GPS FOR TALENT MANAGEMENT ANALYTICS:

THE RIGHT MAP REALLY MATTERS

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The Talent Management Analytics Conundrum. Few HR topics garner more headlines today than Talent Management Analytics (TMA). According to a recent Corporate Executive Board (CEB) study, *The Analytics Era: Transforming HR's Impact on the Business*, 95 percent of senior HR leaders expect to increase their investments in TMA over the next two years. Yet despite this widespread interest, only eight percent of senior HR leaders believe they are getting bottom-line returns on their talent analytics investments, and only 15 percent of business leaders have altered a decision in the past year as a result of HR data. The study also shows that leading analytic companies— those in the top quartile based on their analytical sophistication and application—enjoy 12 percent better talent outcomes than their more average counterparts. For a typical organization, improving analytic impact from median to maximum translates to a six percent improvement in gross profit— $18.9 million in savings for every $1 billion in revenue (CEB, 2013).

The heightened interest component of this conundrum is easy to explain: Economic and competitive pressures have the C-suite sweating to find new ways to leverage the copious data they collect. Executives need data to drive decisions, better inform strategy, uncover incremental revenue, enhance customer retention, and improve efficiency—more so than ever before. And, no source of data is more critical than talent intelligence.

So with all this data and desire, why aren't organizations realizing results? One simple explanation is that too many are looking in the wrong direction—the rearview mirror. More specifically, most current talent management frameworks work with historical data. TMA should be forward-looking; when optimized, it offers the ability to anticipate future talent needs and predict future financial impact of current initiatives and leader readiness (based on individual needs). The best TMA frameworks enable HR to make talent management decisions and identify key mismatches between talent and strategy *before* time and money are wasted. Utilized effectively, TMA functions as a GPS for talent, directing talent management leaders to the right questions, the best-fit analyses, and predictive accuracy. Below, we offer a supportive framework to guide TMA initiatives and drive better decisions.

THE TALENT MANAGEMENT ANALYTICS FRAMEWORK: SIGHT, INSIGHT, AND FORESIGHT

Experts in the larger workforce analytics field espouse many conceptual models for using large data sets to inform decision-making. Workforce planning models, for example, tend to rely on using open position trends

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to forecast the number of employees needed. The problem with these models is that they focus too heavily on relationships between the wrong variables (open positions versus "right talent ready"), and they don't construct a logical, start-to-finish pathway linking data with business questions. In many cases, data is pulled into these models simply because they already exist in a convenient form (even if originally gathered for an entirely different purpose), and not because they are specifically chosen to work within a codified framework.

TMA models, in contrast to workforce analytics, offer unique insights that address the complex talent questions at hand. They can reveal information about the quality and availability of candidates, for example, rather than just the number of open positions and the employees needed to fill them. With a quality metric for available employees, the organization can evaluate the number of "right" leaders who are ready to execute the strategy when required. A well-crafted logic for the connections between the variables is also critical. Without this, it is nearly impossible to translate analytics into interpretable and actionable decision guidance. Figure 1 shows the DDI TMA framework that leads to better insight and better decision guidance. The components of this framework are described in detail in the remainder of this paper.

SIGHT: FOCUSED QUESTIONS, QUALITY DATA

As a decision-maker, before you begin the analysis phase, seek clear sight on what you are trying to achieve and why you need to achieve it. Gaining clear sight involves three approaches that, if executed effectively, will increase the odds that your TMA initiative will be well-matched to actionable results desired by executives. The three key elements of Sight are:

1. *Determining what business questions require talent answers and what business strategies have talent precursors.* That is, what anticipated changes or observed gaps in strategy have leader/talent implications? All strategies hinge on the quantity and readiness of talent to execute them. Clear sight focuses on

FIGURE 1: A FRAMEWORK FOR TALENT MANAGEMENT ANALYTICS
Go from data trends, to insight, to actionable decision guidance.

SIGHT
What, Why, and How Will You Measure TMA?

INSIGHT
What Changes or Risks Have Occurred?

FORESIGHT
What Can We Expect in the Future?

- What business questions require talent answers?
- What data sets will you need to answer these questions?

- How has change impacted your talent?
- Have you accurately identified potential risks?

- Will we have the talent we need in the future?
- Where are the future mismatches between talent and strategy?

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questions with strategic implications, for example: Will we need more leaders ready sooner in a certain segment or business unit and at a certain time? The dangerous alternative is a focus on transactional questions that will not have a material impact on business outcomes.

