



WHAT HR LEADERS NEED TO CONSIDER ABOUT PEOPLE ANALYTICS

August 2022
Insights Forum:
Executive Summary



THE RAPIDLY GROWING SPECIALTY OF PEOPLE ANALYTICS TOOK CENTER STAGE AT SHRM'S AUGUST EN:INSIGHTS FORUM.

People analytics tools are central to HR efforts to use data to improve staffing and business outcomes. The proper application of people analytics aims to empower HR leaders to develop **data-driven insights** they can use to **inform** talent decisions, **improve** workforce processes and **promote** a positive employee experience.



New research presented by Ragan Decker, Ph.D., lead researcher at SHRM Research, finds a majority of executives are committed to building the data-driven HR culture that people analytics can provide. Most HR executives at organizations using people analytics say the technology is an **essential part** of their organization's HR strategy. Yet, a smaller majority of HR executives found their current approach to people analytics is improving their bottom line. Why?



“Given everything we know about the power of people analytics, the number of HR executives reporting people analytics is improving their bottom line seems a bit low,” Decker said. “It begs the question, ‘Why isn’t people analytics fully delivering on its value?’”



76%

say their organization is committed to building a data-driven culture.

71%

indicate that people analytics is an essential part of their organization’s HR strategy.

57%

But only 57% report that people analytics has successfully driven profit or savings for their organization.

WHERE IT'S BEING DEPLOYED:

People analytics can track and analyze key HR metrics, such as employee turnover and retention.

“Turnover is expensive, and people analytics can help **provide insights** into who is at risk of leaving, from the most basic turnover analysis to more **predictive models** that can help identify individuals who are at the highest risk of leaving,” Decker said.



TOP 5 AREAS WHERE PEOPLE ANALYTICS IS BEING USED IN HR



Turnover and retention



Recruitment, interviewing and/or hiring



Employee engagement



Total rewards (compensation, benefits)



Performance management

“**Recruitment and hiring** is another area where organizations are using people analytics. As an example, it can be used to allow recruiters and hiring managers to better **match candidates** with open positions, as well as ensuring they’re hiring the best candidate,” Decker said. “People analytics can really allow HR to turn employee data in each of these areas into **actionable insights**, therefore making HR more successful.”

WHY ISN'T PEOPLE ANALYTICS FULLY DELIVERING ON ITS VALUE?

The SHRM Research found the most extensive use of analytics was in **low-level data tracking functions**, producing **simple activity reports** on very basic metrics. In contrast, a tiny percentage of organizations focus on higher-level functions where advanced analytics can provide insight into workplace outcomes.

PEOPLE ANALYTICS SOPHISTICATION CONTINUUM

LEVEL 1

Descriptive reporting:
37% of organizations use analytics to understand what has happened in the past with already available data.

LEVEL 2

Diagnostic reporting:
40% use analytics for the routine collection of data with the goal of looking at the relationship between variables.

LEVEL 3

Predictive analytics:
19% of organizations are using people analytics to conduct thorough analyses, such as developing causal models.

LEVEL 4

Prescriptive analytics:
4% of organizations employ analytics in the role of gathering data to predict what will happen in the future.

“According to our research, organizations are **lacking analytical sophistication**,” Decker said. “More than one-third of organizations are using people analytics as nothing more than just a reporting activity, which suggests that many organizations might not be using people analytics to their full potential.”

BENEFITS OF AI-DRIVEN PEOPLE ANALYTICS

Of the organizations now using people analytics, **just 9%** use systems driven by artificial intelligence.

