evidenced by the source of demand for Workforce Analytics projects. Although demand appears to come from a variety of audiences (figure 5) with, as you might expect HR leaders as the biggest requesters (75%), more than half of respondents (52%) cited board members, and nearly half (48%) cited line-of-business executives as requesters of Workforce Analytics.

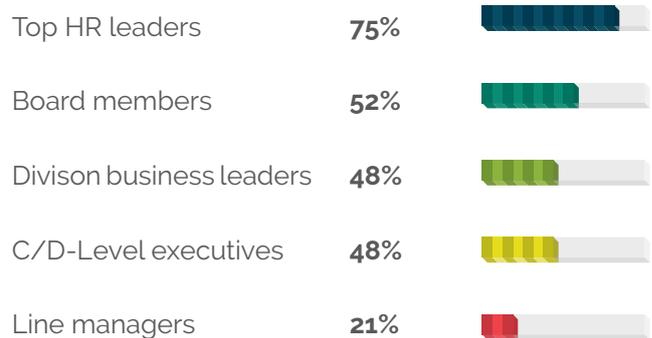


Figure 5. Requesters of Workforce Analytics

Methods of Workforce Analytics

One indication of the maturity of Workforce Analytics is the use of tools and methods of analysis. As shown in Figure 1 (Continuum of Human Capital Analytics) the least mature tools are dashboards and spreadsheets, with the more mature methods identified as predictive analytics.

Just 12% of respondents to this survey could be considered at the mature end of the spectrum, as they use predictive modelling (figure 6). Much more popular methods of analysis are the identification of historic trends, scenario analysis, using metrics to evaluate workforce performance and advanced reporting, which were identified by more than half of respondents.

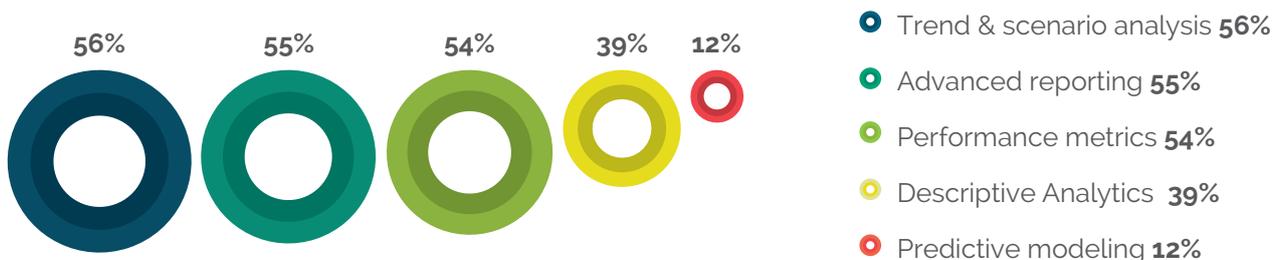


Figure 6. Use of analytics methods

Almost half (48 %) of our respondents rely on spreadsheets, so there is evidently some way to go before the more sophisticated and effective tools are commonplace (figure 7).



Figure 7. Most typical tools

Why HR is engaging in Workforce Analytics

The reasons that HR is engaging in Workforce Analytics appear wide ranging, with both tactical and strategic justifications at the top of the list (figure 8). Improving the efficiency of HR processes is identified by almost three quarters (73 %) of respondents, with the link to broader business outcomes identified by 59 % of respondents. One of the major benefits of Workforce Analytics is the link to broader business outcomes and as the methods for analyses develop in sophistication (predictive modelling, for example), we would expect this more strategic driver to increase in importance.



Figure 8. Drivers of Workforce Analytics

It is encouraging to see Workforce Analytics being used not only to assess and improve HR operations (82 %), but also to support HR (92 %) and wider business strategy decisions (71 %) (figure 9). However, the potential remains for Workforce Analytics to be a more significant contributor to assessing the viability of new business strategies (47 %) and develop strategies for competitive situations (61 %).

