

# Talent Analytics Quarterly

Q3 2016

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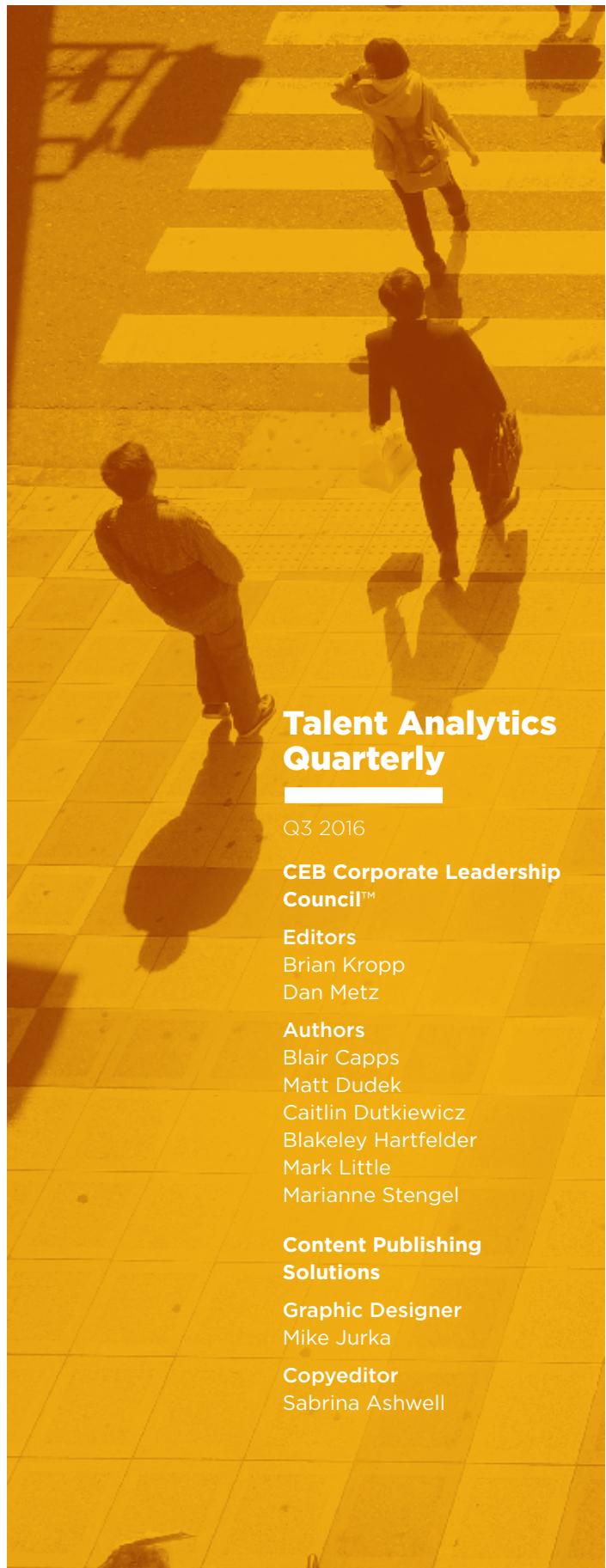
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## Talent Analytics Quarterly

Q3 2016

**CEB Corporate Leadership Council™**

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# Letter from the Editor

It is our pleasure to introduce the inaugural issue of *Talent Analytics Quarterly*.

This publication will bring you the latest and most valuable talent analytics news and ideas: interviews with thought leaders, profiles of innovative organizations, and critical benchmarks and trends to help you and your teams get the most out of this burgeoning field.

On the pages that follow, we are pleased to present interviews with Subhankar Roy Chowdhury (Executive Director for Global HR Strategy, M&A, and Analytics at Lenovo) and Amrick Marahta (manager of HR Reporting & Analytics at SITA), who describe how they have built the talent analytics function and a talent analytics strategy for their organizations. We share advice on how to develop the foundational data management capabilities needed to drive analytics impact, and we explore how to approach hiring the specialized talent necessary for a successful analytics team.

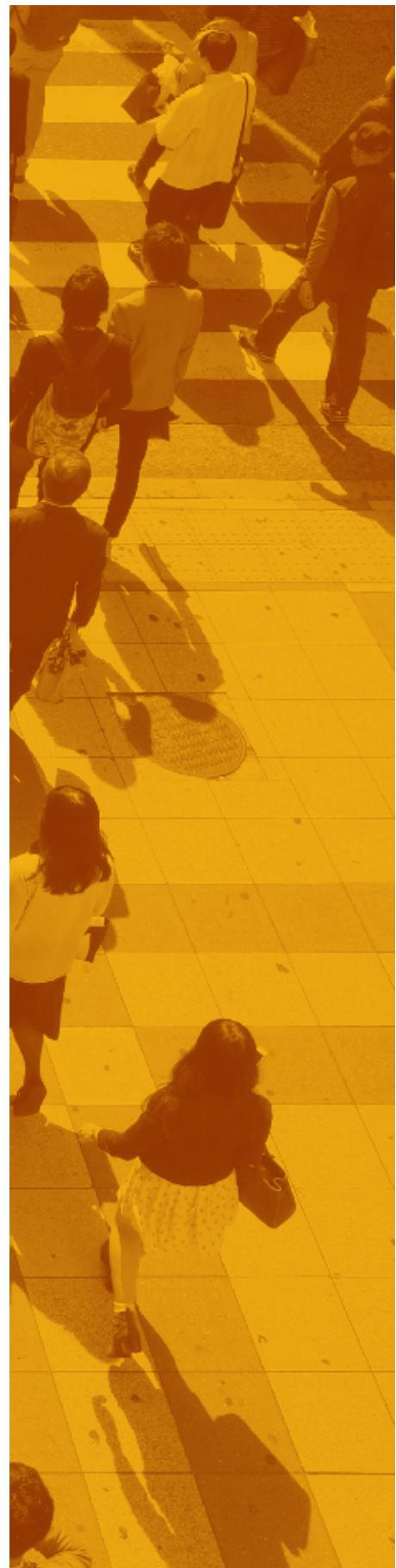
*Talent Analytics Quarterly* is only one important piece of our growing support for heads of Talent Analytics and their teams. As organizations around the globe expand their focus on using talent analytics to drive business decisions (70% of organizations are increasing investment in this space), we want to be a strong partner with you on this journey. Within our expanding set of resources you'll find data, tools, best practices, and guidebooks to improve your ability to use talent data to make better and more informed business decisions. In case you haven't already, please visit the [Talent Analytics Portal](#) available on our website.

We welcome your feedback to shape our support for your efforts in building this important capability for your organization. We invite you to contact us with suggestions, questions, or comments at [TalentAnalyticsHelp@cebglobal.com](mailto:TalentAnalyticsHelp@cebglobal.com).



Sincerely,

Brian Kropp  
Practice Leader  
CEB Corporate Leadership Council™



# Talent Analytics Portal: Where Aspiration Meets Reality

The availability of talent-related data has exploded, but most organizations have used little of that data in business decisions.



## Why?



### Small Team Size for Talent Analytics

Only **3.2 FTEs** on average are dedicated to talent analytics.

### Immature Talent Analytics Capability

Only **4%** of organizations can use talent analytics to drive business decisions.

Business leaders want more data from HR, and HR leaders know analytics will be central to the future of HR.

With this in mind, most organizations want to boost their talent analytics capabilities over the next few years.

## How?

### Growing Talent Analytics Team Size

**72%** of organizations plan to increase the number of FTEs dedicated to talent analytics in the next three years.

### Senior HR Staff Leading Talent Analytics

The **head of Talent Analytics** is no more than two levels below the CHRO at more than half of organizations.

### Aggressive Goals for Talent Analytics

Teams want to increase their analytics maturity by **2.5 levels out of 5** in the next three years.<sup>1</sup>

# Turn your aspirations into reality:

## Strategy

Ensure internal clients agree on talent analytics expectations and vision.

## Execution

Identify innovative ideas on using analytics to solve business challenges.

## Skills

Develop HR teams' skills in applying HR data to business challenges.

## Infrastructure

Build partnerships with key internal and external stakeholders.

# We will help you by providing:



### Webinars and live meetings

where you can learn the innovative ways others are using talent analytics



### Best practice case studies

on how talent analytics teams set themselves up for success



### Guides and reports

to hire the right people and set the right strategy



### Benchmarks

of talent analytics structures and priorities



### Tools and templates

to conduct talent analytics projects



### A new quarterly publication,

*Talent Analytics Quarterly*, with the latest talent analytics news and perspectives

Access our latest resources on talent analytics on our new portal today:

[ceburl.com/1q8n](http://ceburl.com/1q8n)<sup>2</sup>

<sup>1</sup> See p. 23 for maturity model.

<sup>2</sup> The link is available to CEB Corporate Leadership Council™ members only.

# Foundational Data Analytics Capabilities

By Mark Little

**A**s functional peers in IT and Finance develop and apply increasingly sophisticated analytics tools to their burgeoning data stores, HR professionals feel pressure to improve HR's capabilities in the analytics arena as well. Accordingly, HR departments in many organizations are investing in technology and pursuing more sophisticated analytical techniques.

Although leaders may be tempted to move immediately to analysis, our research and the experiences of our most successful members indicate that addressing foundational data management capabilities first is essential. Failing to do so can result in inadvertent exposure to legal risks or invalid analyses, which can damage the firm's brand externally and HR's credibility internally. To avoid these risks and ensure a strong start to analytics, organizations should focus on improving capability in three areas: information security and privacy, data quality and usability, and analytics enablement.

## 1. Information Security and Privacy

### What It Is and Why It Matters

Information security is increasingly a mature and sophisticated capability for most firms. HR can typically depend on the IT organization to address security for enterprise software applications. However, HR analytics teams purchasing software solutions solely for the team's use should request an information security review by IT.

