

# Case Study

## How to Implement Analytics

By Dr. Jac Fitz-enz, Human Capital Source

**W**hen it comes to major projects the two hardest things to do are get it started and keep it going when you hit a road block. Now that predictive analytics is attracting so much attention and many HR people want to use it their first question is, “Where do I start.” That is not quite the right question. The better one is, “What is a good value adding opportunity?” As the old saying goes, *if you don't know where you are going any road will take you there.*

### Analytics Goal

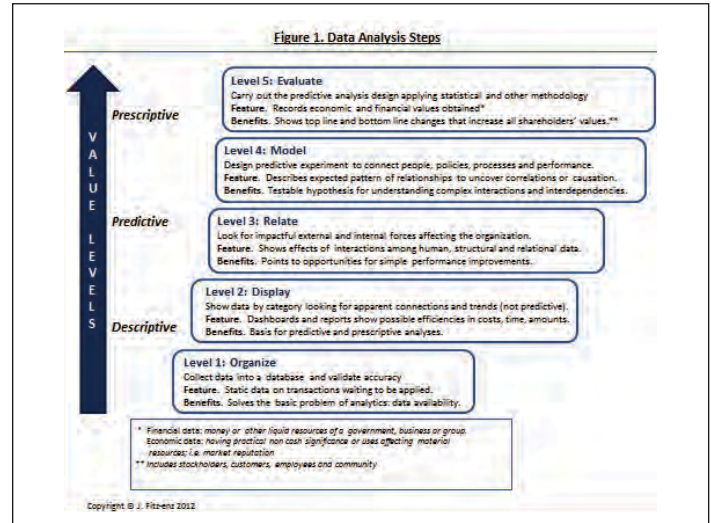
Predictive analytics is not just the latest of hundreds of management models that have come along in the past 50 years. Analytics is a mathematical tool that you can apply to solve many complex problems or exploit enriching opportunities. Like all mathematical tools, it is agnostic. It doesn't care what you apply it to. If you know how to use it, it works. It asks only one question in return. That question is, “Where is the value?” It reminds me of the famous advertisement, “Where's the beef?”

What is the value that you seek? Is it cost reduction, retention of mission critical personnel, revenue generation, increased engagement, improved productivity, more effective training? In short, analytics is about increasing human capital value for your organization. It is not about cutting attrition percentage or raising the engagement score. It is about improving measureable performance. This may seem simplistic but I can assure you, based on many projects I've worked, most people misconstrue the value they seek at the beginning.

### How Value Flows

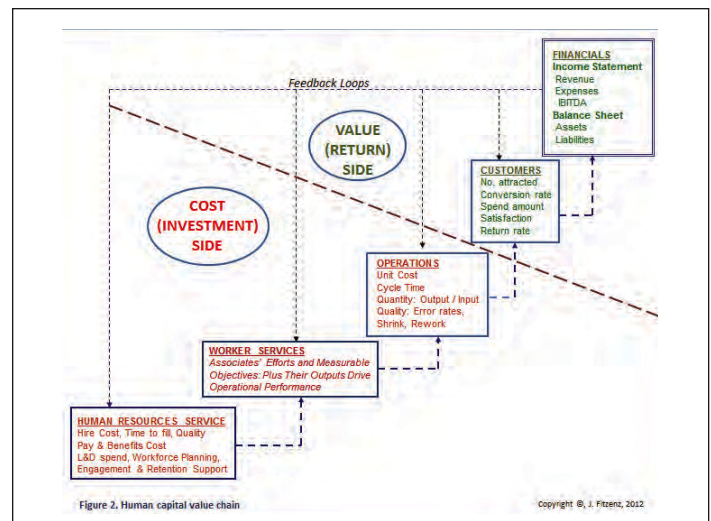
Typically value is the natural result of one or a series of actions. Value comes in two flavors; economic and financial. They are different, but if you do it right they come together downstream. Economic value includes practical, significant non-cash items or applications affecting nonmaterial resources. Examples are market reputation, market share, customer relations, employer of choice and community relations. These are often referred to as off balance sheet assets. Each of them should eventually turn into financial value as stockholders buy company stock, customers buy products or services, and high-performing personnel seek employment with your organization and favorable governmental relationships. Financial value

examples are free cash flow, stockholder equity and other monetary resources that normally are recorded on the income statement and balance sheet. This data is known as descriptive analytics. It is about the past and present. We generate value by moving beyond what has happened to what we want to happen and how to make it happen. These are predictive and prescriptive analytics. Figure 1 shows the progression.



