Proving the power of people data

The business case for HR analytics

ADP®

A more human resource.℠

People data and business value

If you're reading this, you're not here to be convinced about the power of HR analytics. You know it can help you draw new insights from connected data sets, and add predictive abilities to your workforce decision-making.

You know it's the pathway for HR to become an indispensable part of business leadership. You're here to make the first move.

And if you've already read our **buyer's guide to data-driven HR**, you also know that the fastest route to delivering on strategic business objectives is through partnership with a trusted HCM provider. You may already have a good idea of what to look for in a partner.

But to get started now, you need buy-in. Decision-makers need to see that HR analytics isn't just about refining old operational or compliance-related processes, but about increasing business value for the whole organization.

They need to see that people data can be tied to business goals, and translated into clearly defined Key Performance Indicators (KPIs) that deliver long-lasting results. That way, your stakeholders will be as convinced about HR analytics as you are.

**It's time to prove the power of people data.**

The data speaks for itself

The best business cases for advanced HR analytics are the ones that stick to the evidence. All you need to do is highlight the right benefits to the right stakeholders.

The benefits of HR analytics are two-fold:

1. Faster decisions
2. More informed decisions

Let's look at how to cover each of them in a business case.

Your data

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1. Faster decisions

2. More informed decisions
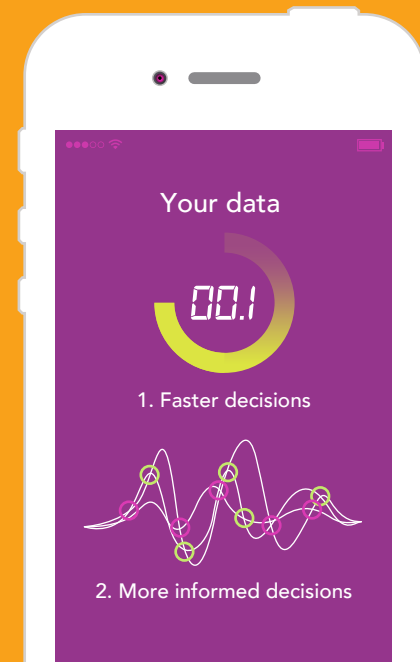
1. Faster decisions

Getting value from HR data used to involve a painstaking process spread across a number of teams accessing data, sorting, coding, cleaning, and creating data maps. Much of that data would fall into scattered systems, creating fragmentation, silos, and a distorted view of the organization.

For stakeholders needing insight into their workforce, those outdated methods were off-putting, and they didn't present a clear idea of what business leaders would get out of the data in the long run.

To engage the stakeholders at your organization, it's important to show that HR processes take a lot less time with analytics as the overview of the workforce becomes centralized and more accessible. As a holistic view of your workforce data emerges, decisions can be made at a macro level on behalf of the entire company, or on a micro level, so you can drill down into the data and compare individual teams or jobs. It's all about having a single source of truth.

Plus, with advanced analytics, an up-to-date view of the workforce is available on demand. **That makes HR data much less intimidating to your stakeholders**, and makes it easier to visualize new strategies and models – fast.

Your data

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1. Faster decisions
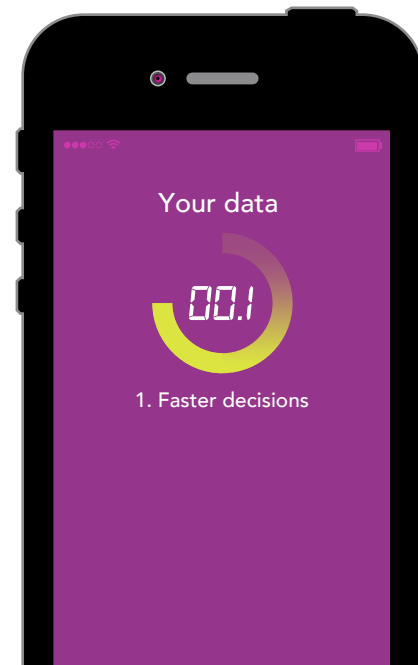
For example, suppose you've suggested a more competitive benefits program to increase engagement, productivity and retention rates, but your CFO is hesitant to set aside budget for it. You have a limited time frame before open enrollment. You need a decision. You use advanced HR analytics to compare your recommendation to the status quo. You start by showing your CFO the main drivers behind your current benefits costs. You're able to see how those costs are being allocated across plans, providers and coverage types.