Organizations that use AI-driven people analytics are more likely to:

Achieve DEI goals

76% *vs.* 63%

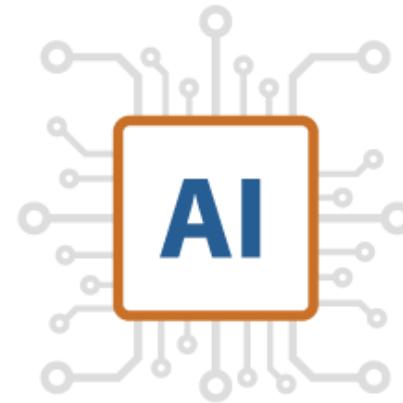
Be competitive in today's job market

81% *vs.* 71%

Achieve their retention goals

60% *vs.* 46%

Moving to an AI-based analytics system won't be as simple as buying new software but comes with three distinct challenges:



Understanding how AI tools make decisions

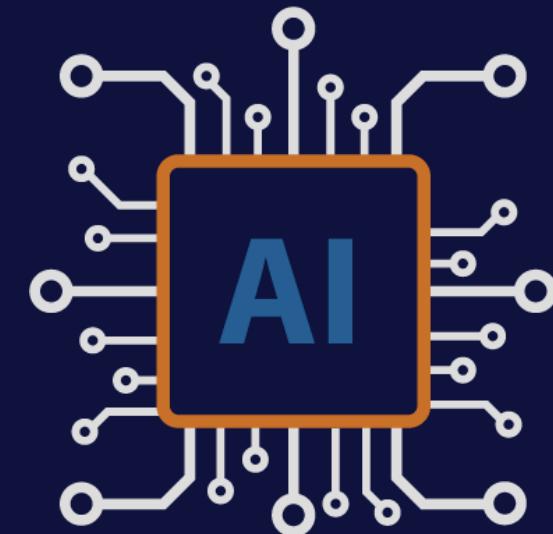


Building fair, ethical and responsible AI



Acknowledging the limitations of employee data and the impact on AI

CHALLENGE #1: UNDERSTANDING HOW AI TOOLS MAKE DECISIONS:



HR professionals want transparency in AI tools

93%

say it's critical that their organization can explain how AI tools make decisions

88%

trust AI-based recommendations only when they understand how the tool made the decision

34%

Yet only 34% say developers of AI-based people analytics tools are very transparent about how their tools make decisions.

Concerns about **transparency** and the potential for **bias** in AI-based decision making, could pose a major stumbling block for HR executives interested in adopting AI-driven systems. Although a large majority of HR leaders insist that their organization must be able to explain how AI tools make decisions to be **trustworthy**, just **one-third** said AI developers are transparent about how their applications work.



CHALLENGE #2: BUILDING FAIR, ETHICAL AND RESPONSIBLE AI

The presentation came just days after The New York Times explored the expanding use of monitoring software in the workplace in a critical story headlined, “[The Rise of the Worker Productivity Score](#).” The story focused on the issue of micro-management, unreliable data collection, and the sense that workers – especially white-collar staff – described being tracked as “demoralizing,” “humiliating” and “toxic.”

BUILDING FAIR, ETHICAL AND RESPONSIBLE AI:



Organizations using AI-driven tools have yet to prioritize building **fair, ethical** and **responsible** AI systems. This suggests that many perceive AI as objective or impartial, despite the potential for bias. The use of artificial intelligence in hiring, promoting, and other **employment decisions** must be examined and controlled to ensure its use is fair and ethical.



Among organizations that use AI-driven people analytics:

Only **25%** rank **fairness** as one of the top three characteristics for those tools

43% evaluate their tools for **bias** and or **discrimination**

21% have an **AI steering committee** or board that oversees the use of AI tools/software

26% have a **code of ethics** that specifically addresses the use of AI-driven people analytic tools

CHALLENGE #3: ACKNOWLEDGING THE LIMITATIONS OF EMPLOYEE DATA AND THE IMPACT ON AI:



Just **29%** of organizations using people analytics rate the quality of their data as high or very high, and the same share consider themselves “very well prepared” to deal with data quality challenges.

82% of organizations that use **AI-driven people analytics** rank **accuracy** as one of the top 3 characteristics for an AI-driven people analytics tool.

