

4 Recommendations for a Better Insight into HR Analytics

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There is a lot of confusion about the term “HR analytics”. That is partially due to the fact that the HRIS software companies also talk about HR analytics, while they actually mean ‘transferring navigation to the HR data’. That is completely different from how we define HR analytics. We would like to give you a hand...



1. The right definition of HR analytics

For quite a while, we have used a 4 point definition when we are asked to explain HR analytics. The emphasis is always on the concept of ‘**impact**’:

- A methodology for developing innovative **insights**;
- by **linking** HR data, survey data, and business or organization data (financial, client, operational...);
- by applying **statistical techniques** (correlations, regression, modeling...);
- with the goal of quantifying (or identifying) the **impact** of investments in human capital on the business or organization’.

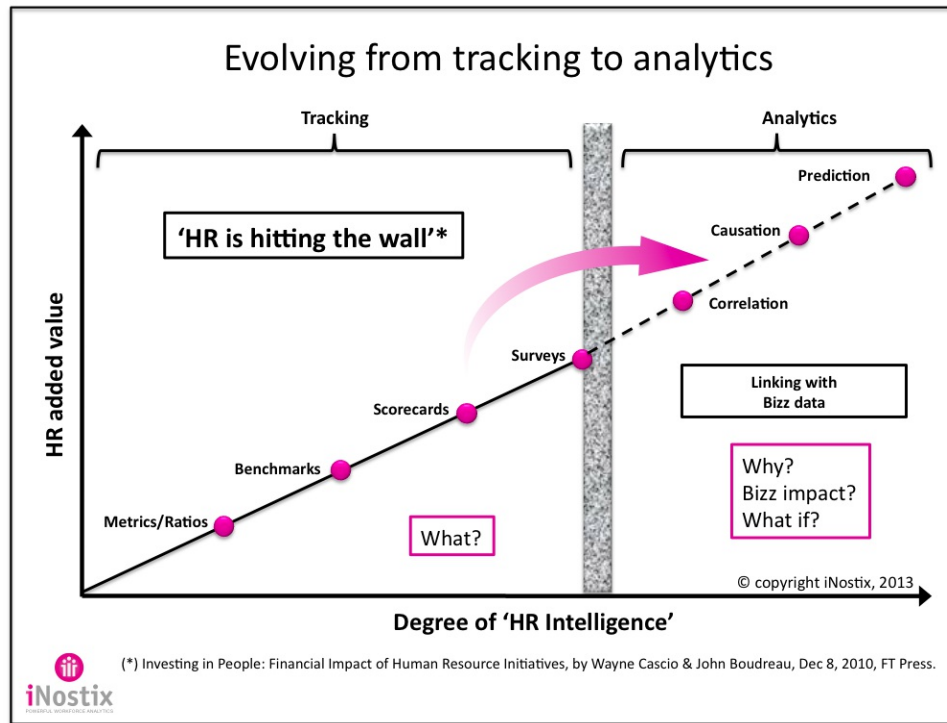
A few examples:

- What impact does a sales training have on revenue development?
- What impact does Call Agent turnover have on customer satisfaction with the Contact Center? Or on the productivity within the Contact Center?
- What is the impact of implementing lean production management on accident risk? Or on production quality?
- What impact does low/high engagement have on turnover? On the intention of recommendation (NPS)? On absences? On the retention of high performers? On customer satisfaction?
- What is the impact of a good introduction and job instructions on ‘time to productivity’ for new employees? On retention?

2. Evolving from ‘tracking’ to ‘analytics’

In order to add value, it is important for HR to be able to evolve from ‘tracking’ (metrics & reporting) to ‘analytics’ (impact analyses for organizational improvement). We invariably use Prof. John Boudreau’s diagram as a base ([you can find a good article about it here](#)). We have added a few concepts to this. In his book, Boudreau states that most HR departments hit the ‘value wall’ (‘HR hits the wall’) with their arsenal of data, reports, metrics, surveys, and benchmarks.

With these tracking systems, HR cannot sufficiently add value because this does not show which impact HR investments have on the proper functioning of the organization. Therefore, there is a need for HR to evolve in terms of the ‘HR Intelligence Maturity Curve’ and place itself ‘behind the wall’. Acquiring insight into the impact of HR activities can only occur by combining HR data (in front of the wall) with business and organization data (behind the wall). Click on the diagram to enlarge it.



