ABOUT THE SYMPOSIUM The SHRM Symposium on Human Capital Analytics was held on October 2, 2007, at the Willard Hotel in Washington, DC. This event brought together leading academics and human capital researchers, experienced HR executives, well-known human capital consultants, and senior members of SHRM’s professional staff. This event was a highly interactive, facilitated discussion and included multiple interactive breakout discussions. This report has attempted to accurately capture the many diverse threads and themes of this Symposium.

During the course of the Symposium, participants focused on defining human capital analytics, assessing its current application, and arriving at a vision where human capital analytics plays a more critical, predictive role in business decisions. The definition participants arrived at for human capital analytics was:

“The process by which the value of an organization’s people is measured and improved for the purpose of enhancing organizational performance.”

In addition, participants shared their perspectives on the barriers, drivers, and stakeholders likely to shape the evolution of human capital analytics. Further, the Symposium generated ideas for steps that SHRM and the HR profession in general can take to advance the human capital analytics agenda in the interest of its members.
SYMPOSIUM PURPOSE
The purpose of this Symposium was to understand:

- How human capital analytics are being used in organizations today.
- The limitations of current usage and barriers to more relevant applications that drive organizational decisions.
- The emerging role for human capital analytics over the next five years—both the ideal and most likely scenarios.
- The barriers that stand in the way of a future where human capital analytics drives business decisions, and how to address these barriers.
- Who the stakeholders are in this evolving vision and their roles and interests.
- What SHRM can do to help its members and the HR profession as a whole understand the opportunity that human capital analytics represents to create value for their organizations—and how to leverage that opportunity to make larger contributions within their organizations.

“What we hope to accomplish is a conversation about the state of HR analytics, what it is likely to be in the future, and the direction SHRM should take to help HR executives make larger contributions in their organizations.”
—Sue Meisinger

SYMPOSIUM STRUCTURE
The Symposium was structured as follows:

- Participants defined terms and shared their perspectives on human capital analytics. The discussion focused on the promise that this emerging discipline holds for driving business decisions, and participants identified barriers and avenues to wider human capital analytics adoption.

- The group broke into five teams to address the following questions: “Where are we at the moment? What industries/ functions use human capital analytics to business advantage? What tools enable this?” Representatives from each team summarized their team’s conclusions to the entire group.

- Participants next assessed, “Where have we seen successes [in the adoption of human capital analytics] and where are some targets?”

- The group then worked to develop a vision for the future of human capital analytics over the next three to five years, and a roadmap for getting there. Development of this vision and roadmap yielded six areas for further exploration: 1) standards for human capital analytics; 2) integrating analytics with organizational financials; 3) educating stakeholders; 4) a human capital analytics model that adds value (including tools and technology); 5) an HR competency model (individual and organizational); and 6) public policy and HR.

- Teams were created to explore each of these areas (with the exception of public policy) and to report their conclusions to the group.

- Finally, participants offered ideas for approaches and tactics that SHRM could take to advance the human capital analytics agenda.
SYMPOSIUM PARTICIPANTS
(By category in alphabetical order)

Facilitator
Steve McElfresh, SHRM Human Capital Measurement/HR Metrics Special Expertise Panel (Former Member)

Academics, Consultants, and HR Executives
Mel Asbury, Asbury Consulting
Kent Barnett, Knowledge Advisors
Laurie Bassi, McBassi & Company
Virginia Benton, Tyco Electronics
Ken Carrig, SYSCO
Isaac Dixon, Providence Health & Services
Ellen Fernberger, Community College of Philadelphia
Jac Fitz-Enz, Human Capital Source
Mary Hough, SAIC
Bob Laux, Microsoft Corp.
Jim Lewis, NSF International
Jack Phillips, ROI Institute
Bill Schiemann, Metrus Group
Lawrence Singleton, George Washington University
Andy Suh, Freddie Mac
Michael Tindall, PricewaterhouseCoopers
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Sue Meisinger, President and Chief Executive Officer
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John Dooney
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Steve Williams
ABOUT SHRM
The Society for Human Resource Management is the world’s largest association devoted to human resource management. Representing more than 230,000 individual members, the Society’s mission is to serve the needs of HR professionals by providing the most essential and comprehensive resources available. As an influential voice, the Society also has a mission to advance the human resource profession to ensure that HR is recognized as an essential partner in developing and executing organizational strategy. Founded in 1948, SHRM currently has more than 500 affiliated chapters within the United States and members in more than 100 countries.

