Applying Data Science to the Management of People Today

Learn how people analytics offers the strategic path towards improved employee engagement and talent retention.
In this paper we’ll first examine three factors that conspire to force a radical rethink of management today: A crisis of employee engagement that’s crippling companies, combined with the War for Talent that makes retaining high-performers a greater challenge. Doubt in the manager’s toolbox of annual performance reviews and staff surveys. And a new generation of workers, with different values and expectations of how they should give and receive feedback.

While these problems are widely recognised, Silicon Valley’s avant-garde companies have shown they can be turned into an organisation’s greatest competitive advantage. Adding data science capabilities to HR and embracing the burgeoning field of people analytics has become indispensable to the continued success of Google, Facebook, Airbnb, and more. Yet so far, these developments pose more questions than answers to most.

In conclusion we’ll introduce Peakon – a new platform to provide every enterprise with a simple, scientific, and strategic way of tackling these most pressing of business imperatives. We’ll explore how Peakon delivers actionable insights that enable executives, HR leaders, and managers to make data-backed decisions that maximise engagement and retention.
Three era-defining management challenges opportunities

1. Engagement and Retention

The twin issues of employee engagement and talent retention have been catapulted by their severity into the C-suite, from previously being seen as purely an HR imperative.

Gallup’s widely cited research into employee engagement has found that 70 percent of people are disengaged from their work, with this figure barely budging over the last 12 years. Whole companies are effectively driving with the parking brake on – an emotional and operational disconnect from their employees slowing down or halting their progress. 87 percent of C-level executives now recognise disengagement as one of the top three threats to their organisation, yet only 25 percent of companies claim to have an employee engagement strategy.

Engagement and talent retention are strongly linked, with engaged employees 87 percent less likely to leave an organisation than their disengaged counterparts. As the War for Talent pushes recruiting costs higher and higher, focusing on retention through engagement can be the most cost effective way of winning.

Thus, engagement should be seen as every organisation’s biggest opportunity. Companies with engaged workforces outperform those without by up to 202 percent, and only a 10 percent increase in engagement investment can increase profits by $2,400 per employee, per year.

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Doubts have long lingered over the effectiveness of annual performance reviews. In the last few years, however, that bubble of doubt has burst, with IBM, General Electric, Microsoft, Deloitte, Accenture, SAP, The Gap, Cargill, Juniper, and Adobe, all scrapping the dreaded ritual.

Indeed, the CEB found that 95 percent of managers are dissatisfied with the way their companies conduct performance reviews, and nearly 90 percent of HR leaders say the process doesn’t even yield accurate information. Yet the CEB also estimates that a company of about 10,000 employees spends roughly $35 million a year to conduct these reviews.[1]

Annual employee surveys also seem destined for the same fate. Often conducted with the large consulting expenses or by burying the HR department in survey admin, their inability to improve on stubbornly low employee engagement rates comes from a lack of timely, actionable insights that lead to noticeable improvement for employees.

“The big problems with engagement surveys used on an annual basis,” explains Prof. Mark Podolsky of York University, “is that employees get a sense that there’s really a lack of reasonable communication around the survey or ineffective action planning, and so they become cynical about the surveys themselves, that they don’t really do anything. These surveys can be challenging, many of them just gather generalised employee attitudes and it can be very difficult to action plan what to do and to plan changes.”[2]

As we’ll explore further in this paper, however, these recent realisations have spurned innovative – and vastly more effective – practices that are now on the cusp of transforming the mainstream HR and management toolbox.
3. Management for the Millennial generation

By the end of the decade, Generation Y, also known as Millennials, will make up half the workforce. Last year they surpassed Generation X as the largest group in work today [1].

Given the furore around this influx of supposedly difficult to manage employees, organisations that can understand and meet their needs will quickly distinguish themselves when these über-connected young employees decide where to spend their futures.

Compounding the move away from annual feedback processes, are the expectations of Millennials who’ve grown up receiving hundreds of items of social feedback per day, in an era of ever increasing information sharing and transparency. The consequences of being an online generation has further management implications: they’re used to having an almost infinite resource at their fingertips which makes them exceptional at self-directed problem solving, while filtering through huge swathes of information makes them adept at critical thinking.

