

Talent Framework

Measuring up: HR's new need for leaders in data analytics

As companies grow more metric insistent, HR departments must tap talent in new ways to build and expand their capacity to analyze and offer critical information about human capital.

A new data-driven role for HR.

Leadership talent can make the difference in whether organizations reap the optimum benefits from what may be big investments of time, money, and resources in HR data analytics, or new technology based initiatives fall short, Korn Ferry research finds.

As organizations increasingly find themselves data driven and metric insistent, human resources (HR) departments no longer can approach CEOs, boards, and C-suites with piecemeal views of talent based on data scattered across the enterprise. Chief human resources officers (CHROs), in particular, find they must provide salient, timely information on what works and what doesn't across the spectrum in talent recruitment, retention, and development, as well as detailed portraits of who does what and how well it is done within organizations. This need, many companies find, demands new leadership in the HR analytics field. Organizations seek wizards who can whip into shape conflicting systems, hardware, and software, all while executing in complex organizations and relationships, Korn Ferry research shows.

The urgency for organizations to bolster their decision making across the enterprise, and particularly with talent, has grown markedly in recent years, especially due to technology's relentless advances. In human capital terms, the needs are great and confidence in current approaches is uncertain: 83% of CHROs responding to a recent Korn Ferry survey with more than 7,000 executive respondents overall expressed concern that their organizations lacked the talent needed to deliver on strategic priorities (Gochman et al. 2015). Another survey found that three out of four non-HR leaders in organizations rated the performance of HR functions as adequate, getting by, or underperforming (Bersin et al. 2015). The frustration has reached the point, at least for some, that the *Harvard Business Review*—in a provocative, perhaps extreme expression—recently published a cover illustrated with a bomb and lit fuse under the headline “It’s Time to Blow Up HR (and Build Something New).” The corresponding package of HBR articles carried titles and subtitles such as “Rethinking Human Resources,” “Why We Love to Hate HR,” and “A New Role for the CHRO.”

At the same time, organizations are making significant investments in HR and HR technology. More than half of 200-plus companies responding to a recent poll said they planned to advance their HR data analytics capacities significantly in the next few years (Harvard Business Review Analytics Services—Visier 2014). A growing body of research underscores why: Top-performing organizations employ analytics five times more than lower performing organizations do, according to a recent survey of more than 3,000 business executives, managers, and analysts with companies worldwide (LaValle et al. 2012). Further, companies with talent management reporting and analytics capacities were found in one study to achieve an

increase of 11% or more in profits and a 6% improvement in per-employee revenue (Harvard Business Review Analytics Services—Workaday 2015) But with organizations planning or making new technology investments in the billions of dollars in the HR area alone (Bersin 2014), Korn Ferry finds that elite talent at the top can be a key driver to favorable outcomes in the HR analytics area. The firm recently boosted its expertise on HR data analytics, in part through its talent support for one of the world's leading financial services companies. This paper shares Korn Ferry's experience-based knowledge as well as burgeoning research on a pivotal and rapidly evolving area for CHROs across all industry verticals. Leadership talent, we contend, can make the difference in whether organizations reap the optimum benefits from what may be big investments of time, money, and resources in HR data analytics, or new technology-based initiatives fall short.

What are data analytics?

Korn Ferry has found a varied sophistication in companies' HR data analytics capabilities, from early-stage efforts in HR information systems (HRIS) areas to full-fledged departments offering world-class predictive modeling that incorporates social media. In brief, HR data analytics help organizations more effectively align their workforce and talent-planning activities to execute their business strategy. Historically, most organizations approach workforce planning as an annual exercise focused on cost, with little insight as to whether the employees can achieve their performance and revenue goals. This often occurs largely because companies lack accurate information as well as proactive modeling capabilities to plan better. HR departments face big hurdles in gathering and analyzing critical information to benefit their organizations. A recent survey of organizations detailed the common obstacles to better, more rigorous HR data analysis, including inaccurate or inconsistent information scattered across the enterprise and requiring considerable (manual) manipulation to be useful; lack of analytic ability and capacity among HR staff; and inadequate investment in technology in the HR function (Harvard Business Review Analytics Services—Visier 2014). Further, most organizations said they largely produce only "as needed" information in spreadsheets and address a single topic; although most hoped to improve their HR data analytics, few could produce predictive materials with displays, visualizations, or other more user-friendly applications. Without sound leadership,

organizations can find their obstacles forbidding (do we gather up all our data first, then figure how we can analyze it, or...?) and their advances slim (a new spreadsheet or two is all that this extensive effort produced?), further hindering their efforts to build robust HR data analytics.