2. *Confirming the data sets you will need to answer the questions credibly.* Not just any data set will suffice. The next step in getting clear sight is to focus on only the data sets that will answer the questions with veracity. Lots of convenient data is available for use, but to what degree will that data provide unambiguous, truthful insight? The reality for many companies is that the amount and quality of the data at hand is inappropriate for the purposes of TMA, oftentimes because the data was gathered for another purpose or to answer a different business question. Because of this, these data are unlikely to produce interpretable, sensible results. Key questions to consider here include the following: What data is available and linked to the questions? Does this data possess appropriate levels of variability, volume, and veracity (free from contamination)? Can disparate data sets be matched reliably? If your data sets are limited, can you use perceptual or percentage data to replace what is missing? Can data from individual leaders or employees be credibly linked to group or business-level outcomes?

3. *Organizing data into a logical sequence and analytical plan.* Clear sight is impossible without a structure that maps data into a framework showing the sequence of events connecting current talent status to future business outcomes. When additional data is needed to build this complete pathway—and these gaps nearly always become visible during this step—how can new data be gathered in a way that is efficient yet credible? The risks of an analytical approach that skips immediately from data to analysis include identifying relationships that are difficult to interpret and replicate and won't hold up to scrutiny. This is a critical consideration when seeking to elevate the perceived credibility of HR data.

INSIGHT: CURRENT READINESS, RISKS, AND BENCHMARKING

Insight is knowledge or understanding that your stakeholders attain with the aid of previously undervalued or unconsidered data. The right kind of insight can enable talent management leaders to engage the C-suite in more effective decisions around talent strategy by connecting it to business outcomes.

For TMA, Insight is a snapshot of your organization's overall talent readiness to identify a risk or gap. Useful insights can come from simple individual or group-level descriptive statistics, if they are applied against the right talent metrics and interpreted in the right context. Valuable insight can also come from more sophisticated analyses that detect a significant relationship between two variables that trend together and have an explainable rationale, such as the relationship between a leadership development program and improved levels of employee engagement. Such analyses can also be diagnostic in terms of the program's content, and its implementation and business context.

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Your efforts to achieve Insight should focus on changes that have occurred, gaps identified, progress against expectations, and the "so what?" implications. Examples of the change, gap, and risk focus within Insight include:

> *What is the current impact of a certain talent initiative on the quality of our talent pool (i.e., current skill gaps, readiness, and pipeline)?*

> *How do talent initiatives impact our business (i.e., incremental revenue, behavior with our customers, cost reductions)?*

> *Have we accurately identified potential risks (e.g., how will the size and impact of the gap in a feeder pool for a mission critical role derail the strategic vision)?*

FORESIGHT: OPTIMIZATION

Most executives are more interested in anticipating future needs than reviewing what happened in the past. A recent Oracle survey found that 70 percent of C-level executives viewed insights from future/predictive data as critical for making decisions, while only 20 percent felt similarly about historical data (and 23 percent about current status data). Still, most TMA focuses on Insight rather than much needed Foresight. Without Foresight, most TMA initiatives will not solve the conundrum of recognized potential and lack of meaningful, executable results.

In the Foresight stage, you can employ "what if" scenarios to do a number of things, including extrapolating the parallel paths of future revenue growth year-over-year with future leadership and talent readiness needed to achieve that growth. Add to this a "what if" scenario with a data model based on poor implementation support year-over-year, the analysis can now project how revenue performance will suffer. The ideal model, the ideal "what if" model, provides a path for the optimum combination of talent-focused programs and enablement factors to produce the talent readiness needed to achieve a five-year revenue forecast. Foresight analyses can also allow talent management leaders to adjust their talent strategies rapidly—to re-align with new business objectives with advance knowledge about how to project talent growth based on the design and implementation of employee and leadership-focused programs. Knowing which talent programs to put in place—with whom and on what scale—organizations can gauge how best to prioritize their investments to close the gap between their current talent supply and the emerging demands of their business and the competitive market.

Foresight is thus critical to engaging the C-suite in TMA. Foresight answers: What can we expect from our talent in the future?

Example Foresight Questions:

> Will we have a sufficient supply of ready talent to meet our five-year expansion goals and other business strategies?

> Where are the future mismatches between current talent and our need to integrate our planned acquisitions rapidly?

> Where can we get future incremental revenue or derive cost savings?

> What future adjustments or redirections in development will help get the most out of our investments?

> How should results drive improvements in the TMA ecosystem?

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CONCLUSION

TMA results are largely based on the starting point—the framework used to set up and run the analytics. Start with the right framework if you want to achieve the logical, credible insight and foresight your executives can leverage to execute strategy.

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