ABOUT SHRM RESEARCH
SHRM Research produces high-quality, leading edge research and provides expertise on human resource and business issues. It generates and publishes cutting-edge research used by human resource professionals to develop their knowledge and to provide strategic direction to their organizations. As leading experts in the field of HR and workplace issues, SHRM Research works closely with leading academics, policy-makers and business leaders and is one of the public faces of SHRM’s knowledge and expertise.

ACKNOWLEDGEMENTS
SHRM would like to thank the HR leaders who participated in the program (see sidebar on page 2 for a full list of participants); Mark Krasnow and Sandy Cohan of BullsEye Resources, who wrote the meeting summary; and Steve McElfresh, who facilitated the meeting.
EXECUTIVE SUMMARY:
SHRM Symposium on Human Capital Analytics
KEY SYMPOSIUM CONCLUSIONS

- The practice of human capital analytics has barely scratched the surface of its potential. There is a gap between what HR departments measure today and the promise that human capital analytics represents to drive better strategic decision making. Because human capital analytics can yield predictive indicators of business performance, in the future, analytics may help business leaders chart an organization’s strategic course.

But there are barriers in transitioning from how metrics are used today to realizing the full potential embodied by analytics. Among the key barriers are differing stakeholder perspectives and needs.

- For human capital analytics to reach its full potential, several changes must occur. Several aspects of the business landscape must change if human capital analytics is to deliver the value to organizations that it could. Ideally the following changes would occur over the next three to five years:

  - Integration of HR/business leader mindsets. HR executives can better understand the needs of business decision makers and supply metrics that meet those needs.
  - Standardization of terms, methodologies, and practice of human capital analytics, which may potentially be integrated with traditional financial models and require regulatory compliance.
  - Education and understanding within the business community regarding how human capital investments can create value for an organization.
  - Models for human capital analytics that demonstrate the value that can be created, as well as tools and technologies that facilitate the adoption of these models.
  - Additional HR competencies and dedicated HR functions that support human capital analytics.

- Strategies to drive needed changes include education of diverse stakeholders and a framework integrating existing human capital analytics models. Actionable strategies for evolving from where HR metrics is today to the future vision of human capital analytics include: 1) a three-phase standardization process (with the phases being: terms clarified and model defined; awareness and credibility built; the model becoming the standard); 2) integration of human capital analytics with existing financial frameworks (when appropriate); 3) education of stakeholders; 4) creation of a conceptual framework for human capital analytics that incorporates already existing models; and 5) expansion of the HR profession’s competencies to equip practitioners with the business acumen they need to leverage analytics opportunities.

- SHRM’s role: To shape the agenda in ways that allow HR executives to benefit from human capital analytics’ potential. SHRM’s role is to help shape the human capital agenda in ways that advance the HR profession and serve executives, equipping them to leverage the potential of human capital analytics and increase the value of their contributions to their organizations.

SHRM might consider pursuing the following initiatives:

- Collaborating with those government, academic, and business interests working toward similar objectives of advancing human capital analytics.

- Starting a conversation with boards of directors and C-level executives about the potential that human capital analytics holds to drive business success—creating demand through awareness.

- Educating the other diverse groups of stakeholders positioned to benefit from and advance the emergent field.

- Conducting industry-specific research into human capital-related leading indicators for business performance.

- Providing SHRM members with greater learning opportunities to develop their business acumen and analytics skills, such as workshops.
OVERVIEW The highest purpose for human capital analytics is creating predictive or leading business indicators that can inform business leaders’ strategic planning and decisions. Although the use of HR metrics is well established today, it is not yet common to parlay these metrics into analytics that serve as leading indicators for business performance. While the interest in human capital analytics is growing and the future of this discipline holds great promise, it is still in its infancy and many barriers are holding back its wider adoption.
Participants defined human capital metrics and analytics and surveyed the current business landscape to assess the degree to which the potential of the emerging discipline of human capital analytics is currently being tapped. Barriers and opportunities were pinpointed.

**KEY POINTS**

- **The highest purpose for human capital analytics:** Creating predictive business indicators that CEOs can use to help chart the course of their business.

- Measurement is different from metrics, which differs from human capital analytics.

- Measurement is data gathered regardless of reason.

- Metrics involves measurements for specific reasons.

