# Human Resources Data is Useless – unless you use it

Steven T. Hunt, Ph.D.
Click to follow my posts: www.linkedin.com/in/steventhunt

My undergraduate degrees are in mathematics and psychology. These fields seemed like a natural complement to me. Psychology is the science of human behavior. But one cannot develop and test theories of psychology without using mathematical methods to measure and predict the actions and attributes of people. The more one understands mathematics, the more effectively one can apply mathematical methods to improve techniques for measuring, understanding and positively influencing human behavior. Given this viewpoint, I was surprised when I got into the "real world" and discovered that the field of human resources (HR) had a reputation as being soft and non-empirical. The function of HR is fundamentally about maximizing the performance of people. I expected it to be full of empirically minded professionals leveraging evidence-based psychological techniques to maximize the business value of staffing and talent management practices. It isn't, at least not yet.

The field of HR is probably known more for fluffy concepts about employee value than for use of rigorous empirical methods focused on maximizing workforce productivity. I frequently meet HR professionals who admit to a lack of mathematical skill as though it were something to be proud of. Saying things like "I'm a conceptual thinker, not a numbers person", or "I'm a right brain thinker"[1]. I would be surprised if many people in the other major support functions of Finance or Information Technology said similar things. To be clear, I am not talking about all HR professionals. The HR field contains quite a few number crunching, analytical, mathematical geniuses. Nevertheless, the overall field of HR does not have a reputation as a data driven function, despite having much to gain from leveraging mathematical methods to understand and predict human behavior.

HR processes generate masses of potentially valuable data, but relatively little HR data ever gets used to guide business operations. Why is this? And what can we do to change HR's reputation from a soft to a hard f
Why don't leaders view HR as a source of valuable empirical insights to guide business decisions? This This is the focus of this series of articles.

The series consists of five articles discussing different challenges that have limited the use of HR data as a tool for making business decisions. Each of the articles is summarized below.

- **People do not think they need data to make HR decisions** [hyperlink to the blog]. Most HR decisions are decisions about people. This includes deciding who to hire, how to manage them, and how to reward them. Most people believe they are far better at understanding people and making people related decisions than they are (https://en.wikipedia.org/wiki/Na%C3%AFve_realism_(psychology)#References). People will not use data if they do not think they need it. One of the steps to increasing the use of HR data is to make leaders aware of what they do not know about people and their workforce.

[1] This statement refers to a common but false belief that creative people use the right half of their brains and analytical people favor the left half. Everyone uses both sides of their brains about equally. (https://www.psychologytoday.com/us/blog/the-athletes-way/201712/left-brain-right-brain-study-debunks-decades-old-neuromyth )

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- **HR data is difficult to collect.** [hyperlink to the blog]. Many variables associated with HR have historically been difficult to measure. There are two main reasons for this. First, companies lacked effective tools to keep track of who they employed and what they employed them to do. Second, many HR variables are associated with somewhat abstract concepts like "job performance", "engagement" or "potential". Advances in technology have greatly reduced many historic barriers to HR data collection. But companies must leverage this technology effectively to realize its benefits.

- **HR data is difficult to interpret**. [hyperlink to the blog]. A lot of HR data is not very meaningful from a business perspective. Its value come from understanding how to influences or predicts other business relevant outcomes. For example, employee engagement data by itself is relatively uninteresting to a business leader. What makes it valuable is understanding the relationship between employee engagement and more financially relevant variables such as employee turnover, customer service levels, and workforce productivity. A key part of making HR data meaningful is helping leaders interpret it in the right context.

- **HR data is difficult to access.** [hyperlink to the blog]. Historically a lot of HR data was locked away in files, folders and databases that were not readily available to decision makers. People will not use data they cannot see! Fortunately, advances in cloud-based mobile technology are making HR data far easier to access at the time when it is needed.

- **HR data is too sensitive to analyze.** [hyperlink to the blog]. HR data can show patterns that may not always put companies in the best light. For example, HR data may suggest that a company has a history of unfairly treating certain demographic groups. Or it may surface differences between employee performance, compensation or potential that could trigger emotional responses and difficult conversations. Part of increasing the use HR data is ensuring leaders are equipped and confident in their ability to constructively discussion the facts it may uncover.

There are valid reasons why HR has acquired a reputation as being a non-data oriented field. But there is no reason to accept this reputation as something that cannot change. Business depends on money and money is about numbers, so the best way to engage business leaders is to speak the language of money and numbers. The good news is HR data contains a lot of numbers that could fuel more effective conversations with business leaders. We just need to make better use of HR data to drive business decisions.

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**When smart leaders make bad decisions: 4 examples illustrating the value of HR data**
Steven Hunt

HR is focused on improving how companies make decisions that maximize the return on investment spent on people. Companies spend a lot of money on people. In fact, people account for 50% or more of ongoing operating costs in most companies. Given how much people cost, one would think that business leaders would be obsessive about ensuring HR decisions are as accurate as possible. But they aren't. In fact, otherwise smart business leaders often make incredibly stupid decisions when it comes to people (http://fistfuloftalent.com/2018/03/took-terrible-airline-bring-back-stupidus-maximus-award-honoring-bad-management.html) . Why is this and how can we change it?

