Predictive Analytics And Global Trends In HR

For each major HR area… the trends and the predictive analytics to consider

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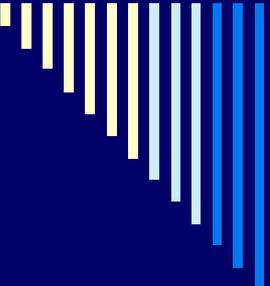
3 goals for today

1. To highlight the Global leading edge trends in each major area of HR

2. To show you the predictive metrics that can add value in each HR functional area

3. To answer each of your <u>questions</u>

I'm from the Silicon Valley… someday you'll be just like us

Please interrupt with questions at anytime

Mark Zuckerberg

facebook

Google's office dress code
"I guess you should wear clothes"
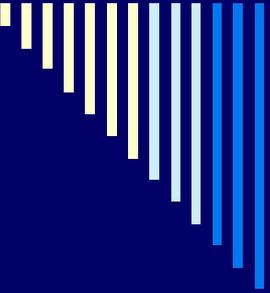
Part I

Big picture business trends

Big picture business trends

If the rate of change inside an organization… is slower than the rate of change outside… their end is in sight!

J Welsh

It's not the big that eat the small.

It's the fast that eat the slow!

Jason Jennings

Historically, Japan, Europe, China, India, the Middle East and Australia all said that "they were different"…

But in each case the drumbeat of global progress and sameness showed them that they could not thrive without changing to the new model

Whether you like it or not… it's time to realize that you have no choice but to follow the mobile phone/Uber model

It's time to realize that there are only 2 kinds of organizations

1. Those businesses or government agencies that consider their competition to be the best in the world… so they are innovative, adaptive, and as fast as any organization anywhere

2. And those that falsely claim to be different and as a result they act locally, and they cling to their old command and control old-school management… these organizations and individuals that cling to the "we are different" approach will go the way of fax machines, cameras, file cabinets and printers
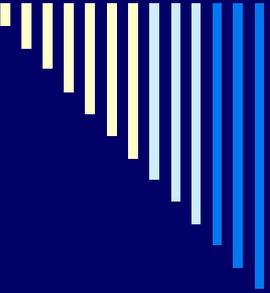
Part II

Big picture HR trends

Big picture trends in HR

1. Shifting to a **data-driven decision-making model**
2. A focus on **quantifying direct business impacts in $'s**
3. People with **business backgrounds** begin to enter and run HR, so it becomes more businesslike
4. HR data and information **shifts to the mobile platform**
5. **A smaller HR function**, because more HR work is done by managers
6. Borrowing and **adapting tools from other business functions**
7. **Hardware, software and robotics** become a common choice over people

Big picture HR analytics trends

1. **Workforce productivity** becomes the #1 most important overall HR metric (labor costs/profit)
2. Alert managers about **upcoming talent problems/opportunities** when there is time to act
3. **Fewer** but more impactful metrics
4. **Data scientist do HR metrics,** HR people interpret and take action
5. Most predictive analytics **will be purchased** from a vendor
6. **Involve the CFO** in selecting/calculating metrics
7. **Widespread metric reporting** internally to increase competition
8. **"Why metrics" and indexes** become popular

A predictive metric will tell you…

1. **What** will likely happen
2. The **probability** that it will happen (in percentages)
3. **When** it will happen (month or quarter)
4. **Where** it will happen (region, facility or business unit)
5. **To who** will it happen (which executive will be impacted the most)
6. **Why** it is happening
7. The **$ consequences** when it happens (+ or -)
8. **The cost of doing nothing** or delaying

So what vs. actionable OMG metrics

You must first realize that metrics and reports do not automatically change behavior ("so what" metrics)
4 <u>quick identifiers</u> of "actionable OMG" metrics
1. It is <u>**read**</u>… because it **impacts at least one <u>corporate goal</u> or executive bonus criteria**
2. It **<u>causes alarm</u>** because it makes clear that the highlighted problem/opportunity **directly impacts <u>corporate revenue</u> and business goals**
3. When executives see it… they immediately think…**OMG I must act immediately!**
4. And then they… **take immediate <u>action</u>**