Human capital analytics are metrics that are analyzed to create value. As Bill Schiemann said, “[Analytics] is information that is not just ‘nice to know’ but can be used to make business decisions.”

Informed by these terminology distinctions, participants agreed upon the following definition of human capital analytics:

> “The process by which the value of an organization’s people is measured and improved for the purpose of enhancing organizational performance.”

- **The status of analytics today:** While momentum for its use is building, its full potential is not being realized. While many HR departments use metrics today, their use and application are often inconsistent; different companies employ different kinds of metrics in different ways. It seems to participants that data are often gathered for its own sake or to justify some activity, and that the metrics are often not tied to business performance or adequately aligned with organizational strategies.

While participants agreed that linkages between HR metrics and the business’s strategy and mission are not always present, they see an evolution taking place from metrics to analytics, which includes the following trends:

- Boards of directors increasingly asking CEOs to measure people results.

- Rising demand for use of human capital analytics.

- A growing and well-publicized body of research showing the linkage between human capital analytics and business performance.

- Conversations taking place in the business community about quantifying intangible assets such as human capital.

- Growing recognition among HR executives that they must develop greater business acumen; HR courses that focus on analytical capabilities are being developed and offered.

**The reasons why analytics are not being more widely used are many, including gaps in stakeholder perspectives.** Among the barriers to fully realizing analytics potential are:

- Human capital analytics aren’t on Wall Street’s radar. Investors and Wall Street analysts pressure public companies to meet short-term earnings hurdles rather than long-term strategic milestones. And most Wall Street analysts don’t yet see the predictive value in human capital analytics; it is not one of their traditional tools.

> “We’re still measuring efficiencies, volumes, activities…the same things we were measuring 25 years ago. We’re not measuring effectiveness or anything predictive.”

—Jack Phillips

- Many in the C-suite have not yet bought into the potential and value of human capital analytics. One reason: accounting and finance people can be dismissive.
of the quantitative information supplied by HR, as it doesn’t appear to directly address business performance or relate to organizational value. HR has not yet reached the level where it can consistently and quantitatively demonstrate linkage to value creation, causing many CEOs and CFOs to view HR skeptically as simply a necessary expense.

- The knowledge and experience is often lacking to turn metrics into analytics and analytics into strategies. Many HR executives lack the capabilities to analyze data to turn metrics into analytics and use these analytics to create value as executable strategies. The knowledge that is necessary to produce human capital analytics that are relevant to business decision making is not widely possessed or easily disseminated. Moreover, relevant analytics vary by industry and company, which can further complicate the issue. Consequently, which HR analytics hold value for business decision makers and how to unleash that value are challenging. As a result, HR analytics data are not yet being utilized and leveraged to their full potential.

- Cultures that foster silos inhibit using human capital analytics to drive business value. Some participants suggested that traditional silo-based organizational structures and cultures pose a barrier that keeps organizations from using and realizing value from HR analytics. Silos create gaps and can cause managers to focus only on data that are within their specific area of control, as opposed to thinking more broadly and seeing how human capital analytics can benefit their organization and their results.

- Needed is greater integration of HR with the business and development of a human capital analytics framework. In assessing the gap between human capital analytics today and its potential for the future, Symposium participants focused on specific actions to close this gap. Suggested actions were:

  - Better integrating of HR with the business. A greater understanding by HR executives of the business—both the business of HR and the business of the company—would enable HR to be more effective in turning HR metrics into useful human capital and business analytics, and doing so would provide greater strategic value. Breaking down silos and focusing the HR mission on the employee and customer experiences are of critical importance, as this would better align HR’s priorities with those of the entire organization. One participant described how a major financial institution achieved greater business success when it eliminated silos and refocused every department on the customer. Some thought a solution involves more business education for HR executives.

“Business leaders are focused on financial impacts, while HR is focused on issues such as identifying at-risk employees, talent gap analysis, stratifying talent—trying to find the perfect talent management system.”

—Steve Williams

“We’re very silo focused in HR… HR should organize itself around the employee experience.”

—Jac Fitz-Enz

- Having a human capital analytics framework offering rigor, structure, and direction. Human capital analytics is a relatively new concept and currently lacks a practical framework for implementation that supplies the rigor, structure, and direction that a thought discipline requires. However, a one-size-fits-all framework won’t work given the different business objectives of different types of companies (service-oriented versus product-oriented; large versus small) in various industries.

