Moving Talent Management From An Art To A Science

The Why’s and How’s of Integrating Big Data and Human Capital
For most businesses, small and large, payroll and the costs associated with maintaining human capital are the single largest expense (Bersin, 2014). With that in mind, it only makes sense to consider return on investment when it comes to hiring and maintaining talent.

So how is that being accomplished?

Companies are increasingly turning to big data and what’s being dubbed “talent analytics.”

Big data and talent analytics are proving to be the optimal answer to address the biggest challenges many companies face: talent and labor shortages, and the increasing need to cut costs and improve overall efficiency.

As baby boomers are retiring in large numbers and businesses are seeing the need for not just talent, but skilled talent, they’re looking to data to help them make smart, concise operating decisions. These decisions not only need to be concise, but they also need to have a discernible return on investment and that’s what the collection and analyzing of data can provide.

Talent Analytics: An Overview

Analyzing data in human resource departments isn’t a new concept by any means—it’s something that’s been done for a long time, but we’re in the midst of a fundamental shift in how and why that’s being done.

High performing companies are realizing, thanks primarily to the growth in analytical technology, not only is more robust and comprehensive data available, but it’s less expensive and faster than ever before to collect and utilize this data.

Companies and their HR departments have the opportunity to gain a real-time view of talent data and when used correctly, that data can be applied toward making decisions and assessing the return on investment for those human capital decisions.

SilkRoad recently released a research paper entitled “Power Up Talent Management for Business Performance: A Close Look at Progress and Trends. (SilkRoad, 2015)”

The presented research focused primarily on the growth of technology, particularly as it pertains to human resources and talent management.

Number one on the list of the “Top 10 Trends to Watch in 2015” was the purchase of new applications and the integration of existing ones. Other trends on that list included the movement of performance assessment toward a more strategic approach, along with an increasing focus on the purchase of analytics tools in order to help companies gain a competitive edge while also improving performance and reducing costs.
With that being said, there’s still a disconnect between analytics and what’s actually happening in HR departments and within talent management strategies. SilkRoad reports that while the trends seem to be moving toward big data in theory, the number one problem HR professionals face is a lack of “critical data and analytics.” A staggering 65 percent of respondents included in the SilkRoad report say they face this problem. These responding HR professionals also said the ability to collect sound data and analytics to provide a clearer picture of the workforce was their number one technology concern.

Josh Bersin, founder of Bersin by Deloitte, put together a list of anticipated trends at the end of 2014, and one of the items topping that list was “analytics-driven, science-based solutions.” Bersin cited data analysis not as a product, but instead as the solution.

Bersin reports that companies who “datafy” their HR departments are seeing results 2 to 3 times better in terms of the quality of talent they’re hiring, their leadership pipelines and their employee turnover (Bersin, 2014).

Bersin says this about the convergence of analytics and talent management:

“Consider the following fact. Most companies spend 30% to 60% of their revenue on payroll (people). This huge expense goes into salaries, benefits, training, facilities, and all of the people-related services that the business provides. If we want to improve profitability, customer service, revenue generation, or product quality, shouldn’t we look at one of the biggest expenses we have? The problem many companies have is simply one of investment. While finance, marketing, and supply-chain organizations have been implementing analytics solutions for decades, HR is now just starting to see the benefit. Our research shows that only 4% of large organizations have any ability to “predict” or “model” their workforce; but more than 90% can model and predict budgets, financial results, and expenses. So the problem is not “lack of skills”; it’s more a historic problem of lack of investment, poor data quality, and an underfunded talent analytics team.” (Bersin, 2014)

Also part of the trends outlined by Bersin includes the evolution of “leadership, assessment and psychology” that comes with big data.

