

PEOPLE ANALYTICS

SURVEY REPORT 2016



INTRODUCTION

Big data and people analytics are important topics that are relatively new to many working in talent management.

Right now, the business world is experiencing a data revolution; with the volume, speed and availability of information reaching a scale never seen before.

With the vast amount of people data now potentially available, we've been taking a closer look at the emerging issues around people analytics and what they might mean for HR. Our 2016 global survey explored big data and people analytics and how these are applied by HR professionals today.

We're pleased to be able to share the results from this survey with you. It's clear that HR professionals from all sectors are looking to embrace the opportunities this data can bring, but that there are also some significant challenges in achieving this.

We hope that you'll find our report insightful, and as always please contact us if you'd like to know more.



Martin Smith, Cubiks CEO



CONTENT

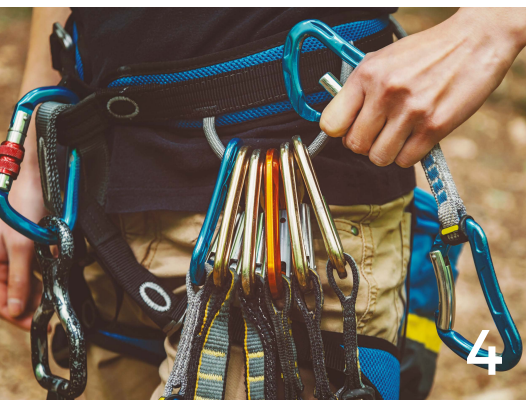


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SUMMARY

Big data is already used widely across all functions of today's businesses. However, taking this data further and applying it to strategic planning and decision-making seems to be a challenge.

KEY FACTS ON THE SURVEY:

Respondents were mostly HR professionals or managers from large organisations (with between 1,000 and 10,000 employees).

- **275 responses**
- **Languages: English, French, Spanish**
- **Key countries represented: Netherlands, France, UK, Spain**
- **Key sectors represented: Finance, IT, business services, manufacturing, retail**
- **Survey ran from April – May 2016.**

Only a third of employers use people analytics in HR, the majority of which are large businesses with over 10,000 employees. Of those, just 2% say their use of data is predictive (forward looking).

Most are stuck at the basic stage of data use; covering only descriptive operational reporting.

People analytics is still a relatively new phenomenon. Of those applying analytics in HR, two thirds have been doing so for less than three years.

This underlines the fact that HR teams are still struggling to get buy-in and develop data maturity throughout their organisations.

Employers see the opportunities in people analytics, but struggle to get started.

They face significant challenges when taking steps towards implementing analytics. Among the most significant are:

1. Limited data collection infrastructure
2. Lack of expertise
3. Uncertainty about the added value people analytics can bring.

