TURNING DATA INTO ACTIONABLE INSIGHTS

2014 METRICS, ANALYTICS AND TECHNOLOGY EUROPE SHAPSHOT SURVEY RESULTS
About the snapshot survey

• Snapshot survey conducted in late 2013-early 2014
• Responses from 180 HR professionals in 145 companies across industries
• Almost 80% of responses from Europe:
  – Germany, Switzerland and Austria (15%)
  – Nordic countries (14%)
  – United Kingdom and Ireland (14%)
  – Eastern Europe (13%)
  – France, Italy and Spain (12%)
  – Benelux (9%)
• Non-European responses from:
  – Africa and the Middle East (8%)
  – AsiaPacific (8%)
  – the Americas (7%)
Survey participation predominantly from Europe

180 respondents
145 organisations

*2% Unknown
Executive summary

• **Having the right resources in place** appears to be the area where organisations are struggling the most:
  – Most organisations feel that they have at least some workforce **data** available, and over forty percent indicated that they have adequate or very good data.
  – While the majority of organisations are not fully satisfied they have sufficient **processes and systems** in place so that they are able to turn their workforce data into actionable insights, almost forty percent of respondents reported feeling satisfied with current systems.
  – Only around twenty-five percent of organisations feel as though they currently have the right **resources** in place make workforce analytics a sustainable process within their organisations.

• **Respondents reported that their current HR systems do not enable them to see causal relationships between aspects of their HR functions**:
  – Most participants reported wanting to be able to see the link between their rewards strategies and engagement and motivation of their top talent.

• **Workforce analytics technology** was identified as the area of Talent technology that companies were most likely to invest in.

• The majority of organisations currently do not have a **business case** to engage leadership in building workforce analytics capability.
Do you have data to make meaningful decisions about your workforce?

- Positively, most respondents identified having at least some data available on which to base meaningful workforce decisions (approximately 86%).

- Despite a large proportion of respondents feeling they had data on which to base workforce decisions, less than 10% felt that had very good data on which to base these decisions upon.

- Almost 15% felt they were making completely uninformed decisions about their workforces, reporting access to only inadequate data or no data at all, consistent with market trends.

At Mercer we generally find that clients have access to at least some workforce data. The issues encountered are usually more around the application and interpretation of the data.
How satisfied are you with the systems and processes you have in place to analyse workforce data and turn it into actionable insights?

- A divide is present between those who feel they are satisfied with the processes in place to analyse workforce data and turning this into actionable insights.

- Around 39% of respondents reported feeling satisfied with current systems whilst a slightly larger proportion (45%) expressed some level of dissatisfaction with their current processes.

However, as workforce analytics technologies improve and organisations make further investments in this area, we hope to see these trends diverge into an overall improved satisfaction with the systems and processes in place.

- 5.56% Very satisfied
- 33.33% Somewhat satisfied
- 15.56% Neither satisfied nor dissatisfied
- 33.89% Somewhat dissatisfied
- 11.67% Very dissatisfied
Do you have the right resources so that workforce analytics becomes a sustainable process?

- Only around 25% of respondents felt that the right resources were in place in order to make workforce analytics a sustainable process.

- Whilst 42.7% believed they had some resources in place in order to make this a sustainable process, a third felt that they had inadequate resources or none at all available to make this happen.

At Mercer, we generally find that investing in the right resources has the biggest impact on the success of a workforce analytics function in an organisation.

In particular organisations need to ensure that they get the balance of skills needed to support workforce analytics including stakeholder engagement, communication of data, and data analysis.
Growing capability and utilisation of workforce analytics

- Mercer’s perspective is that successful utilisation of workforce analytics is formed of three key building blocks: *data; processes and systems;* and finally *interpretation.*

- All three elements must be drawn together cohesively in order for an organisation to successfully generate and utilise useful workforce insights.

- However, in Mercer’s experience, whilst most organisations are able to access sufficient *data,* the resources required to provide the appropriate *processes and systems* is the greatest challenge.