Not only is big data helping in the recruitment, retention and performance aspects of talent management according to Bersin, but it’s assisting with engagement and retention as well. With the evolution of technology and data tools, it’s now possible for companies to have a better picture of how to provide an improved work environment and that elusive “work-life” balance, thanks to the opportunity to assess and quantify things like personality and behavior.
PwC released its annual Global CEO Survey, and at the top of the world’s top business leaders’ minds were new technologies, and in particular those related to data analytics, with 80 percent of respondents saying these were key parts of their growth strategies. (PwC, 2015)

The report says the following about how companies are tackling their people issues:

“Those companies who do more fully leverage the power of diverse talent are better equipped to seize business opportunities. We found that CEOs who see more opportunities today than three years ago were more likely than those who see more threats to have a diversity and inclusiveness strategy, and to have seen a range of benefits from that strategy. They’re also more likely to look widely for talent, upskill employees and use data analytics to assess how skills are being used. All this is perhaps giving these CEOs the confidence to hire, as they’re much more likely to be increasing headcount in the coming year. (PwC, 2015)”

**The Challenges**

While industry professionals may be pointing to big data as the biggest thing to hit human resources and talent management, there are still challenges that exist, or at least perceived challenges.

SilkRoad touched on some of these issues, as mentioned above, particularly when looking at what human resources and business leaders say is important versus what they’re actually doing in the realm of big data.

**Figure 2. A big challenge with big data**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Number of respondents</th>
<th>% of total number of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilizing HR and talent operational reporting and scorecards</td>
<td>509</td>
<td>52% 40% 8%</td>
</tr>
<tr>
<td>Conducting multi-year workforce planning</td>
<td>514</td>
<td>62% 31% 7%</td>
</tr>
<tr>
<td>Correlating HR data to business performance</td>
<td>512</td>
<td>62% 30% 8%</td>
</tr>
<tr>
<td>Using HR data to predict workforce performance and improvement</td>
<td>512</td>
<td>67% 26% 7%</td>
</tr>
</tbody>
</table>

HR executives’ assessment of talent and HR analytics capability levels

<table>
<thead>
<tr>
<th>Level</th>
<th>Weak</th>
<th>Adequate</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>62%</td>
<td>31%</td>
<td>7%</td>
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</tbody>
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So if there’s a consensus about the important and game-changing role of big data as it relates to human capital, why is there hesitation to actually undertake the necessary steps to utilize it?

For many organizations, the challenge stems from an inability to connect the collection of data to measurable and significant outcomes. While organizations may be collecting data, they’re unsure of how
to link the numbers to things like overall performance and larger, more strategic goals. Data is irrelevant if it’s being collected with no clear, outlined purpose.

Another challenge within the realm of big data is a lack of understanding. Organizations may be slow to embrace change and see the monetary value to be derived from making talent management decisions based on facts, numbers and science, versus subjectivity.

Along with these challenges comes the issue of security. Companies are realizing security is a key concern when it comes to collecting talent-based data. This has become a hot-button issues for employees and employers alike, particularly in the wake of the National Security Agency scandal and issues of data mining being used by the government and private companies.

Luckily, this issue is largely being addressed by the providers of talent management and analytic technology. Many of the offerings available are highly focused on security and there are built-in security-based features that take the burden off companies utilizing this technology.

What to Measure

Andre Lavoie, CEO and Co-Founder of ClearCompany, points out five metrics ideal for measurement within the sphere of talent management in a piece published on Entreprenuer.com (Lavoie, 2014).

These five metrics include:

- High-Talent Potential: Lavoie says these are the employees that have the “potential, ability and aspiration” to be successful leaders. It’s not enough to simply identify high-talent potential employees—you also need to use data to understand how to best develop this talent throughout their careers.
- Candidate reactions: Lavoie believes it’s important to understand the feelings of candidates during the recruitment and hiring process. A negative experience can have a significant impact on employer brand, and this makes it incredibly important to measure candidate’s experience using data collection. This can also be utilized in a specific way to do things like targeting recruitment advertising efforts, and knowing where to spend recruitment budgets.
- Engagement and retention: This is incredibly important in the face of talent shortages and skills gaps as baby boomers retire and talented Millennials face more increasing job options. Losing key talent is a primary challenge faced by many organizations and data collection can provide insight as to how to engage and retain employees.
- External versus internal hiring: Data can be used by organizations to determine whether hiring internally or externally is better for sourcing high performing talent. Is it best to turn to external recruiting sources or to look within for promotions and tapping into future leaders?
- Turnover: Turnover, particularly of the best talent and the high performers within an organization, is extremely expensive. A high turnover rate is often viewed as the difference between top performing organizations and their competition. It’s important to use the collection of data to understand the link between why employees leave versus why employees stay and also the costs of turnover and how those can be reduced.
The Collection Continuum

In order to measure the above, or anything within the realm of talent, it’s important to understand how to approach the collection of data.

