

Increasing access to HR Data: we only use information we have

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There is an old statistics joke about a man standing under a street light at night looking for his car keys. A passerby asks, “where did you drop them?”. The response is “over there in the alley”. The passerby then asks, “why are you looking for them here?” to which the man responds, “because it is too dark to see them in the alley so I’m looking where the light is”. The point of this joke is that our ability to solve problems using statistics is limited to by the data we have available. Historically, this has been a major challenge when it comes to making data driven decisions in HR. We cannot use data that we do not have.

Advances in technology are making it easier to collect and utilize HR data than was possible in the past. But we still have a long way to go before we can truly call HR a data driven function. The table below provides summary of different types of HR data, why it has been traditionally difficult to collect, and how technology can be leveraged to overcome these historical barriers to data collection.

Data Category	Why it is hard to collect	How technology can help
Operational Data describing tangible employee characteristics such as job codes, salary, tenure, demographic characteristics (age, gender), work location and reporting structures.	Data was either never collected at all or collected but stored on hard to access files (e.g. spreadsheets) or on multiple operational HR systems with different databases and job codes.	Cloud technology HR systems enable easier collection of data directly from employees at the time of hire and better access and maintenance of the data by storing it on single, unified database.
Employee Interest & Experience data such as skills, qualifications and career interests	If collected at all, this data tended to be stored using unstructured forms such as resumes and/or placed in difficult to access files and stand-alone recruiting and career development systems.	Integrated cloud technology HR systems enable the ability to collect structured attribute data and different phases of the employee life-cycle (onboarding, training, etc.) and store it on a single database.
Employee Attitude data such job satisfaction, engagement and confidence.	Data was collected through time intensive annual or periodic surveys and often stored on stand-alone databases.	Mobile and cloud technology enables the use of short “pulse” surveys embedded into operational work activities allows for less intrusive more ongoing collection of data.
Subjective Employee data such as ratings of performance or potential, peer feedback, 360 survey ratings or other data about how employees are perceived by people they work with.	Data primarily collected through individual manager’s annual performance reviews tended to be of questionable accuracy	Continuous performance management and talent review technology enables ongoing collection of more complete performance data and more reliable evaluations based on group input
Objective Employee data such as attendance, collaboration, productivity, sales, customer service and other performance metrics that do not depend on ratings or evaluations.	Data stored in multiple systems and databases that were difficult to access and lack data standardization	Integrated cloud platforms enable the ability to link data across different operational systems used for workforce scheduling, collaboration sales, customer service, and production.
Work Environment data such as job schedules, reporting structures, team composition, training resources and other variables the define the nature of where a person works.	Data stored in multiple systems and databases that were difficult to access and lack data standardization	Integrated cloud platforms enable the ability to link data across different HR systems.
Financial Outcome data such as business unit revenue, operating costs, and revenue per employee.	Financial data stored in systems that were neither linked no aligned to HR data systems.	Integrated cloud platforms enable the ability to link financial and HR data into a single database

The move to integrated cloud technology platforms is having a massive positive impact on the ability to access and use different forms of HR data. Rather than having to source data from multiple databases stored in various systems and on-premise locations, companies can now pool multiple types of data into a single cloud-based “data lake”. The challenge is companies must move to cloud technology systems to gain these benefits.

Another area greatly enhancing the availability and quality of HR data is the growing use of mobile and social technology to support talent management and learning. The next evolution of talent management is shifting away from annual and other time-bound periodic processes, and toward more ongoing collaboration, feedback and assessment. One outcome of this shift is the generation of far richer and robust data reflecting employee attitudes, performance, and potential. Looking forward, we can also expect to see the move to the “Internet of Things” to generate ever greater levels of HR data. For example, linking traditional HR data with data collected through wearable technology or sensors used to monitor the quality of work products.

The amount of data available to guide HR decision making is only going to increase. The challenge increasingly will not be getting access data, but in learning how to manage it. If companies want to benefit from the advantages of greater HR data, they need to invest in building technology that enables them to access and analyze it. And even more important, they need to build expertise within their HR departments to guide how data is used. The more HR departments effectively leverage the growing amounts of data available to them, the more business leaders will come to appreciate the value of data driven HR.

In addition to getting skilled at managing data, HR departments also must become skilled at managing employee concerns regarding data privacy. Data, when used correctly becomes information. Information is power, and to quote Spider Man, “with great power comes great responsibility”. So, it is also true that “with great data comes great responsibility”.