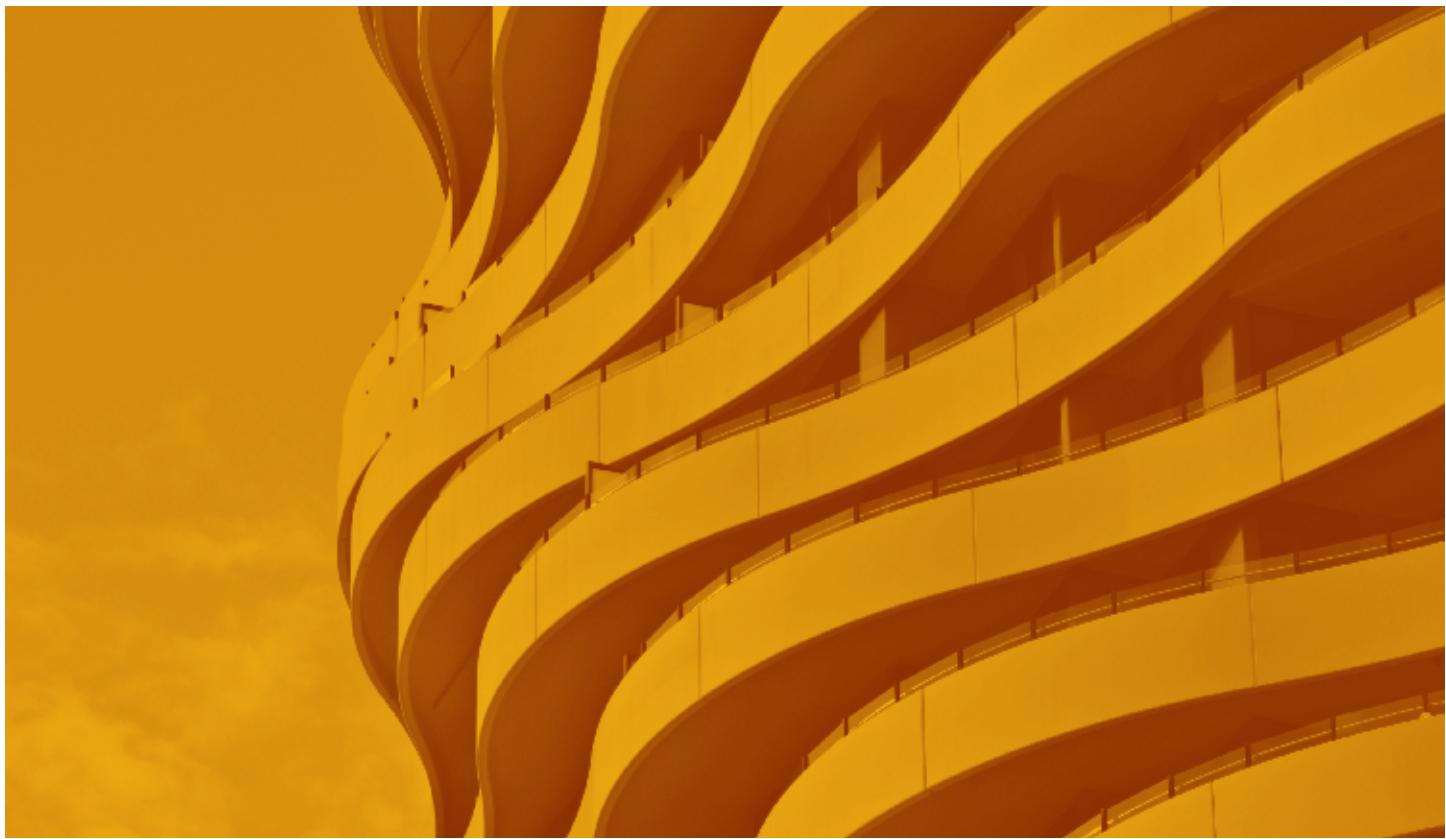
Privacy, by contrast, is still a rapidly evolving and developing area. The legal issues around the use of talent data can be complicated, primarily because of the pervasive presence of personal information (PI). Laws and regulations regarding the use of data containing PI vary between, and sometimes even within, countries. Compounding the challenge, rules frequently change—sometimes quite significantly. One notable example is the recently adopted EU General Data Protection Regulation (GDPR), which will dramatically strengthen existing EU data protection laws.

In many cases, organizations will also face contractual issues involving employees, customers, vendors, and third-party data providers. Increasingly, counterparties are insisting on specificity and restrictions regarding data collection, protection, and use.

Interconnected non-legal issues, such as a company's external and employment brands, industry and competitor practices, and firm culture and values, are also a concern for HR. Customers expect a certain level of data privacy based on their needs and what other companies are doing. Likewise, employees are concerned about how well their own company's use of employee and customer PI aligns with company values.

### What HR Should Do to Build Capability

- Partner closely with the company's legal team to evaluate data protection and privacy policies and practices to ensure the team adequately addresses PI.



- Formally assign a staff member on the HR talent analytics team to stay abreast of regulatory developments using RSS feeds, news alerts, blog subscriptions, and regular discussions with Legal.
- Review annual compliance training with your learning and development team and Legal to ensure employees appreciate the risks associated with improper handling of PI and understand their responsibilities.
- Establish a cross-functional working group that meets regularly to develop and revise PI and privacy language in contracts and negotiation strategies. Include representatives from Procurement, Contracts, Legal, IT, and HR.

## 2. Data Quality and Usability

### What It Is and Why It Matters

Although individual business leaders acknowledge the importance of high levels of data quality, organizations frequently fail to commit to the intensity and consistency of effort needed to achieve and maintain high data quality, and thus usability.

Data completeness and accuracy are only first steps; organizations need to go beyond these issues by looking at metadata, which is data about data. Lack of appropriate metadata can limit usability. For example, companies frequently overlook the need to maintain data that a) links survey results to the questions asked and answer choices provided and, critically, b) tracks any changes in the questions and answer choices over time. Likewise, a lack of

documentation behind calculated values can render them useless in the future or require otherwise avoidable rework.

While the specific metadata necessary for each dataset will vary, some common examples include the following:

- **Format**—text, numerical, or mixed; fixed or variable length
- **Sources**—other fields in the same table, another table in the same database, another database, another application, a survey or assessment, or a third-party data provider
- **Populations Represented**—current or past employees or particular subgroups, for example
- **Ranges of Values**—thresholds for values that indicate “bad” data
- **Null or Missing Value Specifications**—values recorded if an item was not asked for, not collected, or not provided or is missing for no known reason

### What HR Should Do to Build Capability

- Create an inventory of talent-related data assets. A data asset is a collection of data managed as a single entity, commonly delimited by either collection via a common underlying instrument (e.g., annual employee survey) or a common software application (e.g., applicant tracking system).
- For each data asset, designate a data steward with responsibility for defining, measuring, improving, and maintaining the quality of data in that asset. This is

probably the most important step HR can take toward improving data quality.

- Define minimum metadata requirements for each data asset, and ensure data stewards are accountable for capturing and maintaining the required metadata.
- Incorporate measures of the quality of data assets in HR operational dashboards.

### 3. Analytics Enablement

#### What It Is and Why It Matters

In addition to information security and data quality, organizational capabilities can enable effective data analysis. Baseline infrastructure (e.g., the right software, processing power, storage, and networking) is a key enabler of analytics.

Another critical area is tool functionality, which needs to align with the talent questions HR must answer and the team capabilities to use those tools. Tool functionality includes data cleaning and transformation (also known as “data wrangling”), statistical tools, exploratory data analysis, data visualization, and reporting tools. IT may have already procured or developed relevant tools for other functions, like Finance and Marketing, in which case HR simply needs to gain access.

Finally, HR staff’s data skills are critical to enabling analytics. In fact, HR leaders will find establishing privacy, security, quality, and usability nearly impossible without ensuring the team has the necessary skills.

Our experience is that analytics requires a broad range of data science skills. Some examples include the following:

- **Data Wrangling**—cleaning, formatting, and transforming datasets to improve data quality and usability
- **Exploratory Data Analysis**—systematic, iterative investigation of structure and relationships in datasets
- **Visualization and Reporting**—designing graphics and reports that clearly communicate key insights drawn from data
- **Machine Learning and Predictive Modeling**—powerful advanced statistical techniques for testing complex hypotheses and analyzing large datasets
- **Business Judgment**—connecting data insights to business implications from an HR perspective and making recommendations to address them

The demand for staff with these skills is not unique to HR and has grown dramatically in the past decade in nearly all corporate functions and industries. Finding candidates with HR expertise and the full range of skills, either internally or externally, is not just challenging but also unrealistic.

One solution is to recognize that no one individual needs to possess all the skills as long as HR has access to all the skills. The required skill sets are complementary. Moreover,

not all analytics staff need to be in HR. Consider Shared Services and centers of excellence as alternatives to dedicated HR staff.

This portfolio approach offers several advantages, including the benefits that accrue from a well-functioning team’s interactions: more innovation, better decisions, and increased flexibility. Equally important, given the likelihood that recruiting for data science skills will remain competitive, is that sharing staff enables a time- and money-saving “build” rather than “buy” strategy, provided employees understand the need to cross-train and learn new skills from each other rather than specializing.

#### What HR Should Do to Build Capability

- Work with IT to inventory the organization’s infrastructure and applications to assess opportunities to use existing resources.
- Identify staff in HR and throughout the organization with the relevant skills, and perform a gap analysis against skill needs.
- Develop strategies to fill skill gaps using the full range of options—recruiting, formal training, cross-training, rotations, and pooled resource groups.