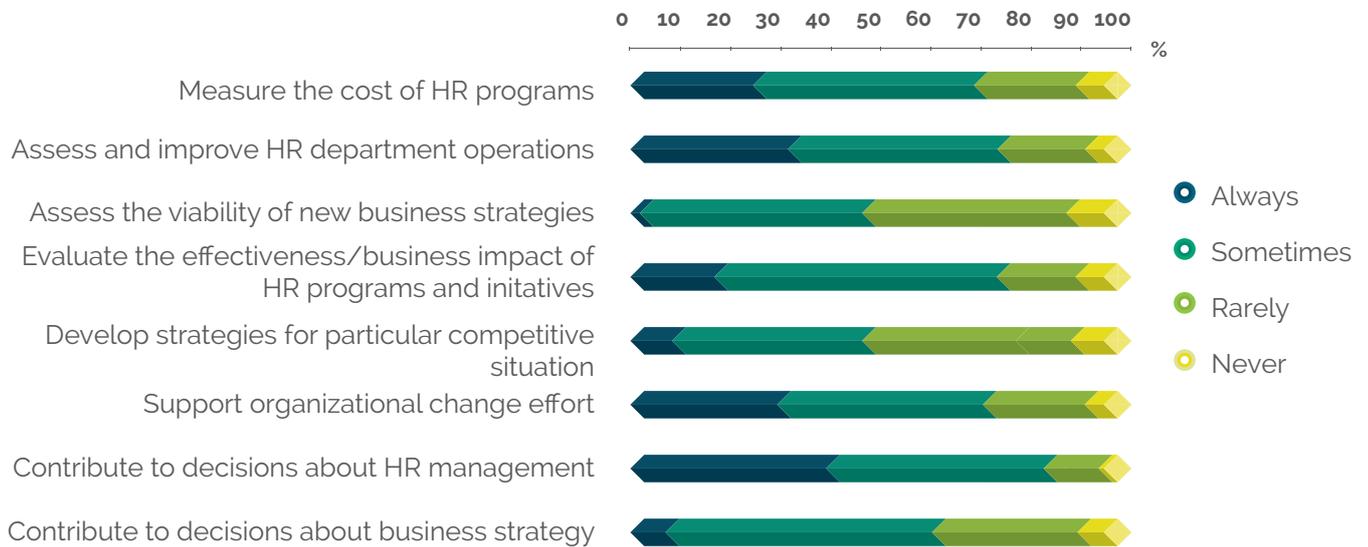


Figure 9. How Workforce Analytics is used

Regardless of the reason for the use of Workforce Analytics, it appears that the HR function can see the clear benefits in the approach for much of the full range of HR responsibilities (figure 10). Perhaps unsurprisingly, workforce planning (69%) is top of the list, with performance management (65%) and talent management (61%) close behind. Yet to fully feel the benefits of Workforce Analytics, organizations would be well served to focus on the less frequent applications as well, namely, internal communications (15%) and employer branding (16%).