In contrast, organizations with cutting-edge HR analytics capacities can increase their understanding of costs, hiring trends, and attrition. They have a better grasp of underlying economic factors, can leverage an array of data to model, and can display scenarios to help the business plan with greater accuracy. These analytics capacities also apply to issues such as employee engagement (as determined in workplace surveys), giving CEOs, CHROs, and other C-suite executives deeper insight and more impact on the attraction-attrition of talent; what changes in the workforce may jeopardize the business plan; and what talent is needed to meet the strategic plan. HR data analytics can help provide organizational leaders with important information on market compensation, engagement, culture, and workplace demographics. Companies with more advanced capabilities can see talent trends by tracking social media and analyzing data from it and corporate sources. Some organizations have applied HR data analytics to determine how to reduce employee pilfering, while others have gained insights into how their workforces' provision of services affected client retention (Bersin 2014). By some accounts, organizations more active with HR data analytics see strong results, including being twice as likely to improve their recruiting and leadership pipeline, three times as likely to realize cost or efficiency gains, and 3.5 times as likely to get the right people into the right jobs (Bersin 2013).

As CEOs increasingly see an urgent need to get their talent resources aligned with their business strategy, organizations are better equipping HR departments with the right tools, budgets, and systems to provide meaningful, proactive HR and talent data to business leaders in the days ahead. The vast majority of organizations recently upgraded their HR systems or are implementing new HR software and hardware to improve their talent information and analysis. Titans of the tech sector in recent years have taken a significant role in equipping and supporting HR departments' growth and expansion in data analytics (see, just for example, IBM 2013, Oracle 2014, and SAP 2011). But standardized, HR-related software packages can require major customization and a commitment of staffing, finances, resources, and upkeep not always accessible to organizations, depending on their expertise, sophistication, size, and revenues. As a result, most HR departments that Korn Ferry examined do little beyond head counts and succession planning with their current systems. This means companies and HR departments could be on the brink of a tremendous opportunity.

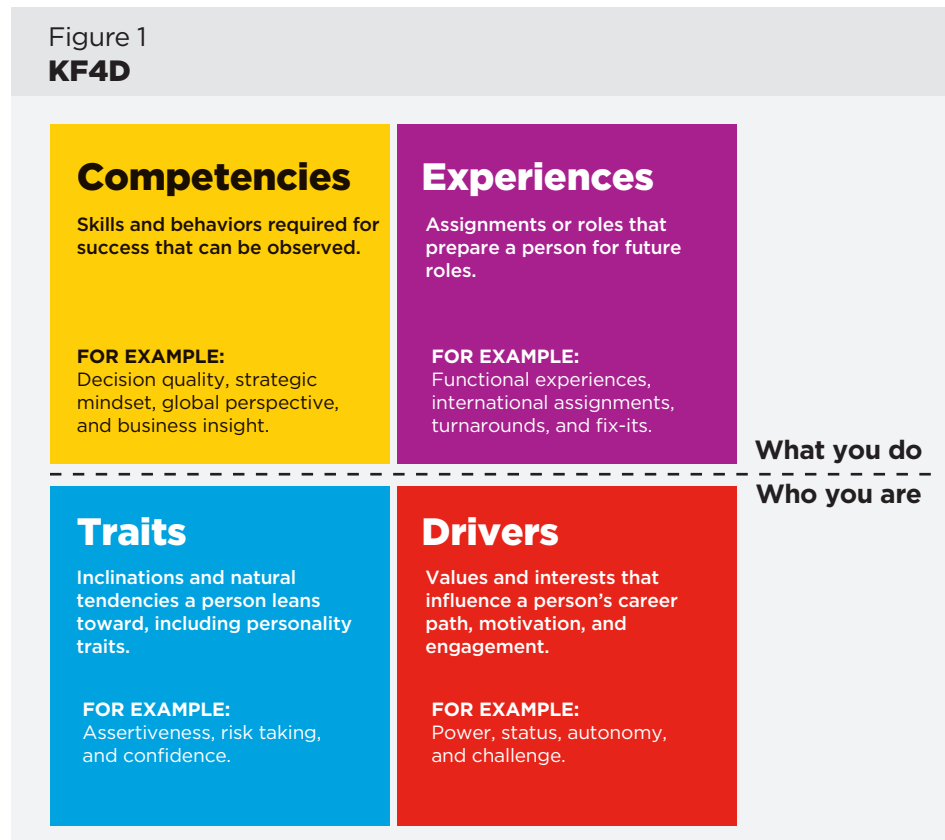
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The better future.