### The Human Capital Value Chain

Both economic and financial values start in the human resources department, believe it or not. If HR is responsible for recruiting talent, planning development experiences, designing compensation systems and devising engagement and retention programs then it is obviously the initial source of later value. Figure 1 lays out the progression from HR through the employee's efforts in the operating units out to customers and finally ending in economic and financial values. Of course, extraneous variables get into the linkage, but in practice those are accounted for.



## Getting Started

You can do three things through analytics: solve a problem, develop an analytics unit in your organization, and generate an analytics culture. I suggest you start with the first one.

Start by selecting a value that you would like to generate. The question is not, what do we want to fix? There are countless problems to analyze. One more time, the point is where is the value opportunity?

Many HR projects start with attrition. It is a fertile field and easily understood and valued. I'll use that for this example even though in a real case it might not be the greatest value opportunity.

Do you know all the forces and factors that affect attrition in your organization? If you can't name them all, then you want to launch your analytic project by assessing all the external forces and internal factors that affect attrition. Some examples are:

External	Internal
Labor Market	Leadership
Economy	Brand
Competitors	Culture
Regulations	Finances
New Technology	Capabilities

I suggest that you bring in a few senior managers who can tell you what they think are the causes. Later on, statistical analysis will weed out the extraneous from the affective. This brings up a side issue of support. It is likely, if this is your first venture into analytics, that it will be very helpful to recruit a sponsor or champion from senior ranks. This person has formal power and relationships among the executives that you might need when you run into a problem.

## Choosing the Target

Once you find a value opportunity, you start gathering data stemming from your assessment of possible causes above. This is one of the most difficult steps, not only for HR projects, but for any analytic venture. Databases in most companies were not designed to provide data for analytic projects. You will have to answer questions such as the following:

- What data will you need about accession and attrition?
- Who has the data?
- Will they give you access to it?
- Is it valid and reliable?
- What form is it in?
- How will you use it when you obtain it?

## Launching the Project

Once you have access to the data you will need to know how to handle it. That brings us to the next phase; skills and knowledge. Naturally, the process starts with knowledge of the life cycle of an employee. Then, you have to learn how to run an analytics project. Analytics starts with logical questions such as those above. Statistical analysis comes later.

Most HR people are not statisticians. Don't worry about that. You can find those skills in Finance, Marketing or Operations. You can also hire them part-time. Colleges are a great source of statistical talent. Interns have played key roles in many projects that I have directed.

Also, you need to learn about communication. What will the project report readers want to see and in what form? Selling skills are essential at all phases of the project. The old axiom is, inventory is not an asset if you can't sell it. If you are not good at persuading people you need to put someone on your team who can sell the project and the results. Along the way you will develop forms, templates and other tools that you can use in subsequent projects. Finally, if you want to see the values applied, you will probably be part of change management. Reports don't change anything. Action is required.

## Looking Ahead

There is no question about analytics' future. It is not a flash in the pan as so many other management models have been. Analysis is a fundamental activity. We are constantly analyzing our environment, the actions of others and our own behaviors. Predictive analytics takes it out of the conjecture and anecdotal stages and puts some rigor around it. If you want to be a respected member at the management table you will want to master analytics.

## About the Author



Dr. Jac Fitz-enz, founder and president of Human Capital Source, is known worldwide, and is acknowledged as the father of human capital strategic analysis and measurement, having developed the first HR quantitative reporting system in 1978. He founded the famous Saratoga Institute in 1980 and published the first international HR benchmarks, eventually covering 2,000 companies in a dozen countries. He has trained more than 90,000 managers in 46 countries and published 13 books and over 400 articles on measurement, analytics and strategic HR management. Dr. Jac consults internationally on how to implement analytics programs and measure their value added. He also produces and directs the Annual Human Capital Analytics Conference for The Conference Board focusing on strategic metrics and analytics now in its sixth year. He can be reached at [jac@drjac.com](mailto:jac@drjac.com).