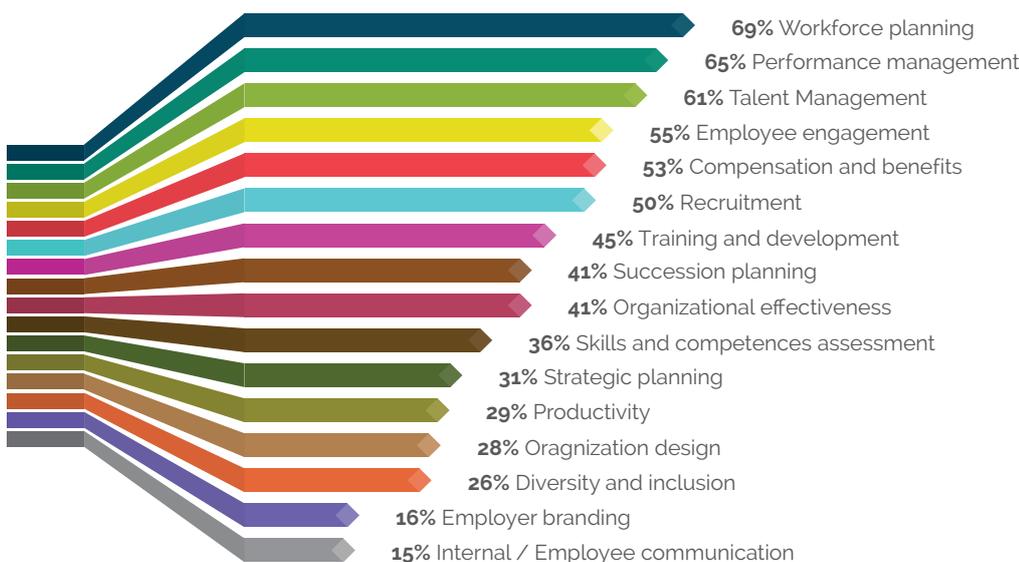


Figure 10. Use of Workforce Analytics across HR responsibilities

We would expect the application of Workforce Analytics to broaden and deepen still further in the coming years and this is supported by the investment intentions of our respondents (figure 11). More than half of our respondents predict an increase in investment in Workforce Analytics, while just under one in 10 (9 %) expect to reduce their investment. The verbatim comments from participants indicate that investments are likely to focus on skill development and systems improvements.

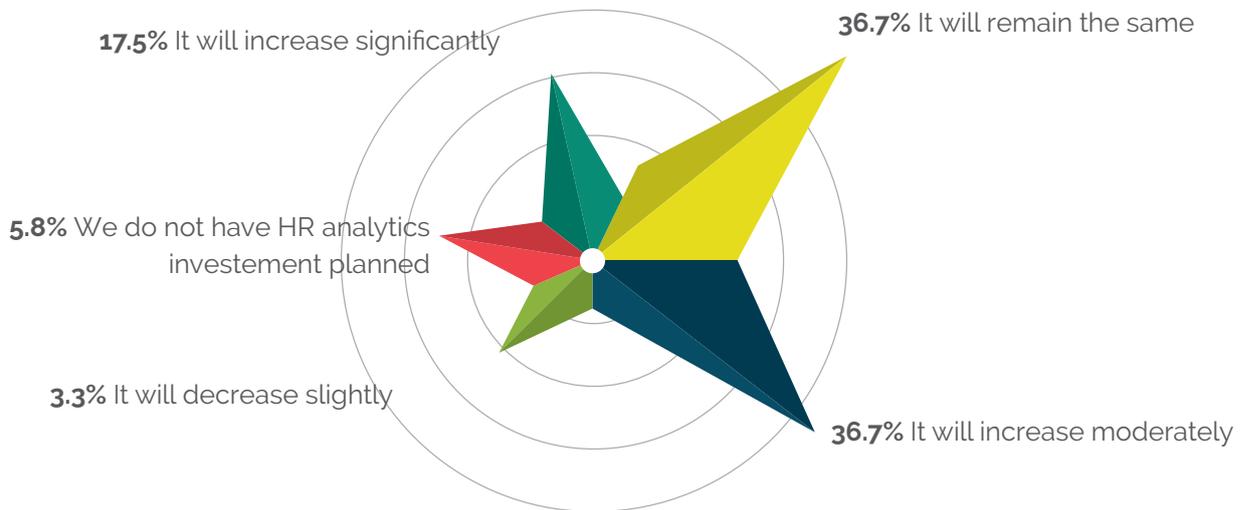


Figure 11. Workforce Analytics investment plan for 2015

Given the wide range in the application and sophistication of Workforce Analytics among our respondents, we were not surprised to see a similar variation in the budgets dedicated to the function (figure 12). Investment in Workforce Analytics ranged from no budget at all to more than €500,000, with the largest majority of respondents either having no budget at all for Workforce Analytics (32%) or less than €50,000 (42%). At the other end of the scale a very small number of participants (2 %) have a Workforce Analytics budget in excess of €500,000.