Without the means to tackle **data quality challenges**, organizations will likely continue to struggle with the accuracy of their AI-driven people analytics tools.



INVESTING IN PEOPLE ANALYTICS AND BEYOND:



The research suggests businesses have a great deal of interest in **people analytics** and related areas. Yet many organizations struggle with **committing resources** to these areas, even as their leadership calls for **more analytical approaches** to HR.

“The emphasis on people analytics has intensified since the start of the pandemic and even more so since the Great Resignation,” Decker said. “HR departments are receiving **pressure from leadership** to be **more analytical** in their approach, and to determine how their decisions are **impacting the bottom line.**”



Almost two-thirds (64%) of HR professionals indicate that their organization has allocated **too few resources** to people analytics.

When allocating these resources, organizations shouldn't forget the need for a strong foundation. Of HR executives who work for organizations that use people analytics, **only about half** report that their organizations have committed sufficient resources to support their data infrastructure (**56%**), provide data literacy training (**48%**) and supply appropriate data tools and technology (**48%**).

SHRM'S KEY FINDINGS ON THE MOVE TO AI-DRIVEN PEOPLE ANALYTICS:

1

Organizations are committed to building **data-driven cultures** but are **not providing sufficient resources** to support this effort

2

Most organizations are still **struggling** to move from basic operational reporting to more advanced forms of people analytics, including **AI-driven people analytics**

3

Organizations should establish **governance structures** and a sound **data infrastructure** before implementing AI-driven people analytics tools

In the end, this new SHRM research finds that while most organizations are committed to building **data-driven cultures**, many are stuck at a level of basic data reporting. While many want to move forward to implement AI-driven analytics programs, they **first need to build oversight** to ensure that whatever AI tools they use are **accurate, ethical and fair**.

GUEST SPEAKER

Merck & Co.
Chief Talent Officer
Carl Segerstrom:
Evidence vs. Insight



Carl Segerstrom, Senior Vice President and Chief Talent Officer at Merck & Co., says he's always been fascinated by analytics. His more than 20 years of experience as an HR leader and consultant have given him perspective on fast the field of people analytics can move.

“This is a field that’s moving so fast,” Segerstrom said. “I can picture us looking at this discussion in two years, having cocktails and giggling at how ridiculous my predictions were because things have moved so much faster than we thought.”

EXCERPTS FROM A Q/A WITH CARL SEGERSTROM

How do you see people analytics changing the HR landscape?

When I started working in this industry almost two decades ago, I remember doing **headcount reports** or trying to manually calculate **turnover**. That was pretty much the depth of it at the time. Then if you fast forward to different roles over the years, I would say that with the exception of compensation and benefits, which always had the rigor of analytics and numbers because it's money that's involved, you could get away with making decisions or presenting business cases in the HR space that were purely based on anecdotal evidence or qualitative findings or opinions. The analytical rigor of decision-making went out when you spoke about HR issues.



Over the last five or six years, I've seen a change to **much more evidence-based HR practices**, where you use data to make business decisions and treat human capital or workforce topics like any other business topic, where you have a solid analytical base.

WHAT ARE THE HALLMARKS OF A SUCCESSFUL ANALYTICS PROGRAM IN THIS DAY AND AGE?

