



Strategic Management Decisions

WHITEPAPER



# Making HR Analytics a Reality

## 5 Proven Paths to Success

### ABOUT SMD

Shane Douthitt and Scott Mondore founded SMD based on a simple goal: provide world-class HR consulting services with a proven ROI. After successful careers as executives in HR, strategy and operations at global Fortune 50 companies (UPS, Bank of America, IBM, Maersk), they recognized the need for other organizations to harness their proven approach to building a stronger link between the investments made in people and the bottom-line.

SMD has successfully applied their methodology to numerous partner organizations. By helping clients quantify the relationship between HR processes and the bottom-line, SMD's partner organizations are able to make significant employee investments based on facts, data, and an expected ROI.

Using analytics in HR to show business impact and predict future performance is the next trend in our profession. Many organizations want to achieve success using this approach, but are unsure how to get there.

We often hear from organizations that a key challenge in adopting an analytics-based approach to HR is “getting all of our systems (i.e. HRIS) in one place so that they can talk to each other.”

Although system integration is an important undertaking, it is not in and of itself the key to successfully implementing and utilizing analytics as part of your HR/talent management strategy. HR/talent management vendors may tell you that you have to integrate your talent management systems to have an impact, but all they are trying to do is sell you more products. The truth is that none of those companies do any real analytics work that show the cause-effect relationship between HR/talent management and business outcomes. What they provide is a way to run the same old reports based on the same old data—and HR is stuck having the same old impact. This approach to ‘integration’ is like having four storage units filled with your old household items, and then transferring all of those items to one large storage unit so that everything is contained in a single place. The people-hours that it takes to simply put all of your HR/talent management data in one place will far exceed the value of achieving integration if no real analytics are being conducted.

Below are five practical paths that organizations can take to achieve the goal of establishing an integrated talent management platform that not only warehouses data, but serves as the foundation from which meaningful analytics can be conducted and utilized to drive strategic action. Remember, the analytics are where the real opportunities exist for HR/Talent Management to show an impact.

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### 1. BIG ANALYTICS BEHIND-THE-SCENES

Data collected at organizations are typically housed in different places (i.e., on different servers/platforms) and are pulled and used separately by various functions. When data are housed in this manner, analytics can be conducted behind-the-scenes by gathering the relevant data – including business outcome data - from the disparate platforms and reformatting as necessary to allow for ‘apples to apples’ comparisons. The process is not sexy, but executives don’t need to know how the sausage gets made.

We completed a project to find the causes of a \$93 million problem at a large grocery chain that had multiple data warehouses across the organization. The data gathering process was conducted over the course of a few weeks, and included collecting and compiling data from their employee opinion survey, 360° assessments, performance assessments, training/LMS system, and HRIS demographics. Using analytics, we identified key cause-and-effect people drivers of their business issues and immediately put initiatives in place that are continuing to have a significant positive financial impact. Had this organization initially focused on pulling all of their data onto one platform, the actual analysis of the data would have taken over 18 months just to get started. Can your organization afford to wait 18 months before analytics can begin?

Key questions for taking this path:

- Are you relying heavily on separate HR systems to run the HR function?
- Does your organization lack the time and/or resources to begin pulling all of your HR systems together?
- Does your organization have an appetite for conducting cause-effect analytics right now?

### 2. BIG ANALYTICS AND BIG INTEGRATION

The integration of multiple HR platforms can be a huge undertaking for big companies. Indeed, some companies may never be able to completely sunset existing HR platform(s). Organizations in this position can put together a comprehensive approach in which the analytics (and impact!) begin immediately while an IT transition plan is executed in tandem. This approach allows the benefits of the analytics to be realized quickly without delaying the longer-term process of system integration. The key here is to do the real

cause-effect analytics work behind the scenes and expose the leaders to the outputs of the analytics – make them want more. This is an approach that is quite effective because getting executives excited about analytics now, but spending multiple months/years to integrate data will reduce that excitement very quickly. Strong analytics and data integration can happen simultaneously.

Key questions for taking this path:

- Is your organization currently working toward the integration of all of your HR systems?
- Does your organization have an appetite for conducting cause-effect analytics right now?