A **side-by-side comparison** between the two

A **"so what metric" – our turnover rate for managers is 40%...** "we lost 220 managers last year out of 875"… **only draws minor interest from executives**

Converted to an actionable metric – each manager vacancy **costs us $1 million in lost sales… or a total of $220 million last year… which equals 87% of last year's profits…** gets everyone's attention

These 12 factors turn an ordinary predictive metric into **an actionable one**

Do these things to make your metrics actionable

1. A **red, yellow or green light indicator**

2. **Predict the $ revenue impact** of the problem / opportunity

3. List the **corporate goals that it impacts**

4. Include a visual **trendline**

5. Benchmark **comparison numbers** (average, best, worst)

6. Reveal **the root cause** of the problem (Why)

7. **Highlight the recommended actions** and their **success rate**, costs and ease of implementation

Elements of a predictive metric

Do these things to <u>make your metrics actionable</u>

8. **Prioritize your metrics** by their level of importance

9. **Provide drop-down more detailed information** for online metrics

10. List **the accountable individual** (Problem owner)

11. Include them **in standard business reports**

12. Provide only **a handful of metrics**

A <u>display example</u>… of an actionable / OMG metric

(This is what an executive would see)

A turnover "OMG alert" metric display

Rev impact: -$13.4 million

**Corp goal**: Increase sales

HR metric - Top salesperson turnover

This year's rate = 6.5%

Last year's rate = 4.5%

Projected rate = 11.2 %

Best in the industry = 4%
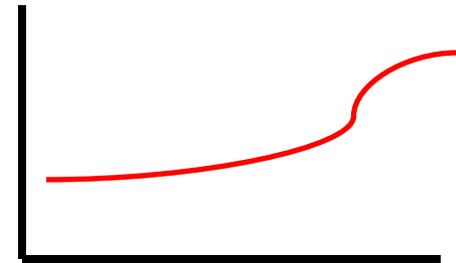
Turnover trend

Action required –

Personalized motivation for top ee's - **cost** $145,000

It has a **89% success rate**

**Accountable individual** – JT Snow, Head of sales

Provide access to "in depth" information

Top performer turnover 7% (Up from 4%, projected to go to 11%. Rev impact $1.4 million)

Run your cursor over the metric

Drop-down menu

File   Elements

- Formula for turnover
- Definition
- Turnover for your unit
- Who quit
- Reasons for turnover
- Recommended action steps
- A video

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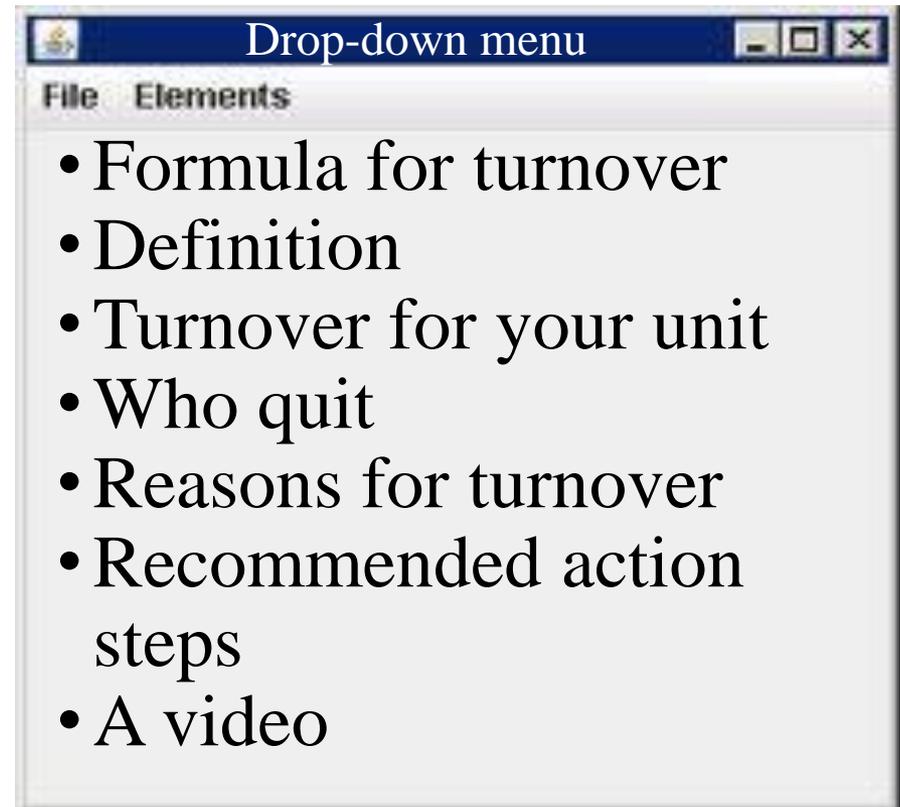
Google is the world's only data driven TM function