#### Foundational Capabilities Lead to Value

The ever-growing availability of talent data presents exciting opportunities to extend HR’s impact on the organization and contribution to firm strategy development and realization. However, as in most endeavors worth pursuing, HR must fulfill the prerequisites. Organizations that invest the time and effort to establish the necessary foundational data management capabilities will be better positioned for success.

This article is contributed by our Talent Management Labs, a team dedicated to helping CEB and its customers lead in the analytic transformation of talent management. The Labs’ scientists conduct research to ensure our talent management products and services are built using the most advanced thinking from a broad range of established and emerging disciplines. For more information on CEB or the Talent Management Labs, please contact [TalentAnalyticsHelp@cebglobal.com](mailto:TalentAnalyticsHelp@cebglobal.com).

# Are You a Game Changer?



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better talent decisions

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# Using Talent Analytics to Hire Hyper-Specialized Talent

By CEB TalentNeuron™

The global talent market looks much different than it did just five years ago. In all industries, emerging technologies have disrupted business models and spurred an evolution of new skills. Today, demand for talent with skills such as advanced data analytics, machine learning, Hadoop, and Web 2.0

is growing at an ever-greater pace and outstripping the available supply. And this demand is not limited to just the IT industry but also reaches corporate functions like Finance, Marketing, R&D—and even HR. This convergence of skill needs among industries and functions is putting extreme pressure on the supply of critical talent.

For example, consider hiring for your talent analytics team: in the field of data science, the roles of data scientist and data architect are evolving to include more specialized titles such as big data architect, data ecologist, and head of forensic data analytics to meet the changing trends in the tech talent landscape (see Figure 1).

**Figure 1: Evolution of Data Science-Related Roles**

**Data Science-Related Roles, 2008-2010**

Data Scientist	↗ 30 times
Data Architect	↗ 3,440 times
Data Marketing Analytics	↗ 20 times
Data HR Analytics	↗ 50 times

**Increase in Availability of Talent, 2008-2014**

**Big Data Science Roles Since 2010**

- Big Data Architects
- Data Ecologists
- Director, Head of Forensic Data Analytics
- Director, Risk and Business Analytics
- Big Data Engineers
- Big Data Principal Engineers

Source: CEB analysis.

**Figure 2: Additional Requirements' Effect on Size of Data Scientist Talent Pool in San Francisco**



Hiring for specialized skills presents challenges, stemming largely from an inability (both at functional and organizational levels) to update recruiting methods to sufficiently meet the needs of these rapidly created, specialized roles.

Companies looking to build their talent analytics capabilities need to approach the market differently, focusing more on where specific skills reside than on the resources they have traditionally used to find those skills (e.g., hiring managers' highly specific requirements).

Organizations must have a complete understanding of the labor market, including current and future supply and demand of skills, location, competition, and cost data, to make more intelligent decisions and get the scarce, hard-to-fill, and often expensive knowledge workers. Here are three practical ways to source and hire such talent:

### 1. Understand Today's Skills Taxonomies

Job descriptions can often read like grand wish lists for ideal candidates.

In many cases, companies continually add desired criteria and skills. These additions can significantly—and unintentionally—reduce the talent pool.

For instance, there are approximately 22,000 data scientists in the San Francisco Bay Area with three to seven years' work experience and familiarity with Python. Adding SQL, Hadoop, machine learning, and a doctoral degree to the job requirements reduces the number of potential candidates to just 60 individuals (see Figure 2). Then, only a fraction of these individuals will be receptive to hearing about new job opportunities, and many employers will be competing for their attention.

A professional working in data science can be trained to understand SQL and Hadoop; he or she doesn't necessarily need to come to the job with these skills. Companies can overlook these individuals by too rigorously applying skill filters to their job descriptions.

Instead, hiring managers should confirm that a skill is essential to a job before adding it as a filter. HR and recruiters should be ready to provide

the extensive labor market knowledge that will convince hiring managers to flex their search criteria.

### 2. Anticipate Emerging Demand

In today's workplace, organizations must look in unexpected places where talent and skills are emerging to find what they need before their competitors do.

To learn more about emerging skills, recruiters can track in-demand roles by analyzing roles that startups are hiring and observing trends in venture capital activity and investments. Startups often work with the latest technologies and seek talent with emerging skill sets that are essential to building new operations and scaling for growth.

### 3. Explore Skills and Industry Adjacencies

Although adding too many parameters to a particular job opening may limit your talent pool, these filters can increase talent availability when used effectively.

You can improve these talent pools (in some cases, even double them) by looking at indirect but highly suitable

### Figure 3: Hiring for Data Science Talent in Seattle

Example

Key Skills	Direct Fit Talent		Indirect Suitable Talent		All Available Talent	
	IT	Retail	Professional, Scientific, and Technical Services	Manufacturing	Total	
Big Data	1,800	5,600	4,100	4,200	<b>15,700</b>	
Python	1,900	12,000	4,700	1,200	<b>19,800</b>	
Java	4,800	36,000	14,000	4,900	<b>59,700</b>	
SQL	7,500	24,000	17,000	5,800	<b>54,300</b>	

Source: CEB analysis.

talent from adjacent industries. By filtering by skill rather than industry, recruiters can find deeper talent pools in their area, often in places they might not expect. For example, Figure 3 shows some available talent pools with similar skills in different industries for finding data science in Seattle.

### Concluding Thoughts

By using analytics to better understand the labor market and evolving their hiring practices, organizations can fill the new, more specialized roles they need for talent analytics teams and beyond faster and more successfully.

### About CEB TalentNeuron™

This article is contributed by CEB TalentNeuron™, an analytics powerhouse that provides talent, location, and competitor data to make intelligent talent decisions.

For more information, go to [cebglobal.com/talent-neuron](http://cebglobal.com/talent-neuron) or contact the TalentNeuron team directly at +1-866-913-6447 or [TalentAnalyticsSupport@cebglobal.com](mailto:TalentAnalyticsSupport@cebglobal.com).

# Building a Talent Analytics Function at Lenovo

An Interview with  
Subhankar Roy Chowdhury



## About Lenovo and Subhankar Roy Chowdhury

Lenovo is a \$45 billion technology company, with customers in more than 160 countries. Lenovo offers high-quality products and services, such as PCs (including the legendary ThinkPad and multimode YOGA brands), mobile products (including tablets, apps, and Motorola smartphones), workstations, servers, storage, and smart TVs.

Instead of creating a single headquarters, Lenovo has a series of centers of excellence, where employees from diverse backgrounds, experiences, and skill sets come together to build truly innovative products and services. Lenovo has grown both organically and inorganically. Some of the famous acquisitions include IBM's PC Division more than a decade ago and recent acquisitions of Motorola Mobility and IBM's System x server business.

At Lenovo, Subhankar Roy Chowdhury serves as the Executive Director for Global HR Strategy, M&A, and Analytics.

**E**very quarter we interview talent analytics leaders to gain their perspectives on issues facing them and their teams. This quarter we spoke with Subhankar Roy Chowdhury about his approach to building a talent analytics function at Lenovo.

### Starting from the very beginning, what prompted Lenovo to begin its talent analytics journey?

**SUBHANKAR:** It started with Lenovo CHRO and SVP Gina Qiao's vision and commitment to develop HR analytics and use data science in HR. At Lenovo, for the past many years, we have been developing and using HR systems in the areas of HR management, talent management, talent acquisition, and payroll.

It was only logical for us to leverage and analyze this huge repository of data and develop insights that we never knew before. Our endeavor to measure the ROI of HR investments and sharpen HR's opportunity to drive business value was also a reason for investment in talent analytics.

**When we last spoke, you mentioned a blueprint you put together to build your analytics function that had six pillars:**

- Getting stakeholder buy-in
- Building a data-driven culture
- Securing the right employee skill set
- Determining what datasets you had and what you could do with them
- Deciding to build or buy technology for the analytics capability
- Creating a roadmap/strategy for the future

**Let's dig into each of those. What was your strategy for securing executive buy-in? How did you build**

### the business case for talent analytics at your organization?

**SUBHANKAR:** Pursuing HR analytics had executive sponsorship by our CHRO, so that made the opportunity to build the organization and function easier. There was budgetary support to enable that. However, given that this focus is new to HR, getting everyone on board was very critical to the success of the function.

I took a couple of actions to engage executives and gain stakeholder mind share:

Firstly, it was important to identify the strategic priorities of each executive stakeholder—whether it was an HR leader or a business leader—and then identify ways of using HR data-driven insights that would help them.

Secondly, since this was a new function and we were discovering new insights on each business and function, we invested time in building trust and confidence with stakeholder groups by scheduling meetings to share the insights and propose actions.

Thirdly, we invested significantly and early on in data visualization and storytelling to ensure that the data and insights could be easily understood, consumed, and cascaded.

### Once you had secured buy-in, what steps did you then take to build a data-driven culture?

**SUBHANKAR:** From the beginning of the journey, we focused on identifying quick wins that would have a high impact on current HR priorities, on visually depicting our insights, and on ensuring that we had a large focus on data integrity.

Data integrity is critical to any analytics work, as it's the foundation of accurate insights and building credibility. Getting accurate data to be inputted at the source has always been a challenge in organizations implementing HRMS solutions. With HR insights being reported out to HR executives by the analytics team,

there was an automatic focus on data quality at the inputs stage, leading to significant improvements in data being captured correctly at the source in our Workday tool.

Democratizing access to your HR analytics dashboard is a great way to accelerate adoption of a data-driven culture. When we opened up access of our HR analytics tool to HR partners and other HR colleagues, we saw a huge increase in accessing HR insights in real time.

As an analytics team, we started tracking the back-end usage of the HR analytics tool, analyzed usage patterns, and developed strategies to improve adoption.

