About the New Talent Management Network

The New Talent Management Network (NTMN) is the world's largest global network of talent management professionals. With a focus on serving corporate practitioners, we have more than 2,500 members around the world and City Groups providing members with opportunities to learn and network. The NTMN is completely free to members – there are no dues or fees required to participate in any activity. We don't believe you should have to pay to network and learn.

We have three objectives:

• Increase the capabilities of TM practitioners and the effectiveness of this profession
• Coordinate opportunities for local, free networking amongst TM professionals
• Improve talent management effectiveness by conducting original research that benefits the TM community

We are a neutral player in the talent management space, committed only to bringing you the truth about the state of our profession. Our reports are not influenced by any vendor and the NTMN does not sell any products or services.

If you're not already a member, please join us today at www.newtmn.com.

Thank you (!) to:

• Zac Upchurch for data analysis and report writing
• Joyce Petrella for the HR Analytics idea and questionnaire development

Thank you for your continued support!

Marc Effron
Founder
New Talent Management Network
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There is a perceived revolution in human resources inspired by the promise of relevance through data-driven insights. It's the field's shiny new toy and more organizations than ever are playing with it spurred by the genuine (and perhaps slightly desperate) belief that analytics will finally prove the value of HR. Our new research finds that hope still largely unrealized.

While organizations are actively exploring people analytics, our research shows there's a significant gap between the promise and the current reality of HR analytics. We clarify the current state of people analytics and provide practical guidance for making analytics more than just another questionable HR investment.

Our three primary findings for the field of people analytics are:

1) **Big Promise; Small Reality**
   There’s significant discussion about people analytics but far less substantive work being done. In reality, most organizations are using the same tools that existed years ago to produce the same analyses companies have always produced. Excel remains the dominant analytical tool and turnover analysis remains the dominant statistic. There are good (not guaranteed great) things to come, but today companies lack confidence in their ability to produce anything other than basic insights.

2) **Backstabbing Data**
   The data that companies were counting on to release deep talent insights has stabbed them in the back. It turns out that the data is dirty – inconsistent, scattered, unreliable and sometimes just plain inaccurate. The lack of clean data is a reinforced brick wall blocking the road to HR analytic success. While companies say that lack of analytics software hinders their success, they should remember the old adage “garbage in; garbage out.”

3) **Lean, Green and Unloved**
   Companies aren’t confident in the capabilities of their admittedly new and small talent analytics teams. This may seem like a function of company size or investment, but we found that a larger team or more advanced platform doesn’t automatically translate to more confidence in the people analytics function. In a troubling finding, more companies said their people analytics team hinders their analytics work than helps it.
The People Analytics Investment Continues to Grow

More organizations than ever before are performing some level of people analytics, investing in people analytics teams and planning additional growth.

Our New Talent Management Network (NTMN) survey found a significant majority of organizations (85%) engage in some level of people analytics as a part of their business strategy. Of those that conducted people analytics, slightly more than half (53%) had a designated team for the function. This represents a 34% increase in people analytics teams compared to the previous year. Of those organizations not currently engaging in any level of people analytics, 69% expect to begin in the next 12 months.

In 2017, over 95% of organizations are projected to conduct some level of people analytics.
Only basic people analytics are being performed by most organizations, undercutting the popular narrative that companies are rapidly advancing in this space. The only rapid advancement seems to be in adding an HR analytics function, not getting deeper, more meaningful insights from it.

Despite people analytics having the potential to revolutionize the field of human resources, very few organizations outside of the largest (> $100B Revenue Annually) are measuring anything but the basics using basic tools.

There's broad variation in the relative sophistication of analytics produced. Less than three percent of organizations boasted a people analytics function advanced enough to automatically analyze data and provide guidance to managers. A significant majority (67%) are measuring only basic workforce statistics or no statistics at all.

**At Which Stage of People Analytics is Your Organization?**

- **Stage 1: Preparation**
  - You are actively preparing to begin talent analytics activities within the next 12 months.

