



XpertHR Podcast: Getting to grips with people analytics

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- Noelle Murphy: Hello and welcome to this XpertHR podcast with me, Noelle Murphy. Today we're going to get to grips with people analytics, one of the most significant changes within the HR function and business as a whole. People analytics uses employee data to answer business questions and offer real business insight.
- I'm joined on the phone by Sjoerd van den Heuvel, a researcher and lecturer at the Utrecht University of Applied Science in the Netherlands. Sjoerd has done a lot of work around the development, implementation and acceptance of people analytics, and is going to share the benefit of his experience, providing an overview on the hows and whys when it comes to this area. Thanks for joining us today, Sjoerd. [0:00:56.9]
- Sjoerd: Thanks for having me.
- Noelle: So if we take this from the very beginning and we look at why HR practitioners should start engaging with the process of people analytics, can you offer a little bit of insight? [0:01:07.5]
- Sjoerd: The why question is fascinating. I think many organisations start basically because others are starting with people analytics. So there's not always a solid business case. But given that the HR function has been thinking and trying for the last twenty years to really make a difference and really impact the business, this could be the moment they have been waiting for. They are using big data essentially to drive business performance and all functions like the finance function and the marketing function have been doing that and have been quite successful in doing so. The HR function – the people function, so to say – a they're behind still. So this is their chance.
- Noelle: So it's really kind of about changing the language, isn't it, that they use in the workplace and utilising the information that is there already for them, but bringing it together in order to influence business cases and kind of speak the language that the rest of the organisation uses? [0:02:05.2]
- Sjoerd: The language is an essential part, and what it is linked with in my view is the multidisplinary of the topic of people analytics. And it's really not within the boundaries of the HR discipline. To do proper people analytics you should have capabilities either within the analytics team, within the organisation or externally, in the area of storytelling, in the area of data privacy compliance, in the area of, of course, business, the business intimacy, understanding the true

business problems – the products, the services they provide. But also technology skills, software skills, software for data collection, for data analysis, for data visualisation. And listening to this list, hmm, how many of these competencies do we now have as an HR person? This is a self-reflection question for the HR professional of today.

Noelle: Yes, and I suppose it's a measure of the significance of the change that will be required within the HR function as well, isn't it, to get to grips with that?

So I think we're going to come onto that but if we keep at the overview level, what are the key measures, would you say, that employers should be looking to gather? [0:03:16.4]

Sjoerd: Let me not answer this question because I think it's not possible and, to be honest, not relevant to answer this question. In our occupation what we teach professionals and young students in the area of people analytics is that your point of departure is always the business problem – or call it an opportunity or a challenge – at hand. And following the stepwise process of analytics, results and what actual questions to ask, what actual concepts to measure and then what kind of data to gather, and then perhaps what kind of analysis you want to do and resulting in certain aspects.

Let me share a short story that John Woodrow wrote in his book *Investing in People*. He was explaining that a gentleman was walking around and saw another gentleman, and this gentleman was looking around and it seemed that he'd lost something. And he asked the gentleman, 'Did you lose something? Can I help you with something?' 'Yeah, I lost my keys,' he said. 'Okay, and where did you lose them?' 'Oh, down there in the dark alley.' 'Okay, but why are you looking here then?' 'Well here it's light. Here I can see everything.' And I think this short story really explains what we're doing in organisations right now. We look at what we have, we look at the HR data we have, but we don't actually dive into the true business problem and follow this logical, stepwise process coming to certain data that you may not collect at the moment, but which really is the key to strategic business success.

Noelle: I think what you're saying is it's all about identifying the question that you want to answer initially. [0:04:53.3]

Sjoerd: Yeah.

