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The Age of People Analytics: Survey on Characteristics, Value Achieved, and Leading Practices of Advanced Organizations

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1.0

Survey Demographics

This survey, conducted between November 2017 and March 2018, targeted organizations that are either very or somewhat familiar with people analytics.[1] The 259 respondents are from organizations representative of early adopters of HR technologies. The survey garnered a higher than representative response level from high-tech organizations, as well as very large organizations with more than 3,000 employees where business results are most differentiated by talent.

These organizations are often the first to adopt new technologies.[2] Being representative of early adopters, the findings from these respondents, particularly those assessed as "advanced," are indicative of leading practices in adoption and worthy of attention by all organizations that are considering adopting people analytics.

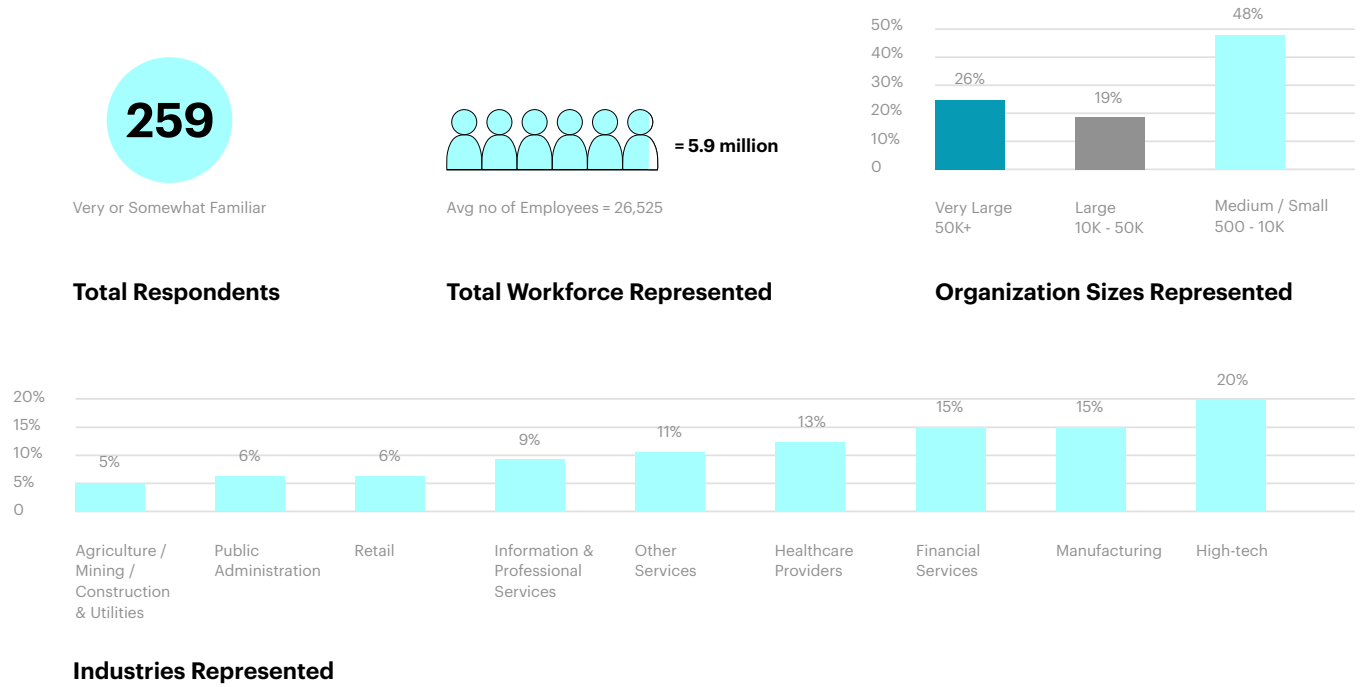

Figure 1: Demographics

1 The survey targeted representatives from organizations with a familiarity of people analytics, as well as in organizations with at least 500 employees, and therefore the survey population does not represent the entire market for HR technologies. More than 300 people responded, but after correcting for multiple and incorrect responses, only 259 unique respondents were included in this analysis. Assuming a global people analytics market of approximately 10,000 organizations, 264 organizations would be required for a statistically valid sample of all organizations at the 90% confidence level. 25% of survey respondents are Visier customers.