There are two basic ways to make people decisions: based on data or based on intuition. The advantage of intuition is it is quick, free, and easy to understand. The disadvantage of intuition is it is often wrong and frequently biased. Data based decisions tend to be far more accurate and less biased than intuition. But data based decisions typically take longer, require some level of cost, and are harder to understand. If we want business leaders to invest the time and resources needed to make data-based decisions, we must make them aware of what they are losing by over-relying on their intuitions.

The best way to make leaders aware of the value of data based decisions is to analyze data from their own organizations and show them the benefits gained from being more empirical and less intuitive. Unfortunately, such analysis requires resources. So how do you get resources to conduct this sort of analysis? One method is to show leaders examples of analysis from other companies that illustrate just how flawed many common leadership decisions are. The academic research literature is full of data-based examples showing how many intuitive decisions and assumptions about people are flawed. Here are just a few:

**Promotion Decisions.** Promotion decisions massively impact business performance and organizational culture. When a company promotes someone, it both increases their influence on how the company operates and implicitly endorses their behaviors as being acceptable and desirable. Yet data-based research has shown that promotion decisions are heavily influenced by two characteristics that have nothing to do with business intelligence or cultural competence: an employee's height and gender (http://timothy-judge.com/Height%20paper--JAP%20published.pdf). When leaders make promotion decisions based on intuition rather than data, they tend to favor people who are tall and male. This is visibly apparent in many companies. For example, a study found that 30% of male CEOs in the US Fortune 500 are over 6 foot 2 even though fewer than 4% of American males are this tall (https://www.economist.com/business/2014/09/27/the-look-of-a-leader ). The intuitive preference to promote tall men might make sense if you are running a professional basketball team, but it is not a good practice for other forms of business.

**Compensation Decisions.** Companies spend billions of dollars on annual merit increases. Most companies make some effort to allocate this money using a "pay for performance" philosophy where greater investment is made in people who contribute more to the organization. Unfortunately, very few companies have any way to tell if this increases employee engagement and productivity. As a result, some companies have decided to move away from pay for performance and instead give everyone the same increase regardless of performance. The intuitive argument is it is easier to give everyone the same amount since people's motivation is not affected by small differences in pay (e.g. receiving a 2% increase vs. 1.5% increase). Data based research has shown these intuitive beliefs are wrong. People's motivation and sense of appreciation is significantly impacted by knowing that they received more than their peers based on their contributions, even if the absolute differences in the increases are small (http://psycnet.apa.org/buy/2008-02855-012 ).

**Management Decisions.** A critical part of leadership is attracting, developing and retaining high performing employees. Yet many leaders fail to understand the nature of high performance. Intuitively, leaders tend to think high performing employees are like solid performing employees but just more effective. From a mathematical perspective, this can be described as viewing performance as a linear, normally distributed variable. But in many jobs, performance is distributed in a non-linear, exponential fashion where the highest performing employees are categorically different from their peers (https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1744-6570.2011.01239.x). To use an analogy, leaders tend to think about employee performance similarly to how one might think about typical weather in Florida. Some days are slightly wetter or windier than others, but better days are not totally different from worse ones. However, high performing employees can be different from average employees in the same way that a hurricane is different from typical weather. Their behaviors are qualitatively different and their impact is categorically more powerful. Problems arise when leaders intuitively assume high performing employees are a slightly better version of solid performing employees. At best, leaders fail to fully utilize the power these performers bring to the organization. At worst, high performers become frustrated at being constrained by management methods that limit their impact and they quit.

**Organizational Restructuring Decisions.** A major role of leadership is determining how to structure and build an organization to support the needs of the business. This includes decisions to acquire, restructure, and downsize organizations. These decisions tend to focus on financial numbers with relatively little attention given to HR data beyond headcount costs. Many leaders assume that organizational restructuring decisions that make sense from a data-based financial perspective will work out from a human perspective. Yet most acquisitions and restructurings fail to deliver the financial results upon which they were based (https://journals.aom.org/doi/full/10.5465/amr.2008.33665204 ). And one of the main reasons they fail is people affected by these business decisions did not act the way leaders assumed and intuitively hoped they would. At the same time, empirical research has demonstrated the value of using methods for conducting restructurings that put more emphasis on people related issues (https://journals.aom.org/doi/full/10.5465/256304) In sum, if leaders want to be successful in restructuring their organizations they should place far more emphasis on looking at HR data as well as financial data when making restructuring decisions.

These four illustrations show how HR data can help leaders make more effective business decisions. These are just a fraction of the examples that can be found in the peer-review, academic literature.

The more leaders are aware of the dangers of relying solely on intuition to make people decisions, the more open they will be to supporting use of data based HR methods. But it is important to emphasize that the role of HR data is not to replace leadership intuition, but to augment it. Leaders did not become leaders by making bad decisions. Leaders' intuition about people, although often flawed, can also be highly accurate as it reflects their accumulated knowledge and experience gained from working with others. Furthermore, data-based decisions are not infallible. The goal is not to replace intuition with data. The goal is to find the ideal balance between intuition and data.

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

Steven T. Hunt

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 |

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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".

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**Increasing the visibility of HR data: people must see it to use it**
Steven T. Hunt, Ph.D.

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

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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.

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**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.

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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.

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**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.

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