"**All people decisions** are based on **data & analytics**"

➢ "We want to bring **the same level of rigor** to people-decisions that we do to engineering decisions"

Google™
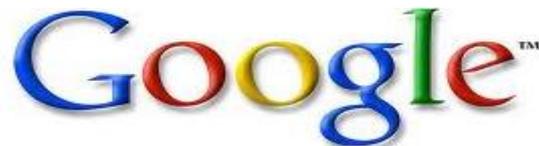
"In God we trust, everything else we measure"

--VP of HR, UPS
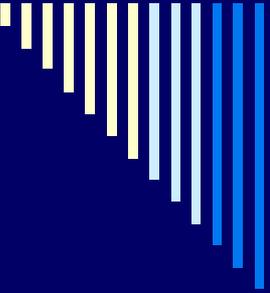
Part III

Recruiting trends and predictive analytics for recruiting

#10 - <u>Video</u> becomes prominent in all messaging

<u>Why</u> you must track this trend

➢ Online video now exceeds **50%** of mobile traffic

➢ If a **picture is worth 1000 words**, a video is worth?

➢ Videos reveal **the excitement & authenticity**

How to use video

➢ I love my job "**film festivals**" (Deloitte)

➢ **Personalized** recruiting videos

➢ Video **employee profiles** and "**a day in the life**"

➢ Video **job offers**

➢ "**How-to videos**" on a technical topic to attract

➢ **TV** – joint recruiting / product advertising

<u>Why</u> you must track this trend

➢ Dull and poorly written job descriptions **scare away top candidates** that were initially interested

➢ I estimate that **more than 50% of new hires are surprised** after starting… impacting **retention**

Improving the selling aspects of job descriptions

➢ **Do a side-by-side test from descriptions from competitor firms** to see which ones are superior

➢ **Survey potential applicants** to identify **the words that excite** (Textio)

➢ Emphasize **the selling / excitement aspect**

➢ **Allow diverse workers to rewrite them** (Google)

Example – Video descriptions can excite

Quickstop, Accenture and Deloitte use them

<u>Why</u> you must track this trend

➢ **Innovators produce how much of a multiple** over the average worker in the same job? (10X, 25X)

➢ Innovators **allow a firm to be 1st in the marketplace**, which builds the brand and provides high margins

How to recruit innovators

➢ **Referrals** from your innovators

➢ **Find their ideas** in blogs, presentations and forums

➢ Find **their work**

➢ **Look for slight arrogance** (no I wouldn't do it that way) **supported by leading-edge work**

#7 – A <u>forward-looking</u> approach to recruiting

<u>Why</u> you must track this trend
- ➤ **It's better to be prepared**… then surprised
- ➤ 100% of all recruiting metrics **are historical**
- ➤ **Warning managers** of upcoming talent **problems and opportunities** allows them time to prepare