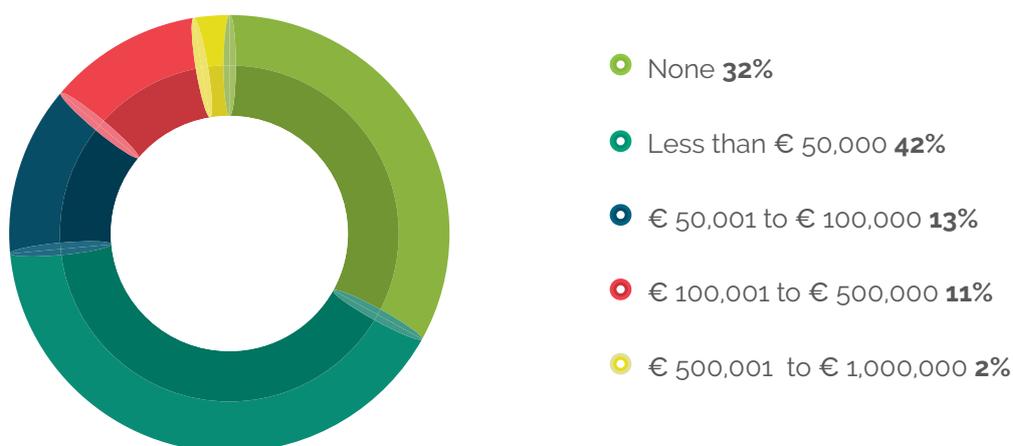


Figure 12. Workforce Analytics budget for 2015

What is preventing the adoption of Workforce Analytics?

While there is a remarkable interest in applying Workforce Analytics, HR faces numerous challenges to full adoption (figure 13). Perhaps unsurprisingly, the biggest challenges concern data integration and the lack of automation, while a shortage of financial resources is third in the list of barriers. Less of a problem is interest from HR colleagues, so it appears that at least HR's own peers are supportive, even if the data and technology need attention.



Figure 13. Barriers to Workforce Analytics

Satisfaction with Workforce Analytics

Feedback on satisfaction with Workforce Analytics can also point to areas for improvement or barriers to overcome (figure 14). Top of the list of areas of dissatisfaction is the current analytic capabilities within the organization. This has emerged consistently as an issue and is indicative of the traditional skills make up in HR.

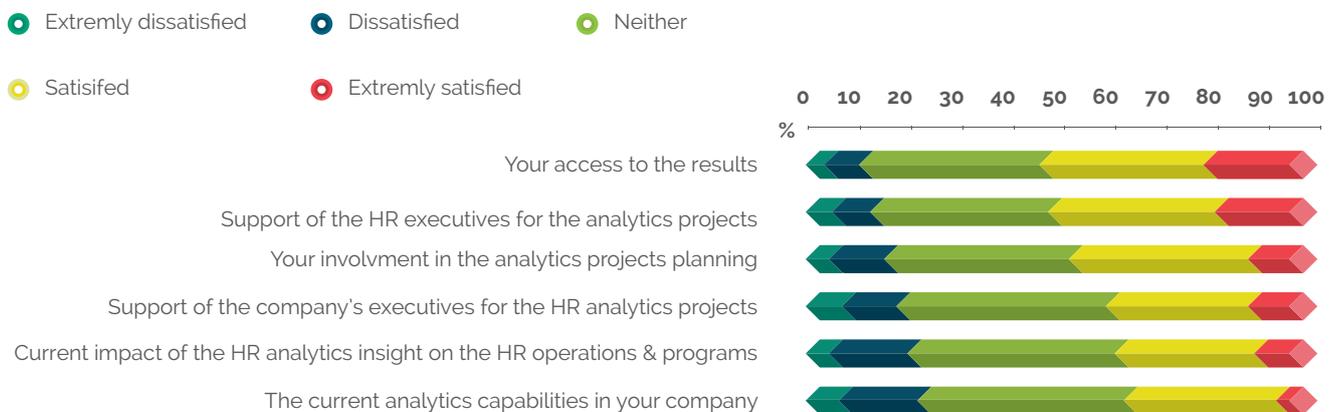


Figure 14. Satisfaction with Workforce Analytics

Overcoming Workforce Analytics challenges

While developing Workforce Analytics capabilities or even executing a single project may seem straightforward from a theoretical perspective, in reality the challenges are several fold.

1. Data

First of all, ensuring accessibility, consistency, quality and credibility of data may be challenging, especially for an organization without advanced data management systems. Even with highly-developed business information systems, required data are usually stored at multiple sources, which makes data gathering efforts more complicated. Accessibility of data may be handled by building partnerships with other data centers. Data credibility issues, for example in case of employee-driven data entry can be addressed by carefully designed incentives and fostering active employee involvement in the entire process of the analytics project. Consistency may be solved by reformatting data and applying sufficient statistical methods.