2 Survey author, Lexy Martin, also ran the Sierra-Cedar HR Systems Survey, which tracked HR technologies adoption and value achieved from 1997 to 2014. During that time, Martin identified high-tech, large financial services, and large manufacturing organizations with sophisticated workforces as the first to adopt emerging HR technologies. See Cedar *2004 Workforce Technologies Survey: 7th Annual Edition*, The Cedar Group, 2004, https://www.sierra-cedar.com/wp-content/uploads/sites/12/2014/07/Cedar_2004_Workforce_Technologies_Survey.pdf

2.0

Executive Summary

Advanced organizations with a high level of people analytics process maturity financially outperform their peers. This outperformance occurs not simply because the organization has adopted people analytics, but rather because the organization has reached a high level of maturity in its people analytics solutions and practices.

But how can an organization reach this level of maturity? This report draws on data from a comprehensive survey of 259 organizations, responded to by leaders with people analytics responsibilities, across a range of industries to evaluate what determines market maturity and the value gained from people analytics, as well as establish leading practices.

This report offers an in-depth analysis of organizations with mature people analytics—known as "advanced" organizations—and compares the characteristics of these organizations with those of organizations just beginning their journey to maturity which we call "emerging" organizations. Developing a better understanding of the characteristics and best practices of advanced organizations, as well as the value that these organizations derive from people analytics, is necessary for emerging organizations to make internal improvements and work toward maturity.

The survey found that advanced organizations:

1. Adopt more people analytics solutions
2. Use more data sources and a wider range of analytics topics
3. Extend usage to more stakeholders within the organization and also have larger people analytics teams with more advanced roles
4. Foster a data-driven culture of decision-making through change management practices

These four basic tenets of market maturity are examined further in this report.

By adopting a range of people analytics solutions and using more data sources, advanced organizations are able to conduct more sophisticated analytics. By extending usage to multiple stakeholders within the organization, advanced organizations have the opportunity to achieve greater value. By embracing people analytics solutions across an organization advanced organizations are more likely to achieve a data-driven culture that results in broader value opportunities.

However, people analytics cannot work in a vacuum. A culture of change management is essential in order for organizations to achieve the highest possible value from their people analytics efforts and drive improved business outcomes.

This report further shows, through a value chain analysis, that the connection between adopting people analytics solutions and the aforementioned characteristics and practices is indirectly related to improved financial outcomes. Improvement through more solutions, data sources, analytics topics, user types and leading practices in change management is shown to predict improved financial performance.

3.0

Characteristics of Advanced People Analytics Organizations

Slightly over one-quarter of all respondents report their level of maturity as effective or transformational, with the remainder reporting their maturity as being efficient or even manual (see Figure 2 below.) These organizations also outperform peers financially.

For the purpose of this report, we consider this top 26% of organizations to be "advanced" in people analytics. We will review this segment more closely to determine the characteristics, value achieved, and leading practices of advanced organizations in the field of people analytics.

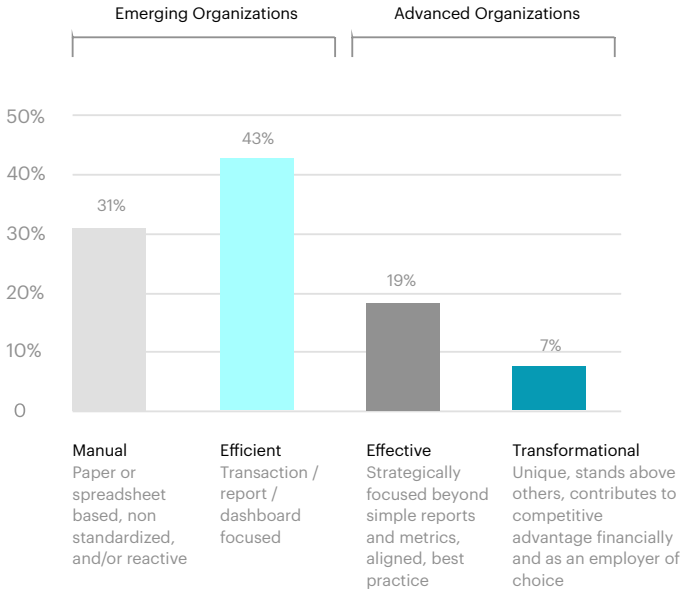

Figure 2: Four Stages of People Analytics Process Maturity

3.1

People Analytics Process Maturity, Approaches, Role of Data, and Value Journey Stage

We begin our comparison of advanced and emerging organizations looking not only at process maturity, but also at people analytics approaches, the role of data in decision-making, and where an organization stands on its journey to value.

In all cases, advanced organizations have profiles showing they are more mature and further on the journey to being data driven and achieving value. First, they designate themselves as effective or transformational in their process maturity.