How to be <u>forward-looking</u> in recruiting
- ➤ **Workforce** and **succession planning** (future supply and demand of labor
- ➤ **Forecasting -** loose or tight job markets
- ➤ **Alerts** (whom might quit / if a top prospect is looking)
- ➤ **Predictive metrics** – decreasing employer brand, offer acceptance, # and quality of applications

Why you must track this trend

➢ We've been **treating candidates poorly for years** but **we have underestimated the costs**

➢ **Lost sales** – 9% would **tell others not to purchase products** from the firm and **up to 23% would reduce their own purchases** (source: CareerBuilder)

➢ **Reduced applications** – 22% **would tell others** not to work there & assume that **at least 10% would post negative social media comments**

Improve the candidate experience

➢ **Survey** past applicants to ID your negative actions

➢ Ask applicants **if they are currently customers**

➢ **Follow CandE**

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Why you must track this trend

➢43% use the mobile phone **for their job search**

➢**It has the highest response rate** of any channel

Use the mobile phone for everything

➢ Make it the primary way **for communicating, providing information** to candidates and CRM

➢ **Capability for applying for** and **accepting jobs**

➢ **Live video interviews**

➢ **Texting** may be the most responsive channel

➢ **All internal rec. apps** for managers / recruiters

➢ Employees must be able to do **all referral work**

➢ Candidates can **self-schedule interviews**

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A quick <u>definition</u> of Q of H

The % of improvement in the on the job work volume, work quality and the retention rate of new hires

Why you must track this trend

➢ The top applicants may **dropout in 10 days**

➢ It may be **a mirror** of your bus. decision-making

➢ Slow hiring time **is posted on Glassdoor.com**

➢ **Position vacancy days** cost you revenue $

How to reduce your hiring time

➢ Measure **the correlation** between hiring the speed and new hire quality

➢ **Prioritize** jobs and candidates that require speed

➢ **Identify the delays** (hiring managers scheduling and decision-making and scheduling interviews)

➢ **Post the managers** with the slowest hiring speed

Why you must track this trend

➢Q of H reveals **which selection criteria** predict

➢Q of H reveals **which sources produce the best**

➢Q of H reveals **which recruiting programs work**

➢**Q of H reveals your business impacts in $**

How to utilize quality of hire information

➢ Measure the **higher % of output from new hires** in already measured jobs, and **put a $ value on it**

➢ **Multiply that improved performance % by the average revenue per employee**

➢ ID which **sources, selection criteria, recruiters etc. have the highest correlation** with Q of H

➢ Also calculate **the cost of a <u>bad hire</u>**

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Many firms are simply wrong about what factors predict new hire success

➢ **GPA's** "are worthless as a criteria for hiring"
➢ **Test scores** "are worthless"
➢ **Brainteasers** are a complete waste of time"
➢ **Interviews** – "**it's a complete random mess**"… "**we found a zero relationship**" (between interview scores and

on-the-job performance)

➢ **College** –"the proportion of people at Google without **any** college education…has increased over time"
➢ **What predicts?** – "capability & **learning ability**"

Laszlo Bock, Senior VP of people operations at Google   *The New York Times*   33

Why you must track this trend

➢ They usually produce the highest **volume** (50%), **quality of hire,** the highest **retention** and they are often the **fastest / cheapest**

How to improve employee referral quality

➢ Motivate employees to "**hire for the team**"

➢ **Educate employees with a referral toolkit**

➢ **Being highly responsive is #1**

➢ **Give feedback** on all good and bad referrals

➢ Require employees to **know their work**, know **their skills** and to have **assessed their fit** and **presold them**

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<u>Why</u> you must track this trend

➢ **The rest of the business** has already shifted

➢ **Collecting data and metrics have no value** if you **don't use them to make decisions** or to change

➢ Data-based decisions can be **at least 25% better than "intuitive decisions"**

What does data-based decision-making look like?