Accordingly, some participants expressed skepticism that a framework is the right approach. They argued that individual
companies need to figure out what human capital measures work best to predict their specific business performance and/or are most relevant to their strategic objectives. Participants were split on whether a human capital analytics framework should link to traditional financial performance measures. Some thought that the ability to map investments in human capital to quantifiable returns, showing how and where human capital is adding value, is the future of human capital analytics and would advance the HR profession immensely. Further, some expressed the view that CEO/CFO buy-in would be impossible without clear linkage to financial measures of success.

“Do we need to force-fit [HR analytics] into the finance framework? It is worth exploring other frameworks for valuing human capital.”
—Bill Schiemann

Still others thought that such linkages would be a mistake because traditional financial performance measures are flawed. (A special SEC committee is exploring more appropriate key performance indicators than those currently used.)

“If the human capital analytics don’t support the numbers that finance people are looking at, they’re easily discounted. Any framework has to support advancement of the business or it will be disregarded and ignored.”
—Jim Lewis

Others argued that because valuing intangible assets is such a gray area, financial frameworks are the not the best approach for expressing human capital data.
**OVERVIEW**  Were human capital analytics to reach its full potential over the next three to five years, the business environment would be transformed in the following ways:

- Human capital analytics terms, methodologies, and practices would become standardized.
- There would be widespread understanding within the business community of how human capital investments create value.
- Human capital analytics models would be created that demonstrate that value.
- Tools and technology would facilitate those models’ adoption.
- Dramatic changes in the analytical capabilities of HR executives would drive a new evolution of the profession.
- Public policy changes would create incentives for companies to adopt human capital-maximizing strategies.
Participants were tasked with envisioning the future for human capital analytics three to five years out. Specifically, the group focused on answering: “What would we see going on that’s different from today if we had what we want in terms of human capital analytics?”

The discussion yielded some points of agreement, some of dissonance. The most resonant ideas were sorted into six groups, which became an actionable list of specific areas of change—the changes needed to drive forward the human capital analytics agenda.

**Key Points**

- **Standardization of human capital analytics is seen as essential to their widespread adoption.** There was general agreement that standardized, generally accepted human capital analytics principles—a rigorous, well-defined approach to the discipline—are needed for analytics’ adoption. Ideally in the future, business decisions would routinely be made based on human capital analytics. In Laurie Bassi’s view there would be consistent, systematic human capital reporting to boards of directors and a subset of that information would be provided to Wall Street analysts. This is in contrast to the inconsistent way in which such information is shared today, if it is shared at all.

- **Whether standards should be pushed upon business and HR by regulators or pulled by demand is a key question.** As participants considered what standards might look like and what would drive their adoption, two schools of thought emerged, defined as “regulatory-driven” and “bubbling-up.”

- **Regulatory-driven.** In this scenario, human capital analytics standards would be imposed in a top-down approach. Several participants favored this scenario and envisioned a Financial Accounting Standards Board (FASB) ruling requiring organizations to account for human capital investments in standardized ways; participants saw much promise for advancement of HR as a profession linked to this development. If human capital investments such as training were treated by accountants as line-item investments instead of as hidden costs, business and investment communities would be better able to see human capital as the value driver that it is.

> “If we as an industry could get a FASB ruling saying, ‘This is how you will account for your human capital investments’…[as] a way to show their value as the value of options are shown, it would be incredibly valuable.”
> —Kent Barnett

It was pointed out that during mergers and acquisitions, it is common for acquiring companies to assign monetary values to the human assets of their takeover targets. Standardization of the methods used to determine the value of human assets could drive a whole new way of looking at the financial marketplace.

> “If all went well, we wouldn’t see stand-alone HR reports that are so easily dismissed; they’d simply be part of a company’s strategic and financial analyses.”
> —Jim Lewis
A standardized approach is good—like Six Sigma; everyone knows what that is. If you can find that for human capital, it would have far greater impact over the long run than changing GAAP.

—Andy Suh

Kent Barnett suggested that much could be gained by connecting academics working on human capital theory (such as Nobel Prize-winning economist Dr. Gary Becker) with the business and investment interests that stand to benefit from their knowledge.

As a result of this discussion, the group concluded that figuring out how to integrate human capital analytics with financials was a critical area requiring further exploration.

Education of all key stakeholders around the value of human capital analytics is necessary to drive adoption. Kent Barnett suggested that much could be gained by connecting academics working on human capital theory (such as Nobel Prize-winning economist Dr. Gary Becker) with the business and investment interests that stand to benefit from their knowledge.