You compare the status quo to the expected allocations and returns on your new idea. The CFO is surprised to see that the new program will save money while supporting the talent goals you outlined. The plan is approved.

2. More informed decisions

To demonstrate how HR analytics delivers insights that improve the decision-making process, you'll want to cover these four actions in your business case: Report, Describe, Predict, Prescribe.

Each action represents an HR process that is meaningfully enhanced with workforce analytics and that delivers **real business value**. Explain each one in turn, so your case is well structured and offers stakeholders clear takeaways.

Your data

2. More informed decisions
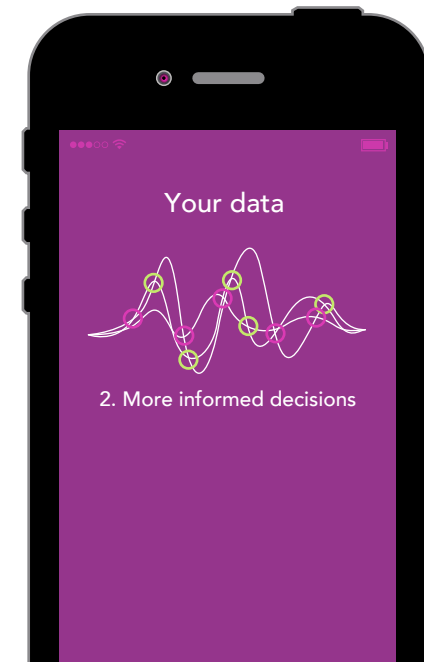
Report

This action quantifies the workforce. It measures things like the size, structure and cost of an employee population, and the factors that drive changes in those measurements.

It also measures results of talent strategies, workforce productivity rates and costs of benefits programs.

Here are some measurements you can take with reporting, relative to four key areas of business:

All of this data is made visible and accessible on demand. Queries and reviews can be orchestrated as soon as requests are made. Business leaders can extract whatever they want from the data pool, whenever they want it.

Workforce demographics
- Headcount
- Headcount by age
- Inactive headcount
- Temporary headcount
- Gender
- Earnings
- Average earnings
- Projected retirement
- Retirement eligibility
- Span of control

Talent lifecycle management
- Hires (new vs. rehire; external vs. internal)
- New hire turnover rate
- Compa-ratio
- Compa-ratio vs. performance
- Performance ratings
- Competency gap
- Strongest-weakest competency
- Internal mobility rate
- Retention rate
- Turnover rate
- Terminations
- Termination reasons

Workforce productivity
- Absence
- Absence-to-overtime
- Labor cost
- Labor cost per FTE
- Leave hours
- Non-productive time
- Overtime
- Premium time
- Total hours

Benefits programs
- Benefits contribution
- Benefits cost
- Benefits coverage
- Cost by provider
- Enrollment

Describe

This action tells you more about what's happening at your organization. It pulls on the reported data and puts it in a digestible format, so you can track important metrics and trends, and identify any issues and opportunities for improvement.

It also lets you benchmark the workforce, by contrasting internal data with a wealth of data pulled from external sources.

That gives you the ability to answer tough questions from stakeholders, such as 'Is our turnover rate high compared with our competition?' And it lets you **deliver answers in context**, accounting for region, size or industry sector.

Here are some examples of how it works for benchmarking:

Workforce demographics and strategy

Measurements about size and structure can be contrasted with that of other organizations in the same locations or industry. Stakeholders can approach the data with questions like, 'Do we pay too much for certain roles?' or 'Are we achieving pay equity?' and get immediate, informed answers.