➢ What are **the best sources for quality?**

➢ Do good **interview scores predict success?**

➢ Do **great reference scores predict success?**

➢ **What single factor has the highest impact on hiring success** (hiring manager relationship)

Some emerging recruiting trends

➢ Speed hiring

➢ Acquihiring

➢ Virtual-reality assessment

➢ Video interviews assessed by AI

➢ Market research to fully understand a job search

➢ Candidate/job matching algorithms (like dating)

Predictive analytics in <u>recruiting</u>

➢ The **on-the-job performance** of new-hires (Q of H)

➢ The **retention rate** of new hires

➢ The "**career trajectory**" of new hires

➢ The **"right time"** to recruit (lower competition)

➢ **Predicting position** vacancies (for replacements)

➢ **Talent opportunities**, when targeted individuals might re-enter the job market

➢ **Workforce planning** supply and demand

➢ **Predict which candidates will be innovators**
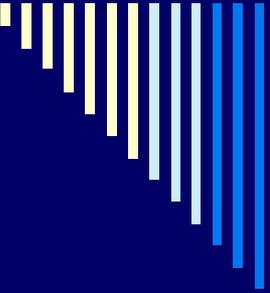
Part IV

<u>Retention</u> trends and predictive analytics for retention

Retention trends

- **Employee loyalty is disappearing** – so you must plan for continuous **turnover**
- **The very best are poached away first**
- **Post-exit interview** – wait a few months to ask the best why they left
- **Stay interview** – periodically ask the best why they stay and reinforce those factors
- **Personalized retention plan** – for top employees
- **More of / less of list** – identify an individual's excitement factors and frustrators
- **Beware of paying them to stay** – fix the job first

Possible predictive metrics in retention

- **Upcoming turnover by job** – in which jobs and when will there likely be upcoming turnover
- **Upcoming turnover by performance level** – predict whether top performers will be leaving
- **Upcoming turnover by individual** – which specific employees are most likely to leave and when. Also which of our employees are most likely to be targeted for poaching by competitor firms
- **Upcoming retirements** – predicting in which jobs that upcoming retirements will occur
- **Changing turnover causes and effective actions** – what will be the future causes of turnover and what will be the effective counter actions for each
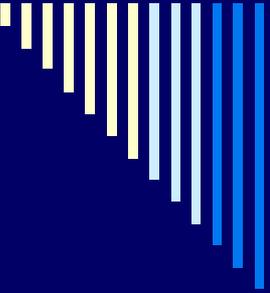
Part V

<u>Onboarding</u> trends and predictive analytics for onboarding

Onboarding trends

1. **Realize that onboarding impacts turnover**
2. **Engagement during the offer process** – maintain a relationship and encourage them to say yes
3. **Preboarding** – keeping in contact and offering training and benefits sign-up during their two-week "notice period" (IBM found that it increased retention)
4. **Onboarding** – stretched out to up to 6 months
5. **Onboarding** – get them a mentor
6. **Onboarding** – help them build their network
7. **Offboarding** –Keep in contact for boomerang rehire

Onboarding metrics

1. Predict their likely success (**no-fault divorce**)
2. Reached **minimum productivity level** on time
3. Below 10% **new-hire turnover** over 6 months
4. At least 3 **qualified referrals** from the new-hire
5. There is a **customized onboarding plan** with dates
6. They **remember critical information** after 1 week
7. The **new-hire is very satisfied** 75% of the time
8. Hiring managers are **very satisfied** 75% of the time
9. 100% of their **tools/equipment** on the first day
10. The **required training** is available within 1 month
11. The onboarding **starts on the 1st day** (with manager)
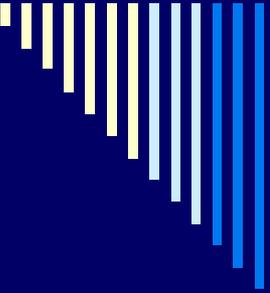
Part VI

Predictive analytics in <u>other HR areas</u>

Possible predictive productivity metrics to consider

- **Forecasting upcoming productivity problems** – predicting where and when individual and team performance, productivity and/or innovation will begin to slack off