2. Privacy, security

Another set of challenges encompasses data privacy, security and legal issues. The following case study by **Royal Dutch Shell** can offer a good example on how to tackle this matter.

3. Analytical competency of HR team

Analytical skills are one of the most frequently mentioned barriers to Workforce Analytics adoption. There are a number of different ways to address this barrier, and it is not always necessary to have these skills in-house. In the beginning, the use of external resources can be just as effective. External resources not only include consulting firms, but university professors or PhD statistics students could be also an asset. They should be able to identify data requirements, propose appropriate analytical methods, reformatting data, executing the actual analyses and interpreting the results.

4. Organization Culture

Further barriers to Workforce Analytics may include cultural issues and employees' discomfort towards data-driven decision-making. As Davenport, Harris and Shapiro (2010) highlight it, it is important to avoid the mistake of "Making analytics an excuse to treat human beings like interchangeable widgets." (p. 58). Making the objectives, processes and results of Workforce Analytics initiatives clear and transparent throughout the organization as well as providing opportunities for employees to actively participate in the process may enhance employee trust and create a positive attitude.

5. Stakeholder management

Finally, involving stakeholders and developing a well-functioning partnership with other concerned functions may also be a challenge in the beginning of the process, when possible benefits are not yet clearly defined. Carefully choosing the most crucial and pressing business issue with the highest possible impact on desired business outcomes may be the best way for generating interest and the necessary support to initiate the process.

Marcello Melpignano is head of a 24-strong team all around the world responsible for corporate data privacy.

He shared Shell's view on data privacy at the Workforce Analytics Summit in Amsterdam on 3-4 March, 2015 where he highlighted how data privacy eventually opened the doors to HR Analytics for the corporation, effectively proving that it is entirely possible for a business to turn data privacy concerns from obstacles into stepping stones while fully harnessing the benefits of Workforce Analytics. Shell's journey in the realms of ensuring data privacy began over 20 years ago, but the topic itself has only begun to attract intense attention in the past 7 years, ever since the European Union's laws on data protection have become increasingly restrictive, which required Shell to up their game in terms of adapting to and benefiting from the new rules. As Mr. Melpignano remembered, data privacy at Shell used to be viewed as an obstacle and a potential source of risks in terms of data protection control. In the past six years the company has come around from that perception to seeing data privacy as a means to become enablers. But what do they mean by that? By understanding the importance of implementing proper data privacy regulations and how it helps meeting the customers' needs, Shell was able to set up the necessary IT infrastructure and ensure that the system works in all the 90+ countries Shell is present in. Of course, companies need to comply with more superior regulations than their own corporate data privacy laws, and it is bound to be difficult in some cases. However for Shell, instead of creating more issues the European Union's legislation on data protection has given them a solution; by law, data collection needs to be linked to a valid business case. Thus when asking for personal data, companies must in return have information ready on the whys and also on what they are planning to do with the gathered data. Authorization - defining access and ownership of the data elements - is also an important practice at Shell. Corporate rules and EU regulations permit data transfer between countries as long as it stay within the corporation, Mr. Melpignano explained, and Shell was the first company to adopt this kind of data sharing between its affiliates. The journey from obstacles to authorization provides a strong basis for analytics, which lets Shell to create a safe IT infrastructure and enables executives to make decisions based on anonymous rather than individual data.

Summary of research results

This survey provides useful insights into the maturity of the Workforce Analytics function, and the picture is certainly mixed. Although a few respondents claim they are yet to get started, not many more organizations are at the other end of the continuum with a fully developed Workforce Analytics function.

The good news is that the trend data are clear that the specialism of Workforce Analytics is only likely to grow, with the majority of organizations indicating expansion in the future. As more organizations set up Workforce Analytics functions and begin to see the benefits of evidence-based decision making, we are likely to see greater use of sophisticated analytic approaches.

For those who may be at the beginning of this journey, the next chapter reveals some practical advice organized into a practical framework.