Talent lifecycle management

Measurements about hiring, performance and turnover can be compared with previous internal data and competitive benchmarks. Business leaders can get informed answers to questions like, 'Do we have the right people identified in our succession planning?'

Workforce productivity

You can compare measurements about absence, overtime and non-productive time estimates. Business leaders can get answers to questions like, 'What are unplanned absences costing us in overtime?' and see how the results fare elsewhere for comparison.

Benefits programs

HR analytics software can cross-reference measurements about specific costs with things like total annual expenditure, so business leaders can answers questions like, 'Are my health care costs growing faster than my overall business?' and see how the rest of the sector is performing.

"Using benchmarking is really important to our business. Getting buy-in from our HR team was actually extremely easy when we rolled out the analytics feature as the tool is extremely intuitive."

**Annelise Galaup,
Director of Shared Services,
Payroll and HCMS,
FirstService Residential**

Predict

This lets you turn workforce data into predictive insights. The added benefit with advanced analytics is that the predictions you generate are built from contextualized workforce data, not just raw information.

As a result, you get actionable predictions that can include industry benchmarks.

Turnover reduction

With advanced HR analytics you'll be able to anticipate the future of your workforce based on hidden patterns in data. For example, you'll be able to generate predictions for risk of voluntary turnover, so you can answer questions like 'Which employees are most likely to leave my organization and why?'

Workforce productivity

Suppose you want to increase productivity in one of your locations. You build on previous data for absence rates there, and generate a prediction for likely overtime that those absence rates will trigger.

You look at benchmark predictions for competitors in the same location. Numbers are lower for them. You're compelled to improve your workforce management, and you've made a strategic business decision on insights you couldn't have obtained any other way.

Benefits programs

Imagine you're designing a benefits program to increase retention rates. You decide to base it on the cost and wellness predictions you can generate from millions of employee data points. As a result, you're now able to create personalized program features based on what your workforce needs and wants, and thanks to contextualization, you can tweak the program based on what's proven most effective.

Prescribe

This turns contextualized workforce insight into action. It incorporates embedded analytics, letting users establish clearly defined KPIs that can be projected into the future.

Workforce demographics and strategy
Suppose one of your stakeholders wants to adjust compensation for a role based on the industry average. With advanced analytics, you generate a contextualized prediction for how the new rate will grow in years to come. You work with your stakeholder to set salary KPIs for that role over the next five years, controlling for features like time spent within the company.

Talent lifecycle management
Imagine a business leader wants to increase retention rates by ensuring that the right people are identified in succession planning, so no gaps appear and put added strain on teams. Using advanced analytics, you compare performance ratings across the board and align them with engagement metrics, generating archetypes for ideal role-successors. You work with your stakeholder to set KPIs, to ensure those at the top of the list are nurtured as much as possible.

Workforce productivity

Suppose a stakeholder wants to reduce costs of overtime from unplanned absences. You use advanced analytics to compare overtime rates against absence, and look for trends in the data like high numbers in certain departments, gaining insight into which areas are likely to cost you most through overtime. You also conduct a root cause analysis to understand whether the unplanned absences are connected to specific teams or managers. Then you work to take corrective action or set KPIs for more effective manager training to increase employee engagement and attendance.

Benefits programs

Imagine one of your stakeholders wants to reduce healthcare costs. You use data from previous wellness programs to indicate areas of weakness, such as the point of drop-out or the feature with lowest performance rates. You pull on data from other businesses to see examples of wellness programs with great results. Then you set KPIs to ensure plans for new wellness programs are followed through successfully, with features that proved successful elsewhere.

"Turnover and retention are two big challenges for our industry. I use HR analytics just about every day in some fashion to connect with information that can help us identify trends and increase employee engagement."

**Heidi Wallman,
Corporate People Sales Systems Director,
Canyon Ranch**

Results that make an impact

So, now you're able to convey the benefits of analytics to key decision-makers. And with the 'Report, Describe, Predict, Prescribe' format, you can show how an integrated workforce analytics platform delivers decision-ready insights across your organization with confidence.