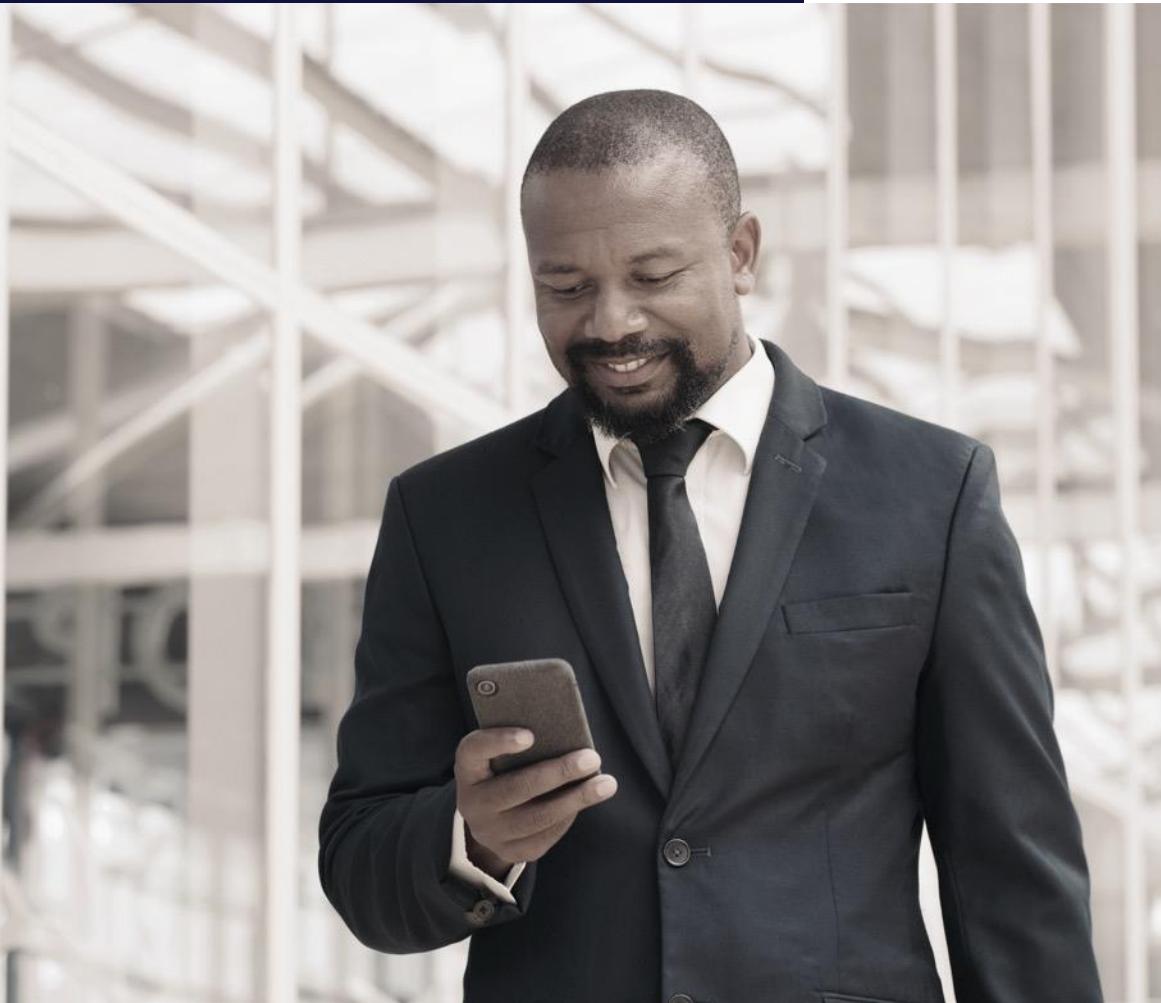
I look at three hallmarks – **accountability, decision making, and myth-busting**. Look for analytics that help you make better decisions and whether you've put the right rigor and evidence behind your recommendations.

In the last couple of years, I've found a very strong emphasis on what I call "myth busting." We've gone through these volatile times with lots of change, and there's been a lot of opinions out there. Everyone has read about the **great resignation**, and if you speak to the board or executive team or line leaders, they're all up in our arms saying, "The sky is falling! It's the great resignation!" And for us at Merck, that was not the case. But if you have a lack of data, you believe that's the case because that's what you read about in the Financial Times or The New York Times or whatever magazine you're reading.



The same thing goes for **diversity and inclusion**. Are we losing more women than men because of **child-care issues** or **homeschooling**, and is that true or not true? Analytics has the power to put the facts out there. Otherwise, people are reacting to assertions or non-factual comments. So we spend a lot of time on that.

