11 Guiding Principles to Maximize HR Analytics Effectiveness

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HR Analytics are certainly not a new topic in our business, however they have become very popular recently. We have done this type of work for organizations of all sizes for nearly twenty years—so it is important for HR leaders to establish some guiding principles that will maximize the effectiveness of HR Analytics teams….and help us to avoid pitfalls as many organizations are focusing on analytics very quickly. Scott Mondore from SMDHR reports for iNostix…

1. Organizations make investments in people without any data or with the wrong data.

Many organizations believe that their expensive programs (recruiting technology, assessments, training, leadership development, executive coaching, career development, expatriate assignments) are critical for their people development. Unfortunately, very few show an actual business case for making the investment. Does our recruiting technology actually yield better employees? Do our training and leadership development programs help our organization make more money? Billions of dollars are being invested without any real proof of return-on-investment.

2. Employee engagement is not a business outcome.

Many HR leaders put a lot of focus of their investments and initiatives on improving engagement of the workforce. This is not a bad goal, but engagement is not on any financial statements—and there is not one study that proves any financial value of employee engagement. Also, there is not an agreed-upon definition of engagement and front-line managers don't understand it or see the value in it. Companies should link employee attitudes directly to business outcomes that matter to them. For example, we recently worked with a retail organization and aligned their store-level employee survey results to key financial outcomes at each store. The analysis revealed four items from the employee survey that had a direct cause-effect impact on the financial outcomes. The retail organization used that analysis to create a Business-Focused HR strategy around the four survey items.

3. People and organizations are complex. The linkages between attitudes and outcomes have to be understood within your organization using your data.

Studies from other organizations that show the business impact of people practices are a great starting point. But your organization is unique, particularly your culture. What works at Google may not work for your organization. So take the time to connect your people data to your business outcomes.

4. The organization's data exist in silos, so there will be obstacles and barriers to obtaining the data (e.g., politics, turf battles).

The first time that you try to connect your people data to business outcome data may be difficult. For example, the sales group may not just email you all of their results files without asking any questions or pushing back. Keep in mind that you will need some support behind you—and be able to explain the benefits of working with another function's data.

5. Once a connection/linkage is made with the data, accountability is unavoidable (and that's a good thing).

If you show that your people initiatives are directly connected to business outcomes, then you, the HR leader should be held accountable for the business outcomes, and not just the compliance rates of your initiatives. Yes, that is a good thing, and the true definition of having a seat-at-the-table.

6. Don't assume a link between employee data and business outcomes — define it and understand why or why not.

"Everyone knows that you don't leave your company, you leave your boss." We have heard this phrase many times, but our research shows this not the case most of the time. "Happy employees = Happy customers" is another common adage. This might be true, but use your organization's data to prove it. This will get you the buy-in that you will need to make an investment in new initiatives.

7. HR Metrics that cannot answer four simple questions should not be presented outside of HR.

Can I articulate why this metric really matters to the business?; Do I know what a good number/score should be?; Can I articulate the business value of increasing/decreasing this metric?; Why would senior and front-line leaders care about this metric?

8. Big Data/Analytics CANNOT be limited to slicing-and-dicing HR data.

BigData/Analytics is getting popular—and the downside (like employee engagement) is that we don't have a definition of what HR Analytics means. For most, it is slicing-and-dicing turnover data, running more reports and producing prettier PowerPoint graphics. This has limited business value and does nothing to improve HR's credibility. There are two key components for effective Big Data/Analytics execution. 1) Big Data/Analytics for HR should be focused on bringing together all appropriate HR data and business outcome data for key groups in the organization and showing the direct cause-effect impact that HR data has on the business outcome data. 2) The business drivers that are uncovered must be reported to front-line leaders as well as senior leaders. The front-line leaders are often neglected, but they are going to put all of the business driver initiatives into action with your employees.

9. Big Data/Analytics should be at a minimum predictive and preferably cause-effect.

Correlations do not tell you the whole story and can cause leaders to make the wrong investments. There are numerous studies that show a correlation between employee engagement and shareholder stock price. This problem with this analysis is that maybe the success of the business (stock price) is causing engagement to increase and not the other way around.

10. Big Data/Analytics must be reported and actionable to all front-line leaders.

The talent management software industry has become focused on corporate HR as the customer and end-user. Many tools only help organizations to run more reports and create nice PowerPoint slides. HR Analytics cannot be limited to more reports and nice PowerPoint presentations for senior leaders. They must be made actionable for leaders at all levels. There are innovative approaches to creating actionable, easy-to-understand analytics for front-line leaders (http://www.smdhr.com/walkerawardpdf.html)

11. Actual business impact must be shown—making predictions are not enough.

Many 'thought leaders' are saying that predictive analytics are the Holy Grail. Not true! They are only predictions. The Holy Grail is following up a year later and showing if the predictions were actually true and how much of an ROI your HR investments actually had on the bottom line. Remember that a lot of experts made predictions about the U.S. Presidential Election, and many of those experts' predictions were wrong.

Scott Mondore and Shane Douthitt are the co-founders and managing partners of Strategic Management Decisions, LLC an HR technology and analytics company. Their talent management platform (Talent Link) is the only talent management platform with integrated business analytics. Their two best-selling books

(Investing in What Matters: Linking Employees to Business Outcomes and Business-Focused HR: 11 Processes to Drive Results) are recognized worldwide as the guidebooks for effectively conducting HR analytics and driving real business impact through core HR processes (e.g. employee surveys, 360s competencies etc). Connect with SMDHR on Twitter and with Scott on Twitter or via Linkendin.