Your next move is to find and engage an HCM partner who can deliver on all of these features. By showing your stakeholders that you've found the sophisticated, trusted technology and deep expertise that can meet their strategic objectives, you'll maximize your chance to secure adequate buy-in. But to do that, you'll need to understand your stakeholders' priorities, and be ready to address any concerns they may have.

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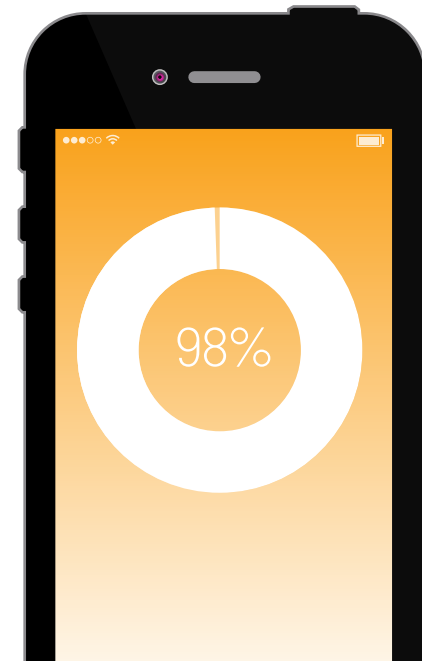
Showing value to stakeholders

There are a number of stakeholders when it comes to HR analytics – from HR, Finance and IT organizations to the CEO, line of business and other senior leadership.

They will need you to identify how HR data can have the greatest effects on their areas of the business. Spend time understanding each of their challenges, and identify what's most important. It's critical that the key components of an HR data solution link with your organization's strategic initiatives.

Benefits and proof points

Here is a starting list of benefits and proof points you should be prepared to discuss:

Internal insights
Insightful reports and predictions make for better-informed business decisions, that will help shield the organization from dangerous risks and misinformed judgements.

Industry benchmarking
Access to benchmarks in your industry and location(s) will help you bring your workforce metrics in line with your sector, increasing your competitive position in the war for talent, and allowing you to reduce or redirect unnecessary costs.

Talent advantage
With advanced HR analytics, you can get the right people for the right jobs, and you know how to keep them motivated. You end up with a workforce that's passionate about delivering on your mission.

Productivity
A centralized, real-time view of your workforce will help you measure productivity rates now and on an ongoing basis, to identify where your efforts to improve rates have and have not gained traction.

Speed

Partnering with a proven provider will enable your HR team to drive implementation quickly, and help get people up to speed on using your analytics solution, so you get the right insights into the right hands, quickly.

Deploying a tried-and-true workforce analytics solution will not put undue strain on internal IT resources for support, allowing your technology organization to stay focused on other initiatives.

Cloud benefits

The cloud platform has a flexible and resilient infrastructure that will help protect global employee data and reduce risk, without exhaustive time, money, or expertise having to be allocated.

Security

Safeguarded financial data with effective controls will help protect your business against global and local non-compliance violations.

Scaled spending

Adopting a scalable pricing module will help manage your workforce costs and allow you to react swiftly in volatile markets.

You can capitalize on a 'Software-as-a-Service' pricing model, moving upgrade costs from capital expenditures to operational expenditures, making budgeting and financial planning easier.

