



# A Business Case for People Analytics

 An LDS white paper

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Driven by the pace of change and innovation in the digital world, enterprises can no longer afford to have their external brand and go-to-market strategy diverge from, or wildly outpace, their internal brand and employee value proposition. Employees remain the organization's most important resource: winning in the market means winning the best people. Employee recruiting, engagement, development, and happiness are all crucial factors in the pursuit of short and long-term success. To this end, leading firms are turning to the strategic use of people analytics as a source of competitive advantage.

People analytics refers to the analysis of employee-related data in the broadest sense: tapping into the vast amounts of employee-centric data available within the enterprise for the betterment of the individual, the organization, and the relationship between them. But for an HR professional, and the steward of this data, what does all of this mean practically? What is the business case for implementing such a program?

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The “people dimension” of the business has become too important to be left to inadequate data, guesswork, and intuition.

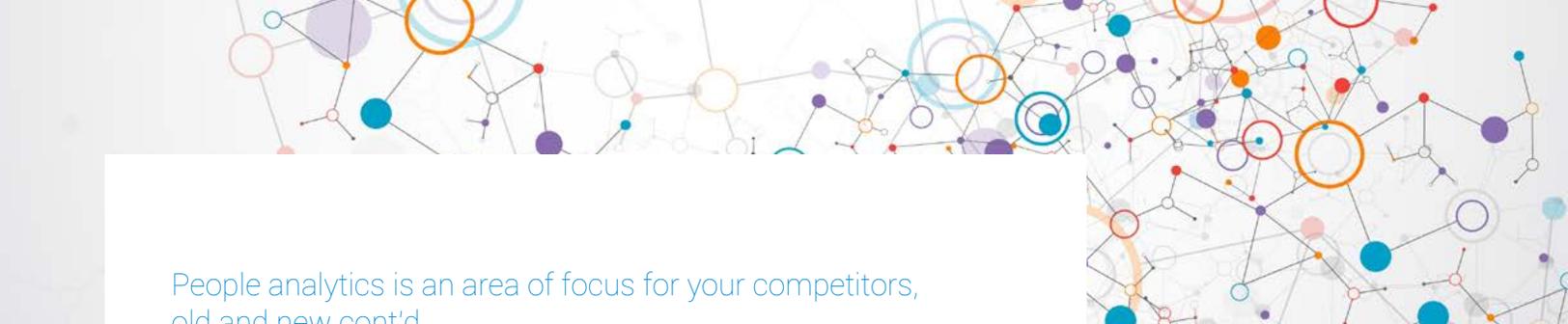
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## People analytics is an area of focus for your competitors, old and new

Businesses have been deploying data analysis in the HR space for over a century. Despite broad advances in the field of analytics, however, the use of people analytics in the enterprise has not kept pace. This leaves the “people dimension” of business leaders’ biggest, most important questions – that is, the strategically imperative relationships between understanding, engaging, equipping, and empowering employees and top-line operational goals – chronically under-answered. Gaps in concrete people insight have often led firms to rely on:

- HR and manager perceptions, which may be unintentionally biased (e.g., observations of an employee’s work ethic, likability, reliability, aptitude)
- “Common knowledge” (e.g., workforce planning trends based on previous experience, profiles of the ideal candidate for positions)
- Periodic psychological and intellectual assessments (e.g., talent assessments, succession planning)



People analytics is an area of focus for your competitors, old and new cont'd...

This patchwork set of people data is commonly delivered through siloed process-centric systems and static reports – providing, at best, inferior inputs and reactive attempts to diagnose issues already in flight.

A well factored people analytics program helps address this limitation. It facilitates enlightenment by surfacing truths, relationships, and outcomes hidden in your data, thereby deprioritizing the need for observations and heuristics. People analytics, as an instantiated program and practice, leads to a data-driven culture. A data-driven culture is forward-looking: anticipatory, planning-oriented, and adaptable to ongoing and emerging needs across the organization. Unfortunately, most organizations (56%) are still running at only the most basic level of people analytics with a very small number (14%) having attained the top two tiers of functionality and value<sup>1</sup>. But these numbers belie the broadening interest and focus. Sustaining this trend will require organizations to consider their people data and analytics strategies in the same light as they do their sales & marketing data and analytics.

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Applying the right data and tools to people problems and processes will yield tangible benefits

within HR and across the organization.

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## Strategic HR is data-driven

Strategy requires insight. In order for HR to become a strategic partner to the business it must be able to provide insights based on its cache of people data. Further, as the strategic functions of HR are reestablished and matured, the design and implementation of a formal people analytics strategy will become a necessity – a reality that was not lost on the 86% of respondents to a recent PricewaterhouseCoopers survey who indicated that creating or maturing their people analytics capabilities was a strategic priority<sup>2</sup>. This upfront planning and rigor around people data will help to shift HR's perceptions on the use of data internally as well as prepare the group for a new role: responding to calls for help from every corner of the organization once word gets out about the cognizance enabled by the use of people data.