Increasing the visibility of HR data: people must see it to use it

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Leaders must see HR data for it to influence their decisions. Unfortunately, a lot of HR data is kept in reports, databases and systems that are not easily accessible by business leaders. Often this data is not even easily accessible by HR professionals! If someone wants to see this data they must find and get access to the right system or ask someone from HR or IT to run a report. It may take several days to get HR data reports back from HR/IT. And when the data finally arrives, it may not be presented in an easily interpretable format. Given how hard it is to even see a lot of HR data, it is not surprising that this data is rarely used to guide decisions.

Advances in technology are rapidly increasing accessibility and interpretability of HR data. Modern cloud and mobile HCM technology solutions have functions that can pull data out of complex reports and present it on dashboards and charts using easy-to-interpret tables, graphs and charts. The following are examples of three ways this technology is increasing the visibility and utilization of HR data.

Displaying relevant HR data at the time when leaders are making decisions. The best time to show leaders HR data is at the point in time when they are making decisions relevant to that data. SAP has developed two products that exemplify this concept. The Business Beyond Bias functionality found in SAP SuccessFactors displays HR data in a manner designed to create more accurate, inclusive and equitable compensation, staffing and promotion decisions. Bias is a result of making decisions based on employee characteristic such as gender or physical appearance that are not relevant to actual job performance. The best way to reduce bias is to focus leaders on job relevant data when they are making decisions. This enables companies to prevent bias before it happens. The Business Beyond Bias functionality does this by embedding data into tools used for talent management decisions that a) focuses leaders on criteria relevant to the decision to decrease the influence of implicit biases, and b) provides immediate feedback showing whether their decisions are showing evidence of potential bias.

SAP's Digital Boardroom focuses on displaying HR data to enable more effective "C-level" organizational decisions. The Digital Boardroom consolidates HR data across the entire enterprise and displays it alongside other enterprise data such as finance, operations, sales and marketing. It also enables leaders to easily drill down to look at data based on regions, functions, or demographic groups. Having HR data displayed alongside other operations data provides executives with a more comprehensive picture of the organization overall. It also changes the nature of leadership meetings. Historically the agenda for many executive level meetings was split based on function. Finance would talk first, followed by sales, followed by HR, and so forth. And each functional leader would come equipped with their own set of data. By consolidating all this data into one interactive display, the Digital Boardroom enables leaders to move away from talking about each function in isolation and instead talk about how the functions can collaborate to address broader business issues. For example, instead of HR leaders talking about decreasing turnover, Finance leaders talking about increasing revenue, and Sales leaders talking about growing account opportunities, all three leaders can jointly discuss the impact of turnover on account opportunities and its subsequent impact on revenue.

Christian Schmeichel, the COO for Global HR at SAP shared another interesting and unexpected positive outcome of the Digital Boardroom – it accelerated leadership decision making. When different functions each had their own data reports, inevitably certain data would not align and time would be spent debating over whose data was more accurate. The Digital Boardroom immediately surfaced data irregularities so they were addressed prior to starting senior executive meetings. When the meetings

start, different functional executives all operate from one single source of truth. This means time is spent talking about what to do based on the data instead of debating the accuracy of the data.

Making HR data readily accessible when leaders are interested in it. Few business leaders have an inherent interest in HR data, but they are interested in HR data when it impacts the things they do care about (i.e. profit and growth). The best time to show a leader HR data is when they are talking about a business topic relevant to that data. The challenge is how to get this HR data in front of leaders at the right time. Mobile technology is helping to address this challenge.

The value of having readily accessible HR data is illustrated by the following story shared by a customer who had recently moved to a cloud based, mobile enabled HR reporting system. During a meeting, a regional sales leader complained that “we are at risk of missing our revenue targets because our sales people are quitting. The company is not paying our reps enough and we are losing them”. The HR leader asked what made him say this. The sales leader replied, “I just lost two reps this quarter so we clearly have a turnover problem”. The HR leader suggested they look at turnover data for the region accessing the reports on his smart phone. After a few minutes looking at the data, the sales leader realized that turnover in the region had in fact decreased over the past year and that the two reps leaving was an anomaly. This prompted the sales leader to rethink how to solve his revenue challenges. The ability to present HR data in real time during the moment of the conversation quickly redirected the sales leaders thinking. Imagine how this might have played out if the HR leader had said “let me file a request to HR/IT for a report with turnover data in your region and we can schedule a meeting a week from now to review it”. Or even worse, if the HR leader had no way to access the turnover data at all.

Calling attention to changes in HR data that may affect leadership actions. Even though many business leaders have little interest in HR data by itself, there are times when it makes sense to use HR data to call attention to issues that could impact the organization. For example, significant increases in turnover, substantial decreases in employee engagement, or growing signs of pay inequity. In the past, HR departments would analyze HR data to spot these sorts of changes and then schedule meetings with leaders to discuss the data. While this method can be effective, it is time consuming. It also increases the risk of failing to identify changes in data that should be addressed since it depends on human vigilance.