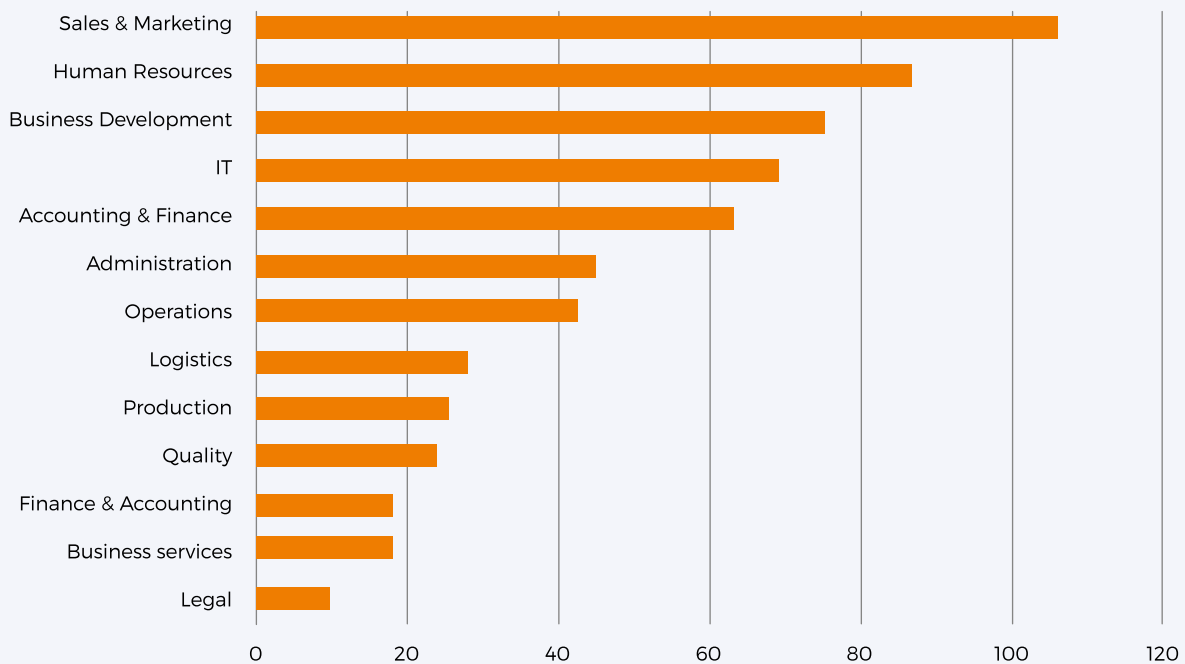
Employers agree that there's huge potential in the use of people analytics, in areas ranging from quality of hire to job engagement.

Many are planning to bring people analytics into most areas of HR within the next 3 years, to some extent driven by the belief that companies who embrace people analytics will be more successful in the long term.

A key finding of this survey is that when it comes to people analytics, there's a gap between attitudes and actions. This report outlines HR's perspective on the challenges and opportunities presented working in the age of big data.

1. WHAT ABOUT BIG DATA?

Which functions within your organisation are, to your knowledge, already undertaking Big Data analysis to assist their decision making?



- Big data analysis is considered an already familiar practice across various business functions
- 1 in 5 report that they don't undertake big data analysis in any function
- Top 3 functions using big data: Sales and marketing, HR, business development.

INSIGHT

Data has long been used to evaluate the success of initiatives and to generate insights that feed into strategy. This result reflects the fact that HR holds a wealth of data and already uses it to make better decisions.

This is unsurprising, given that significant talent management activities such as performance appraisals are designed to generate data that can be applied in planning processes.



2. TURNING DATA INTO STRATEGIC INSIGHT

People analytics is the process of using data to generate insight that feeds into better strategic decision-making. This is the next step on from analysing data to measure where an organisation or department is at – it is using that data to predict what's coming next, stay ahead of possible trends and anticipate challenges.

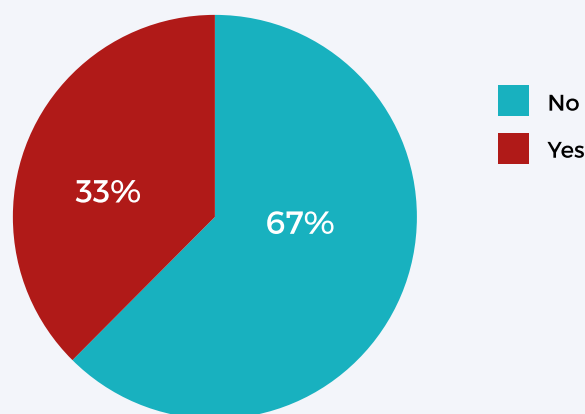
Who uses people analytics?

- Only 33% of employers currently use people analytics.
- 58% of organisations with more than 10,000 employees use people analytics
- People analytics is used most in the following sectors:
 1. Manufacturing
 2. Pharmaceuticals
 3. Banking and finance
 4. IT
 5. Business services.

INSIGHT

While a large proportion of employers use big data analysis across their organisation more widely, two thirds report that in HR they don't apply analytics. This suggests that talent management teams are slightly behind the trend of their colleagues in other departments, as most aren't making use of big data in HR.