### Data

- Getting data sources right is integral in building a solid workforce analytic capability.
- Whilst most organisations report having access to a level of data, it is often the case that this is captured and held in ways which do not immediately foster compatibility between datasets.
- Most companies would therefore benefit from working towards greater data compatibility whilst for some, focus still needs to be placed on getting the basics right in ensuring they have appropriate data available.

### Processes and Systems

- In Mercer’s experience, whilst many organisations have access to a reasonable level of data, the aforementioned compatibility of various HR systems inhibits completion of meaningful analysis.
- Despite the availability of sophisticated technologies, HR departments are still using manual spreadsheets and dated software.
- However, investment into technologies enabling short and long-term workforce planning is increasingly seen as business critical, rather than optional.

### Interpretation

- There are several key issues that organisations face in the interpretation of their data in a meaningful way as follows:
  - **Skills and capability:** Companies may not always have the data experts within their workforces to be able to provide meaningful interpretation of data.
  - **Understanding:** Outputs must be pertinent and add value within the organisational setting.
  - **Utilisation:** Being able to translate workforce insights into tangible plans for action can often prove to be challenging for organisations.
**What would you like to better explore within your organisation that you are unable to do today?**

<table>
<thead>
<tr>
<th>Question</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Whether our rewards strategy effectively motivates and engages our best performing employees</td>
<td>64.25%</td>
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<tr>
<td>Which elements of our rewards strategy (e.g., compensation, benefits, work/life, careers) effectively motivate our best performing employees</td>
<td>62.01%</td>
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<tr>
<td>The critical drivers of employee retention in our organisation</td>
<td>53.63%</td>
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<tr>
<td>How our rewards strategy needs to adjust to changing demographics or generational trends</td>
<td>49.72%</td>
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<tr>
<td>Where we can reduce or reallocate workforce costs (e.g., headcount, benefits, compensation) without diminishing the quality of output</td>
<td>49.72%</td>
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<tr>
<td>Whether our current sources of talent will fulfill our future business needs</td>
<td>48.60%</td>
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<tr>
<td>How we can effectively segment our workforce to identify critical talent segments</td>
<td>36.87%</td>
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</tbody>
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- Respondents generally reported wanting to explore areas which allowed them to see causal relationships between aspects of their HR functions. Most specifically, they wanted to be able to:
  - Understand what within there rewards strategies engage and motivate their best performing
  - Identify what drives retention within their organisations
  - Almost half expressed interest in how to adjust their rewards strategies to suit the changing workforce demographics
  - This was equalled by the proportion who wanted to understand how they could achieve cost reduction without decreasing output quality
Where do you see the greatest challenge for your organisation? Which of them is a 2014 priority?

- **Reward (25%) and employee engagement (22%)** were the key areas identified as the greatest priority areas of development which posed a challenge for 2014.

- **Talent assessment and critical skill development** were also identified as key areas which organisations wanted to develop for 2014 (17%).

- Other challenging priorities were Talent forecasting (12%) and mobilisation of workforce (8%).

The focus on engagement as a key priority is consistent with workforce analytic trends for the coming year.
Reward, Engagement and Performance

Focus on performance

• Key HR trends suggest that organisations are currently most interested in maximising the contribution of existing employees and leveraging experience — HR Magazine 2013

• The emphasis respondents have placed on desire to understand the causal link between Reward with Engagement and Performance in this survey is echoed in a recent study conducted by Harvard Business Review Analytic Services in 2013, whereby executives held strong opinions about their value on benefits spending based on experience, despite the lack of robust metrics to support these presumptions — Benefits in the Age of Big Data and Analytics - HBR, 2013

Managing costs

• Effective utilisation of workforce analytics enables organisations to more efficiently manage costs and achieve value for money within their people strategy by focusing on rewards that employees are proven to place most value upon

However....

Perceived complexity

• At present, many companies struggle to understand the link between reward with performance due to its perceived complexity. We recommend that organisations incorporate long data modelling in order to make this link.
Pay for Performance
Long Data Modelling example

John was identified as a high performer in November 2010 and November 2011. In November 2011, John was also promoted. He then subsequently received a medium rating in his next performance review in November 2012.