- **Upcoming employee issues** – predicting in what areas will excessive absenteeism, excessive sick leave usage, sexual-harassment, engagement, safety, low morale, error rate or other discipline issues likely occur

- **Predicting burnout** – identifying individuals that are approaching job burnout

- **Predicting needed layoffs** – predicting the areas where high labor costs or a surplus of talent will likely require layoffs

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Possible predictive metrics in <u>leadership</u> to consider

➢ **Leadership availability** – predicting **where and when there will be upcoming internal leadership shortages or surpluses**. Predicting when key leaders will need to be replaced

➢ **Identifying the elements of leadership success** – an algorithm is needed that successfully predicts the characteristics and skills of high potentials and actual leaders that will allow them to successfully lead. Also an algorithm is needed for identifying the characteristics of individuals that should be put on the succession plan

➢ **Leaders everywhere** – as work becomes more like project management

Possible predictive metrics in learning to consider

Learning/Training related predictive analytics

➢ **Learning speed** - when will organizational learning speed decline

➢ **Learning leaders** - identifying who in the organization is learning, creating knowledge and sharing knowledge

➢ **New skill sets** – when will current skills and training become obsolete. What new skills will require brand-new training programs

Recruit / retain those with these "<u>future skills</u>"

1. **Rapid learners** – those that continually stay on the leading edge of knowledge (#1 at Google)
2. **Innovators** – individuals that generate serial ideas that are also **team players that can collaborate** with others (they produce **10 to 300 times** more)
3. **Top performers** – because the top 1% produce up to 10% of the output, only hire top-performing employees and managers in key positions
4. **Adaptable** – in a rapidly changing uncertain VUCA world, hire those that are agile and can quickly adapt and embrace change
5. **Speed** – those that do things fast

<u>Internal movement</u> related predictive analytics

➢ **Need for redeployment** – where and when internally will the firm have a shortage/surplus of talented teams that must be moved internally. Individuals that are soon to become "overdue" for internal movement should also be identified

➢ **Ready for promotion**/development – identifying who and when individual employees will be ready for promotion and leadership development

➢ **Ready for executive succession** – identifying who is prepared to fill executive openings

Possible predictive metrics in compensation to consider

<u>Compensation</u> and benefits related
- ➢ The upcoming **cost of labor** (employees and recruits)
- ➢ **Predicting who will soon be underpaid** - which groups of employees will reach underpaid status, compared to market rates (and when). What will the future labor costs be for each major job family
- ➢ **Predicting upcoming excess OT** - where in the organization will excessive overtime usage occur
- ➢ **Predicting when benefits will lose their attraction and retention capability** – when will current benefits cease to aid in attraction and retention

Miscellaneous predictive metrics to consider

➤ **When org. design becomes obsolete** – when and where will the current organizational and facility design become obsolete

➤ **When technology substitutes are appropriate -** forecasting areas where technology should be considered as a substitute for labor

➤ **Labor issues** - predicting the where and when of upcoming union activity, grievances and strikes

➤ The **location** of the work (SBU, facility or country)

➤ The **performance level** that will be needed

➤ Your **brand strength**
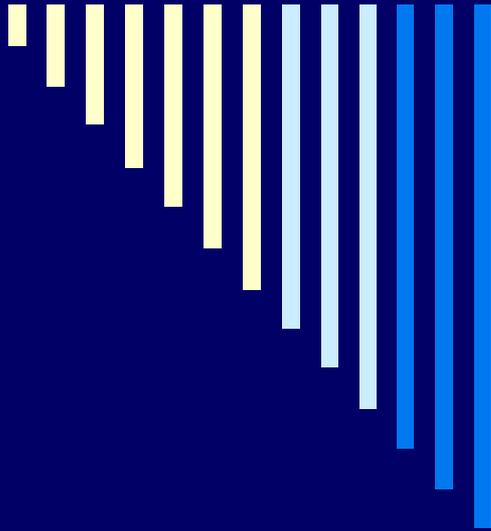
Did I make you think?

Are there any more questions on metrics… or trends?