

White Paper

HR Metrics, Datafication and Talent Intelligence

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With Avril Henry

Welcome to the fifth instalment in our 'Thought Leadership Series,' which provides you with a unique insight into a pertinent aspect of leadership or HR practice. A world leader in HR transformation and leadership, Avril Henry provides expert opinion on the thought provoking subject of 'HR Metrics, Datafication and Talent Intelligence.'

The datafication of HR is a leading business trend today and has the potential to change the game forever. With the workforce comprising an average of 70 percent of the typical company's expenses, HR has the opportunity not just to 'get a seat at the table' but also to play a critical role in driving business outcomes and improving financial outcomes.

Datafication is a new term used to describe the process of turning an existing business into a 'data business.' In HR it refers to your increasing ability to use talent analytics to understand more and more about your people, HR practices and processes, as well as external demographics.

The Currency of Talent

Talent has never been more critical to business performance. That means that businesses have never had a greater need to understand with precision, what it takes to recruit, retain, and motivate employees.

Many organisations, especially those at the small to medium end of the scale, still tend to base talent decisions on the intuition of Hiring Managers and HR Professionals. Few businesses can offer standardised, systematic, data backed evidence to support their hunches.

For years now, finance and sales departments have used data to drive decisions, and more recently analytics have penetrated the supply chain and marketing functions. Now, analytics are starting to drive decisions about people. A growing number of corporate boards, CEOs, and CHROs understand that by applying data-driven tools to improve decisions about talent, they can improve revenues and profits.

As a result, business leaders are embracing workforce data and analytics as essential strategic tools that can directly impact financial results.

Most HR departments already collect at least some employee HR metrics. Linking the relevant ones to business results to understand correlation, causality, and predictability is the tougher task.



Many organisations want and need to move up the workforce analytics maturity curve over the next few years. The proliferation of cloud based solutions means that businesses are now turning their attention to talent intelligence in a more focused way.

In the past, the lack of technology and accurate data meant that getting new systems up and running and then accessing and assessing the relevant data could be a process that took years. With cloud-based technology, that timeframe to get the tech ready and get the first analytics up and running can be reduced to months. Then, if you're properly prepared, you can add another six to nine months to get good at data analysis and understanding your organisation's unique talent intelligence.

However, there are still two primary obstacles to adoption of the processes required to implement this type of datafication and analysis: data-related problems and the skill level of HR Professionals in relation to data collection and analysis.

HR's well-documented lack of analytical acumen comes a close second to data problems as the chief obstacle to accurate talent intelligence. It's surprising that whilst no company would consider running their business with inconsistent financial data, most companies are riddled with inconsistent HR data.

Companies are waking up to this issue and are starting to invest heavily in talent analytics and building talent intelligence. It is becoming more and more common for the Job Descriptions of HR Professionals to require some statistics understanding and data analysis capability. It's clear that understanding how to use data is becoming an integral part of the HR profession.

To lead, HR Professionals need both quantitative acumen and a keen understanding of what makes the business successful. HR also needs the ability to connect business results to data about employee performance.

HR needs to learn which employee metrics have the greatest impact on business results for the specific company they are working for. In addition, HR professionals and leadership need to be able to tell stories about what the numbers mean for the entire organisation.

A key component of the business case for implementing workforce analytics and increasingly sophisticated talent intelligence, is that the solutions needed to get results have the potential to be self-funding from the savings they generate.

Despite this opportunity, the issue with the measurement of talent intelligence is that it is often not done in an intelligent manner. Just like each organisation has its own unique fingerprint, there is no one way of measuring talent.



As unsung a hero as it might still be, talent measurement is a fundamental foundation of modern talent management. It is a basic building block in successfully managing employees, which helps HR Professionals identify who adds value right now, and who has the potential to do so going forward. Despite its low profile activity to date, HR metrics, data analytics and talent intelligence is about to have its day in the sun.

Talent Management Matters More Than Ever Before

New technology and talent management systems certainly give you access to increasingly sophisticated data sets about a broad range of factors such as demographics and distributions - that is, workforce composition. However, like all systems, in order to really harness their potential, you need to take the time to ensure you're capturing the right information, in the right way and then using it to suit the particular needs of your business. This will vary from one organisation to another, so getting the foundations and principles right before you launch into your data analysis is essential.

A few larger companies have sought to rectify historical HR data issues by putting talent measurement at the heart of their systems. Google is not surprisingly ahead of the curve when it comes to people data. Unsure of whether it was hiring the best applicants, the company started developing a comprehensive database that captured information about current employees' attitudes, behaviors, personality, biographical information, and job performance. This database has allowed Google to develop an algorithm for predicting which applicants are most likely to succeed at the company.

It is too early to judge how effective such an algorithm is, and this kind of approach would not be suitable for all businesses. Yet it is clearly more sophisticated in its approach than mere demographics. This kind of approach certainly also has the potential to yield far more value.