A team of authors from the University of North Carolina created a concept they call “The Human Capital Continuum.”

Outlined in the White Paper “Driving Talent Development with Data, (Kelly & Pease, 2015)” authored by Kip Kelly, Director of UNC Executive Development, and Gene Pease, Founder and CEO of Vestrics, this approach means the use of talent analytics can move from the general to the specific as your organization becomes more prepared to move forward into more comprehensive data collection and application.

The authors say the following about the analytics continuum they outline:

“Many organizations are already on the path toward advanced analytics. Those who want to venture into human capital analytics may want to first take smaller measurement steps. To do so, it is helpful to view the human capital analytics process as a measurement continuum.”

Accordingly, the continuum typically begins with what Kelly and Pease refer to as “anecdotes.” Anecdotes are meant to provide a story that serves as the background for the numbers. This gives a realistic way for people to understand what’s going on behind data and give them a better idea of how the numbers can then move toward quantification.

Next on the continuum are scorecards and dashboards, which provide a quick at-a-glance approach to talent-based data. Scorecards and dashboards can result from things like surveys and these elements make it possible to show quickly what’s going on in terms of strategy and the accompanying results.

Next along this continuum are benchmarks. These benchmarks are most often created by looking at top performing companies and then setting your own goals through this comparison. The more specific, the better with benchmarks. For example, take one component, like turnover rate, and create benchmarks based on your high performing competitors.

The next two stages of the continuum are correlation and causation, and the final stage is optimization.

Optimization, according to Kelly and Pease, is the “holy grail of HR measurement,” because it allows for predictive analysis. This is the point on the continuum where an organization can look at the impact of decisions and also where organization leaders can begin making future plans based on the collection of data. Optimization is really the stage where you can see what works and what doesn’t in terms of your talent management strategy, and where data can become actionable.

Google and the Analytics of the Employee

It’s not really a surprise Google has been leading the charge when it comes to a talent management strategy guided by data analysis (Davenport, Harris, & Shapiro, 2010).
In 2011, a manager from Google’s designated “people analytics” team told an audience that all the “people” decisions at Google are based on data and analytics—this means hiring, compensation, talent management and everything related to human resources.

With tens of thousands of global employees, Google quickly realized the need to use numbers and science to make decisions that would provide a basis for their people-related decisions and policies. One executive, speaking at Google’s re:Work conference said the goal is to use analytics to “spit out people decisions.”

In the early stages of the implementation of the People Analytics group, the idea was to having talent management decisions be strictly algorithm-based, but Google quickly realized the best approach was actually to have people making people decisions, but to have them armed with data-based information when making these decisions.

This concept has led to a revolution in Google’s hiring process where things like university degrees and GPAs aren’t the focus, making waves in how other companies across the world are approaching hiring.

**The Technology Behind “People” Data**

As mentioned at the start of this paper, one of the primary reasons big data is becoming such a focus in the business world is because it’s easier and less expensive than ever before to actually collect and put to use a myriad of complex information.

For many organizations, of all scopes and sizes, it’s becoming increasingly attainable and realistic to put talent analytics in-place, particularly thanks to the rise of HR technology and software solutions with included analytics capabilities.

A few of the companies offering talent management and human capital solutions incorporating big data and analytical tools include:

- **Cornerstone OnDemand**: Cornerstone OnDemand offers cloud-based applications that let users do everything from recruiting to training and managing employees, particularly with tools like Cornerstone Succession. With Cornerstone Succession it’s possible to benchmark skills and competencies, identify where skills gaps may exist and to create and implement development plans bridging identified gaps.

- **IBM Kenexa Talent Insights**: With IBM Kenexa Talent Insights users have access to powerful tools and analytical components that let them quickly make a variety of talent decisions based on facts and desired outcomes. The data is compiled into visual representations that make it simple to see how certain decisions are translating into results and it provides an easy way to determine return-on-investment for human capital decisions.