Noelle: And I think that probably for the HR function that question doesn't have to start out very complicated or very complex, does it? I mean, you can delve into the area of retention, for example, and how you explore your labour turnover figures. So for example, you might have your labour turnover data, but what does that actually tell you? So it's about identifying key areas where there are specific issues with employee retention. Would you say that's a good example? [0:05:22.0]

Sjoerd: Yeah, that makes perfect sense and that resonates with our vision on people analytics. First of all it's a mental framework. And secondly it's perhaps a little bit of analysis. But it's a mental framework of being critical about the questions you ask, the data you use, but also the

process you need to make an impact with analytics. Therefore storytelling is key. For example, if costs related to turnover are tremendously high then it makes perfect sense to dive into that HR subject, so to say. As you hear me talking, I start with a business element – cost, in this situation, which could also be quality or product delivery or client satisfaction or fallacies in the production process. Whatever. Yeah.

Noelle: But the first step there, even with regards to cost and the cost of labour turnover or retention, is about accurately gathering that information, isn't it? Accurately recording the cost that it is costing your organisation in real terms. [0:06:23.8]

Sjoerd: Yeah. Accuracy, when you link this to the data that you have, then accuracy is a key element. What we teach students is scientific research, basically, and I think people analytics in that sense is conducting scientific research but in the business context you create local theories, so to speak. I think we always work with two concepts – reliability and validity. Reliability is when you measure do you always get the same outcome basically or is there a lot of fuss around it? And validity is perhaps even more important, do you measure what you want to measure? And here I think again the mental framework is so important. Many of the professionals – and I think you recognise this from practice – say, 'Oh yeah, we should do something with engagement, commitment, productivity, that kind of thing.' Okay, but then we as researchers or teachers say, 'Come on, these are three totally different subjects. Commitment really is about the bonding tie while engagement is about feeling energised at work.' So different concepts.

So it starts with good conceptualisation on what you want to measure and then the operationalisation is crucial, and then the fact that data should be accurate, data should be reliable. Data should be complete and you should also understand the way that data found its way into the system. I once was with an organisation and the education category in the system, where they noted the amount of hours that employees had for education, was some sort of a "rest" category. So if they needed to fix something in the data sheet, 'Okay, let's put it in the column of education.' So understand this process is of the utmost importance.

Noelle: You've kind of hit the nail on the head there, really. It's about the quality, the reliability and the validity of the data. But on a day-to-day basis in a HR function it's about working with the key partners, so people who will have easier access to that information which HR can then become the gatekeeper of that information so that it can drill down and answer those business questions. [0:08:35.4]

Sjoerd: This is a difficult topic because what you're touching upon also needs, I think, the governance around analytics, and what I see now in practice differs a lot for organisations. Some organisations – and these opt for a translator role – many of the vacancies I see for people analytics professionals, they are looking for...I don't know if that's an international expression but we call it a 'sheep with five legs'. So basically you should be excellent at your social skills and your storytelling skills. Of course you need to have a PhD in Data

Analytics and so on and so on. That's pretty much impossible. So the model you opt for, which for example Google opt for basically three roles – the data miner, the translator (which is basically the MBA profile) and then the data scientist. That could be a way but other organisations opt for outsourcing the data analytics expertise to an external consultancy firm, for example. So perhaps the answer to this is not really satisfying but there are many, many roads that lead to Rome and that lead to business success.

Noelle:

No, I think you actually demonstrate there very well the issues that the HR function does have, in that they won't always have those skill sets in place ready to go, and it's still very much a learning curve. This is a whole different way of approaching the way that information is gathered and indeed utilised within the HR function, so I think what you've said there just demonstrates that perfectly, and in fact we often get a lot of questions here from HR practitioners about how they can collect the data if they don't have a sophisticated HR system in place. Is Excel going to be a powerful enough tool in this scenario? [0:10:20.7]

Sjoerd:

Good question. And I think my view on this differs a little bit especially from software vendors. I don't know where the truth is exactly, but in my view you can do really impactful analytics without having a lot of data, without having an HRIS or an ERP or fancy cloud solution for your HR data. Again it comes down to the mental framework. If you are able to identify this really valid and really important strategic business question and to find out by conceptual modelling that you need these seven variables, these seven data areas to find a good solution or to answer the research question – whatever your goal is, whatever your problem is – then again you might need only seven data points or seven variables, and you only need the data on these seven variables, which for example five of them you already collected, one you collected but it's not really complete or not totally reliable so you need to fix that a little bit, and one variable that, okay, you need to start collecting data on that variable. And then, what my example illustrates, with seven variables you make a tremendous business impact. So you didn't spend two years implementing a new system.