A point-in-time data approach would not identify John as a high performer in 2014 (such as the retention rate of high performers). However, generally, a medium performance rating in the year after promotion may be expected and, given a longer view, the organisation may still want to categorise this individual as a high performer. By using a long data approach, we can create an employee segment that looks at three or more performance ratings to determine whether an employee is considered a sustained high performer.
What talent technology is your organisation likely to build or buy to empower the above?

- **Workforce analytics technology** was identified as the type of Talent technology that respondents reported that their organisations would be most likely to invest in.

This seems logical: the issues organisations have identified for insight are those that require multiple sources of data and more complex analyses. Organisations are currently struggling to obtain this sort of data from their transactional systems.

This is consistent with external research, for example Cedar Creston’s 2013 2014 Outlook report indicated that the biggest growth area in HR technologies is workforce analytics, from 14% to 46% in the next 3 years.

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[Bar chart showing the percentage of those who answered question* for different types of talent technology.]

*as a proportion of all participants
Have you got a business case to engage leadership in this process?

• The majority of organisations currently do not have a business case to engage leadership in building workforce analytic capability.

• Whilst 15% currently do have a business case, almost 45% do not.

• However, more positively, over 40% report to currently be working on one.

At Mercer we find that that to get the right resources to make workforce analytics successful, a clear business case to leadership that quantifies the value and benefits of workforce analytics is essential.
Engaging leadership in workforce analytics
The business case

• ‘Grab hold or be left behind’ - As capability and the sophistication of tools grows in the Workforce Analytics space, organisations face being left behind those who have full understanding of their workforce. There is also risk of HR functions being left behind others within organisations if they fail to embrace appropriate analytical tools

> HR Magazine reports, HR functions are currently being warned to ‘grab hold of analytics or be left behind’
>
> “The human capital function is joining [a] march toward greater precision”

• Insightful HR strategy - Insights gained through workforce analytics can provide important impact on HR strategy, especially in today’s challenging business environment - However, very few organisations are currently using data to this effect

> “As companies navigate the multiple objectives of satisfying employees, managing rising costs, and complying with evolving regulations…they are being forced to re-evaluate which benefits carry the most impact for employees and how best to deliver them” -

• Investment - These factors hold influence on the financial viability and sustainability of a workforce but also the value and performance that an organisation is able to elicit from them, making investment pivotal for overall organisational success
Mercer’s focus is to use workforce analytics and planning to get to impact
Here are some examples of how we have worked with clients to do this

Identify talent segments that impact revenue

We helped a client identify which workforce characteristics have the biggest impact on revenue, where they then targeted interventions to result in a revenue gain of £25 million.

We found that locations with more experienced employees performed better: each additional year of average service increased revenue per customer by 4%. However, the organisation was paying a premium for new hires, and high performing tenured employees were leaving the organisation. The client strengthened the career tracks and expanded variable pay opportunities to reverse this trend.

Myth-bust assumptions based on intuition

We worked with a client to help them myth-bust assumptions they had made on intuition, and in doing so saved them over £30 million. This client had high turnover in a key revenue-generating role. They assumed that pay increases was the best strategy, however the data showed that manager stability and internal movements would have a much bigger impact. By focusing on these strategies the client reduced turnover by over 20%.

Identify unknown structural imbalances

We helped a client detect a £6 million business problem in one part of their organisation. Using our Mercer’s ILM Map visualisation we tracked the flows of talent into (hires), up (promotions) and out (terminations) of the organisation. Insufficiently coordinated employee movements caused its structure to become increasingly top heavy with no explicit business case to justify the resulting increased labour costs. ILM Maps were also used to understand and manage down this costly trend with minimal impact on the morale of the existing work population.

Future-proofing the organisation against risks of talent shortages

We worked with a client to create a 10 year forecast of their workforce demand and supply against critical roles which required 8+ years of experience. We created new internal career paths for roles with high gaps and low availability in the external market. If the client had not developed a new pool of talent for these critical roles they would have to have recruited expensive experienced workers from competitors, or they would have been forced to shut down key operations.