Did you know that it only takes a few weeks to conduct a full cause-effect analytics study of existing people data and business outcomes?



### 3. START SMALL – GENERATE INTEREST

Many organizations think that they have to examine all of their HR/talent management data at the same time to conduct rigorous analyses and have a meaningful impact. Not true. One thing we have learned in doing cause-effect analytics over the past 15 years is that there will be many skeptics of the process. Rather than view the skeptics as an obstacle—make them an opportunity. Start with one HR process or piece of talent management data and show how it impacts an important business outcome. A great one to start with is your employee opinion survey. Surveys have become ubiquitous in organizations, but their value is extremely limited without analytics. Using cause-effect analytics, you can show which specific attitudes have a direct impact on important business outcomes (e.g. profit, productivity, safety, turnover). Use this initial analysis to get leaders bought into the process of HR/talent management analytics. Doing so will help to build momentum and allow you to create a business case not only for investing in improving attitudes, but also for conducting additional analyses in other areas. Once you demonstrate the business value of an employee survey, leaders will want more. By starting small, you will create demand from the lines of business that you support for additional data-driven insight into how they can enhance business performance and profitability through their people.

Key questions for taking this path:

- Is your organization currently collecting various types of HR data (e.g. employee opinion surveys, 360° assessments)?
- If the organization isn't fully sold on analytics, is there an opportunity to get your organization interested in the power of understanding how HR impacts business outcomes?

#### 4. FOR SMALL BUSINESS – START STRONG

Small businesses often have a distinct advantage when it comes to integrating their HR/talent management data and conducting analytics—they don't have old legacy technology platforms or vast quantities of data...yet. As a result, small businesses often have an easier time simultaneously transitioning their HR/talent management data to an integrated platform and conducting advanced cause-effect analytics. Having an integrated platform that incorporates cause-effect analytics (e.g., Talent Link), making them simple and actionable for leaders to understand, is the 'holy grail' of this approach—and it is within reach. Strong analytics can be done within small businesses in much the same way as in large businesses. The focus is typically on individual performance, so having a strong performance-based culture and a performance management tool are keys to analytics success.

Key questions for taking this path:

- Is your small business looking to start or improve upon its approach to HR and talent management?
- Is your organization currently collecting various types of HR data (e.g. employee opinion surveys, 360)?
- Is your organization looking to do more with talent management and cut costs?
- If the organization isn't fully sold on analytics, is there an opportunity to get your organization interested in the power of understanding how HR impacts business outcomes?

#### 5. HAVE INTEGRATION, NEED STRONG ANALYTICS

There are talent management platform companies that can put a lot of your HR data in one place to help you run basic reports. Unfortunately, there is very little value in putting data in one place if it is not analyzed properly. It is also scary to think that putting all of this data in one place and

paying a company to house it all will actually increase costs for your organization. There is also a big difference between running turnover reports versus discovering what is causing turnover to happen. Other platforms may offer nice graphics and reports, but without strong cause-effect analytics, HR will continue to be a cost-center and not take any steps forward to being a profit-center. Warehousing your HR/talent management data in one place is a good thing, but the critical next step is to pull together the business outcomes from other functions to show how talent management has a cause-effect relationship with those business outcomes and calculate an ROI.

Key questions for taking this path:

- Is your organization currently using an integrated talent management platform that does not show you how people directly impact real business outcomes?
- Are you currently struggling to obtain the return on investment that you expected from your talent management platform—in terms of real impact on the business?
- If the organization isn't fully sold on analytics, is there an opportunity to get your organization interested in the power of understanding how HR impacts business outcomes?

The good news is that any of these paths can be taken quickly and effectively, and all will lead you to being a business partner by showing the impact of HR/talent management on real business outcomes.

SMD's Talent Link is the industry's only comprehensive talent management platform that offers cause-effect analytics integrated into the system. This approach helps you to maximize the value of analytics while reducing the costs of having separate HR systems.



Analytics are a hot topic right now so it is important to clearly define how to do analytics effectively (cause-effect, using structural equation modeling) and make analytics practical and usable for front-line managers (Talent Link — integrated talent management with business analytics).