While some may still question the value (and associated costs) of a strategically oriented, data-driven HR, one needs only to follow the money: With as much as 50% of gross revenues spent on employee salary and benefits alone<sup>3</sup> nearly every aspect of the business has the potential to carry a relevant relationship to HR and the strategic people analytics capabilities therein. Modern data-driven HR departments are capable of leveraging advanced analytics tools and techniques against their data sets, at the behest of management, in an on-demand fashion and without undue stress.

People analytics has a bright future within the scope of HR itself. For instance, advances in computing power, data modeling, and AI show us how HR's use of analytics can move beyond the employee engagement and EVP measurements tools of yesterday. Traditional survey-based employee polling and feedback can

## Strategic HR is data-driven cont'd...

give way to a real-time anonymized feedback loop on employees' perspective and sentiment on critical activities within the organization, including:

- Reception of new programs and services
- Perception of company culture values and brand, both internally and market-facing
- The value employees ascribe to key platforms, experiences, and tools

This exciting new HR value proposition would allow organizations to be as nimble internally as they are in the market-facing context – a critical capability in the digital world.



## BI/Analytics is the lingua franca of business

In order for HR to fully assume the role of strategic partner it must offer insights to *business problems* and offer *business solutions* that make sense in the broader organizational context – and in today's world that is done with data. It will be necessary to share the (appropriate) people data with other functions. Further, by helping to identify and understand the critical relationships that exist between people and operational data, management will begin to understand how to engage HR in business planning and decision making processes.

Data-fueled BI as the basis for cross-organization communication and shared understanding reinforces the value delivered by a strategic, data-driven HR, which in turn makes people analytics a long-term sustainable priority. As a baseline, consider leveraging people analytics to accurately quantify and dollarize the result of people-related actions. This empowers HR in explaining the real costs/value of common activities, including:

- Cost of recruiting (campus and experienced hires)
- Cost of no-show employees
- Cost of onboarding
- Cost of turnover
- Value of high performers
- Employee costs per project/initiative
- Training ROI

However, in service to strategic cross-organization communications, people analytics can facilitate and answer ever more meaningful questions – and it's here we begin to see its true value emerge: directly addressing business-critical problems, such as:

- What are the primary drivers of new hires leaving within the first few months?
- Which of our talent or skill gaps are most critical to address?
- What is the relationship between employee engagement and sales outcomes and what should we do as a result?



### ANALYTICS IS A BRIDGE

TO BETTER COMMUNICATE HOW PEOPLE-RELATED EXPERTISE, SERVICES, AND DATA CONTRIBUTES TO SOLVING SOME OF THE BIGGEST CHALLENGES FACING BUSINESSES IN TODAY'S DIGITAL ECONOMY.



## BI/Analytics is the lingua franca of business cont'd...

- What can we do to reduce high turnover among those employees we most want to keep?
- How much does employee absenteeism cost us and how can we reduce it?



## People analytics can positively impact the bottom line

Enterprises are in a constant competition for market share and top talent – a compound topic that considers recruiting, engagement, development, and retention, each of which has their own large set of data. Case studies illustrate that these people dimensions can directly impact major drivers of business, such as: brand equity, sustained organic growth and profitability, operational cost control, and customer satisfaction. A data-driven people strategy materially contributes to every one of those top-line priorities and outcomes by leveraging the power of analytics to organize the nested inputs, vast amounts of data, and expose the deceptively nuanced and consequential relationships between operational goals and a firm's workforce.

Sector-leading firms such as Google, Zappos, Southwest, and Costco utilize insights from their employee data to evaluate and evolve employee engagement, satisfaction, development, and professional happiness. These organizations leverage people analytics to realize productivity- and profitability-impacting insights, including:

- Assembling the most effective project teams
- Identifying the causes for top talent departing and proactively indicating flight risks
- Understanding the behaviors and work practices of top-performing support and sales representatives, and their managers.

The success of these firms points to the reality that knowing your people and fully engaging them is the surest way to sustained productivity and profitability.<sup>4</sup>

People analytics needs to be prioritized. With advanced analytics, the full potential of people-related data can be realized. Yet, research tells us that all too often, these decisions are still made with partial pictures due to incomplete and under-imagined people analytics programs. The strategic application of people data and employee feedback to all relevant decisions takes sustained time, money, and leadership – but pays off in the end with HR delivering highly valued services and insights across the organization as well as a highly engaged and productive workforce.

1. [High-Impact Talent Analytics: Building a World-Class HR Measurement and Analytics Function](#)

2. [Trends in People Analytics](#) 3. [Salaries as a Percentage of Operating Expense](#) 4. [Getting Leadership and Talent Right](#)



COMPANIES THAT VALUE  
INFORMED PEOPLE  
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CONTINUE TO OUTPERFORM  
COMPETITORS THAT DON'T.





 An LDS white paper

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