Navigating Political and Ethical Issues of Using Big Data in HR

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About Talent Analytics, Corp.

- Predicting candidate results since 2001
- Cloud Platform, Advisor™ predicts job candidates who:
  - Last
  - Perform
  - And, are engaged in their roles

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Learn from Analytically Mature Human Domains

- Customers – will they buy?
- Insurance – will they get sick?
- Financial – will they pay their loan?
- Voter Analytics – will they vote for my candidate?
- Sports Analytics – will they win for my team?
A Story About Telecom Sales
Telecom Sales Reps

- 1,900 Traveling Reps
- Door to door
- 62% annual turnover rate
- Something must be done
Reports and Dashboards
Reports and Dashboards to Understand Turnover

- Run annual turnover reports
- View data in HR dashboard
- Drill into turnover, by Region
- Regional Managers begin to get a little nervous
Political Pressure Begins

- Regional Managers pressure HR
  - Is HR data correct?
  - Compare turnover to industry benchmarks
- Source better candidates
- Better training / onboarding
- Better pay?
  - No action
New Way of Looking at Turnover
“Survival Curves”

Quarterly Bonus’

38% Survival, or 62% Turnover at Year 1
What Survival Curves Tell Us

- Sales Reps leave right after quarterly bonus
- Raises policy questions
  - Nobody knows what to do or wants to step forward
- Stop quarterly bonuses?
  - No - will more leave?
- No action taken
Sales Turnover Taskforce Formed
Sales Turnover Task Force

- Cross-Company Taskforce – More than HR
  - HR / WF analytics, Finance, Sales, Training

- Data Required – More than HR
  - HR data (Cost to hire, Termination data)
  - Sales data (Sales Performance Data)
  - Finance (Salaries / Commissions)
  - Training (Length and Cost to Train)
Data Politics

- Fear of exposure
- Fear of accountability
- Fear of losing power
- Withhold data - why give someone ammunition against me?
- Pretend I have privacy concerns
Despite Pushback ... Progress
Single version of the truth:

- Costs the business $12,000 to replace a fully trained Telecom Sales Rep.
- Sales turnover $14 million annual cost
- Reps profitable only after 13 months – wow!
- Only 36% last until 13 months
Cost of Sales Rep. Turnover Delivered to C-Suite
Response Needed Now

- Control oriented response?
  - Put GPSs on all the sales reps
  - Fire their managers (is this ethical if it’s a structural problem?)
  - Can predictive analytics approach help?
- C-Suite Mandate – Take Action Now
New Analytics Approach
Discover “Sales DNA”
New Idea: “Sales DNA”
What Kinds of Reps Succeed?

- Does current screening consistently identify good reps?
  - Do you even know?
- Which Rep sells more / lasts longest:
  - Hunters or Farmers
  - Service or Solution sales
  - How technical? Other?
- Can analytics provide some answers?
Gather random assessment / survey sample of current Sales Team “DNA”

Predictive techniques discover patterns between assessment factors (inputs), and

- How long they last in their job, and (outcome)
- Sales performance (outcome)
Privacy / Ethical Issues

- Should we include their universities, zip codes, etc. as inputs?
- It’s hard to “unsee” insights
- How about scraping social media data, or review their emails or chat streams?
- Where does your company draw the line?
Concerns Bubble Up
Keep Moving

- “Let’s pilot this in the Northeast Region”
  - Only 50 sales reps there
  - Not large enough sample to be valid
  - Go for a wider area

- “People are too unique to be predicted”
  - Credit and Marketing are predicting human behavior effectively – what’s the difference
“Sales DNA” Model Found

- Analytics identifies reliable pattern between assessment results and Sales Rep turnover & performance
  - Success over politics!
  - Only possible by combining data from different department sources
- Cross Validated: Pattern holds up to rigorous data science process
- No regional differences
- Now what? How to use this model?
Two Options for Action
Lacks fiduciary responsibility to company and shareholders to do nothing

Is it ethical to:

- Keep hiring Sales Reps into a role and dept. where they are very likely to fail?
- Or fire a Sales Manager when the problem is structural and lack of correct data analysis?
Multiple applicants per open position
Add “Sales DNA” Model into screening process
Screens in / screens out candidates
Large ROI potential
Success: Models tell why they make choices, Recruiters and Managers don’t

No more mystery factors – you know that your decisions actually predict performance, are job related

Models get smarter over time - updated regularly based on real-life hiring experience (machine learning)

Watch for disparate impact of model

Consider “Stratified Sample”
Best Approach: Rightsize Concerns
Analytics systematically gathers facts from experience and helps you make unbiased decisions.

What are the ethics of ignoring the facts?

Do politics make people ignore what is really going on?
Why This is Important
Ultimately One Big Reason: ROI

- Huge ROI working through politics & ethics issues
- Sales Rep turnover begin: 62%
  - 1,178 reps a year with a $12,000 replacement cost
  - $14.1 million annual turnover cost
- Sales Rep turnover 12 mos later: 50%
  - 950 reps a year = $11.4 million a year
  - Prevent 228 terminations
  - $2.7 million savings, year 1
Every employee is hired to deliver value to their organization

Analytics extends opportunities for value

Politics, ethics and compliance issues can be a paralyzing excuse

Many have already gone before you to figure it out
Questions...Comments

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