- **Stage 2: Fundamental Analytics**
  - You can identify and report on basic workforce statistics including turnover, time to hire, engagement levels by manager, etc.

- **Stage 3: Advanced Analytics**
  - You can identify and report on data trends, correlations and, selectively, cause and effect relationships. These findings inform your people management practices.

- **Stage 4: Decision Management**
  - You manually analyze broad-based talent data and identify specific actions that managers or employees should take.

- **Stage 5: Automated Decision Management**
  - Your system automatically analyzes broad-based talent data and generates specific guidance to managers and/or employees about talent-related actions they should take.

**Most organizations run relatively unsophisticated analytics**
Basic Tools
Despite the attention that people analytics is receiving as a function, very few organizations have progressed beyond the basic analytical capabilities that many organizations have practiced for years. 62% of organizations with annual revenue of less than $25 billion utilize Excel as a primary tool when conducting people analytics. Excel is a workhorse program and very versatile, but it requires significant skills to produce deep analytics and by definition is not connected to your core HR systems. When most organizations are using tools available since the 1980's, it appears HR analytics is the proverbial rocking horse – showing lots of movement but very little progress.

While a powerful tool, Excel can only scale so far in the service of people analytics.
What Type of People Analytics Do You Produce Using Your Talent Data?

<table>
<thead>
<tr>
<th>Analytics Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover Analytics - Basic (i.e. desired and undesired turnover)</td>
<td>84%</td>
</tr>
<tr>
<td>Talent Acquisition Analytics - Basic (i.e. time to fill, cost per hire)</td>
<td>75%</td>
</tr>
<tr>
<td>Identify Development Needs of Groups</td>
<td>43%</td>
</tr>
<tr>
<td>Workforce Planning (not including leadership succession)</td>
<td>35%</td>
</tr>
<tr>
<td>Estimates of Individual Potential to Advance</td>
<td>31%</td>
</tr>
<tr>
<td>Turnover Analytics - Advanced (i.e. identifying key turnover drivers for select groups)</td>
<td>28%</td>
</tr>
<tr>
<td>Identification of Factors Correlated with High Performing Employees</td>
<td>26%</td>
</tr>
<tr>
<td>Talent Acquisition Analytics - Advanced (i.e. source of hire vs. performance and potential)</td>
<td>23%</td>
</tr>
<tr>
<td>Workforce Productivity Statistics</td>
<td>23%</td>
</tr>
</tbody>
</table>

The dismal numbers on confidence in ability to predict future gaps and challenges are likely a combination of bad data, challenged teams and underpowered tools.

Higher order analytics appear to be a distant dream for most organizations based on their assessment of their current capabilities.

How confident are you in these elements of your people analytics approach . . .*

- Ability to predict future gaps/challenges: 22%
- Ability to share unique insights about the performance-driving factors in your organization: 22%
- Ability to identify high potential leaders: 26%

* % saying Very or Extremely confident
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Backstabbing Data

As organizations attempt to advance their people analytics capabilities, they find themselves sabotaged by the exact data they hoped would advance their cause.

Data quality is overwhelmingly cited as not being conducive to people analytics, with 70% of respondents stating that their data is not structured in a way that supports a people analytics function. The two primary challenges identified were data being dispersed (77%) and data being unreliable, inaccurate or incomplete (58%).
Nearly three-fifths of respondents identify their data as their largest barrier to success, with respondents stating HR data quality (65%) and HR data quantity and variety (59%) as the most challenging areas.

While the dirty data issue will likely be an ongoing challenge for organizations, it’s also one that’s imminently solvable. For most organizations, there isn’t a data strategy – alignment on a standardized approach for how data should be captured and stored across platforms to allow functions like people analytics to easily input and retrieve data. This is a setback for the people analytics function in the short-run, but is solvable over time.