It is clear that businesses are beginning to realise the potential of measuring talent systematically, and then combine talent data with other information to produce insights of real business value.

This may sound like good news and a great opportunity, and it is. However, it can be seized as an opportunity only if talent measurement works and produces good-quality intelligence, which is where things have the potential to go astray.



Why Talent Measurement Is Not Working

There are five common challenges in getting HR metrics, data analysis and talent intelligence right:

- Talent measurement is unavoidably complex.
- It is hard to know which HR metrics actually work as accurate measures in any given business.
- Measurement methods do not always meet business needs.
- Implementation gets overlooked.
- Businesses lack data collection systems and analytical expertise.

Each challenge by itself can significantly limit the ability of measurement to have the sort of impact you need. Unfortunately, most organisations are struggling on all five fronts.

There are four basic things that businesses need to know and get right to make measurement work:

- You need to know what to measure.
- You need to know how to measure it.
- You need to know how to implement measurement and use the results.
- You need to ensure you accurately measure what you need.

The way companies typically approach deciding what to measure is through analysing the skills and qualities that specific roles, teams, or business units need. This involves defining role requirements or what the company needs people to do. Sometimes this is achieved through a formal process like a job analysis, and in some countries, having a structured job description is actually a legal requirement. Other times and in other countries, requirements are defined through more informal or intuitive means. Yet it is always there to some degree, even if it is just an idea in the Hiring Manager's mind. There is a picture or list, then, of what you need and are looking for.

What is important is to make sure that this list is explicitly stated and clearly distinguishes the two or three things that are most critical for ensuring that people succeed. Then, wherever possible, ensure that your choice of measures is led by this list of most critical qualities or competencies for the type of talent the business needs.

As principles go, it may sound obvious, but it is too often overlooked.



Get Clear About The Validity Of Your Data And Measurements

Sometimes, of course, there is only a vague idea of what a role or the business needs, and other times the list of what is required is just too long. When this happens and there are thus no clear requirements for guiding the decision of what to measure, businesses tend to revert to what they know or feel familiar with. This is generally not a good idea.

There is no one measure that you should always use: different jobs require different qualities, different organisations have different values, different operational requirements, different needs. So if you always use the same set of measures and tests for all roles in all organisations, the chances are that sometimes they will not help you much, and they may even be misleading.

Instead of reverting to the familiar when choosing what to measure, the one question all businesses should always ask is this:

'How predictive of success is this factor in this particular type of role?' or, in other words, 'How valid is this measure?'

Because validity figures can tell you whether a measure predicts performance, checking validity is a way of checking that you are genuinely measuring what you need.

Many leaders and HR Professionals do not seem to be interested in validity. However, if you are going to pay good money for measuring results, then you need to make sure that the information you are measuring is accurate and relevant. On a purely commercial level, anything else is just bad business.

Validity is a technical subject and can be complicated. As a basic rule - you should always ask about validity. In other words, be led by the facts and science, not by traditions or familiarity.

Asking about validity can help you understand which measures are the most predictive of success. However, talent is made up of a mix of multiple qualities and abilities, so you need to use multiple measures, and to work out which combination is best, you need to ask a different question. Just asking about validities will not work.

This is because when you ask how valid a particular test is, you are usually asking how good a measure it is on its own, separate from anything else. Nothing exists in isolation, separate from everything else, so you need to make sure that you look at all relevant factors in relation to each other, not in isolation from each other.



The Transition From Talent Measurement to Talent Matching

Even when measuring 'fit' most businesses still tend to measure it in a limited way. Given that the performance of an individual is affected by the environment they work in, it is surprising how many organisations do not explicitly measure the level of fit in the following areas:

- Between individuals and the organisations they will be working for (ie cultural fit).
- Between individual values and the values of the organisation.
- Between the individual and the specific role KPIs.
- AND between the individual and other environmentally specific factors.

These other factors include:

- Challenge of the first job assignment.
- Life stability.
- Personality match between manager and his or her direct reports.
- Immediate Manager's success.

Four Useful Types of Fit

Matching people with roles usually involves four different types of fit:

- Person-job fit: The degree of fit between a person's qualities and the requirements of a particular role.
- Person-organisation fit: The degree of fit between a person's characteristics and the working environment or culture, as well as both sets of values.
- Person-team fit: The degree of fit between a person and the colleagues he or she will be working most closely with.
- Person-manager fit: The degree of fit between a person and the manager she or he will be working for.

As the old adage says, people join companies but leave their bosses. Thus it is important to ensure that your hiring process extends beyond just making sure that a potential employee is a good fit for the Job Description.



Three Steps For Measuring Fit

There are three key stages you will need to go through in order to accurately measure the fit of your employees.

