IBM Institute for Business Value

Unlock the people equation

Using workforce analytics to drive business results

Many organizations wrestle with the question, "How can we better understand and manage our workforce to improve business performance?"

While in recent years, many companies have strengthened their analytics capabilities in areas such as Marketing, Supply Chain and Finance, far fewer have begun to apply analytics to unravel elusive workforce dynamics such as turnover, employee engagement and productivity (see Figure 1). Many have built the capability to produce basic HR reports and metrics, and some have begun to use analytics to reveal and understand historical trends and patterns. However, the 2014 IBM study of 342 CHROs reveals that less than 16 percent of companies report the ability to use data to make predictions and take action on future workforce issues.[1]

To better understand how companies use workforce analytics to improve business performance, we interviewed individuals with responsibility for workforce analytics from 41 organizations throughout North America, Europe and Asia Pacific. We also conducted an extensive literature search and interviewed workforce analytics experts in our IBM HR analytics function and advanced analytics teams.

Ultimately, the objective of workforce analytics is to enable HR and business leaders to make more strategic decisions about how to best manage workforce challenges, ranging from the aging workforce and knowledge loss, to top contributor attrition, to employee engagement.
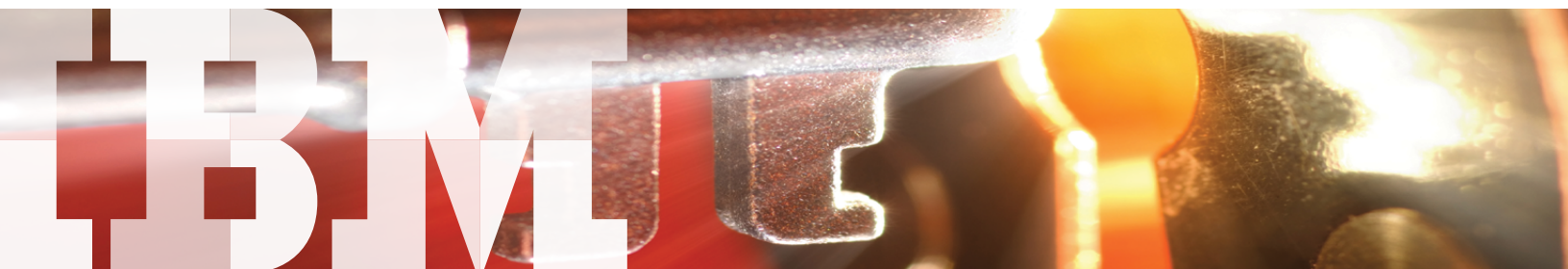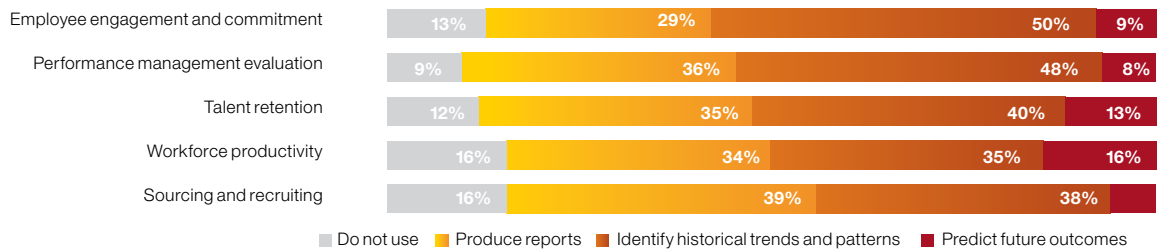
Overview

As the complexity of workforce challenges continues to rise, so will the demand for more quantitative approaches to address the increasingly difficult people-related questions central to organizational success.

The power of workforce analytics lies in its ability to challenge conventional wisdom, influence behavior, enable HR and business leaders to make and execute smarter workforce decisions, and ultimately, impact business outcomes. To realize value from investments in workforce analytics, organizations need to understand: the relationship between their workforce strategies and their business challenges; the approaches at their disposal; and the capabilities required to translate raw HR data into defensible action.