**HR Data Quality**

**How Does HR Data Quality Effect your Success in HR Analytics?**

- **Hinders 65%**
- **No Effect 18%**
- **Enables 17%**

**HR Data Quantity and Variety**

**How Does HR Data Quantity and Variety Effect your Success in HR Analytics?**

- **Hinders 59%**
- **No Effect 27%**
- **Enables 14%**

**How Does the Quality of HR Analytics Tools/Software Effect Your Success in HR Analytics?**

- **Hinders 60%**
- **No Effect 19%**
- **Enables 21%**

We suggest this may be a “manufactured problem.” While it is true that the quality of HR analytics tools/software can be improved, there are a number of HR analytics tools/platforms that can measurably increase the capability of the average organization's people analytics function. Simply put, if the bulk of organizations are attempting to make meaningful progress in their people analytics function, and a primary tool is Excel, they won’t be very successful. This doesn't suggest that the tools in the marketplace are insufficient, but does suggest the tools actually utilized are insufficient and/or insufficiently utilized.
If data were truly holding organizations back, we'd expect that organizations with higher confidence in their data quality and quantity would be more confident in their people analytics function than organizations with lower confidence in their data quality and quantity. Surprisingly, there's no relationship between confidence in the company's data and confidence in the company's HR analytics group.

To illustrate, smaller organizations are less likely to have an overabundance of or lack of quality in data, supported by their higher confidence in their data. The smallest organizations (<$500MM Annual Revenue) have a higher level of confidence in the quality of their data than any other organization size except the largest organizations (> $100B Annual Revenue). Smaller organizations are also least likely to view their data as a hindrance to the success of their people analytics function. And yet, smaller organizations were not any more confident than any other organization size about their people analytics function.
FEEDBACK IS THE BREAKFAST OF CHAMPIONS

- KEN BLANCHARD

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Lean, Green and Unloved

With an abundance of data (even if it’s dispersed), numerous people analytics tools/platforms to choose from and a supportive senior management team (41% say their CEO helps vs. 10% say she/he hinders), the people analytics function would seem to have every input necessary to succeed. And yet, confidence in the people analytics function remains low.

The teams conducting talent analytics are relatively green (77% are 3 years old or younger), lean (78% have fewer than four people) and unloved (61% saying they hinder or have no effect on the success of people analytics). We'll take a “glass half full” attitude towards this data and assume that this function, like the broader talent management function, will find firmer footing over time.

**Is There a Person or Team That is Dedicated to People Analytics?**

<table>
<thead>
<tr>
<th><strong>NO:</strong> 47%</th>
<th><strong>YES:</strong> 53%</th>
</tr>
</thead>
</table>

**Is There a Person or Team That is Dedicated to People Analytics?**

<table>
<thead>
<tr>
<th>How Many FTEs Are on The People Analytics Team?</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>30%</td>
</tr>
<tr>
<td>2</td>
<td>25%</td>
</tr>
<tr>
<td>3 - 4</td>
<td>23%</td>
</tr>
<tr>
<td>5 - 7</td>
<td>5%</td>
</tr>
<tr>
<td>8 - 10</td>
<td>5%</td>
</tr>
<tr>
<td>11 or more</td>
<td>12%</td>
</tr>
</tbody>
</table>

**How Long Has Your Company Had a Person or Team Dedicated To People Analytics?**

| 1 year or less | 25% |
| 2 - 3 years | 52% |
| 4 - 5 years | 10% |
| 5+ years | 13% |

**Does the Capability of Your HR Analytics Team Hinder, Enable or have No Effect on the Success of Your People Analytics?**

| Hinders 41% | No Effect 20% | Enables 39% |
What To Do Now

Our report finds the ubiquity of the HR analytics function is undercut by the lack of satisfaction with its results. The silver lining in the HR analytics cloud is that straightforward solutions exist to every issue we highlight. We believe that proper and realistic planning is the essential starting point and recommend the actions below.

Start your journey asking the often unasked question, “Why?” Why should your organization pursue a people analytics function? Is it just the latest shiny object and you’re desperate to have it? Do you have outsized expectations for what this group can deliver? What information could you produce that the company would actually value? Why can’t you pay an external firm to produce these analytics?