	Advanced Organizations	**Emerging Organizations**
Better Analytics Process Maturity	3.3 Effective / Transformational	1.5 Manual / Efficient
People Analytics Approaches	2.5 out of 5	2.1 out of 5
Role of Data in Decision Making	Used to analyze workforce proactively and predict	Reported within operational reports
Value Journey Stage Business Outcome	19%	12%

Figure 3: How Advanced Organizations Compare to Emerging Organizations in People Analytics (1)

As referenced in Figure 4, people analytics approaches include five possible solutions, with advanced organizations on average using more solutions than emerging organizations (2.5 vs. 2.1).

Clearly, multiple options are the norm for all organizations. However, advanced organizations more frequently use business intelligence tools, data discovery and/or statistical analysis tools, and a dedicated analytics solution.

When looking at all respondent organizations, Excel is still slightly more frequently the top people analytics approach. However, advanced organizations are less likely to use Excel as their primary solution as do the emerging organizations (see Figure 4). Not using Excel could be for several reasons. It's reasonable to assume that advanced organizations utilizing multiple, sophisticated analytics platforms would have less need to rely on Excel. On the other hand, users at emerging organizations may be satisfied with the functionality that Excel provides for their analyses or may still be looking for solutions that adequately meets their needs.

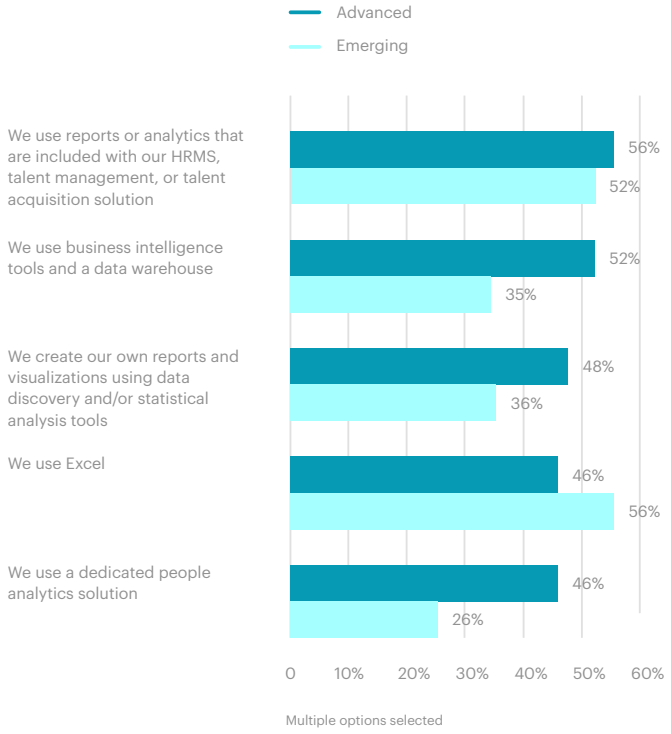

Figure 4: People Analytics Approaches: Advanced vs. Emerging Organizations

Advanced organizations are more sophisticated with the role that data plays in decision-making. As indicated in Figure 5 respondents from these organizations more frequently use data to analyze the workforce proactively, make predictions, and create and monitor comprehensive workforce plans. The role of data in emerging organizations is not as robust. These organizations more frequently base decisions on operational reports and use data only for critical workforce decisions.