Does your organisation currently apply People Analytics in HR?



2. TURNING DATA INTO STRATEGIC INSIGHT

Data maturity

Of those organisations who apply people analytics:

- 65% have been doing so for less than three years
- Only 2% said that their use of people analytics is advanced

INSIGHT

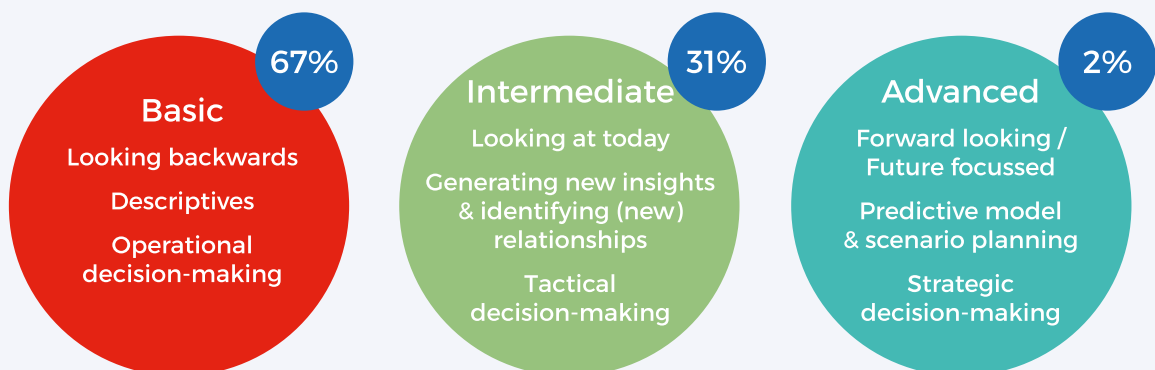
The level, or maturity, of people analytics can be described through a framework ranging from basic analytics, purely describing the status quo, to advanced, applying forward looking, predictive models to inform strategic decision-making.

A mere 2% claimed they use advanced analytics, while a clear majority report only basic use.

Taking into account that people analytics is a relatively new phenomenon sheds some light on these numbers. In addition, limited application of more progressive analytical methods demonstrates that there are still major challenges for HR professionals looking to access deeper insight in their data.