Lastly, we created an e-mail sent out every Friday called "Insight of the Week" that featured powerful new insights aligned to the Lenovo HR priorities.

### How did you think about building the right team? Did you look within or outside the HR function—or, alternatively, within or outside Lenovo?

**SUBHANKAR:** Prior to my current role (as Head of HR Strategy, Analytics, and M&A), I spent 20 years in different organizations in HR Generalist roles, COE roles, and HR consulting roles.

While I do not have a formal background in HR analytics (given it's a very new field in HR), I have worked in HR technology consulting (HRMS implementation, e-learning, HR outsourcing) at PwC, IBM, and Siemens.

With HR technology and HR Generalist experience, I was able to integrate and leverage my knowledge of the HR function and HR technology to build this new function.

My approach has been quite entrepreneurial. I did multiple things to educate and enable myself to take on this role. I invited consulting companies to evaluate our need to build the function internally or buy their outsourcing services. I leveraged peer learning by speaking to heads

of HR Analytics at other large organizations who have been on this journey, and finally, I immersed myself in reading about what it takes to build a strong analytics team from various knowledge resources.

Building an analytics team requires a combination of various skill sets that are not in a traditional HR organization setup. I had to go out and acquire those skills (statistical and data modeling, data visualization, social analytics, etc.).

While the statistical and analytical skills are important, it's also critical to have capability in the team with consulting backgrounds and the ability to tell a compelling story supported by HR knowledge and experience.

All except one of our team members have been hired externally, bringing in new skill sets in the above areas of analytics. Each HR analytics partner has a responsibility for the business, and they are mapped to and leading an area of expertise within analytics. As an example, one could be the HR analytics partner for our smartphone business and at the same time the data visualization lead.

**Many organizations use a wide variety of technological systems to maintain their HR data. I can imagine getting all of these datasets to work together is a huge challenge. What was your approach to managing the data you have?**

**SUBHANKAR:** HR analytics is a recent area of focus within HR. Organizations have historically evaluated the best-of-the-breed HR tools to support their HR function requirements in talent management, talent acquisition, payroll, and learning, as well as for their HR employee database.

While integrated HRMS software tools like Workday, PeopleSoft, SAP HR, etc., have existed in the past, only now is there an increasing value in gathering people insights through data science and the need to join diverse and discrete datasets.

While our current focus has been in using the core HRMS data from Workday to build HR analytics, we are in the process of developing a data warehouse to integrate different datasets into one platform.

Outside of HR, we have partnered with sales, finance, and customer organizations to join HR data with sales, finance, and customer data. An example is on the work we are doing on sales compensation (see [p. 17](#)).

**So you are working with other analytics teams across Lenovo to use their datasets. Could you give us an example of something you were able to learn from working with them?**

**SUBHANKAR:** Absolutely. Lenovo is a large organization where there is a huge opportunity to collaborate and leverage each other's strengths and experiences. As an example, when we started building the HR analytics function, we were fortunate to get the knowledge transfer on visual analytics from the worldwide marketing organization that has been using visual analytics for the past two years.

Very recently, Lenovo also hosted its first "big data" meeting in Chicago, where analytics leaders from across Lenovo met to discuss opportunities to collaborate on governance, tools, platforms, and best practices.

**And when it comes to the data quality piece, how do you think about that? Do you have a code of conduct or a governance framework?**

**SUBHANKAR:** The HR information systems team is largely responsible for ensuring data hygiene and data standards. Our team supports the HRIS team by alerting them to areas where we find duplicate data, missing data, out-of-range data, or inconsistent data.

In the past, data quality was a challenge for us because employees and managers did not care much about the data they inputted in the HRMS tool—it just went into the system, and the HR information systems team had

to constantly send reminders on data quality being inputted. But with the advent of analytics, there has been a visible change.

Since HR insights (that are built on the underlying data) are visible to the senior leadership, automatically there's been an increased focus and attention on clean, accurate, and timely data.

A recent example would explain the above point. Lenovo attrition insights report voluntary attrition in different countries by pay band, gender, and tenure. One of the country HR leaders was concerned about the very high voluntary attrition our HR analytics insights showed and challenged the information being shared.

The HR analytics team rechecked and confirmed that the data and calculation method were accurate. However, in generating a report, the HR manager realized that the data inputted was incorrectly marked "voluntary" when it should have been "involuntary," and the country HR team was asked to correct it. This is an example of how analytics is driving good data quality.

However, data validation becomes very complex if an organization is going through frequent reorganizations, M&A, and divestitures.

**How did you land on the decision to build your talent analytics capability in-house? What have the key benefits of this decision been, in your eyes?**

**SUBHANKAR:** When we were in the initial stages of building up the HR analytics function, both in-house and outsourcing options were evaluated carefully. Many advised against going in-house because of the complexity of the function and challenge of getting the right talent. After carefully evaluating the pros and cons of both, I chose to build our analytics capability in-house for a variety of reasons.

First, I felt that we needed to own our data to understand it. We wanted the capability in our hands to make sure that we learned the nitty-gritty of our

data structure, our database, and our data quality. If we were to outsource, we wouldn't do that.

Secondly, from a commercial perspective, the entire model of outsourcing works on an up-front setup fee and on an annual fee—it's not really an advantage to an organization to pay a fee year after year, and also the cost of outsourcing over three to five years is much higher than hiring and building internal capability.

Thirdly, from the point of mitigating risk, there is far more comfort in building internal capabilities than being exposed to the risk of an analytics partner where sensitive HR data would reside outside of Lenovo.

Finally, the HR analytics market is still stabilizing, and every quarter there is a new merger or acquisition. Tying up with a vendor partner who is an acquisition target could lead to future complexities in product support and service.

**In our last conversation, you mentioned that in just 10 months your analytics function was tackling data visualization and predictive analytics projects. How did you get to that place so quickly? What was your strategy for maturing your analytics function?**

**SUBHANKAR:** We wanted to do some simple, very basic things, like first start with reporting, and then go to visualization, and then start sharing insights. We started publishing customized HR insights-based documents for different businesses even before we enabled HR leaders to access the analytics portal to draw attention to our work that was aligned to their needs.

Over the next quarter, we stopped pushing the visualization documents and encouraged our stakeholders to access the HR analytics portal. Once we saw a rapid adoption to the self-service, the focus moved to identification of more complex HR problems that can be solved through data science.

While the transition from reporting to predictive analytics has been quite accelerated, the successes of early adoption lie with strong collaboration with HR leadership and other key stakeholders and alignment of HR analytics efforts to strategic priorities. As an example, we were requested to help identify the attrition and retention drivers in a particular function. We took the opportunity to build a predictive model, using both qualitative and quantitative techniques with a reasonable level of accuracy.

It's important to note that some of the biggest challenges to progress from reporting to analytics do not necessarily lie in the capability of the HR analytics team but in ensuring the organization has the right appetite and readiness to use data science to solve human capital problems. It may be unwise to offer complex analytics solutions to customers when an organization is still in its early stages of HR analytics adoption.

**What are the top things you would like to get done in the next year or so?**

**SUBHANKAR:** The great part of the HR analytics function is that it offers the HR analytics team a myriad of opportunities to use data science to solve real human capital problems in a new and creative way. It is almost like developing an analytics "laboratory" where the HR analytics team can experiment with new analyses and test existing assumptions. In the next year, our focus will be to:

- Drive the HR strategic agenda of our CHRO through data science and embed a strong data-driven framework for each of the high-priority areas,
- Further improve the data-driven culture in Lenovo and enable the HR community to think about using HR insights in each of the HR live cycle processes,
- Experiment with some of the new, evolving areas of HR analytics work (social analytics, network analytics, etc.), and

- Develop and strengthen the HR analytics team and leverage the extended analytics community within Lenovo.

### **Any final thoughts?**

**SUBHANKAR:** Let me conclude by saying that developing an HR analytics function in an organization is not very difficult. It needs a strong and compelling vision, stakeholder support, commitment, and the ability to identify the endless opportunities of using data science to solve HR problems. It can be a significant source of competitive advantage for organizations.

*This interview has been edited for brevity and clarity.*

## Innovative Talent Analytics Projects at Lenovo

### Culture Change

As a company, Lenovo is always evolving, and our evolution is linked strongly to our culture. We used HR analytics to identify culture anchors and drivers for refreshing our culture. We used HR analytics in three different ways to achieve that:

- Our engagement survey data helped us to identify differences in engagement drivers between current employees and former employees and bring out some clear gaps that we needed to focus upon. This information was further distilled to identify the gaps by workforce demographics.
- Exit data was used to do qualitative and quantitative analysis on attrition drivers that were linked to culture.
- We also tapped into the power of social analytics as a new and powerful source of getting deeper real-time insights on employees' and ex-employees' feedback on Lenovo on a number of cultural parameters.

This is going to be a big shift in the way organizations do engagement surveys. Instead of sending a prescribed engagement questionnaire to employees (that has been the traditional method), organizations should develop the ability to tap into the social feedback where the responses from employees and ex-employees are in real time, are candid, and are employee-initiated.

This approach will assume even greater significance as millennials, who will be the largest cohort of the working population, increasingly look for social feedback and cultural cues before making a decision to join an organization.

### Strategic Workforce Planning

Given the huge premium on talent in organizations' success, HR analytics plays a critical role in strategic workforce planning (SWP). Our SWP framework was developed using:

- International Data Corporation business data, current and future revenue, and growth data for mobile phones, personal computers, and enterprise business for key markets;
- Labor market data like GDP, inflation, labor participation in the economy, participation of women in the workforce, millennial population, labor laws, and level of skilled and unskilled labor in those markets;
- Benchmarking data from our benchmarking partners that compared Lenovo's demographics and peers by function and country in these different markets; and
- Lenovo human capital data that included depth of talent, talent composition, demographics, leadership, diversity, organization layers, cost, attrition, retention, performance; and
- Many other metrics.