Although the HR axiom long has been that the function’s goal is to get “the right people in the right place at the right time,” data analytics may help make this objective even more actionable. To make this promising future materialize, CHROs especially must go beyond a potentially reflexive course. They cannot just think that they, their departments, and their companies can take simple, fast steps with existing talent, processes, and systems. Instead, Korn Ferry finds that competition already is robust and likely will become ferocious for the elite talent that balances the technological and leadership skills to build, expand, and maintain state-of-the-art HR data analytics functions. To develop this area, leadership is crucial, Korn Ferry finds, and many organizations may need external assistance.

Talent frameworks such as Korn Ferry’s Four Dimensions of Leadership and Talent (KF4D; see Figure 1) may help CHROs and their colleagues—in IT or HRIS or HR compensation or HR workforce development—find a common language to discuss and determine the best recruitment, retention, and development of would-be HR analytics leaders. The KF4D can provide valuable insights about HR analytics talent and leaders’ prospects for success, based on their competencies, experiences, traits, and drivers.

Figure 1
KF4D



These leaders must be, for example, strategic, learning agile, flexible, and adaptive. Best practices insist that HR analytics address real and significant issues for the enterprise. Setting priorities for a limited and evolving capacity will create stern challenges for new HR analytics leaders and CHRO—and it demands not just a tactical but also a strategic response. Every HR department knows all too well the perils of providing even limited, data-based outputs for internal clients; these reports can become burdensome to produce and outlive their business use but remain in demand until HR leaders step in to explain the strains they put on staff. Meanwhile, as the HR analytics leaders work across an organization—say, just in determining where pertinent data may be collected and cached, or in assessing the interoperability of various computing hardware and software, or in weighing the various methods to analyze and display information—they must be dogged and determined but still flexible and adaptive enough to build the collegiality and cooperation to ensure their area flourishes.

HR analytics leaders will most likely bring with them an unusual balance of experiences and accomplishments—they may need strength in both technology and traditional HR skills, especially in relating to and working with people, Korn Ferry finds. They may not possess the exact backgrounds of existing HR executives; they may be moving, in some cases, from other lines of a business or even across sectors. Companies need to be not only prepared to expand their horizons to new and broad talent pools for HR analytics leaders but also critically aware of how these executives will fit in their culture. Assessments, particularly through the KF4D, can be invaluable to CEOs, CHROs, and those recruiting HR analytics leaders. Will they not only adapt to the demands of creating a new analytics function but also deal well with others in the C-suite and with an organization's routines and demands, especially, say, in creating and executing to budget? Can these leaders retain and develop talent, particularly existing staff, and bring in and integrate valuable newcomers? Will these leaders also grow so they might fulfill other roles in the organization? At the outset, might companies need external expertise to plan for this talent's development, partly as a retention strategy?

Conclusion

As one business leader enthusiastically emphasized recently to Korn Ferry, the benefits of HR analytics can and should extend beyond the HR function. Because HR analytics requires integrating data from across the business, internal relationships and collaboration among very different lines in the enterprise—finance, talent acquisition, supply chain, and facilities, to name a few—grow stronger. This helps all of them become more effective and efficient in their respective roles. Some HR organizations are starting to leverage their process for gathering customer analytics over to talent and people analytics.

As CHROs and HR departments have shown greater business acumen and the capacity, beyond excelling in their dealings with talent, to improve organizations' financial performance, their engagement with CEOs and boards of directors has deepened in recent years. These increased responsibilities have resulted, in part, through their capacity to provide analytics data. This trend can only grow, exponentially, particularly with an expanded HR analytics function and especially given that only about 15% of HR organizations are leveraging data to drive talent decisions.

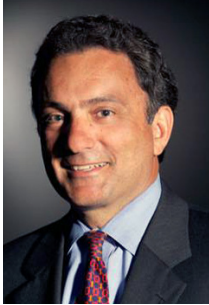
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Contributors



Joseph McCabe
Vice Chairman



George Bongiorno
Senior Client Partner

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The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.



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