Maturity level of people analytics activities

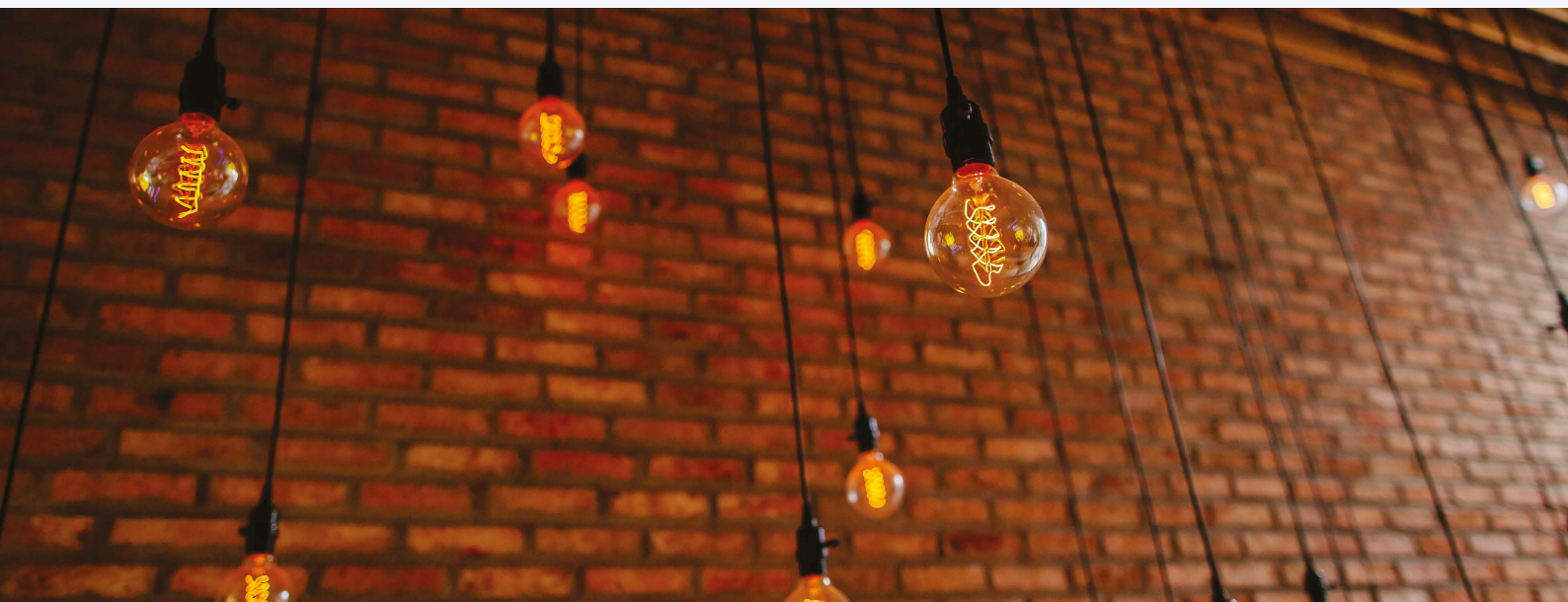
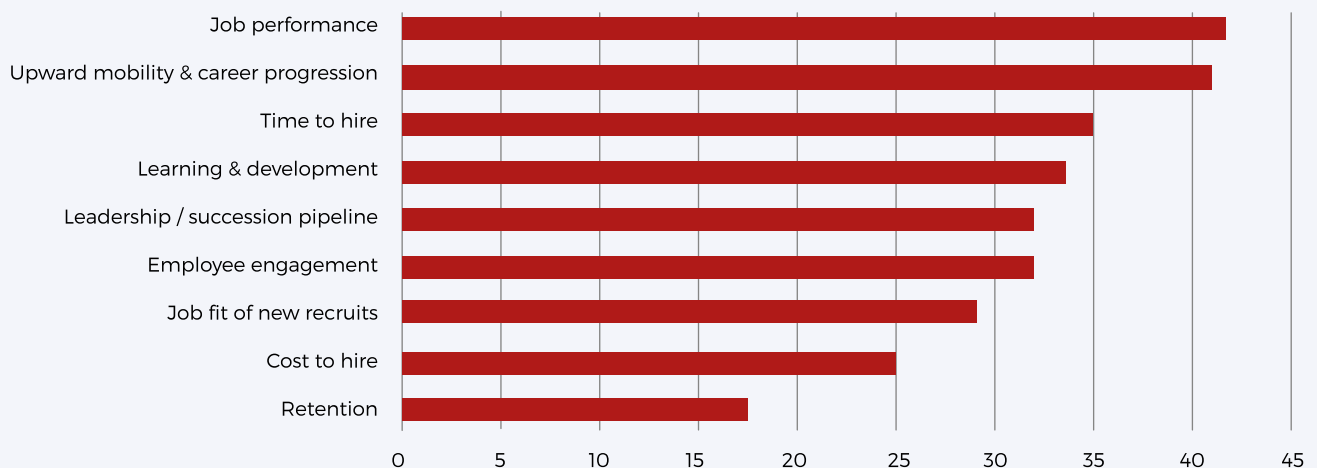


2. TURNING DATA INTO STRATEGIC INSIGHT

Where are employers using people analytics?

- People analytics is applied across a broad spread of talent management activities.
- Top 3: Job performance, upward mobility and career progression, time to hire
- Bottom 3: Retention, cost to hire, Job fit of new recruits.

In what areas of HR has People Analytics been introduced in your organisation?