Millennials then, are not more difficult to manage, they just require a new approach that’s closer to mentoring – where ongoing feedback and open discussions become the order of the day.
The birth of data-driven management

After a decade of false starts, the science is now coming together to complement the art of management. The “datafication” of HR has been lead by businesses whose core operations are founded on data. Those businesses also tend to have the engineering resources needed to build groundbreaking internal tools.

Google’s famed People Operations department is the prime example. “We have the luxury of being a data-driven company with people with the analytic chops who can do the math,” explained the department’s head, Laszlo Bock.

The people analytics capabilities Google developed now provide insights to every aspect of life at the company – identifying work environment or process issues in great detail, understanding optimal compensation levels, and solving problems like the growing attrition of female employees. Google quickly rocketed to the top of Fortune magazine’s rankings of best companies to work for.

In Silicon Valley’s hyper-competitive talent market, the likes of Facebook, Airbnb, and Uber, have quickly followed suit – transforming their HR departments with the addition of data scientists. But almost overnight, people analytics went from a niche practice in tech to a top imperative for HR leaders. In 2015, Deloitte reported that 75 percent of companies believe in the importance of people analytics, yet only 8 percent claimed to be “strong” in this area.

Why is it that Deloitte describe the field as being “stuck in neutral”? In an interview with McKinsey & Company, LinkedIn VP Engineering, Keiran Prasad, explains a common problem, “the biggest trouble we have is that you can collect all the data and analyze it, but if you can’t present it in a short, concise, consumable way for our leaders to be able to then take action, it’s effectively irrelevant.”
At Peakon we’ve set out to transform people analytics, from its current state of unfulfilled potential, to becoming not only a core HR capability, but a defining factor in C-level decision making.

The platform is designed to deliver value throughout your organisation, on day one - providing actionable insights that improve engagement and retention, with an exceptionally simple user experience.

The executive dashboard, gives an unparalleled one-page overview of your business. Peakon's analytics engine discovers and reports both the high-level priorities to focus on and your management success stories, while industry benchmarking adds a new level of context and understanding.

In the first quarter of introducing Peakon, customers experience an average 11 percent increase in employee engagement. [1]
Bringing together decades of organisational research, Peakon’s questions find the driving factors of engagement for each employee. Intelligent sampling uses machine learning to understand when issues arise, before automatically delving deeper with specific questions to deliver a clearer understanding of problems. All this, without any admin work for HR – simply set Peakon running and the platform will self-optimize the data-collection process to deliver real-time insights.

“A fundamentally new way to understand your employees

“At Urban Airship we believe employee engagement is as critical to a business as customer engagement. Peakon provides us with the analytics we need to measure, track and act on key factors that drive exceptional employee engagement.”

Brett Caine, CEO, Urban Airship
While executives and HR leaders can view top-level trends and comparisons at a glance – before drilling down into areas of interest – team managers and HR business partners get their own dashboards, with dedicated views of the analysis that’s relevant to them. A manager can understand their strengths and weakness, and where they’ll get the best return on investment for focusing. Peakon also delivers training materials through the platform, based on these focus areas – creating a virtuous cycle of feedback, learning, and measurable improvements.

“Peakon has become an invaluable management tool for Delivery Hero. Having a quantitative and qualitative overview on the feedback of hundreds of employees and then drilling into any issues they have is a revelation.”

Niklas Östberg, CEO, Delivery Hero
Conclusion

Just as data and predictive analysis have transformed our finance, sales, customer care and marketing operations over the last 15 years, the way we manage our most important asset – our people and their talents – is on the verge of changing forever.

People analytics no longer requires the resources of Silicon Valley’s elite firms, who first unlocked its potential. Today, the Peakon platform distils sophisticated analysis into real-time actionable insights for executives, HR leaders, and managers.

To take the data-driven approach to greater employee engagement and retention, get in touch - we’d love to talk to you.

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Engagement and Retention

Annual feedback is so last year…

Management for the Millennial generation

The birth of data-driven management
1. http://www.slate.com/articles/technology/technology/2013/01/google_people_operations_the_secrets_of_the_world_s_most_scientific_human_2.html

Peakon – the real-time people analytics platform
1. Average of all new Peakon customers with over 50 employees who have completed more than two rounds of feedback in their first three months using the platform.

References