Demographics of research participants

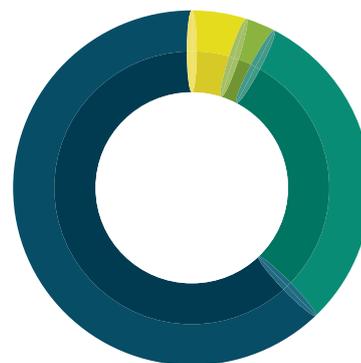
From Europe, 255 respondents participated in the research.

The majority of participants represented large organizations with more than 1,000 employees locally (Figure 15) and 10,000 globally (Figure 16).



- 17% 0-199
- 11% 200-499
- 15% 500-999
- 57% 1000+

Figure 15. Local size of represented organizations



- 7% 0-499
- 3% 500-999
- 25% 1,000-9,999
- 65% 1,0000+

Figure 16. Global size of represented organizations

There was a quite balanced distribution of respondents among different regions of Europe (Figure 17).

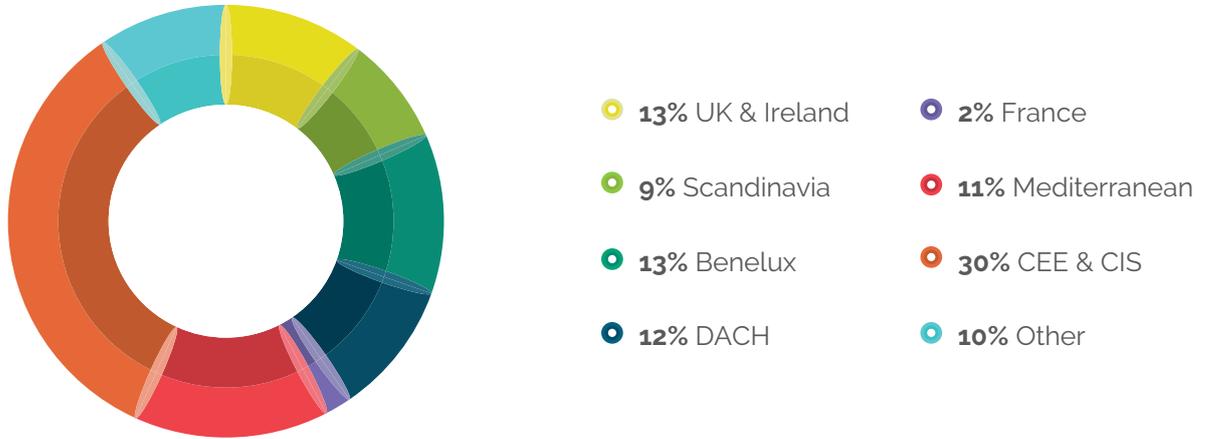


Figure 17. Region of represented organizations

The finance/insurance, the fast moving consumer goods (FMCG) and the manufacturing industries were the most represented in the research (Figure 18).