The above information was used in the SWP framework to make workforce investment decisions for current and future workforce needs.

### Millennial Retention and Engagement

Globally, millennials are the largest cohort in the workforce. While each generation is a critical part of our workforce success, the workforce composition of Lenovo has become increasingly millennial heavy in many countries because of the population demographics of those nations. A larger millennial workforce made us rethink our strategy on talent development and retention, as the millennial workforce also has a higher attrition rate compared to other generations.

Starting with HR metrics on workforce demographics, we identified markets, functions, and skills where we had higher millennial attrition. Using qualitative and quantitative data, we identified the drivers for millennial attrition and retention and used the information to develop actions.

### Sales Compensation

Lenovo is a strong sales-driven organization, and we use a sales incentive program as a strategic tool to achieve sales success. My background as a sales HR partner in both Lenovo and Nokia in different countries helped us to develop sales HR analytics by combining knowledge of Sales, sales compensation, and HR analytics. We started with three strategic questions that every sales leader would be keen to know:

- Sales Organization Effectiveness—Is the sales organization effectively structured? (Right balance between sales managers and individual sales representatives, sales productivity, sales attainment of different roles, deployment of sales resources between countries, ratio between sales and non-sales, etc.)
- Sales Plan Effectiveness—Is the sales plan effective in driving the right sales behavior? (Business performance by revenue, margin, profits versus Sales' attainment of the sales, historical trend analysis, sales quota efficiency, etc.)
- Sales Compensation Effectiveness—Is the sales compensation attracting and retaining sales talent? (Correlations between sales performance and merit increase, between sales achievement and base pay, between sales performance and attrition, between sales performance and long-term incentives, etc.)

We built a sales compensation analytics dashboard using data visualization tools that enabled sales leaders, sales HR partners, and the sales operations team to analyze trends and insights in real time and develop deeper insights on and appreciation for sales compensation. This also improved data governance, data standardization, evaluation of sales compensation effectiveness, and reporting cycle time. It replaced islands of sales compensation datasets that resided in individual PowerPoint presentations scattered globally and brought them into one integrated platform.

# Thoughts on SITA's People Analytics Strategy

An Interview  
with Amrick Marahta



**SITA**

## About SITA and Amrick Marahta

SITA is the world's leading specialist in air transport communications and IT, with a significant geographic footprint in over 200 countries and territories. SITA is an award-winning organization consecutively achieving "IT Company of the Year" (*Air Transport News*) and "Best Airport IT Service Provider" (*Emerging Markets Airports Awards*). Amrick Marahta plays a leading role in SITA's new HR Reporting & Analytics team, where he is responsible for the creation of a people analytics strategy and building analytical capability across HR. He has held a variety of senior positions in this discipline for a number of companies and sectors.

**E**very quarter we interview talent analytics leaders to gain their perspectives on issues facing them and their teams. This quarter we spoke with Amrick Marahata about the thinking behind the work he and his team have embarked on in 2016.

**Thank you for speaking with us. We know you and your team have been defining your people analytics strategy this year, so we would love to get a sense of some of the thinking that is shaping your approach. To start, can you describe the vision you have for the role of people analytics at SITA in the future and how you hope to achieve that vision?**

**AMRICK:** Nearly every passenger flight worldwide relies on SITA technology. We have highly skilled and dedicated people in every corner of the globe who support airlines, airports, aircraft, ground handlers, governments, air cargo, aerospace, air navigation service providers, and international organizations. It goes without saying that our people are absolutely vital, not only to SITA, but also to our customers.

People analytics enables us to gain deeper insights into our workforce at each step of the employee journey. It helps us to answer critical business questions, such as “Are we attracting, hiring and retaining the best possible talent in a competitive labor market?” or “Do we have the skills that will take us to where we want to be in 5 to 10 years?” Ultimately, our vision at SITA is that people analytics provides the insight that informs all human capital decision making.

To achieve this vision, it’s important to be clear what we mean by “people analytics.” Often this discipline means different things to different people, and this causes ambiguity on how to best achieve impact. For example, in one organization it could mean the

development of operational reporting; for another, it could be data science to predict outcomes.

Recent studies, such as CEB’s “11 Trends from HR Leaders,” indicate only 5% of organizations believe they are effective at tracking and using data. Similar studies, like Deloitte’s “Global Human Capital Trends 2016,” state that 77% of executives see analytics as a top priority due to advancements in technology.

While it is great to see progress and demand, my conclusion is the rate of sophistication is outpacing the effective application of analytics.

It is in this paradigm we choose to place our focus, by prioritizing the application of analytics to solve business issues using our people data and building strong partnerships with our IT colleagues to make sure we have the technology needed to achieve these goals. Our key focus areas in this partnership seek to exploit business intelligence, big data, predictive analytics, and self-service platforms leveraging technology to deliver insight for our customers.

influenced or managed with people analytics?” The answer to this question can differ across organizations based on priorities but acts as a catalyst to identify critical areas that require focus so that maximum impact can be achieved.

At SITA, we have started this journey and so far established key questions such as “What are the critical skills required by the organization?,” “What is the gap between skill demands versus supply?,” “How can we cultivate these skills within SITA?”

Strategic workforce planning provides the best channel to apply data and analytics to uncover such answers. It is for this reason our service portfolio now includes strategic workforce planning so that our team can play a stronger role in this area.

These efforts are a stepping-stone to transform our team from playing a role as an order taker to being a strategic partner. We believe strong application of people analytics in the space of workforce planning will ensure we have the right people in the right place at the right time, thus increasing our

**“A simple question—which often goes unanswered—is, ‘What business outcomes need to be influenced or managed with people analytics?’”**

**To achieve this vision, we understand that you have been thinking about CEB’s “3 Cs” to improving analytic impact—criticality, capability, and credibility. Let’s start with criticality. What does that mean to you, and why do you think it’s important?**

**AMRICK:** For people analytics to be successful, we must recognize it as a capability that requires carefully selected “channels” to focus application. A simple question—which often goes unanswered—is, “What business outcomes need to be

strategic influence where it matters most for SITA.

**We often hear that it’s difficult to determine those critical topic areas people analytics should focus on. What is your approach to determining (and staying updated) on which topics really are critical for people analytics to answer?**

**AMRICK:** Our approach relies on consultation. Both with our HR business partners who understand the critical questions related to our

people, and also directly with senior stakeholders and decision makers in the business. This helps us build better business acumen in HR while identifying the key questions that need to be answered.

We recently developed a people dashboard to measure the efficiency of our people strategy. The key pillars of the strategy provided the framework for the dashboard, and we then worked closely with our business partners to identify the questions that needed to be answered. The business partners then field tested the dashboard with their business leads. This allowed us to gather feedback and tailor the final product.

We also asked our HR business partners for feedback on the approach and the impact that the dashboard is having; I am pleased to say that the feedback has been positive so far.

**will be the keys to success in this area, and where will you be starting?**

**AMRICK:** In my view, there are six key enablers that determine the success of a people analytics function: skills, business acumen, data, governance, processes, and technology. To explain further:

- Skills relate to the ability to identify, research, and think analytically about business problems using data. HR historically focused on acquiring skills with a bias toward HR practitioners and less on statisticians or business analysts, which are required if people analytics is to be effective.
- Business acumen improves alignment between people data and business challenges, enabling increased application of analytics and inspiring business leaders to relate to people analytics.

**“Data governance, technology, and people insight projects are three focus areas for us in 2016. We want to ensure we have a solid foundation of credible data and tools to work with.”**

Moving forward, we plan to make the dashboard available to more of our senior leaders, and we have plans to further improve the dashboard using storytelling, interpretation, and actionable insight.

It's important that we keep evolving; the critical questions of today may not be important tomorrow. Through close partnership with the business, we can ensure our analytics offering remains forward thinking and agile, moving in line with the needs of the business.

**Moving on to the second “C.” How would you describe the kind of capability you are hopeful to build in the organization? What do you think**

- Data refers to accessing, leveraging, and analyzing the wealth of information already available to us effectively.
- Governance is required to measure data quality and align on the understanding of data definitions.
- Processes must be standardized and consistent, as this directly impacts data capture and data quality.
- Technology provides the means to automate data aggregation, visualization, and analysis. The right tools are needed to get the most from increasingly complex data models.

The strength and mix of these enablers depends on the channel

used to apply analytics. For instance, business acumen is a stronger requirement when managing workforce planning projects than it is when analyzing the efficiency of processes such as recruitment.

Data governance, technology, and people insight projects are three focus areas for us in 2016. We want to ensure we have a solid foundation of credible data and tools to work with. This is also strongly aligned with our IT colleagues, whose technology roadmap includes the implementation of a new, integrated HR-based cloud solution, an enterprise data warehouse, and a program to deliver a new digital workplace that will greatly enhance our employees' experience.

Furthermore, our team has matured this year from operational reporting to delivering analytics. This is where our team takes a proactive approach to seek business problems, conduct surface/deep dive analysis, and explore dozens of data attributes to assess cause and effect.

Some examples include turnover rates in certain parts of the organization and analyzing contributing factors for informed action planning. Another assesses the composition of our workforce through a typical employee life cycle to determine if our concentration of millennials is on par with the high-tech norm. Insights from examples such as this are communicated to our senior leaders to inform strategic thinking at SITA.

Our focus also extends beyond our internal environment as we look to leverage data in external technologies such as Glassdoor and LinkedIn.

Data governance is also hugely important for us because without reliable and accurate data, the credibility of analytics is undermined.

