

OUR BRIGHT VISION ON PEOPLE ANALYTICS

Creating value through measuring what matters, and making impact with key insights

Imagine, as an organization, you gain key insights in your people by measuring and analyzing what matters to your organization. Imagine that these insights are actually used by your people in their day to day business and operations. And, imagine that these key insights on your people then have a profound impact on the success of your organization. Utopia, or reality? In this article we talk about creating value through measuring what matters, and making an impact with key insights about your people.

HR core business: value creation

Let's have a look at the purpose of people management, and HR in particular. Why are we here? Some think we are merely here to manage the workforce. You know, people management is hard and HR knows people. Others think we exist to reduce personnel costs as much as possible, while some consider HR is instrumental to keep people happy and productive. And this is all true! For us, the overall purpose of sound people management is to create value, for organization, employees and eventually society at large. And this is the direct result of maximizing human potential and minimizing cost at the same time.

For the organization, this creation of value could be business growth, return on investment and client satisfaction. For employees, value is often created by income, development and a sense of purpose. And similar for society, the value created could be about sustainability, well-being and high quality of life.

In the past, we have put a lot of emphasis on efficiency and cost reduction: implementing lean processes and cutting personnel costs for example. But there is a limit to what you can do to maximize efficiency and run an organization against the lowest possible cost without loss of quality of your products or services. The real difference in creating value can be achieved by effectively utilizing human potential, and there is still a whole world to gain here as we'll see throughout this paper.

Figure 1. Formula for value creation of human capital



Figure 2. Strategic alignment of fact-based HR



Fact-based HR

In most organizations, the value they would like to create for organization, people and society is captured in their mission and strategy. In an organization's people strategy it should be clear how efforts in the people domain will positively impact an organization's key strategic objectives. This also gives focus on what you want to analyze and measure in the people domain. Always start with **why** you want to measure or analyze something and how it might impact your strategy and in the end create value for your organization and people.

Next, **how** and **what** do you measure and analyze? There are many forms of so-called fact-based HR instruments. Figure 2 shows common examples of which many have interdependencies and overlap amongst each other.

For example, with HR metrics and KPI dashboards, you can monitor the progress of efforts in the people domain. If you want to know the impact of your efforts in the people domain on your business and people you could turn to research through people analytics. And if this research results in a call to action, you can calculate the return of investment in this action by creating business cases.

When you aim your measuring efforts at what matters most for value creation, then any form of fact-based HR will lead to valuable insights and HR impact.

But **what** do you actually want to measure? What matters most?



What matters to create business impact

Recently, we conducted a research on the perceived business impact of different HR drivers in collaboration with Top Employers Institute. We asked over 200 HR leaders all over the globe to choose and rank their HR drivers with potentially the highest business impact. The top 3 HR drivers perceived to have the highest impact were found to be Leadership, Performance Management and Engagement (Figure 3.)

Figure 3. Perceived business impact of HR drivers

	Impact Score	Top 5	Ranked #1
Leadership	560	69%	35%
Performance Management	396	63%	13%
Engagement	393	59%	12%
Talent & Succession	340	51%	10%
Recruitment	282	45%	12%
Learning & Development	270	54%	3%
Compensation & Benefits	206	44%	3%
Turnover	195	34%	6%
Career & Mobility	177	36%	1%
Well-being	87	19%	1%

Next, we asked them to provide information on how these drivers are measured in their organization. The top 3 HR drivers measured most in general were Turnover, Engagement and Career & Mobility, while the drivers perceived as having high business impact such as Leadership, Performance management and Talent & Succession were measured least. What does this research tell us? It confirms what we have experienced for the last decade: we are still not measuring what matters most to our organization and our people.

The top 3 HR drivers with potentially the highest business impact are quite difficult to measure in terms of effectivity. Leadership effectiveness is hard to measure and capturing

performance management is still one of the hardest nuts to crack for most organizations. Engagement is measured by most organizations but the problem here is that engagement is an elusive topic, expressed in behavior and not opinion. It is most, if not all, done through questionnaires which are inherent subjective by nature.

So, the drawback with these measures is that the accuracy of their information is limited due to the complex nature of what these measures should represent: i.e. How are our people feeling; What are their attributes; How are they perceived? This makes these HR drivers difficult to get a grip on and most organizations are struggling to gain insights on these topics.

Figure 4. Metrics use per HR KPI drivers

Turnover	65%
Engagement	54%
Career & mobility	53%
Compensation & Benefits	50%
Learning & Development	46%
Recruitment	45%
Performance	41%
Talent & Succession	38%
Well-being	34%
Leadership	32%

The real business value lies in the drivers that impact your organization's key objectives. It might be wise to find more innovative ways to quantify these important topics and people analytics might be a key instrument to do just that. Some of the frontrunner organizations we work with are starting to create metrics from their analytics projects on the topics that are hard to put into numbers and this will ultimately help them better fulfil their strategic objectives.

Putting insights into action

The true goal of people analytics is to initiate a change in the organization. Doing something different in the people domain to create value. But one great analytical insight won't change an organisation; it's the actions that follow that matter. So how do you use the insights to generate change in your organisation and start creating lasting value? What do we learn from practice?

First, create meaningful information and insights out of data through people analytics in a way that it can potentially create value for your organization. Then, these insights need to be embedded in your organization so people can actually act upon it.

Some powerful ways to do this are being described in the text box below.

So, to recap. What do you need to do to create more impact and value with fact-based HR? Start measuring what matters most to YOUR organization and strategic objectives. This will result in a focus on doing what HR is meant to do: create value.

More information?

Contact our experts on HR Analytics:

Rob van Dijk

Rob.van.dijk@brightcompany.nl

+31(0)6 143 13 087

Maike van den Berg

Maike.van.den.berg@brightcompany.nl

+31(0)6 251 251 62

Tony Brugman

Tony.brugman@brightcompany.nl

+31 (0)6 2932 9199

Visit our website:

www.brightcompany.nl

Download our research reports in cooperation with Top Employers Institute:

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Text Box 1. Getting from insights to actions



When you **have discovered key insights** on a specific HR driver (such as recruitment, or learning and development), **define a specific set of actions** together with the subject matter expert(s) involved. Your counterpart is absolutely crucial here since experts are essential in making a change in their specific domain.



Deploy the insights into the relevant HR domain processes together with domain experts.



To help **monitor change and evaluate the proposed actions**, metrics that matter from the insights derived from advanced analytics can be created. Not only does this provide all new strategic steering metrics, it also can provide great monitoring tools for any change management project on a strategic level.



Add these key insights to technology like dashboards and other reporting tools in order to **create awareness** and a 'feel' for the numbers the relevant HR domain processes together with domain experts.