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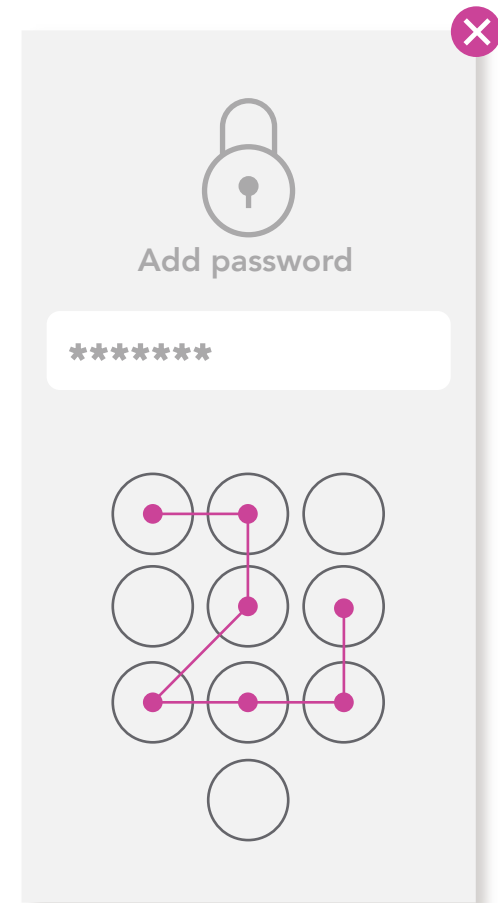
Proving it

To really nail your case,
you'll want to provide proof
points for HR analytics that
incorporate your own internal
data. There are three ways
to do this.

Find a good example

Find others in your organization who have used workforce analytics to transform their own departments. By learning from their experiences, you can outline successes and point out areas of weakness that you'd avoid in your own strategy.

For example, you might want to get in touch with a marketer who has used analytics to measure and understand customer behavior better. Talk to them about the strategies they used and find out what went right, and just as importantly, pitfalls to avoid.

Alternatively you could contact someone from the finance department who has used analytics to guide key decisions, such as where to open a new office or manufacturing facility. That way, you have direct evidence of data being turned into insight, and influencing the business at large.

You could also look for a previous initiative that was carried out manually by HR and due to a manual error caused a big impact on your organization as a whole. You could then point out why having the right tools on a regular basis for similar initiatives would help eliminate risk and lead to a lot more progress.

Run a pilot

Run a small project of your own for minimal cost. This is your opportunity to convince your stakeholders that the investment is worth it, and show them that high value will be returned quickly.

To do this, pick low-hanging fruit. Design a project that's discrete, manageable and measurable. For example, you might want to focus on running a pilot that evaluates absence-to-overtime across departments to pinpoint some quick hit opportunities for cost savings.

Of course, designing a more sophisticated pilot will make your case more convincing.

Plan your communication strategy

Once your stakeholders are on board with HR analytics, they'll want to know about the successes of the investment. Develop a plan for how you'll report back on performance, in both short and long term contexts.

To do this, talk to your stakeholders about how they'd like to receive reports on the data. For example, a CFO might want quarterly updates, whereas a CEO might want a comprehensive annual report. Make sure you show that you're capable of delivering results with flexibility. Your HCM provider should be able to help with this.

All that's left to do now, is to present the right partner for the job.

Quick recap: Proving the value of faster, more informed decisions

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Explain how analytics enhances your ability to perform four key actions:

- Report
- Describe
- Predict
- Prescribe

☑

Make the case to stakeholders by demonstrating the impact on business outcomes they care about:

- Internal insights
- Industry benchmarking
- Talent advantage
- Productivity
- Speed
- Cloud benefits
- Security
- Scaled spending

☑

Show them it works:

- Learn from other teams who have implemented analytics
- Run a small project to use as a proof of concept for further investment
- Plan your communication strategy, to celebrate successes and keep stakeholders informed
- Start small, and scale as your needs develop

We've got your back

It's important that you have a powerful provider in mind when presenting the business case to your stakeholders. The right partner is a huge asset to the business, and choosing the right one can make or break your investment.

We understand you

We're a highly experienced HCM provider, helping organizations develop their people analytics capabilities and raise business value for decades. Take a look at some of **our clients' success stories** to hear what other leaders have to say about our partnership.

We've got the technology – and the data

At ADP, we're all about data. We've built an analytics engine with the richest and broadest database of real, current payroll and HR data from nearly 30 million people, paired with insights from the ADP Research Institute®.

To see how we use ADP Big Data to help you acquire insights that will power your business decisions, visit **big data benchmarking**.

Or **get in touch** with us – we love to talk to smart leaders about how we can help.

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