**That's a perfect segue to the next “C.” Can you describe what the credibility challenge looks like at SITA, and how you are thinking of solving it?**

**AMRICK:** If there is a lack of trust in our data, HR's credibility as a strategic partner is impacted. The reliability of our people analytics relies on data, technology, and standardized processes. All three are needed to ensure quality data.

At SITA, we use an upstream root cause approach to address data quality issues by interrogating process and technology. Additionally, we consult with our stakeholders in HR and IT as well as the process to improve data. This is an ongoing journey, and we are have short- and longer-term plans to bring continuous improvement.

Executive-level endorsement is key for data management. SITA's head of Human Resources is a strong advocate, and this support has helped to bring attention and positive change in this area.

Going back to our data governance initiative, one of the biggest challenges here is scope: there are thousands of data points and the key challenge is identifying which ones really matter, not only because this helps to identify critical issues, but also because it helps to focus effort and limited resources.

We plan to evolve our existing data governance framework and implement a gold, silver, and bronze approach to prioritize data points. Gold is designed to identify data points commonly used in analysis for our senior leaders (strategic), silver relates to data points critical to HR (operational), and bronze categorizes the rest.

Apart from setting out to define the standards and meaning of our data, this will also act as SITA's tool for a data dictionary, data privacy, and data integration, helping us to assess where our data resides, how it is used across the enterprise, and sensitivity levels.

Process plays a big role in determining data quality, and clear ownership is key. We are in the process of

“People analytics has the potential to address one of the key challenges all HR functions face, which is the ability to quantify contribution to business performance.”

establishing a process owner community who will be equipped with a data governance framework and the means to measure data quality so that they mitigate at the source.

We believe this enablement, joint partnership, data stewardship, executive endorsement, and upstream focus will provide a long-term, sustainable solution for data management.

**It sounds like you have a lot of exciting work ahead of you. If we came back to you in time, what do you hope to accomplish?**

**AMRICK:** In short, I hope to continue changing our culture so that data is firmly integrated into the process of human capital decision making at SITA.

I have huge passion and aspiration for what is becoming a key discipline in most organizations. People analytics has the potential to address one of the key challenges all HR functions face, which is the ability to quantify contribution to business performance. It is for this reason people analytics has the opportunity to accelerate HR's value and effectiveness as a strategic partner when managing SITA's key asset, our people.

*This interview has been edited for brevity and clarity.*

# Next Steps to Greater Talent Analytics Impact

By Marianne Stengel  
and Blakeley Hartfelder

**L**earn why you should prioritize the improvement of capabilities and processes over methodologies and technologies to move your function to the next level.

Nearly every HR leader we surveyed (95%) is investing in talent analytics. But only 5% of organizations feel they effectively track and use talent data, and only 15% of senior business leaders have changed business decisions based on HR analytics. This latter capability is what we call “actionable analytics,” and it indicates a mature talent analytics function.

Actionable analytics sits at the top of our five-stage maturity model, and while most organizations are at the early stages of their analytics journey, several have taken concrete steps toward building an actionable analytics capability. In this article, we highlight a few of those organizations and discuss some of the most important things you can do to improve your talent analytics function’s maturity.

## Build the Right Staff Capabilities and Processes First

Two-thirds of organizations perform ad hoc reporting or descriptive analysis (see Figure 1). These organizations frequently believe that their next step should be investing in advanced data tools and methodologies. However,

beyond foundational analytics tools (and clean data), additional investments yield minimal gains if teams are unable to translate employee data into insights that line leaders can act on. With this in mind, the most successful organizations build the right analytics capabilities and processes among their staff before investing heavily in analytics technology. They recognize that they can reap the full value of technology only when they identify the right business problems and improve the HR team’s ability to produce and use talent data to solve those problems.

Progressive HR executives are making four types of investments to increase talent analytics’ benefits to HR and business decision making. They build the right **analytics processes**:

- **Strategy**—Aligning the vision and expectations of talent analytics with internal clients’ needs
- **Execution**—Sourcing and leveraging innovative ideas on how to use analytics to solve critical business challenges

They also build the right **analytics capabilities**:

- **Skills**—Developing team skills (throughout HR) to apply analytics alongside technological capacity
- **Infrastructure**—Building effective relationships with HR partners, business leaders, and vendors to apply talent analytics

**Figure 1: CEB's Talent Analytics Maturity Model**



Source: CEB analysis.

**Strategy:** Align the vision and expectations of talent analytics with internal clients' needs.

Increased access to talent data leads many HR teams to supply extensive data reports or construct complex dashboards without fully understanding how the data supports line partners' most critical talent-related business challenges. It isn't surprising, therefore, that less than 20% of leaders believe HR analytics focuses on the right business issues.

**In contrast, Gap Inc. aligns analytics support to key business questions, not available talent data.** By ensuring every talent analytics investment targets critical business needs and provides substantial ROI, the company increased line partners' use of its workforce analytics site by 78%.

Line leaders throughout the organization prioritize their needs by ranking the importance of 100 key human capital questions the analytics team developed. The analytics team uses the collective responses to define the scope of its work. Then the team identifies investments for its three-year roadmap by asking, "Do we have the data we need?" and "Are we able to use the data once we have it?"

Organizations just starting on their talent analytics journey can make the case for investing in analytics using a similar approach to set up small and quick analytics showcases

for senior business stakeholders. Demonstrating how talent analytics can solve a specific business question can create awareness and an appetite for analytics support.

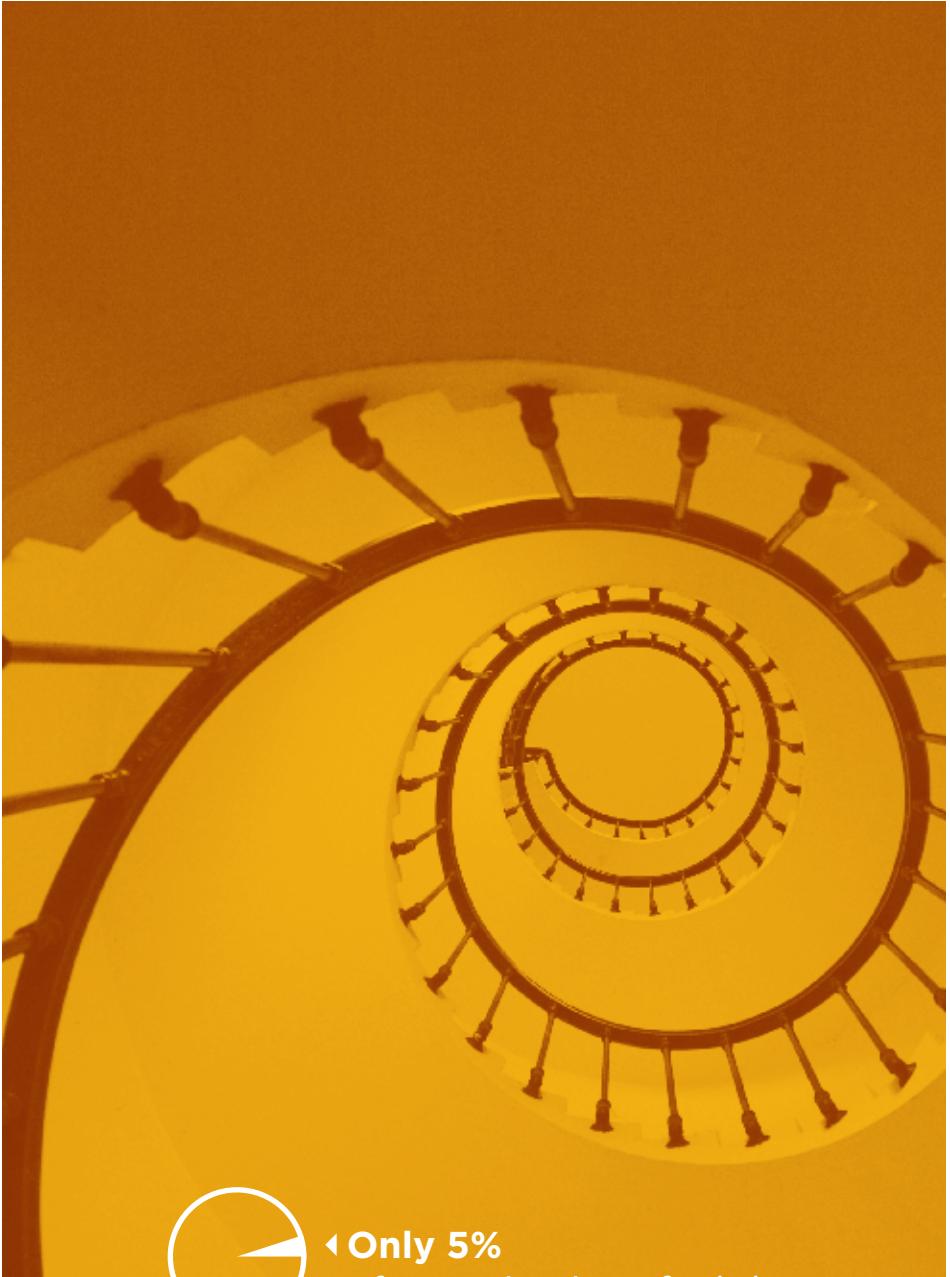
**Execution:** Find and implement innovative ideas on how to use analytics to solve critical business challenges.

HR isn't the only corporate function trying to come to grips with the amount of data available and its potential for business impact. Forming partnerships with other analytics professionals at your organization is a great way to find ideas on where and how to use data to improve business outcomes. These individuals understand your business context, have relationships with many of the same line leaders, and often have experience trying to answer similar questions with data.

To make these relationships as effective as possible, analytics leaders should go beyond gaining access to data from other parts of the organization and start connecting with their counterparts in Finance, Marketing, or IT to understand key projects' broader business context and test their assumptions about relationships in their analytics models.