WHAT ARE THE HALLMARKS OF A SUCCESSFUL ANALYTICS PROGRAM IN THIS DAY AND AGE?



The third thing I find that is quite powerful is how you can **use analytics to drive accountability**.

How do you hold yourself accountable to **diversity or inclusion goals**? How do you hold yourself accountable for **employee engagement** or **skills** or the **health** of your workforce, at the organizational level but also at the individual level?

Think about the productivity insights you can get about yourself: Do I have a bias in my **hiring patterns**? Do I spend equal amounts of **time** with my direct reports? Do I **multi-task** during meetings?

With data, you get so much more feedback, and it's more helpful to hold yourself accountable for good leadership at both the macro and micro levels.

AUDIENCE ISSUES FROM THE Q&A SESSION

Are AI-driven people analytics really as advanced as they're being sold?

I think we are going to see more use of AI, and AIs are going to get better. But there are many steps between not using AI and letting AI make full-on recommendations for you. For example, in surveys, it's worked well for me in translating different languages and collecting different kinds of sentiments. We use AI to audit performance management write-ups and to look for words that would suggest bias regarding race or gender, or other aspects of diversity.

But I would never trust AI to tell me what I need to do unless I understand why it says that because AI is not intelligent. It's an algorithm.

“But I would never trust AI to tell me what I need to do unless I understand why it says that because AI is not intelligent. It's an algorithm.”

But you can use AI to do some of the work for you that otherwise will be incredibly time-consuming, like connecting various data sets and looking for patterns that you might not be able to find only using a human brain. AI and machine learning can do that much faster.

But then, I would still like to have humans in HR leadership interpret what that means. Now, sometime in the future, you might have a really sophisticated AI that spits out an answer like, ‘These are the three decisions you need to make today.’

AUDIENCE ISSUES FROM THE Q&A SESSION

What has been your greatest lesson in shifting the HR culture to being data-driven?

“...in some cases, you just have a whole heap of data that is, by definition, imperfect, so you’re looking for patterns to generate insights.”

The first lesson for me is that there's a difference between **evidence and insights**. With a bio-pharmaceutical firm like Merck, we're a data company, to begin with. You're not getting a drug or a vaccine out there without the appropriate data behind it, both from a safety standpoint but also from clinical trials and knowing exactly what this product does to a biological system. **So data is a foundation of the company.**

But we are also a scientifically based company, and when you deal with scientific evidence, you have a hypothesis, you have data sets, and then you try to prove or disprove the hypothesis. When you deal with digital analytics, in some cases, you just have a whole heap of data that is, by definition, imperfect, so you're looking for patterns to generate insights. Your acceptance of imperfect data sets or not-perfect correlation is much lower. And it kind of goes a little bit against the conventional science mindset, right?

– continued

AUDIENCE ISSUES FROM THE Q&A SESSION

– continued

Finding a way for that to coexist has been an interesting cultural dynamic that we had to understand. One thing that helps us is to separate evidence-type data and pattern-type data. If I'm proving the quality of a pediatric vaccine that's going to be injected into a three-month-old baby, you don't want to have good enough data – you want to have damn good data. But if I'm looking at broad workforce trends to predict how many data scientists we'll need in a specific country in two years, I'm OK with not having perfect data but getting the broad trend.

You have to be clear about whether you're dealing with insights or evidence and be very clear on your

What has been your greatest lesson in shifting the HR culture to being data-driven?

acceptance for accuracy within both. Because if you're always going for perfect data, you're never gonna be able to generate the right insights. But if you use imperfect data when you need evidence, you're going to mess up the quality of your work.





If you are not a member of the SHRM Executive Network, apply for access [here](#) and join CHROs and senior HR leaders from Microsoft, Trip Advisor, Chipotle, Mastercard, AutoNation, and more.



shrm.org/executive