3. Distinguishing between efficiency, effectiveness and impact

We are big fans of Alec Levenson's work, of the Human Capital Lab at Bellevue University in California. In his study *'Developing Curricula to Improve Analytic Decision-Making in Organizations'* (free registration required), he explains in detail in which 3 fields HR should develop analytical competencies. We have summarized these important concepts for you below and we have also organized it in a table.

- **Efficiency:**

This concerns the measurement of HR activities with a strong financial focus. It is the measurement of whether a certain goal (i.e. recruitment, training...) is achieved with the means and time investment that are to be claimed. It is mostly expense-related data such as the cost of salaries, training, recruitment, absences, etc. that are addressed here. These are important data (and HR has to get better at it!), and of course they have to be well-organized. Unfortunately, they do not add significant value to HR work.

- **Effectiveness:**

A step forward in the 'HR Intelligence Maturity Curve' is effectiveness measurement. This concerns whether HR programs and activities do what they should be doing: rather, do they have an effect at the level of skills, motivation, and empowerment of the employees? Evaluating training results or the quality of newly recruited employees are 2 examples of typical effectiveness measurements. HR clearly adds more value to this type of measurements but cannot yet indicate what the impact is on the proper functioning of the organization.

- **Impact:**

The highest step on the 'HR Intelligence Maturity Curve' is impact measurement. This brings us into the field of true HR analytics: examining whether HR investments, HR activities, or HR processes have a tangible impact on the business or organization. This includes examining whether changes in skills, motivation, and empowerment as a result of the implemented HR programs and activities lead to changes in operational and financial performance. By linking the databases of various positions (HR, finance, operations, sales, marketing...) correlations and causal nexuses are made that may provide important insights for strategic decision-making.

4. Evolving from 'Single Source' to 'Multiple Source'

The majority of efficiency and effectiveness measurements are 'single source' measurements. The data are derived from one data source, i.e. HRIS or payroll for efficiency measurements or training evaluations for effectiveness measurements. For impact measurements (HR analytics), several data sources are used, as indicated in the term 'multiple source'. Linking data sources in order to conduct impact analyses, is the essence of HR analytics. It is important to note that the majority of HR software companies, when they (also) talk about HR analytics, they are almost always talking about single source analyses. They call this HR analytics, but they are clearly not impact measurements. Beware! The first software programs with 'embedded impact analytics' are being developed, but seamlessly conducting statistical analyses of data from diverging sources and within existing HR software remains a challenge.

5. Summary and a few more examples (click on the table to enlarge):

	EFFICIENCY	EFFECTIVENESS	IMPACT
Analytics objective	Measurement of HR activities, volume (e.g. # of hours/days) or cost focus	Measurement of HR programs that have desired effect in the area of knowhow and expertise (e.g. learning)	Measurement whether HR investments have a tangible impact on the business or organization
Used data	Accounting-related data	Primarily interview & survey data, derived from participants & line managers	Data from HRIS, Survey, Business (e.g. revenue, customer satisfaction, productivity, safety,...)
Data Source	Single source (one data source), mostly HRIS	Single source (one data source), mostly survey data	Multiple source (linking several data sources)
Type of measurement	Tracking, reporting	Tracking, reporting	Statistical analysis, Predictive modeling
Analytics capabilities	Knowledge of HRIS systems and/or accounting basics	Knowledge of interview and research techniques, average knowhow of data collection and analysis/reporting	Integrating and linking data from different sources and conducting statistical analysis (correlations, causations, predictions)
Examples	<ul style="list-style-type: none"> Total cost of training Cost of turnover Cost of absence FTE vs. Revenue ratio Productivity ratio's: Revenue vs. hours worked Cost of hire 	<ul style="list-style-type: none"> Has person X acquired the right skills to be able to operate independently? Has leadership coaching program led to better leadership quality? Quality of hire 	<ul style="list-style-type: none"> What is the impact of high turnover on customer satisfaction? Impact of sales training on sales growth? Impact of stress on work accidents and productivity? Time to productivity

Blog post written by [Luk Smeyers](#) and [Dr. Jeroen Delmotte](#), February 2012 (Click on the name and link up through LinkedIn). Don't forget to become a fan on [Facebook](#) and get automatic updates of brilliant insights in the field of HR intelligence, HR research, and HR analytics. Or...follow us on [Twitter](#) for all articles from around the world about the same themes. We follow nearly 100 experts (academics, consultants, HR experts) around the world and we provide our followers with unique information!