**Beta Company<sup>1</sup> uses support, not just data, from other functions to solve critical business challenges with analytics.** Beta built a cross-functional project team drawing on Finance, HR, Market Research, and Operations to access

<sup>1</sup>Pseudonym.



data and perspectives to develop credible models that predict change initiatives' effect on organizational performance.

The team worked together to identify what metrics are most relevant for the model, hypothesize how HR data interacts with cross-functional data, clarify desired outcomes of the model, and address any line resistance to data insights.

Organizations have a range of options to broaden talent analytics staff's perspective like Beta did, depending on needs and resource constraints:

- Establish permanent cross-functional teams to address recurring, shared challenges (e.g., annual forecasting and planning).
- Conduct cross-functional rotations for analytics staff.
- Update staff sourcing strategies to expand applicable experience.
- Develop analytics networks and communities of practice.
- Conduct joint training for analytics staff across functions.

Beyond partnering with other corporate functions, we offer the opportunity to learn about innovative ideas from other companies. We are building a library of best practices, which is available on our new [Talent Analytics Portal](#).

**Skills:** Develop team skills (throughout HR) to apply analytics alongside technological capacity.

Strategy and execution are key, but they are only the start to more powerful analytic impact. Heads of HR need the right people. Companies require four skill sets in their HR analytics teams:

- A **business challenger** who can influence and work with stakeholders inside and outside HR
- An **HR domain expert** who can analyze HR-related business needs
- A **programmer** who can design databases and integrate different sources

- A **data scientist** who can use classic analytics abilities and advanced big data analytics skills to interpret data

One person is unlikely to have all these skill sets, so how should you prioritize them? Companies should spend scarce head count investments on business challenger skills and HR domain expertise, as Telefonica does. Investing in these roles can nearly double the impact of investing in programming or data science skills and help staff apply business judgment to and challenge assumptions on data that is already available.

Once business judgment skills are in place, organizations should look for internal opportunities to build data visualization and storytelling. For example, staff could ask for mentoring by internal analytics partners such as Marketing.

**Telefonica changed the mission of its talent analytics staff to build business judgment.** The company charges its talent analytics team to inspire, influence, and shape business decisions. During the hiring process, analytics candidates must demonstrate strong business judgment skills in two simulated, on-the-job tasks. One asks candidates to use HR analytics to support business growth, and the other simulates communicating insight to the company CEO.

Analysts who are hired refine these skills by networking internally, sharing best practices, and setting clear expectations with line customers. After each project, stakeholders assess analytics support in four dimensions: actionability, engagement, usage, and impact. This feedback helps analysts improve and build their credibility with the line.

**Infrastructure:** Build effective relationships with HR partners, business leaders, and vendors to apply talent analytics.

Talent analytics leaders' most important relationships are with the business leaders whose decisions they want to affect. However, most business leaders do not trust data from HR, largely because the data is less understood and less standardized than other data, such as financial results, used in decision making.

HR teams can overcome this challenge by working with managers to interpret talent data and translate analytics' implications into solutions. The best HR professionals avoid giving leaders direct answers to complex talent decisions. Managers need to see the logic behind analytics, and an overly prescriptive approach can divert attention from the challenge at hand and toward defending HR's analytical rigor and data quality. By focusing on data implications instead, organizations can increase their talent analytics' impact by nearly 25%.

**Seagate changed its analytics delivery strategy to focus on maximizing business ownership of talent data.** This

approach changes the interaction from a conversation about data delivery to a partnership based on making the best use of talent insights.

Instead of presenting comprehensive data that HR thinks is most important, Seagate uses visualizations that stimulate business leaders to diagnose their problem and consider the ideal action. HR provides insight on different variables to help leaders explore alternative solutions for the identified problem and understand the long-term implications of each. This strategy helps leaders arrive at their own conclusions, which is particularly important when decisions require high levels of judgment and interpretation.

## Next Steps

Most organizations aim to mature their talent analytics capability quickly. To succeed, they should shift their initial focus away from improving technology and analytics methodologies, and first invest in staff's analytics capabilities and processes. Use these four questions to choose your next steps:

- How can I make the right information available, easy to find and use, and ensure its trustworthiness?
- What are the questions critical to our business partners, and how can we help them use and apply talent data in key decisions?
- How can we build HR staff abilities to analyze and generate insight from data?
- How do we build data judgment skills to make relevant recommendations to business leaders and increase their trust?

# Lessons from Finance: Why Problem-Focused Analysis Wins

By Caitlin Dutkiewicz

Talent analytics is a new and exciting space for HR. Most HR organizations have or are planning to develop analytics centers of excellence, increase their HRBPs' access to HR metrics and information, and use predictive analytics in talent decision making. Yet just 5% of organizations feel they effectively track and use talent analytics.

Luckily for HR, functions such as Finance, IT, and Marketing often have a few years (or more) of analytics experience under their belts. These teams can be invaluable resources for talent analytics teams just starting out. They can offer advice on best practices, share lessons learned, and perhaps even help with resourcing.

To help HR and talent analytics leaders think through their approach to producing high-quality analysis, we looked at our recent research on how financial analysis can drive better decision making. This research uncovered three ways decision makers (e.g., finance business partners, financial planning and analysis leaders) commonly misuse financial data and explains how to mitigate misuse through problem-focused analysis.

**Figure 1: Indexed Value of Decisions Driven by Bottom-, Average-, and Top-Quality Analysis<sup>a</sup>**

Reported by Senior Decision Makers



n = 2,305 decision makers.

Source: CEB 2015 Financial Analysis Impact Assessment.

<sup>a</sup> Differences between bottom and average versus top-quartile values is statistically significant at the 95% level of significance.

<sup>b</sup> Strategic decisions refer to decisions such as major acquisitions, new market entry, and capital allocations.

## Where Financial Analysis Goes Wrong

Decision makers typically struggle with financial data in three primary ways:

- They **don't use** financial analysis in decisions.
- They **misinterpret** financial analysis.

- They **selectively use** financial analysis.

Most financial planning and analysis teams attribute this misuse to organizational characteristics (i.e., the type of decision or who has the decision rights) or to decision-maker characteristics—whether the person

is financially savvy, experienced, or risk tolerant enough. Our research shows, however, that **quality of analysis is the biggest driver of the misuse of financial information in decision making**.

Most analysis focuses on the answer, prioritizing technical rigor, data precision, and definitive recommendations. This approach steers decision makers' misuse of analysis in three main ways:

- Increasing the technical rigor of the analysis often leads to **confusion regarding decisions' actual consequences**.
- Improving data precision (i.e., granularity of data) to make the results more detailed **overwhelms leaders with information abundance**.
- Prescribing a definitive recommendation for how to use the results **erodes leaders' sense of ownership over the decision**, with leaders failing to apply business judgment and consider the implications of their choices.

### **Reverse the Trend with Problem-Focused Analysis**

Top-quality analysis, on the other hand, focuses on the problem. Problem-focused analysis prioritizes anticipating impending decisions, illustrating trade-offs, and disrupting conventional wisdom.

This approach helps overcome decision makers' patterns of data misuse:

- By anticipating impending decisions, analytics teams create relevant, business-aligned analysis that **decreases decision makers' likelihood to ignore data**.

- By illustrating trade-offs, analytics teams help decision makers understand the analysis holistically, **decreasing the likelihood they misinterpret the data**.
- By disrupting conventional wisdom, analytics teams help decision makers work through critical uncertainties, **decreasing the likelihood they selectively use data**.

A problem-focused approach offers **2.3x the value to senior decision makers** than an answer-focused approach.

### **Putting Problem-Focused Analysis into Practice in HR**

**Anticipate Decisions:** Anticipate what kinds of future decisions business leaders will need to make by doing a routine analysis of current decisions and their implications. When providing analysis, draw attention to the assumptions that underpin the current decision and any relevant scenarios that might change the nature of the decision.

**Illustrate Trade-Offs:** Engage decision makers in the course of analysis, prototyping different models with business input. This interim collaboration will help provide decision makers with a holistic picture of the alternatives and uncertainties related to any decision.

**Disrupt Thinking:** Disrupt conventional thinking to help decision makers understand unforeseen trade-offs and resolve critical uncertainties quickly.

Ultimately, the problem-focused approach to analytics is just one lesson talent analytics leaders can learn from their peers. As HR continues to develop analytics capabilities, using this internal expertise will prove invaluable.

**Figure 2: Types of Misuse and Perceived Reasons**

#### **1. Decision Makers Don't Use Financial Analysis in Decisions**

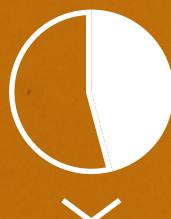


◀ **25%**  
Don't Use

“It depends on the decision.”

*n* = 2,305 business decision makers.  
Source: CEB 2015 Financial Analysis Impact Assessment.

#### **2. Decision Makers Misinterpret Financial Analysis**



◀ **46%**  
Selected Wrong Options in Controlled Experiment

“Powerful voices obscure implications of the analysis.”

*n* = 57 business decision makers.  
Source: CEB 2012 Decision-Maker Information Consumption Survey.