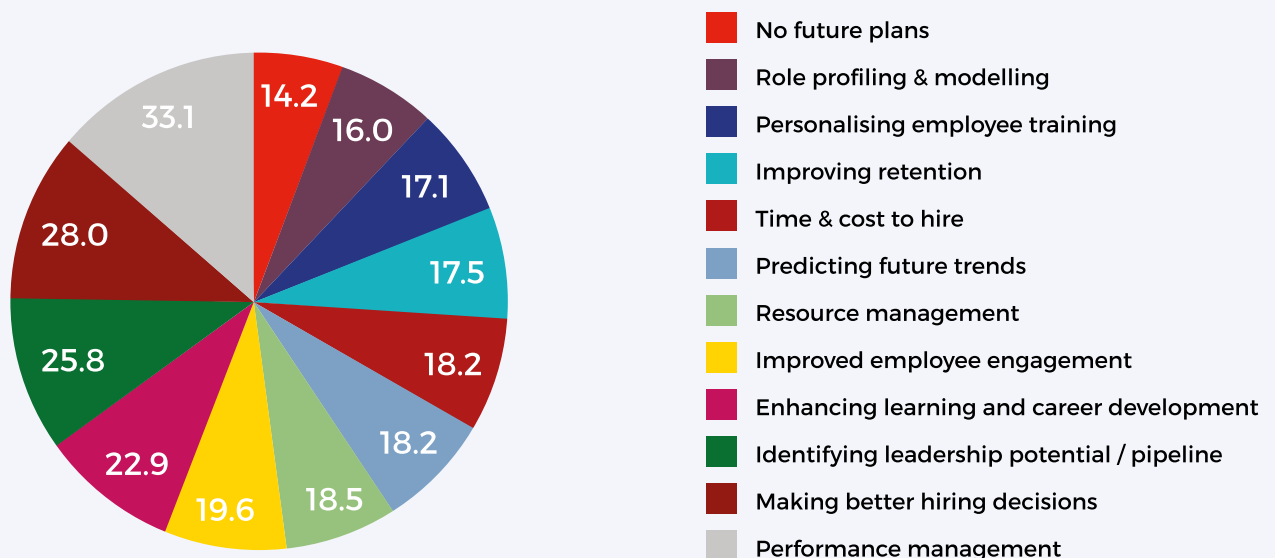


2. TURNING DATA INTO STRATEGIC INSIGHT

People analytics aspirations

Where are employers looking to implement people analytics in the next 3 years? (multiple choices allowed)

- 33% said performance management
- 28% said making better hiring decisions
- 26% said identifying leadership potential.



3. ATTITUDES

People analytics and recruitment

- 81% agree that people analytics will improve the quality of new recruits
- 78% say it will increase the job fit of new hires
- 74% say it will lead to better selection decisions than reliance on human judgement

- 70% agree it will increase their new recruits' team fit
- 67% think people analytics will increase engagement levels in new recruits.

Business impact

Today's employers believe there is real potential in deploying people analytics.

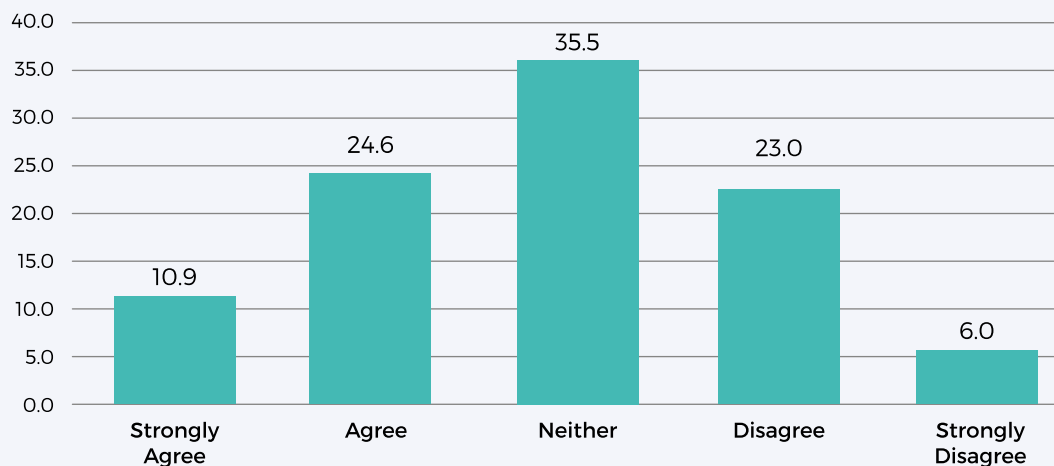
- 78% agree that people analytics can improve the identification of leadership potential
- 75% think that people analytics can reduce turnover and improve retention
- 65% say companies that embrace people analytics will be more successful in the long term.