What the vendors often say, well the data should be in place first. First the data should be okay, complete etc., but that is not really in line with my view that when you have a more deductive approach of coming to conclusions, making an impact, then you only need a few variables. Yes, when you want to do more explorative research then it nice to have a lot of data points and then find out if you can identify relationships that you did not expect. But most organisations that start with a business question, then the deductive approach makes perfect sense. Formulate hypothesis and only a few variables. In short, no. Not needed to have an HRIS in place.

Noelle:

Okay, so if we follow the model there and we take, for example, a question around retention and labour turnover and we look at the business question could be something like, 'Why am I losing part-time workers in the sales function?' That's a business question that needs to be answered. What kind of variables do you think it is that HR practitioners would need to pin down? [0:12:46.7]

Sjoerd: Well of course the theory says a lot about this. It has to do with opportunities for growth, to do with financial conditions, total reward, to do with the content of your job, to what extent you realise promises and live up to the promises that you have made – at least the perceived promises – the psychological contract, so to say, of the employee. So there are a lot of these elements that can play a role.

When we look at this from a little bit more of an abstract perspective I would advise professionals also to look at some literature first, and I know we are not really used to that but many of these questions are also the questions which variables play a role here. They have been studied for decades even. So why start at the beginning? And it really depends on the culture in your organisation. If there is a culture which is far away from literature with a limited amount of academic positions, so to say, or where academic degrees are needed, that might not resonate. But if people accept the theory is important, and as we have learnt a lot in scientific research, then they might also accept that you don't need to study the entire model, the entire conceptual chain. You want to find out how this chain applied to your organisation, and a little bit of descriptive research in this manner could be enough. 'Okay, we have so many people unsatisfied with the current content of their job and they identify what we learnt from our annual survey that, for example, they are a little bit disappointed about their bonuses or whatever,' then you can already draw so many conclusions based on the theory at hand.

Noelle: Part of the insight is going to have to come from the employees themselves. So it's about having the dialogue and the conversation with those part-timers who leave and actually recording it and listening to what people are saying so that it can be used to offer insight. [0:14:41.9]

Sjoerd: Oh that's so true, what you're saying. I think the debate has shifted a little bit in the last five years where five years ago we basically said – and also at conferences – that people analytics will be a way to make decisions. Essentially it generates decisions. And now basically we talk about it in a more nuanced manner. We basically say that it's one of the input factors for making good decisions.

What I really like in this respect is the evidence-based management approach, and it's often confused by professionals with terminology like 'facts-based data approach'. Evidence-based, management-based says that you deal with the best evidence available. And yes, that can come from objective data, so to say – whatever objective may mean – system data. But it may also come from perspective and experiences from employees, from managers, from very experienced business leaders. So it's doesn't necessarily have to be this objective system data. It can be from all kinds of sources but it is the best available evidence and dialogue and interaction with the relevant stakeholders – not only employees but also those experts, these professionals from these various disciplines that I mentioned earlier – is crucial in this.

Noelle: Yeah, so it's about the rich data that you can get from both employees who have decided to remain and those who have left, and that helps to build up the full picture that you can supplement with the

data that you have around identifying where there are issues.
[0:16:16.7]

Sjoerd: One interesting thing is what you're saying now, the people who have left, this is a great example of people analytics as a mental framework – how can you best identify why people are leaving? And many of the organisations start at – remember my story before – where the light is, what kind of data we have. But what really gives you an insight is talking to those people who left, and also common sense even, but also theory, shows us that when people have their exit interview at the time they are still very dissatisfied, frustrated perhaps even, then they leave and then you have the interview, but perhaps three months after they have left or even a year after they have left, what is then their view, with retrospective, of course. But why did they leave and now is the grass greener at the competition, for example? So logical thinking is so essential here and a mental framework. I cannot repeat that enough.