Technology is helping companies address the challenge of keeping business leaders informed of relevant changes in HR data, without overwhelming them with HR data reports. For example, the “Headlines” feature in SAP SuccessFactors enables companies to set triggers that automatically inform managers if HR data reaches certain levels. For example, a notice might pop up on a leader’s mobile phone if workforce turnover increased by more than 3% in their region. The notice can also include links so leaders can dive deeper into the data if desired. These features automatically call attention to relevant HR data without forcing leaders to sift through lengthy reports.

Technology is enabling companies to collect vast amounts of HR data. This creates the challenge of enabling business leaders to leverage HR data without being overwhelmed by it. Happily, the same technology that enables us to collect massive amount of HR data also enables us to display the data at the right time to the right leader.

Understanding HR Data: the importance and risk of context

Peter Howes, a pioneer in the use of HR data once told me that a little data in the wrong context is often worse than no data at all. When people misinterpret data it just strengthens their beliefs in the accuracy of something that is not true. This is a risk when sharing HR data with business leaders. Consider the following story, which is based on actual events. Following a financial downturn, a large company had to rapidly reduce total workforce costs. Senior leaders were given spreadsheets showing salary and headcount for different departments. They identified a team working on a non-critical product that had higher workforce costs than other groups. Eliminating this team was seen as “low hanging fruit” to save costs based on HR data showing job titles, functions and salaries. But the leaders never actually looked at data showing the capabilities of the people on the team. Shortly after letting the team go, the company discovered it had eliminated several highly skilled engineers. These employees had been placed on this team because of their past performance and creativity. Several of the employees possessed unique skills critical to the company’s business operations. A few months later the company had to re-engage these employees as consultants at rates far higher than what they were paid as full-time employees.

It might look like the leaders in this story made a stupid decision. But these leaders were not stupid people. They were smart people who made a confident decision based on accurate data interpreted the wrong way. What they lacked was additional data that would have enabled them to fully understand the context of their decision and its impact, both positive and negative. Part of the art of using HR data presenting it way that leads people to draw appropriate insights and conclusions. This is largely about providing data in the right business context coupled with effective analytical interpretation. To illustrate this idea, consider the following four stories that illustrate the use of HR data ranging from least effective to most insightful.

Presenting HR data without any business context. Jenny Dearborn, author of the book “Data Driven HR” told me a great story that illustrates the risk of presenting HR data without any business context. Early in her career she shared data with a business leader indicating how many people in his organization had completed various training programs. Rather than responding positively, the leader said “all this data tells me for sure is that dozens of people in my company have spent hundreds of hours sitting in training classes instead of focusing on getting actual work done”. The leader did not say that training was a waste of time. But he made it clear that this HR data was not valuable unless it could be linked to business relevant data such as sales productivity.

Presenting HR data without enough business context. Headcount freezes are a common method used to control costs. From a financial perspective, this makes a lot sense. By freezing hiring companies can swiftly reduce growth in operating costs caused by salary. What leaders implementing headcount freezes do not see is the financial losses caused when managers are unable to hire candidates. This starts with wasting the months of time spent recruiting skilled candidates, only to tell them they cannot be hired. Furthermore, the best candidates have multiple offers so when a company implements a hiring freeze it is basically handing off its top candidates to other companies. Last, employees are hired because companies need people to generate revenue and run efficient operations. The revenue and efficiency that would have been gained by hiring new employees is lost as soon as the hiring freeze goes into effect. The problem with hiring freezes is not the they never make sense. The problem is they are implemented based solely on looking at data showing the cost saved by eliminating new hires, without considering contextual data showing the financial gains that new hires generate.

Presenting HR data with the right amount of context. A perennial challenge for business operations, HR and finance is determining the right number of people needed to drive profit and growth with generating excessive headcount costs. This is particularly true in low margin industries like retail where differences in workforce costs can make the difference between profit and loss in a store. I once worked with a retail organization that made creative use of HR data to determine the optimal number of store managers to hire in a region. Historically the company strove to keep costs low by only hiring a store manager when there was an open vacancy within the region. In other words, the company did not hire new store managers until an existing store manager quit. But an intrepid HR leader wondered if this was the right approach. He observed that when a store manager quit the morale of employees in that store often suffered, turnover frequently increased, and customer sales and service declined. In addition, pressure was placed on adjacent store managers to cover the store until a replacement manager was hired. And consequently, performance of adjacent stores suffered as well. He used store sales and turnover data to demonstrate that the cost incurred by waiting to hire store managers until an existing manager quit was greater than the cost of employing an extra “floating” store manager who could immediately step in and run a store if the manager left. This story illustrates the benefits of looking beyond simple HR data like staffing and salary to incorporate contextual data that illustrates how people impact broader business operations.