As a result of this discussion, the group concluded that figuring out how to integrate human capital analytics with financials was a critical area requiring further exploration.

This view was seen as a “bubbling-up” approach where those human capital analytics that were able to generate real value came to be seen as standards, with such standards naturally adopted over time—they were “pulled” into existence—as opposed to being mandated or “pushed” upon business by a regulatory authority. Andy Suh offered that the ultimate adoption of a broadly applicable standardization model would foster greater understanding and drive greater demand for human capital analytics.

Policy is not the right platform for acceptance [of human capital analytics]; it’s value. If we have evidence that human capital indices add value, boards will accept that...It won’t be necessary to use policy to create widespread adoption.”

—Ken Carrig

Related to creating and using such a model are the tools, techniques, and technology to make it work. “We need to build tool sets to do this,”—Bill Schiemann

Further exploration was deemed necessary into what needs to take place on the education front.

A model is required that demonstrates the value of human capital analytics, requiring appropriate tools and technology. Some participants felt that a core issue was the development of a human capital analytics model that clarifies to HR executives, business leaders, and those on Wall Street exactly how HR analytics link to business value—the specific causal relationships.

Those advocating development of such a model believe that it is required for widespread, uniform understanding of human capital analytics’ value—creation mechanism. The view is that without such a model, it would be hard to convince a company’s senior management that they’ll be rewarded by Wall Street for using human capital analytics.

“If this isn’t ultimately connected in some way to stakeholders’ perceptions about value or success, and if we don’t have a compelling human capital model that is validated against important business, community, or personal outcomes, a lot of this is moot.”

—Bill Schiemann

“A standardized approach is good—like Six Sigma; everyone knows what that is. If you can find that for human capital, it would have far greater impact over the long run than changing GAAP.”

—Andy Suh
said Jack Phillips. One participant envisioned IT systems that allow people to look at relevant relationships in an organization by including and integrating all human capital and business data.

Further effort is needed to more fully define the elements of this and to understand the tools and technology required.

**Adopting human capital analytics requires developing new competencies with HR, which won’t be easy.** Participants agreed that for the adoption of human capital analytics to become routine practice, the development of new competencies by HR executives is required. The future that Symposium participants envision requires a higher level of business acumen than is often common among many HR executives today.

On a practical level, developing these new competencies faces challenges:

- **Lack of analytical capabilities.** Participants expressed the view that while some HR executives have the capabilities and the interest to develop analytical skills, the HR profession as a whole may need additional skills in this area.

- **Lack of competency models.** Another challenge is that HR competency models are typically created by surveying executives about the demands of their current jobs; what is being done today sets the bar, and doesn’t necessarily describe what competencies are needed in the future. Sue Meisinger noted, “Certification, by design, is somewhat retrospective, looking at what someone needs to know right now. It’s not as helpful in defining what is necessary to move the profession forward.” Participants were uncertain how readily the profession would accept a new set of tools and standards, let alone new competencies. Some expressed concern about pushing standards on HR executives. Others disagreed, believing that acceptance would not be a problem if the right operating model for HR were in place, if the right tools were provided, and if adoption were voluntary.

> "Saying an HR department should have these skill sets within it—that's not controversial at all. We just need an operating model."
> —Jac Fitz-Enz

One participant argued that the HR profession needs time to prepare for this more analytical world at work. In the absence of more time to prepare and develop capabilities in this area, the HR executive will not do a good job of managing analytics. This raises the risk that finance will take over analytics and it will no longer be in the realm of human resources.

Some participants believe that the development of greater analytical capabilities among HR executives can contribute to ushering in a new era for the HR profession. It was noted that a new environment could be created that would result in a structural reinvention of the HR function.

They envisioned a human capital department staffed with business-savvy people working on value maximization through analytics, with a standardized human capital framework providing directional guidance.

> “We won’t be dictating a specific framework, but if we walk down the path toward setting standards, we can’t stop. We need to develop an organic framework, so it can change, because nothing stands still.”
> —Sue Meisinger

Ellen Fernberger sees HR advancing to its next level; just as finance grew out of accounting, human capital analytics may represent the next evolution of HR.