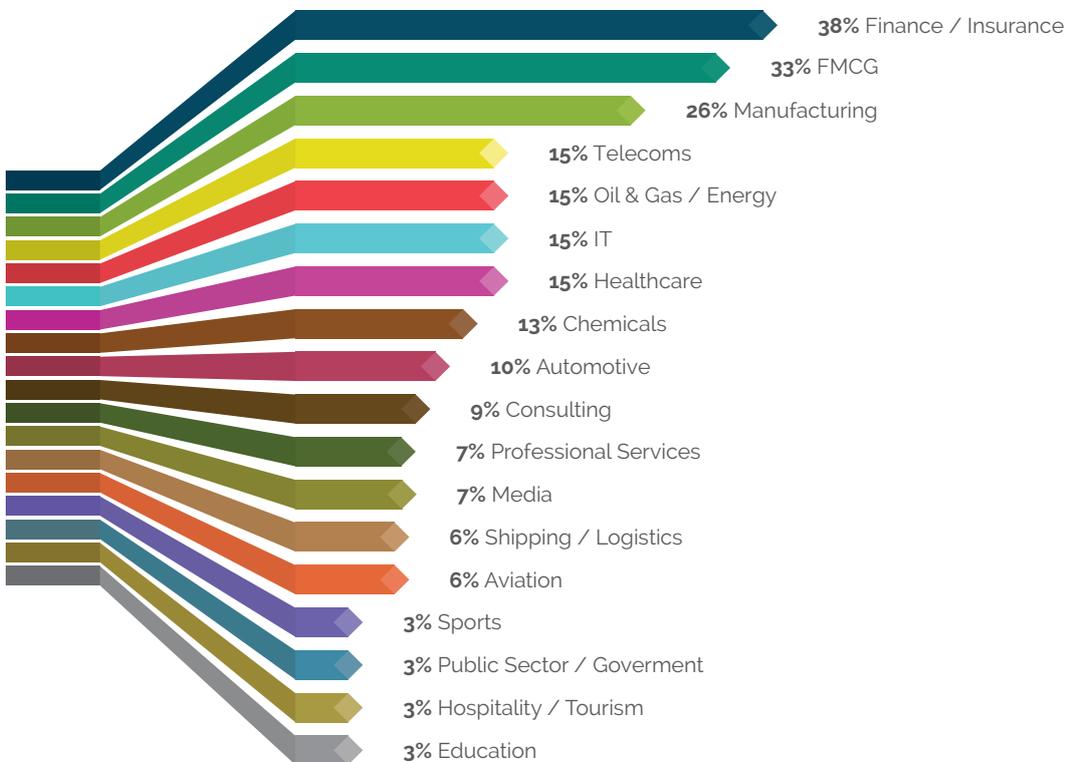


Figure 18. Industry of represented organizations

The majority of respondents hold a leadership or managerial position (Figure 19).

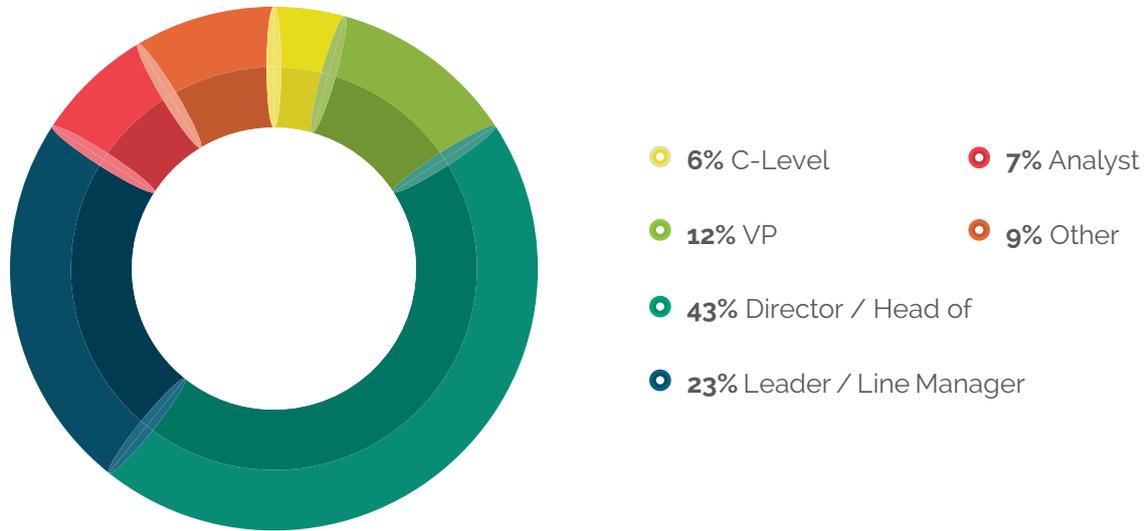


Figure 19. Seniority level of respondents

More than half of respondents are involved in requesting data analysis, transferring results to decision makers, interpreting data and making decisions based on the results. Fewer participants are in charge of data quality and assurance, as well as performing reporting, and conducting data analyses (Figure 20).