Asking your senior team some seemingly basic questions will provide a good baseline for strategy discussions:

1) **How data-driven would we like our organization and HR to be?**
   - Do you want data to inform your decisions or drive them? There are very different capabilities, investments and mindsets required depending on that choice. Data-driven decisions requires that you trust the data to instruct your actions at an individual or small group level. To get there, you will have invested in the latest analytical software to assess your clean data and produce granular results. You’ll have an HR analytics team who can structure and interpret the analysis properly. You won’t excessively second-guess the conclusions. You should have 95% confidence in the accuracy of your analysis to move to this stage.

   Data informed decisions mean that you have insights to use as part of a larger discussion to make people decisions. The data may not be as precise or specific as the data above, but will provide at least directional indications at the small group level. The data will not be useful for individual decision making.

2) **What specific insights are we trying to gain?**
   - HR analytics should be used as a rifle not a shotgun. You should have target questions in mind that you explore (i.e. why do we see higher turnover among EMEA mid-level sales reps than their APAC...
$$E(X) = \sum_{k=0}^{n} k \times p(X = k) = \sum_{k=0}^{n} k \times \binom{n}{k} p^k q^{n-k} = \sum_{k=1}^{n} \frac{n(n-1)!}{(n-k)!(k-1)!} p^k q^{n-k} = np \sum_{k=1}^{n} \frac{n(n-1)!}{(n-k)!(k-1)!} p^k q^{n-k}$$

peers?). It’s easy to produce reams of interesting but not helpful information if your approach is to sift through your data until something cool emerges. What are the five big questions you want to get answers to this year?

3) **Who will be the recipient of the insights?**
   - Does anyone really care about the data you plan to produce? If you want clear direction for your HR analytics function, ask your executive team what insights they would actually pay you to generate and how much they’d be willing to pay for it. The free market is a wonderful way to prioritize and gauge the value of your work. If your internal customer wouldn’t be willing to pay someone else to produce that analysis, then there’s probably not a good reason for you to do it either.

4) **What accountability is there for utilizing the data?**
   - Producing analytics uses staff time and a pro rata portion of your investment in software. This means that your data comes at a cost and needs to deliver value in excess of that cost. Unused data is a waste. How do you want to contract with others to ensure your data gets utilized? It’s easy for HR or other departments to request work without a clear vision for what they’ll do with the results. Be sure to contract carefully with those groups to ensure they have a plan in place for utilizing your insights once they’re presented.

5) **Is the internal HR group best suited to deliver these data outcomes?**
   - It’s cool, fun and cutting edge to say your HR group has an in-house analytics team. If I’m an investor in your company, I want to understand why that work must be done in-house rather than through a specialized contractor or consulting firm. Given the highly technical nature of the work, there are likely specialists in the field (and only a few given the nascent state of the field) who will be more capable than the people you’re hiring. If the total cost for an HR Analytics Director is $200,000 annually, what could I get from a consulting firm for that investment? Seriously assess that question before your CFO does it for you.
About the Research

Our Methodology
We emailed invitations to participate to approximately 11,000 individuals globally in January and February 2016. 102 individuals responded to the survey and we conducted IP analysis to identify any potential duplicate responses.

We requested revenue data but not other corporate demographic data since we’ve found that revenue is the primary differentiator in practices, not location, industry, etc.

Revenue of participants was:

<table>
<thead>
<tr>
<th>Revenue Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $500MM</td>
<td>22%</td>
</tr>
<tr>
<td>$500MM - $2.5B</td>
<td>21%</td>
</tr>
<tr>
<td>$2.6B - $5B</td>
<td>21%</td>
</tr>
<tr>
<td>$6B - $10B</td>
<td>12%</td>
</tr>
<tr>
<td>$11B - $25B</td>
<td>9%</td>
</tr>
<tr>
<td>$26B - $100B</td>
<td>11%</td>
</tr>
<tr>
<td>More than $100B</td>
<td>6%</td>
</tr>
</tbody>
</table>