Figure 1
How organizations use analytics today

	Do not use	Produce reports	Identify historical trends and patterns	Predict future outcomes
Employee engagement and commitment	13%	29%	50%	9%
Performance management evaluation	9%	36%	48%	8%
Talent retention	12%	35%	40%	13%
Workforce productivity	16%	34%	35%	16%
Sourcing and recruiting	16%	39%	38%	

Source: IBM Institute for Business Value. "New expectations for a new era: CHRO insights from the Global C-suite Study." 2014.

The driving forces of workforce analytics

A range of external and internal forces are leading organizations to use workforce analytics.

Externally, the nature of the global workforce is changing rapidly, making it more challenging to understand where and how work is performed across an organization. Regulatory and compliance issues require companies to become more transparent in how they classify their employees and demonstrate how they are reducing bias and risk in hiring and promotion decisions. Emerging data sources such as external labor market data and mobile and social applications provide new opportunities to gain even deeper insights into workforce issues.

Internally, several forces are also compelling organizations to use workforce analytics to make smarter workforce decisions. Study participants highlighted shifts in strategic direction, including mergers, acquisitions and divestitures – requiring a more insightful view of the workforce. These and other large-scale transformation efforts serve as catalysts to better understand shifting capabilities requirements and manage the inflows and outflows of people in emerging strategic areas. Lastly, experience in using analytics within other parts of the organization stokes greater demand and expectation for HR analytics capability.

From our discussions, it is clear that workforce analytics provides a unique set of challenges compared to analytics efforts pursued in other areas of the business.

Despite these challenges, workforce analytics has powerful potential to shape policy and actions, enabling leaders to discern previously unconnected patterns and trends, and develop an evidence-based perspective of workforce challenges and opportunities. It provides the basis to confirm existing hypotheses and supersede conventional HR thinking.

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Building a workforce analytics capability

Study participants identified eight vital capabilities needed to transform workforce analytics from a series of non-standard or ad hoc projects, to an ongoing source of value to the business. These four stood out as especially important.

- *Analytics roles and capabilities* – Certain analytics skills, including data architecture skills, are critical to understand important sources of data and how data moves among different systems.
- *Data and technology* – Having the right analytics tools and technology is at the forefront of necessary technical capabilities.
- *Data security and privacy* – Workforce analytics includes a responsibility to address concerns associated with the use of employee data.
- *Culture* – A culture that supports data-driven decisions and promotes the use of workforce analytics is a critical success factor.

The other four capabilities also considered important by study participants, but mentioned less often were internal client management, organizational design to support the analytics function, success metrics and strategic internal and external alliances.

Leaders looking to jumpstart their workforce analytics efforts should focus on four areas.

- *Choose early winners.* Work with line-of-business executives who have a clear need and are receptive to analytical approaches.
- *Ride a transformational wave.* Leverage momentum from ongoing transformation efforts to obtain buy-in and resources, and create visibility.
- *Start small and grow.* Select initial projects where the scope is controllable and then expand by gradually taking on more complex projects.
- *Leverage symbiotic relationships.* Early on, build internal partnerships with other functions, such as IT and Finance, to get a head start and make the most of scarce analytics resources.

How can IBM help?

Enabling the workforce to drive the business: IBM Talent and Change services and Smarter Workforce solutions combine market-leading talent management and social collaboration tools with the power of workforce science and advanced analytics. They enable organizations to attract, engage and grow top-performing talent, create an engaging social and collaborative culture, and connect the right people to get work done. We help organizations build an impassioned and engaged workforce and deeper client relationships leading to measurable business outcomes.

Notes and sources

1   "New expectations for a new era: CHRO insights from the Global
    C-suite Study." IBM Institute for Business Value. 2014. March 2014.
    http://www-01.ibm.com/common/ssi/cgi-bin/ssialias?subtype=XB&infot
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