> “If HR doesn’t move to the next level the way finance moved, do we become superfluous to the organization? And what is that next level?”
> —Ellen Fernberger

The conclusion of the group is that further work is required to redefine the HR competency model so that it incorporates the concept of human capital analytics.
An appropriate public policy response would be incentives for business to embrace human capital maximization strategies. Several participants said they would hope to see changes in public policy that would accompany the changes in the business environment. An example of a potential policy change would be the U.S. government encouraging corporations to appropriately account for human capital investments because doing so would be in the interest of society and the economy.

“The role of HR management is different than advertising or marketing, because the decisions private-sector employers make regarding whether or not to train somebody have implications beyond profit maximization; they shape the evolution of our society.”
—Laurie Bassi

Laurie Bassi pointed out that such public policy responsibilities are more readily embraced in developed countries outside of the U.S. (such as the U.K.).
A ROADMAP FROM TODAY TO TOMORROW…

and What SHRM Can Do to Advance the Human Capital Analytics Agenda

OVERVIEW It is possible to develop specific, actionable strategies that can demonstrate the value of human capital analytics and can better prepare HR executives to use and derive value from human capital analytics. These strategies focus on creating consistent and accepted analytics standards, linking human capital analytics with financials (in some situations), educating stakeholders about the value of human capital analytics, and expanding the competencies of HR executives to equip them with the business acumen and analytical capabilities necessary to fully leverage human capital analytics.
Following the discussion of the ideal future for human capital analytics, participants formed five breakout groups to focus on specific areas that had been identified for further exploration. Each group brainstormed on a specific area of change that is required to bring about the adoption of human capital analytics, identifying drivers, barriers, and opportunities. These discussions also touched on what SHRM can do to advance human capital analytics. The summary of each group is highlighted below.

**KEY POINTS**

- **A process for creating human capital analytics standards would be collaborative and could unfold in phases.** The group formed to address development of human capital analytics standards decided that they actually preferred the word “model” as opposed to standards—suggesting more of a work in progress than the prescriptive edict that “standards” can connote. They conceived of a three-phase adoption process:
  - **Phase I: Definitions and terms clarified and an open-sourced framework or model defined.** It was envisioned that these definitions and terms could be clarified by SHRM initiating a dialogue on this subject and soliciting input from the HR profession in a revolving feedback loop.
  - **Phase II: Awareness and credibility are built.** This phase would encompass: 1) verifying and validating the model; 2) educating stakeholders; and 3) establishing a structure within organizations and defining technological requirements. SHRM would support the sharing of approaches and technological solutions, etc.
  - **Phase III: The model becomes the standard.** The model would be user-focused, encompassing core measures and having industry-specific variations. Ideally, it would become institutionalized and widely accepted.

The model would integrate human capital analytics with organizational missions and strategy. Measures would be relational, such as engagement, talent acquisition, and retention as they relate to productivity; employee loyalty as it relates to organizational goals, etc.

*There would be no measurement for measurement’s sake.*
—Mary Hough

- **There are examples of linking human capital analytics with financials, but some participants question whether this is the right path.** The group focused on integrating human capital analytics with financials established two premises which guided their thinking: 1) causation is a fallacy in anything above the simplest task—a more realistic aspiration is to demonstrate correlation; and 2) FASB principles are subjective and, to a degree, arbitrary. Based on these premises, this group created an example of how human capital analytics can be integrated with financials, and they agreed on a recommended resource.

- **An example.** The group offered a situational example of how human capital measures can be linked to financials, which involved finding correlations among an HR-related activity, such as investing in training, and soft data like turnover and hard data like “QIPS” (Quality, Innovation, Productivity, and Service), which is already measured by many companies. The problem is accounting for variables that can’t always be measured and controlled.

- **A resource.** The group suggested using a set of macro human capital measures to guide business decisions.

Some members of this group were not comfortable with the idea of integrating human capital measures with traditional financial measures.

Bob Laux put forth, “Can’t HR do better than that? Better than to base the worth of human capital analytics on a flawed financial paradigm?” Laurie Bassi said the linkage of analytics should be to appropriate evidence, which is not always ROI. “Attempting to monetize everything can take you down the wrong path and is often not what’s required by executives.” But it is often the path HR takes, she said, “because what HR is trying to do is show that its activities are worthwhile, whereas what it should be doing is
continually striving to improve the business.”

Others asserted that HR metrics must be linked to predictive, forward-looking business indicators to become analytics that are used to drive strategic decisions (thereby realizing analytics’ full potential).