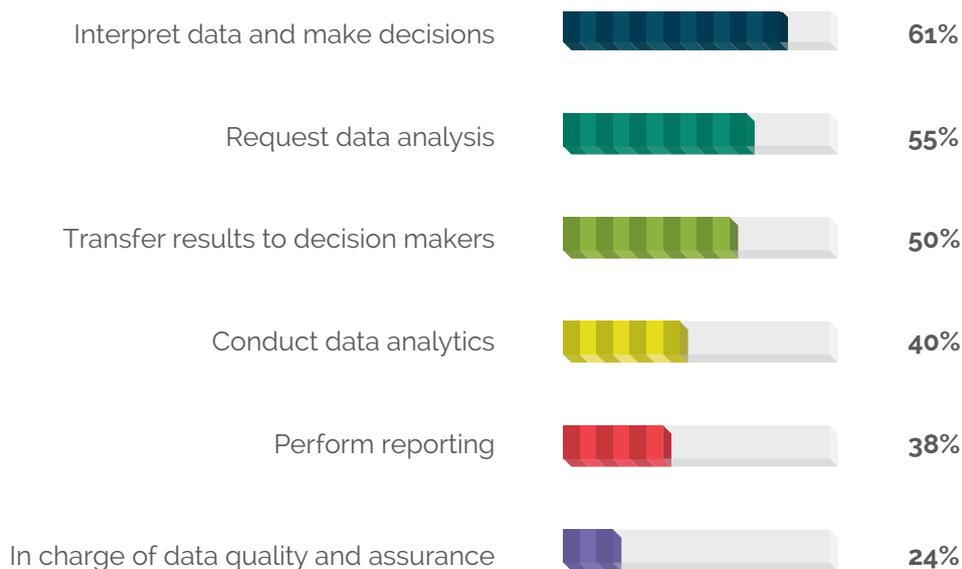


Figure 20. Involvement of respondents in Workforce Analytics

About the authors

Iris Kassim

As the Founding Member of the Society of Management Innovators and also a Board Member of the Hungarian Association of HR Professionals, Iris is working on building a professional community that generates and shares state-of-the-art practical and theoretical HR and management knowledge through monthly business think-tanks and the HR Innovation Award. Iris is a PhD candidate, she is focusing on developing and validating an innovative new approach to employee engagement management that views engagement as a two-way relationship between employer and employee. The new approach takes into account that individuals are unique and may be engaged by person-specific factors that traditional engagement surveys with only aggregated outcomes are not able to handle. The new method builds on a (pro)active employee participation and enables an individually-tailored employee experience. Besides, Iris is a freelance organization development consultant with a holistic approach applying methods grounded in behavioral science. Find her on [LinkedIn](#) and [Twitter](#).

Mihaly Nagy

Mihaly is an analytics and HR evangelist and the CEO of Stamford Global, a boutique conference company behind the only global Workforce Analytics Summit series, connecting high level enthusiasts and practitioners on the subject in London, Singapore, New York, Amsterdam, Toronto, Berlin and Sydney. He is also the moderator of the HCM Excellence Network, a LinkedIn community with 5000 + members. Mihaly has worked with notable experts who have influenced his thinking, such as Dr. Jac Fitz-enz, Dr. Tom Davenport, Dr. Dave Ulrich, Dr. Marshall Goldsmith, Dr. Gareth Jones among others. Mihaly is also a certified trainer by McConnon international, working with project teams to make teamwork and collaboration happen. He is a devoted partner and happy father of two little girls, Aisa and Mona, and an enthusiastic but mediocre golfer and squash player. Find him on [LinkedIn](#) and [Twitter](#).

About the Research Underwriter

IBM Smarter Workforce

IBM Smarter Workforce: Redesign the way your organization attracts, empowers and motivates employees. Replace guesswork with precision using Smarter Workforce solutions.

Five key areas comprise a Smarter Workforce: **Talent acquisition**—attracting the right candidates to the right roles through precision and science, and using social tools to make them productive more quickly. **Talent leadership and engagement**—connecting the power of a highly engaged and fully enabled workforce with leaders aligned to critical roles to optimize organizational performance. **Talent optimization**—rapidly developing, deploying, and optimizing workforce skills and capabilities, while capitalizing on an interconnected, social and collaborative workforce. **Talent recognition and rewards**—optimizing the way employees are recognized and rewarded throughout the enterprise to attract, retain and stimulate top performance. **Talent analytics**—transforming the way decisions are made through descriptive, predictive and prescriptive analytics, enabling data-driven insights.

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