Presenting HR data with the right amount of context plus analytical insights. The best HR data needs no explanation. Business leaders do not need a lot of guidance to understand the impact of HR analytics that show things such as “turnover of high performers is twice as high as turnover of low performers”. As one statistician told me, the best data has inter-ocular significance – its meaning hits you right between the eyes! However, not all HR data lends itself to such easy interpretation. In the last few years there has been tremendous growth in the use of machine learning and advanced non-linear modeling methods to draw analytical insights from HR datasets. These advanced mathematical methods allow companies to maximize the information found in the ever larger pools of HR data being generated by technology.

Analytical methods like machine learning are not magical methods that automatically turn all HR data into meaningful information. The data must still be tied to business metrics and presented in the right context to be useful. But given these preconditions, advanced analytical methods can greatly enhance the value of HR data in ways that go beyond what leaders could do on their own. For example, I once worked with a company to develop an assessment to predict sales performance in shoe stores. The company noted two things were relevant to sales in their stores. Better employees tended to be socially confident and initiate conversations, and agreeable and interested in learning about customers. Based on this, the company would assess candidates on social confidence and agreeableness and use that to guide hiring decisions. Once the company had amassed data on several thousand hires, they used advanced non-linear mathematical models to determine the optimal fit between candidate characteristics and sales. What they discovered was that, while good sales people tended to be socially confident and agreeable, the absolute best sales people were socially confident and somewhat disagreeable! This was a rare combination since social confidence and agreeableness tend to correlate. But these rare individuals sold the most shoes because they were highly task focused. They were not striking up conversations with customers to learn about them, they were starting conversations to sell them shoes. This insight made total sense to the store managers once it was called out. But without the use of advanced analytics the company never would have made this realization and modified its hiring profile.

A little HR data can be a dangerous thing. But it can also be a powerful force for good. The key lies not in the data itself, as much as ensuring the data is placed in the right context and interpreted in the right way.

Managing sensitive HR data

HR data often contains highly sensitive information about employees and the organizations they work for. Part of using HR data is managing the potential risks it can create. These tend to fall into three broad categories.

Data privacy. HR data often contains information about employees that could be misused if it fell into the wrong hands. Identity theft is certainly one concern, however there are many other reasons to ensure HR data is handled in careful and confidential manner. Many countries have enacted regulations that impose strict requirements around how and where HR data must be stored, who can access it, and when it must be destroyed. The General Data Protection Regulation (GDPR) recently enacted by the European Union is just one example of a variety of stringent laws and rules found in different countries to ensure HR data is not used inappropriately. Anyone working with HR data should pay careful attention to these regulations lest they inadvertently violate regulations that can often result in significant financial penalties.

Cultural concerns. Increasing the transparency of HR data may reveal certain organizational characteristics that could create some difficult conversations within the company. Foremost is the potential to uncover inequitable trends related to compensation and staffing. Leaders and managers must be educated on how to appropriately respond when people call out data that suggest potential unfairness and inequity in employee treatment.

Legal exposure. HR data may also surface patterns that could put the company at legal risk. Foremost is the risk of uncovering trends that could be used as evidence of potential discrimination based on gender, age, or ethnicity. When dealing with such data, it is wise to consult corporate counsel and take precautions that minimize the potential of becoming a target of legal actions.

The risks associated with HR data are real, but they are also manageable. This starts by educating the people handling HR data on how to properly protect its confidentiality and security. It continues by controlling who see HR data and ensuring it is only used for appropriate purposes. Finally, it is important to educate leaders in the company on how to effectively discuss patterns in the data so they lead to constructive change and avoid destructive criticism.

Some companies are so afraid of the risks inherent HR data that they are afraid to use it for anything beyond the most minimal required reporting. Such practices fail to leverage the wealth of valuable information found in HR data. But even worse, they serve to perpetuate inappropriate practices rather than addressing them. When it comes to data companies have two basic choices. One approach is to hide the data in hope that any inconvenient truths it contains will never come to light. The growing number of corporate scandals occurring in the media suggest this strategy is ultimately bound to fail. The other approach is to use the data to better understand the world as it is, problems and all, and then leverage the data to develop methods to improve the world for the better. This approach does require a bit more risk taking up front, but is ultimately more likely to lead to positive long-term outcomes over the long-term.