Participants believe there is much that SHRM can do to help educate stakeholders about the value of human capital analytics. The group charged with exploring education around human capital analytics identified the following stakeholders for SHRM-driven education initiatives: HR executives, employees at all levels (C-level, line managers, and product champions), boards of directors, and students both in MBA programs and on HR tracks. Suggested avenues for SHRM to reach these stakeholders included:

- Collaborating with organizations representing corporate boards of directors and providing kits and content demonstrating the value of human capital analytics.

- Marketing and messaging directly to CEOs by communicating how human capital analytics can monitor and subsequently improve business performance.

- Providing tools to help HR executives develop a comfort level when making a case for human capital analytics to finance people, CEOs, and boards. The tools are important as part of building credibility and cultivating a working relationship with these parties.

“If you don’t have a working relationship with finance folks, develop one; otherwise, they can cut the legs out from under you by questioning your numbers… That’s why these tools, skills, and help are important—to change the tenor of the conversation.”

—Isaac Dixon

- Supplying tools and learning resources to help HR executives develop greater business acumen. These could include dashboards, workshops on business decision making, webcasts, and publications that distill the content of books and articles on HR analytics.

- Providing help for HR executives to educate line managers about what human capital analytics are, how they are used, and the value they provide. This could entail creation of tools that measure areas such as productivity and efficiency, and tools that show each employee how their productivity/efficiency affects the organization’s bottom line.

The goal of such tools is to help HR executives become more knowledgeable about and comfortable with human capital analytics and to be able to educate their organizations about analytics.

During the course of the discussion in this breakout group, Sue Meisinger raised several questions to help clarify SHRM’s potential role and the potential tactics SHRM might pursue in advancing human capital analytics. Among the questions raised and responses given:

- Is a recommended strategy to create a demand at the board level [for human capital analytics], and then to make sure that we [SHRM] equip HR executives with a supply? Participants generally thought so. One saw a significant demand stimulator in getting human capital analytics content into executive MBA programs.

- How do we get HR executives to learn about human capital analytics and use them? One participant responded that the profession will get there, but it will take awareness, tools, experience…and time. Others saw self-interest as the driving force for HR executives’ engagement. Andy Suh put forth a cautionary scenario: if HR doesn’t learn how to interpret metrics for organizational advantage and communicate the value to CEOs, companies will decide they don’t really need HR, as its transactional functions can be outsourced.

“The motivation behind HR’s wanting to interpret metrics is pure survival. If you have dashboards, etc., you don’t really need HR. You can outsource the transactional and operational components in recruiting, benefits, compensation, service centers, etc. What’s left? The strategic aspect.”

—Andy Suh
How closely aligned do we become with finance? Laurie Bassi said that the decision whether to align with financial measures (and with finance) depends on the specific situation—sometimes it’s appropriate to use financial measures like ROI; other times, that would be the wrong path. Others emphasized the importance of speaking the language of finance to gain credibility, whatever measures are ultimately used. Once credibility is gained, it frees HR to use the most appropriate human capital metric and not be dismissed. Another argument for the finance-oriented approach is the need to win over Wall Street regarding the value of human capital. Bob Laux again expressed his view that the “softer side” presents more opportunity for relevance than forcing a linkage with financial measures.

John Dooney observed that ironically those who work in “hard” fields like finance are arguing for looking more to the “softer” side while those in the “softer” field of HR favor taking an increasingly “harder” finance-focused approach. “There should be a medium where we can come together.”

Better than creating a new human capital analytics model may be integrating existing models in a flexible framework. The group assigned to probe the need for a new human capital analytics model thought that rather than create an entirely new model, a more appropriate approach may be to integrate the many models that already exist into a framework that’s flexible enough to accommodate the needs of various industries and various-sized companies. Their inspiration was the work of the Baldrige Commission, which (20 years ago when the U.S. faced economic pressure from Japan) integrated various quality models into one framework that was viable across industries.

The group distilled HR analytics to a formula:

“HR relates to human capital performance, which drives company performance, which contributes to firm value.”

The challenge is that there are multiple stakeholders who do not yet fully accept the relationships in this formula. Having a single, highly visible, easily understood, integrated framework that makes the validity of those relationships clear would help bring all stakeholders onboard. It also would create widespread awareness/education and would stimulate demand. This would create pull for the use of human capital analytics and would go far in advancing the field.