#### **3. Decision Makers Selectively Use Financial Analysis**

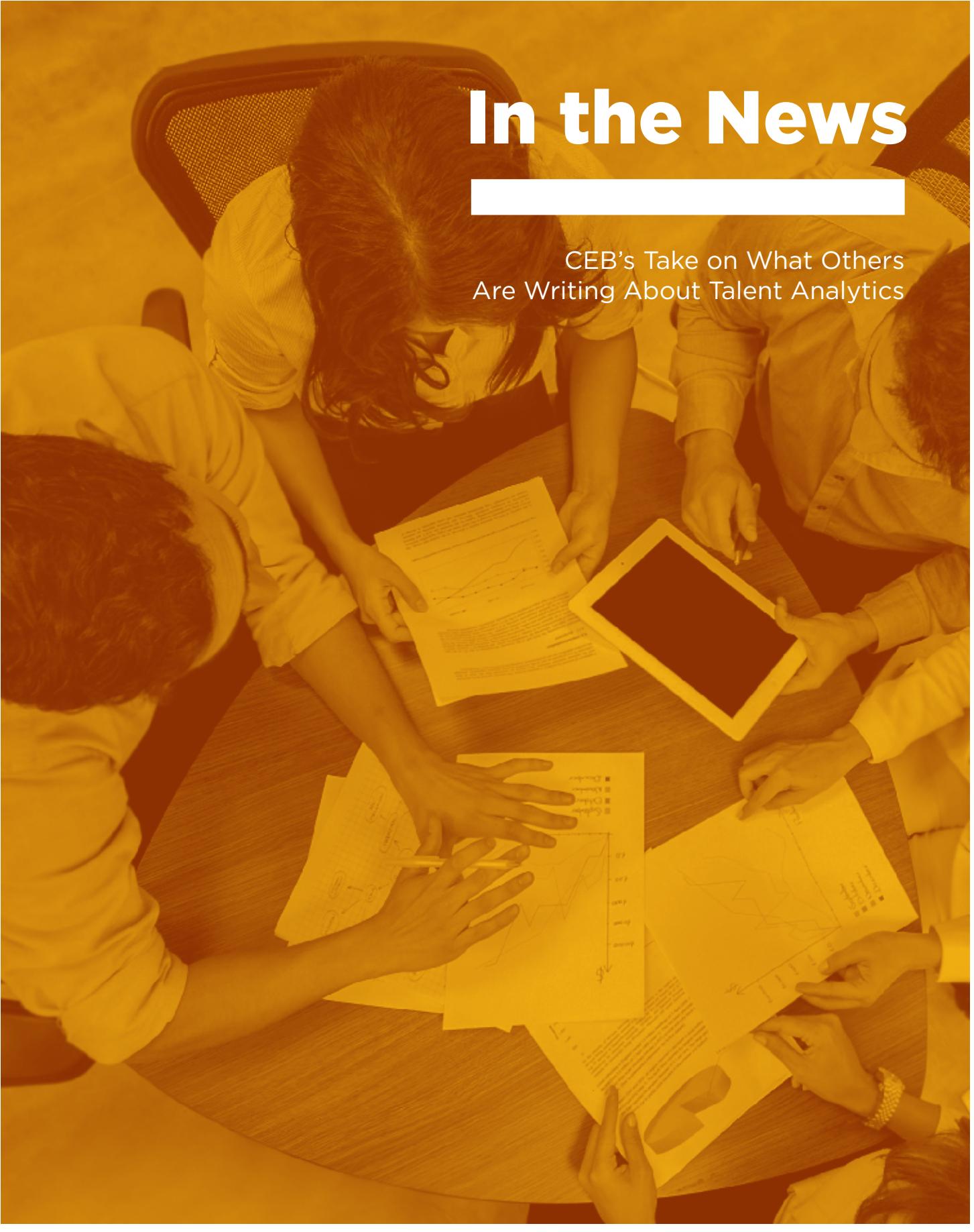


◀ **61%**  
Selectively Use

“Decision makers choose data points that validate their gut.”

*n* = 635 FP&A directors.  
Source: CEB 2015 Financial Analysis Impact Assessment.

# In the News



CEB's Take on What Others  
Are Writing About Talent Analytics

## Making the Value of Talent Clear to Investors

### A response to Dave Ulrich's "Taking Stock of Your Talent" in Workforce magazine

By Matt Dudek and Brian Kropp

The link between a firm's financial outcomes and its talent management activities is the proverbial Holy Grail that many HR executives are seeking to prove their indispensability and impact. However, academics, associations, and HR executives have toiled at solving this problem with little success. One of the most recent efforts to develop a human capital reporting standard for investors was halted by strong opposition not only from business groups but also from HR executives themselves.

Creating investor-ready talent metrics is a contested area; Dave Ulrich, a business professor at the University of Michigan and a cofounder of the RBL Group, has sought to drive the conversation forward with a recent article offering a potential solution for showing the financial impact of talent to investors.<sup>1</sup>

Examining the article in detail, we partly agree with Ulrich's recommendations. First, we whole-heartedly agree that talent matters to business decisions and affects investors, whether they know it or not. Second, we agree that investors need better, outcome-focused indicators to assess talent. And third, we agree that finding opportunities to let investors test the firm's talent makes sense.

But we are skeptical about Ulrich's recommendation to use the price-to-earnings (P/E) ratio to prove that market value is derived from talent. Ulrich writes:

"In our research we found that about 30 percent of intangibles is related to quality of leadership. Talent managers can prepare a graph of how their firm's price-earnings (or price-to-book) ratio compares to their top competitors...to show the overall intangible value of their firm vs. competitors."

This approach sounds straightforward but is flawed in its logic and difficult to execute. By definition, half of firms will be below their industry's P/E benchmark and so would not want to use this metric. Moreover, given general skepticism toward talent metrics for investors, can we expect that senior executives would leave an investor day with their jobs intact if they were to show a comparison of P/E ratios, highlight the intangible value of the company, and then claim that 30% of that value is derived from talent processes simply because research says so? That's too much of a stretch.

We are all for better informing the investor community, but let's crawl before we try to run. If executives believe investors are not properly

valuing their company because they misjudge the value of its talent, we have no concerns about working closely with the CEO and CFO to identify where talent-related disclosures and notes need to be added in quarterly or annual reports.

However, if executives want to begin disclosing talent-related metrics, we recommend looking to others who are methodically making headway in human capital reporting, such as David Vance, founder of the nonprofit organization Center for Talent Reporting, or the Sustainability Accounting Standard Board (SASB) and the International Integrated Reporting Council (IIRC). As John Boudreau and David Creelman explain in *Harvard Business Review*, "Both SASB and IIRC are promoting improved reporting of nonfinancial information so as to give a better, more holistic, picture of how the organization creates value."<sup>2</sup>

Finally, it's hard to beat talking directly with HR executives who are daring to experiment in this area to learn firsthand from their practical experience.

<sup>1</sup> Dave Ulrich, "Taking Stock of Your Talent," *Workforce*, 27 January 2016, <http://www.workforce.com/2016/01/27/taking-stock-of-your-talent/>.

<sup>2</sup> David Creelman and John Boudreau, "When Investors Want to Know How You Treat People," *Harvard Business Review*, 10 February 2015, <https://hbr.org/2015/02/when-investors-want-to-know-how-you-treat-people>.

## Do We Really Know What Makes Great Leaders?

### A response to Fast Company's "This Outdated Approach to Productivity Is Bad for Your Brain"

By Brian Kropp

If you were to stack up all the books that have been written about leadership in the past 50 years, that stack would reach at least halfway to the moon. Looking across this half-century of research, from Munson to Stogdill to Fiedler and beyond, you'll notice a common theme: a focus on specific skills, competencies, or behaviors that the best leaders display. Some identified business acumen as the trait that defines great leaders, while for others it is innovation, charisma, or most recently, collaboration.

But what if effective leadership is defined as much by behaviors and choices as by skills or competencies? Several recent studies point us in this direction, suggesting that to truly understand the performance and productivity of the best leaders, we may need to go beyond looking at innate characteristics.

For instance, a study we recently highlighted found that leaders were more inspirational when they (and their team members) got enough sleep. That finding fits with a growing body of research that shows endless hours and an "always-on" attitude toward work can harm, not help,

productivity. As Judah Pollack and Olivia Fox Cabane explain in *Fast Company*, the industrial-era model of long, continuous workdays that maximized the productivity of factory workers has the opposite effect on knowledge workers:

"It's true that a body at rest is a body not producing—not being efficient or effective. Because bodies need to rest, too, manufacturers established shift work, ensuring a regular supply of working bodies. But a brain that isn't allowed to rest is a brain overwhelmed, filled with waste, uncreative....What works for bodies on the assembly line doesn't help brains in the office."<sup>1</sup>

Pollack and Cabane point to a group of studies suggesting that the best performers operate in 40- to 50-minute spurts of productivity punctuated by 10-15 minutes of downtime to let their brains rest and recharge. Performance and productivity studies like these suggest there's a leadership edge to be gained from taking care of one's body and brain through simple, everyday healthy behaviors—and encouraging your team to do the same. That edge might even outweigh the value of the competencies and characteristics

identified in the management literature.

The standard models of good leadership are also receiving renewed scrutiny in terms of whether the traits they extoll are really always good. A prime example of this is the criticism of authenticity and defense of deception in leadership by Jeffrey Pfeffer, a professor at Stanford University, in *Fortune*. While people tend to value honesty, authenticity, and transparency, Pfeffer argues, sometimes leaders need to lie, mislead, or conceal their opinions and agendas to succeed, and there isn't necessarily anything wrong with that.<sup>2</sup>

So maybe the leaders who win the day are no longer the charismatic innovators with great business acumen, but rather those who get enough sleep, take breaks, and know how and when to tell a little white lie.

<sup>1</sup> Judah Pollack and Olivia Fox Cabane, "This Outdated Approach to Productivity Is Bad for Your Brain," *Fast Company*, 20 June 2016, <http://www.fastcompany.com/3060991/your-most-productive-self/this-outdated-approach-to-productivity-is-bad-for-your-brain>.

<sup>2</sup> Jeffrey Pfeffer, "Why Deception Is Probably the Single Most Important Leadership Skill," *Fortune*, 2 June 2016, <http://fortune.com/2016/06/02/lying-leadership-skills-expectations-communication/>.

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