Perceptions of people analytics

When asked whether they felt that people analytics would be perceived as 'turning people into numbers', respondents' views were mixed.



To what extent do you agree that People Analytics will be perceived as turning people into numbers?



3. ATTITUDES

Algorithm aversion

61% either disagreed or were unsure when asked whether hiring choices could be made without human intuition.

Fact 1:

Research shows that evidence based algorithms more accurately predict the future than humans.

Fact 2:

When forecasters are deciding whether to use a human or a statistical algorithm, they often choose the human.

(Berkeley J. Dietvorst, Joseph P. Simmons, and Cade Massey. (2014). Algorithm Aversion: People Erroneously Avoid Algorithms After Seeing Them Err. Journal of Experimental Psychology.)



The reluctance to fully rely on a data driven approach is recognised by psychologists as ‘algorithm aversion’.

Jouko van Aggelen,
Head of People Analytics at Cubiks

Why?

People more quickly lose confidence in algorithms than humans after seeing them make the same mistake.

Algorithm aversion is consistent even when people have seen the algorithm outperform the human.

INSIGHT

Employers clearly view people analytics as a way to enhance their approaches to selection and onboarding. An interesting pattern emerges here, where we can see that attitudes towards analytics in general are positive, while in reality, very few organisations use it in practice.

There is an obvious attitude-action gap and in order to better understand why, and by all means reduce this gap, it's necessary to look into potential roadblocks and challenges faced when implementing analytics processes in HR.

The first clue can be found when looking into the perception of data driven solutions, where a clear majority believes that human intuition is necessary to make successful decisions in hiring. Progressing from traditional face-to-face methods in recruitment obviously raises some questions and worries about coming across as non-human and mechanical.

A successful implementation of analytics clearly requires acknowledgment of these perceptions, but also improved ways of handling their possible impact.

A further interesting finding is that larger organisations (>1000 employees) tend to be less preoccupied with this perception than smaller organisations, maybe underpinned by factors related to organisational culture or resourcing and maturity.