Getting political muscle behind a framework initiative of the kind that gave momentum to the Baldrige Commission would help it gain traction. One participant felt that because of the impending labor shortage it might be possible to garner political support for such an initiative.

Amplifying HR competencies is best approached through improving existing learning systems. The group tasked with thinking about the HR competency model considered how best to strengthen the profession’s competencies to equip HR executives for a world where human capital analytics is a greater force in business. This group focused on existing learning systems at different stages of an HR practitioner’s career. Suggested tactics for SHRM:

- Encourage colleges and university programs to incorporate more coursework focused on developing skills in data management, business strategy, creative problem solving, and salesmanship.
- Encourage companies to partner with degree programs, so curriculums could better address real-world needs.
- Tailor SHRM’s existing learning resources for the practicing HR executive to include more focus on analytical skill development and developing greater business acumen.
- Make sure that certification programs for HR executives include sufficient analytics and business content.

A challenge is figuring out whether existing learning systems, which have a functional orientation, need to be overhauled to incorporate the analytics-required skills or whether these new skills could be threaded into existing programs.
ADDITIONAL WAYS THAT SHRM CAN ADVANCE THE HUMAN CAPITAL ANALYTICS AGENDA

OVERVIEW In addition to those suggestions for SHRM in previous discussions, participants suggested several possible approaches SHRM could take to advance the emerging field of human capital analytics. A majority of the ideas centered on SHRM’s partnering with other organizations that are undertaking analytics initiatives—such as CEO groups, government agencies, nongovernmental organizations, and industry trade associations. Other suggestions included research into specific human capital analytics that can predict performance and create value in various industries, and awareness-building about human capital analytics among SHRM members.
Participants explored further actions that SHRM can take to advance the human capital analytics agenda. Several approaches for SHRM to consider emerged.

**CONTEXT**

Participants explored further actions that SHRM can take to advance the human capital analytics agenda. Several approaches for SHRM to consider emerged.

**SUGGESTED ACTIONS FOR SHRM**

- **SHRM could partner with stakeholders in government, academia, and business to shape the future.** Many participants thought it was incumbent upon SHRM to spread the word about the value of human capital analytics by partnering with stakeholder groups—such as boards of directors and CEOs—who require enlightenment for the agenda to gain traction. Other partnering and collaboration opportunities for SHRM are:
  - **Department of Commerce.** Bob Laux shared information about a Department of Commerce advisory panel on measuring innovation. People talent is one of the areas being examined, and SHRM should consider getting involved.
  - **Securities and Exchange Commission.** Laux also conveyed that the SEC has a special committee currently examining improvements in financial reporting and that key performance indicators (by industry and functional area) may be part of their recommendations. Since HR is one of those functional areas, SHRM may be tapped to offer an opinion. Even if not sought out, however, becoming involved with this policy-forming initiative would be in SHRM’s interests.
  - **CEO and CHRO groups and trade organizations.** Many industries are grappling with human capital analytics. (Some possibilities: the American Bankers’ Association, the American Hospital Association, the American Insurance Association, and the American Society of Human Resource Administration.) SHRM and partner associations could work together to figure out next steps and solutions, for business generally and specific industries in particular.
  - **HR executives in the government sector.** Seeking solutions from HR departments within the federal government was another idea floated. (Sue Meisinger offered that she had already met with the director of the Chief Human Capital Officers Council, representing CHCOs in federal agencies—but to date that group has not been progressing on the analytics front.)
  - **Another idea: industry-specific research into human capital-related leading indicators for business performance.** A participant raised the idea that SHRM consider organizing a consortium to conduct industry-specific research into human capital leading indicators for business performance. Which human capital measures can function as predictive leading indicators for business performance in various industries would be valuable information that is not readily accessible today.
  - **Offering analytics workshops for members’ organizations was another suggestion.** One participant commented that reading about analytics is one thing, but applying the concepts and actually doing analytics is more difficult. She suggested a possible SHRM consulting service that conducts workshops with organizations to turn research into something more practically applicable on an individual-company basis. She thought SHRM might try a pilot to determine whether such a service would be a valuable extension of its research arm.
  - **Also advised: more resources of the type that SHRM already offers, but focused squarely on strategic value creation.** One participant suggested that more HR Magazine articles and other research content that SHRM provides be targeted directly at C-suite business decision makers (CEOs, CFOs, and CHROs) and focused on the objective of creating value for the organization rather than HR function-specific matters.
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