- **Skillsoft**: Skillsoft, at the end of 2014, announced an acquisition of SumTotal Systems, which made headlines because it was a coming together of corporate learning and big data. SkillSoft and SumTotal offer the integration of learning, talent management and strategy in one platform.
These are just a few of the many technology offerings addressing talent analytics and the compilation and usage of big data. There are more companies that continue to step up their offerings and provide opportunities for even the smallest of businesses to utilize data to make big human capital decisions.

Making the Move Toward Big Data

While the importance of data may be one that’s well-understood in theory, it’s not necessarily one that’s put into practice at the same level.

Many organizations find themselves struggling to understand how to not only go about collecting data, but also how to put it to work.

There are 8 steps that can be highlighted and applied to a variety of organizations in order to begin moving toward an evolved and predictive analytics approach to talent management.

1. **Put a Team in Place**

   Talent management and analytics often falls on the shoulders of the HR department, but in many cases more success is achieved when there is a team dedicated to data collection and analysis. That may mean bringing together HR professionals within your organization and IT specialists, or for some organizations that can mean uniting financial professionals, comfortable with analysis and numbers, and HR. Find what’s going to be a natural fit within your organization and put in place people that have a broad range of knowledge as it pertains to not just the numbers, but also the talent management aspects of your business for the best results.

2. **Identify Challenges and Goals**

   The primary focus of big data as it relates to talent management should be to address specific challenges or meet organizational goals. Try to drill down to the specifics as much as is possible—for example, maybe your goal is to reduce turnover amongst new hires. By outlining your goals, specifically, you’ll be able to put your data to the best possible use.

3. **Link Talent Management Goals to Business Goals**

   In order to be as effective and as strategic as possible, take the specific talent management goals that have been outlined at the start of this list and align them with overall business goals. For example, begin to link a reduction in employee turnover with greater profitability.

4. **Equip the Team with the Right Tools**

   As mentioned above, talent-based data analysis is gaining steam because of the availability of powerful technology tools, so it’s important that your team is equipped with the software that’s going to meet your organization’s needs. Consider what elements are most important to your overall strategies, and begin your search for technology with goals, both short and long-term, in mind.

5. **Identify Metrics for Success**
This is actually one of the primary areas organizations become sidelined in the use of big data—if you don’t have a means for measuring whether or not you’ve successfully met your goals, your data is useless. By creating specific metrics for success you can see the return on investment for each of your talent management decisions as well as how you’re progressing, and then use the ROI as a way to guide overall business strategy and ensure you’re on-track.

6. **Bring Key People to the Table**

This step is relevant for talent management in general—it’s important to have key stakeholders involved in a real, tangible way. Make talent analytics something they can grasp and see as a viable part of the business in order to build strategies that have the capability to lead to predictive and actionable results. This is one of the greatest benefits of today’s available technology—with cloud-based talent management and analytical programs it’s easier than ever before to make data accessible to a larger audience. Features like dashboards and visual representations are going to encourage more involvement and understanding of the process for a wider variety of organization members.

7. **Use Data to Create Profiles**

While the collection of data is a great way to dial in to specific human capital and business goals, it can also be used to create generalized profiles that will guide future talent management decisions. For example, use data to create the profile of an employee best suited to a particular role, and that profile then becomes a valuable recruitment and hiring tool.

8. **View Talent Analytics as a Continual Process**

Companies like Google with mature and value-providing talent analytics programs have realized it’s not a perfect process, and it needs to continuously be honed and refined to get the best possible results. Google has undergone several big shifts in how their people analytics are done and utilized, and they’re continuously working on the process, rather than seeing it as something that has a time limit or an end date.

**Conclusion**

In the past, human resources and talent management decisions have been driven by subjective opinion. Due to a changing landscape in which business austerity and talent shortages are shaping the future, alongside an influx of new technology, there are changes coming about.

Talent management is no longer being viewed as an opinion-based art form—instead, it’s being transformed to a numbers-based science that’s allowing organizations to become smarter, sharper and more competitive in not just their hiring and talent decisions, but within the entirety of their business goals and strategies.
References