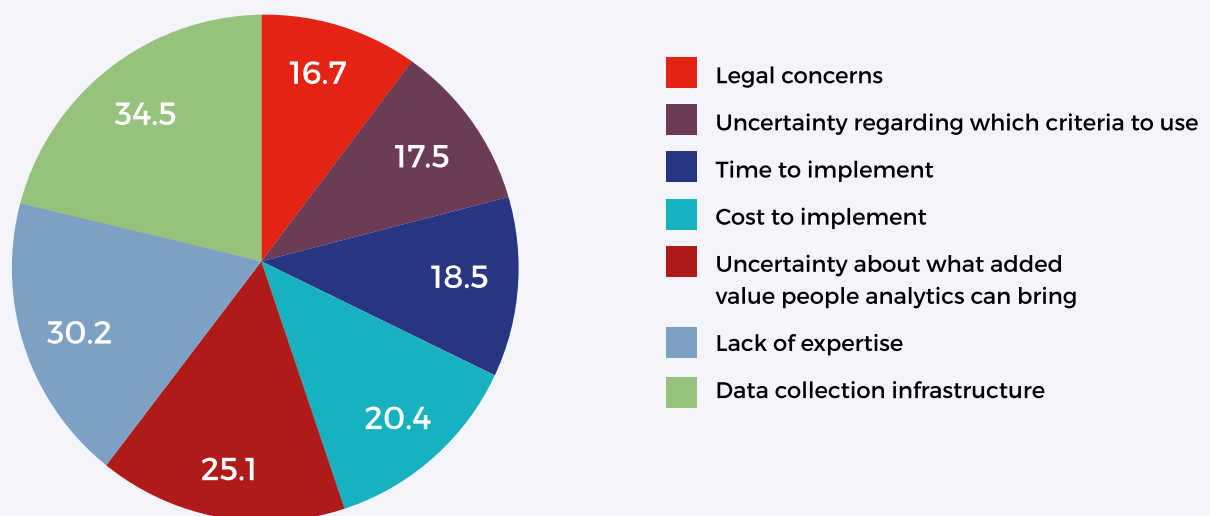
4. CHALLENGES

While employers see the potential benefits of using analytics, they experience significant obstacles in deploying this approach.

Three major roadblocks to progress:

1. Limited data collection infrastructure
2. Lack of expertise
 - Only 31% of employers enlist help from external experts
3. Uncertainty about the added value people analytics can bring.

People analytics roadblocks



4. CHALLENGES

INSIGHT

These results clearly show the major roadblocks to people analytics implementation.

First of all there's a lack of infrastructure and expertise reported across organisations. Once again, considering how new people analytics is, this is not unexpected. Looking back, HR data is traditionally stored across multiple information systems in various formats which are challenging to merge. Bringing the data together is central to data analytics and building the infrastructure to do so is both time and resource consuming.

There are however business cases illustrating how implementing relatively simple analytics can challenge this.

One example is the relationship between leadership quality and retention (Angrave, Charlwood, Kirkpatrick, Lawrence & Stuart, 2016).

When daunted by infrastructure issues, it's useful for organisations to explore the relational data they already have available. When applied correctly, this can often contain valuable insight not recognised before.

There is also uncertainty around the value people analytics will add to the organisation.

This can of course be connected to a general lack of expertise, but may also be inflated by the confusion of a market flooded with proposals on analytics solutions and software.



One central aspect of all analytics activities is to ask the right question and, even more importantly, to ask it before diving into the data to look for value. In order to gain value from people analytics, we first need to fully understand the business and ask the right questions. Often this is difficult if it's left to those outside the organisation, and this emphasises the need to combine analytics expertise with a solid understanding of the unique factors at play within the business.

Jouko van Aggelen,
Head of People Analytics at Cubiks

5. TACKLING THE CHALLENGES

How do we shift basic data use into advanced analytics?

It's a given that advanced level data analytics offers up strategic insight, which many believe will play an essential part in competing for and retaining top talent in the near future. Looking into some of the existing research, underpinned by our survey findings, we've summarised three important steps that need to be taken to close the gap between attitude and action when it comes to people analytics.

Ask the right questions to avoid wasting resources on over-specific analyses with little practical value

The wealth of available, ready-made solutions feeds into the uncertainty and confusion around the added value and contribution of analytics. To gain actionable intelligence from your data, you need to ensure your partner understands the unique variables and the context of your business.

Asking the right questions is crucial and, optimally, the questions should evolve before looking into data rather than the other way around. This will avoid the risk of wasting time and money on analyses that don't add value to your organisation.

Bring the expertise into HR

To build an 'inside-to-outside' perspective, centred around the human factor, you need to strengthen the knowledge and analytics skills in your HR function.



5. TACKLING THE CHALLENGES

This can be difficult when the culture of HR means there is an obvious and logical concern that data may turn people into numbers.

Applying analytics in HR processes without considering the people in context and the process interactions carries the risk of individuals being reduced down to a mere cost to control. This concern is often exacerbated by the fact that corporate analytics teams originate from other functional areas, often with limited knowledge of working in people management.