Noelle: What's becoming clear is that it's data upon data, isn't it? And it's not just one layer and it's not just accessing one level of information but putting all these parts together to give you as clear a picture as possible so that you can draw out various insights as time goes on.
[0:17:24.2]

Sjoerd: Exactly.

Noelle: So one of the other things that, when we start talking to HR practitioners, all the research that we've done, one of the concerns that's emerged specifically is that those who work for smaller organisations or work within smaller organisations, they seem to be a little uncertain as to how they can actually use people analytics, I think because they think it's all about the big data. But I suppose what we're saying here is that it's about building a picture and taking information, not necessarily just data, from various sources and pulling it all together to put together a big picture. [0:18:00.4]

Sjoerd: Yeah, for the big data, the statistic insight, you need to have a certain minimum amount of data, many data points. It's a question we get a lot but it really depends on how homogenous your group is. You can imagine if you had a pool of 200 secretaries, yeah, you can do proper research in that group. But if you have twenty job roles within a group of 200 people, it's hard to generalise your results on one specific group to the entire population. So that's an important aspect and the way you connect it, and I think people think it's all about that, and that's the people element, whether it's HR practices or whether it's characteristics of employees too. On the other hand the business outcomes, then you might have so much more data. Imagine the small organisation of 100 people but who serve 3,000 clients. Then you have, of course, a lot of variance within the client data, whether it's client satisfaction, indicators of how smooth the process went. And you can connect that, actually, to your people data, even if it's only about 100 people.

So these are important questions to ask. How homogenous is your group? To what extent can we connect it with business data? And I think you should always ask yourself the question, 'Does the amount

of investment you need to make in doing analytics (unless it's your hobby) justify the potential gain you can have with it?' Because you often hear HR professionals say, when we talk about their engagement scores, 'Well how high should it be?' 'Well as high as possible. It should be a 9.' Well it really depends. If it costs you £2million to get from an 8 to a 9 and it only results in £100K additional sales I think you should think twice then.

Noelle: Okay, well that sounds like a very good summary really of everything we've been talking about, and particularly to keep an eye on how much this whole process is going to cost, so it's about return on investment as well.

Just before we finish up I wondered if you had any comments on the General Data Protection Regulations and any impact that this will have on the data collection process or the whole area of people analytics? [0:20:13.7]

Sjoerd: If you haven't started, get started. That's funny because conferences of the last two years: 'Yeah, GDPR is very important but by the way today we won't talk about it.' So I see many organisations making a sprint right now to get things straight a little bit.

I think my key message there would be of course employees get more rights, so to say, to ask which data the organisation collects, to transfer it to other organisations, the right to be forgotten etc. My general advice for organisations would be – and especially for people analytics experts – we can think in all kinds of restrictions that there are, but why not think in opportunities that there are to generate wellbeing for employees, together with organisational effectiveness? And I think GDPR is not necessarily putting restrictions in this respect, but it may very well provide opportunities for sustainable success on both sides for the employee and for the organisation.

Noelle: Well thanks very much Sjoerd for joining us today and sharing all those valuable insights with us. [0:21:19.1]

Sjoerd: It was a pleasure. Thank you.

Noelle: If this podcast has raised any issues in the area of people analytics that you'd like to explore further, please do take a look at our [Good practice guide](#) on this topic.

Also we have developed a new analytics product, [XpertHR Retention Analytics](#). This allows you to proactively mitigate risks and focus on initiatives that really matter in managing retention. This product builds on decades of experience analysing pay and HR data, and our powerful technology helps you cut through the complexity and unlock your most important insights. More information is available on our website.

And that brings us to the end of this XpertHR podcast. Thanks a million for listening and we look forward to you joining us next time.