Strategic HR Analytics

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More data, new methods
Intense competition
Key issue

- Are we keeping the lights on or moving the needle strategically?
  - Keep the lights on
    - Maintain or slightly improve current operational performance. No big changes.
  - Move the needle
    - Increase performance against strategic objectives.
    - Stir things up: how to break the frame?
  - Both are important, but require different orientations to help the business succeed
A sexy method or
great finding might
blow your mind

But the value is in
making a difference
to your organization

Focus on value
7 Key Steps to Data Success

1. Asking the right **question**

2. Identifying the right **method** to answer that question

3. Locating or generating the **data** to answer the question

4. Effectively and appropriately **analyzing** those data

5. Developing **insight** based on the analyses

6. Taking **action** based on that insight

7. Measuring **results** to determine whether your action was effective

We will focus here
### Common vs. better practice

<table>
<thead>
<tr>
<th>Common practice</th>
<th>Better practice</th>
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<tbody>
<tr>
<td>Turnover reports / Retention analysis</td>
<td>Where are the critical gaps in human capital the business needs to succeed?</td>
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<td>Safety data</td>
<td>What is the ROI on improved safety versus other process improvements? Where do diminishing marginal returns creep in?</td>
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<td>Team member competencies</td>
<td>Team effectiveness: How to get everyone working in harmony?</td>
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<td>Leadership competencies</td>
<td>Organizational effectiveness: How to improve the system architecture, including leadership and organization design?</td>
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<td>Etc.</td>
<td>Etc.</td>
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Competitive advantage issues

• Everything has an economic cost
  – There is a limit to how much the business can afford to invest in any process: customer service, quality, efficiency, time-to-market, innovation, product features, etc.
  – People-oriented metrics have the same problem
    • If turnover is too low, then not enough new blood will be coming in, below average performers stay too long
    • If get overly obsessive about safety, you can spend way too much time avoiding injuries that can’t really be prevented

• The key is knowing where to draw the line
  – You have to determine which business objectives are most important to improve, relative to all the others
  – Where should the marginal dollar be spent to improve?
Causal model of business results

- Individual capability
- Job design
- Attitudes / motivation

Human Capital Performance

Role / job task execution

Enterprise Performance

- Org design
- Org capability
- Culture

Group / org task execution

Strategy Execution / Competitive Advantage

- Business results
• The causation runs from individual level actions to group/team level then to business results

  - Competitive Advantage Analytics
  - Enterprise Analytics
  - Human Capital Analytics

• But running the analysis that way is boiling the ocean
  – There are 1000 things that can be improved at the individual level, so you need to start at the group level:
Competitive advantage analytics

Step #1: Identify organization capability strengths & weaknesses, and gaps in strategy execution

Enterprise analytics

Step #2: Diagnostics at the enterprise, business unit and/or business process level

Human capital analytics

Step #3: Diagnostics at the role, individual and/or HR process levels
ROI versus Competitive Advantage

• Competitive advantage can be summarized by ROI measures only when penny pinching is part of competitive advantage
  • Example: high volume, low cost consumer or industrial products

• In all other cases, increasing ROI can decrease competitive advantage by cutting out investment in future capability
  • a.k.a. cutting off your nose despite your face

Short-term financial returns
• Increased cash now
• Less investment
• Sacrifice org capability?

Long-term financial returns
• Decreased cash now
• More investment
• Build org capability