1. Environmental / contextual: these factors should be added to Job Descriptions and included in key selection criteria. This is because before you can measure fit, you need to know exactly what it is that people need to fit with. If talent matching is to become an integral part of the way that companies do measurement, it needs to become a standard element of Job Descriptions.
2. When reviewing individuals' record of past success, through interviews or resumes, make sure that transferability of this success is considered. Ensure then, that managers and recruiters focus not only on what people have achieved and how, but also on the environment in which they achieved it.
3. In addition to person / job fit, organisations should explicitly measure:
 - Person / organisation.
 - Person / team.
 - Person / manager fit in all selection and developmental talent measurement processes.

Five Things You Must Do To Make Measurement Work

All organisations must put five foundations in place to ensure that data measurement processes will work:

- Collect your data centrally.
- Use common data points.
- Check the impact of your measures.
- Ensure the proper use of data by all employees.
- Measuring what you value.

Essentially the key here is to balance the overall performance rating of your employees with three or four more specific ratings that really align with your business and your team. Always, the types of performance you measure should be driven by and predicated on what you value as a business. This will vary from one organisation to another because each business has its own unique fingerprint. This should not just include behaviours from a competency model, because such competencies tend to change every few years (more so with recent acceleration in the tech / digital space).



For a good foundation, measuring the following three dimensions will stand your business in good stead:

- Task performance (how well objectives are fulfilled).
- Organisational citizenship behavior.
- Contribution to team performance.

It is essential to create a sense of accountability for both hiring decisions and how measurement results are used.

- Communicate clear expectations: your organisation should have a clear and simple policy about how measurement results are used.
- Review hiring decisions: whenever a new employee does not work out, both HR and the Hiring Manager should review the information available at the time of hiring so as to learn lessons and help prevent the same situation from arising in the future.
- Track what happens when results and recommendations are both followed and ignored: when the measurement methods say do not hire, and the Manager's ultimate hiring decision is in opposition to that data, this information should be recorded for each new hire. This data can be tracked to see whether there is an impact for ignoring measurement results. Such information should be relayed to the rest of the business.

Checking whether measures work, and their impact on actual people decisions – not as some kind of after the fact evaluation, but as an integral part of making measurement work, is the key to success. A selection of relevant measures includes:

- Retention figures.
- Performance ratings.
- Hiring manager's satisfaction with new employees.
- New employee's reactions to the measurement process.
- New employees' end-of-year bonus allocation.
- Comparison of competency ratings at hiring interview and at first annual appraisal.
- Whether a new employee is tagged as high potential within an agreed appraisal.
- Whether a new employee is tagged as high potential within an agreed time period.
- The number of legal challenges to a selection process.



Measure What Your Business Values Most

Tracking HR metrics, analysing data and building a robust talent intelligence story for your business takes time, effort, energy and commitment. It will also take some adjustments and a willingness to be flexible and agile in the beginning, until you get traction and positive results. There are four basic foundations you will need to build into your HR team and your organisation to get started:

- Become an educated consumer: learn how to ask the right questions and look at the right issues.
- Put the right building blocks in place: that is, collect your data centrally, use common data points to assess the same things and check the impact of measures to make sure they work for your business.
- Ensure proper use: Start small and keep it simple. Get interviews right, focus on how people decisions are made, make sure managers understand contexts and consequences, ensure your team transitions from talent identification to talent matching.
- Do more than merely measure: use your data to transform your focus from simply gathering and assessing talent data and shift to a more holistic focus on talent intelligence.

Start Small, Get It Right and Then Expand

Always start with a small trial of the essential measures for your business. Get it right and then tweak the details as you hone your process. Only when such measures are working well and yielding reliable and beneficial results can you then expand.

Such a trial period will also provide an opportunity to evaluate your process and build evidence of its value, thus giving senior leaders the opportunity to become champions for the process.



The ROI Potential of Measurement

To help you think about whom to assess and how, there are four scenarios in particular in which measurement, done well, can deliver a substantial return.

- When a larger volume of candidates needs to be sifted.
- When significant cost is associated with selection failure – for example where there is a high risk of accidents or in senior executive assessment.
- When there is a significant need for perceived fairness or objectivity – for instance, during a restructuring or in countries with heavy regulatory requirements.
- When input is required on where best to target learning and development, for example, when deciding which people to offer training to, or when trying to identify what specific individuals' development needs are.

The Final Foundation: Linking Measurement to Performance

When put in place, the final element of measuring talent and building your talent intelligence from robust metrics and rigorously compiled data is relating your measurement to overall business performance. This final integration will greatly improve the decisions you are able to make about your people.

Ultimately, HR metrics, workforce analytics and talent intelligence can produce better talent decisions. These better talent decisions can significantly improve business results. The need for making better, more informed talent decisions has never been greater, and the solutions have never been better. Now it is time to invest, train, and revamp your organisational culture to move HR and the entire organisation in this direction.



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