While we may hear horror stories on the possible outcomes of this, there are examples showing that when context is accounted for, we can fully understand the relationship of people to profitability. Research (e.g. Ton, 2009) has shown, for instance, that increasing staffing levels can increase profitability - as higher quality input outbalances and exceeds increasing costs.

To introduce and encourage this kind of thinking and experimenting into analytics, it's necessary for HR to apply an 'inside-to-outside'

perspective on analytics.

By this, we mean that HR becomes the driving force in developing people analytics methods centred around the human factor, rather than bringing data perspectives in from outside.

Let your data tell a story

Instead of focusing on the data itself, make sure you can tell the story behind it. This way, you'll ensure that the human aspect comes before the theory; thus reducing the fear that analytics turns people into numbers. To illustrate, here's a metaphor from medicine.

Imagine a young woman going for a medical exam. When meeting the doctor, there are several examinations done and tests taken. A week later she receives a letter stating an AFP level of 25. To her, this is just a confusing number, but to the doctor it is the basis for a decision. The number is tied to its context, and that way it tells a story about the young woman.

In HR, decisions are normally not so critical, but we should follow the same principle. To allay fears around data-driven decisions, we need to bring a story and a soul to the data. So while we move away from decisions based on intuition, we still rely heavily on the very human feature of bringing the story to life.



6. TAKEAWAYS

1. The potential of people analytics is clear

The survey results demonstrate that while many organisations are in an early stage of deploying people analytics, HR professionals definitely see its potential. A third of organisations said they hope to apply people analytics in performance management within 3 years. Significant proportions also indicated that they are looking to apply people analytics to make better hiring choices, improve succession planning and enhance learning and development.

2. Only a third of organisations currently apply people analytics

The majority of organisations today do not yet apply people analytics. The survey results suggest that there are several major obstacles to these employers rolling out an analytics-driven approach; most significantly limited data infrastructure and lack of expertise.

3. People analytics use has not yet matured in HR

Of those respondents who indicated they were already using people analytics, most had been doing so for less than three years. Only 2% of respondents rated their use of people analytics as 'advanced'.

4. Employers feel they lack people analytics expertise and necessary data infrastructure

The survey results show that employers are keen to begin using people analytics, but there is a need either for development of in-house skills or for engagement of specialist support. Only 31% of the organisations we surveyed currently uses external experts to assist with their people analytics processes.

5. HR doesn't want to come across as the department that turns people into numbers

A clear concern was highlighted by the survey results, with respect to the image of analytics. There appears to be some tentativeness around deploying an algorithm-based or data-driven approach in a traditionally 'human' business function. Over two thirds of respondents were either in agreement or unsure about whether applying algorithms might be perceived as 'turning people into numbers'.



6. TAKEAWAYS



People Analytics will push HR to a new era in which they will be better positioned than ever to have fact-based discussions with a solid business impact. I fully understand the sensitivity and HR's struggle with embracing data driven insight. However I'd like to challenge this perception, as people analytics enables HR to have a greater impact and even more importantly, to increase the 'human factor' in decision making processes.

Jouko van Aggelen,
Head of People Analytics at Cubiks

About Jouko

Jouko heads up Cubiks' people analytics programme. He's been delivering assessment and development centres internationally for almost 20 years.

In his time working as Country Manager for Cubiks Netherlands, Jouko managed a team of consultants to successfully deploy Cubiks' full portfolio of assessment tools and services. Jouko has designed and managed a range of assessment and development projects, many focused on senior management and C-suites. These include complex international talent management assignments with major employers.

Drawing from his wide ranging experience, Jouko understands the massive opportunities open to employers who apply people analytics to their talent management processes.

A big data enthusiast, Jouko is passionate about connecting people and data to create actionable insight on the trends, opportunities and challenges that matter to HR teams. He believes that people analytics is about much more than algorithms, and he's passionate about helping HR understand the unique talent stories big data analytics tells about each and every organisation.



Jouko van Aggelen,
Cubiks Partner and
Head of People Analytics



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