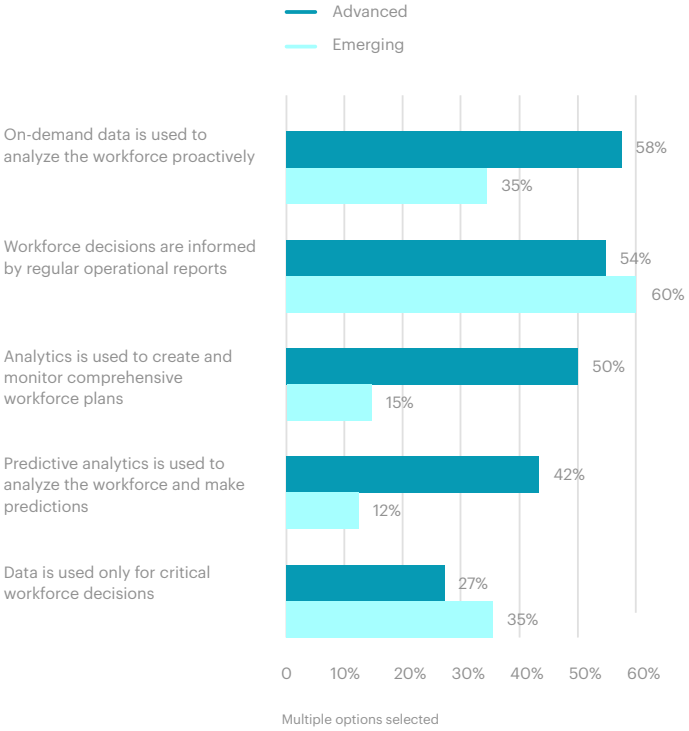

Figure 5: Role of Data in Decision Making: Advanced vs. Emerging Organizations

The 2017 report, *The Economic Impact of Visier People* showed organizations are on a "journey to value[3]." The report outlined three stages of people analytics value: As organizations begin to adopt people analytics, they 1) achieve technology and labor cost savings, then 2) improve HR effectiveness, and finally 3) achieve business outcomes that matter to the C-level such as increasing revenue, improving profits and profit margins, or impacting an industry-specific metric such as HCAHPS in healthcare.

This survey highlights that achieving that business outcome level is still nirvana for most organizations. Across all organizations, the majority (54%) use people analytics to improve HR effectiveness today. Advanced organizations, however, more frequently rely on people analytics to improve business outcomes, but this is still not a common achievement. However, the fact that advanced organizations also more frequently report achieving labor cost savings further indicates their attention to obtaining better financial outcomes through people analytics.

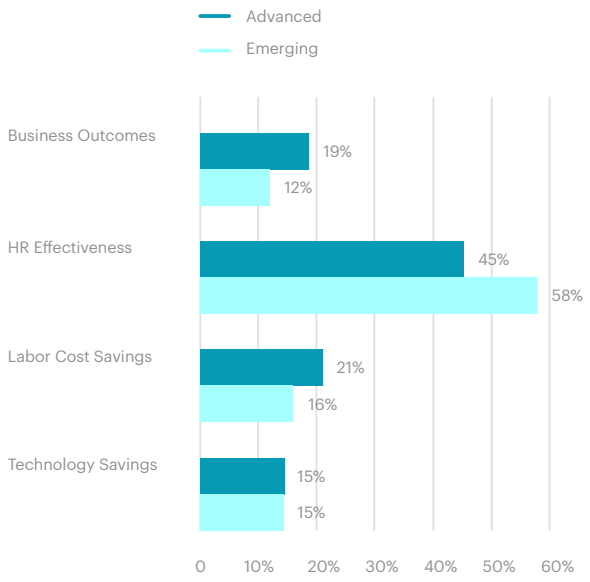

Figure 6: People Analytics Value Achieved: Advanced vs. Emerging Organizations

3 *The Economic Impact of Visier People: The Journey of Visier Customers to Business Impact and Strategic Value*, 2017, https://hello.visier.com/resources_research-reports_Total-Economic-Impact-of-Visier-People.html.

3.2

People - Users and Teams

Advanced organizations have more user types at higher levels within the organization. Their teams are larger and more advanced in their capabilities. These organizations also use more data sources and more analytics topics[4], as discussed in the next section.

	Advanced Organizations	Emerging Organizations
User Types Number	4.7	3.8
User Characteristics	More of all user types, especially execs and managers	More HRIS analysts
Data Sources	4.8	2.4
Analytic Topics	6.8	5.6

Figure 7: How Advanced Organizations Compare to Emerging Organizations in People Analytics (2)

On average, advanced organizations have 24% more users (see Figure 8). Increasing the number of users and user types, especially among executives and people managers, increases the variety of people using data to drive decision-making. Ultimately, this can yield more results and greater value for an organization.

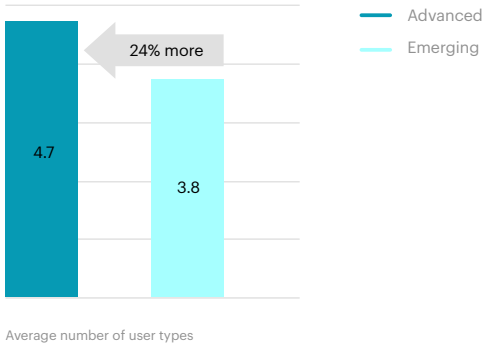

Figure 8: Average Number of User Types: Advanced vs. Emerging Organizations

Within the nine possible user types (Figure 9), advanced organizations report almost five roles utilizing people analytics. Among these advanced organizations, all but the HRIS analyst is a stronger user of people analytics than in emerging organizations. This could be because the HRIS analyst, typically within HRIT, is sometimes a gatekeeper or protector of data and analytics. It is possible that people in this role are concerned about keeping their jobs and as a result do not advocate for automated systems or data aggregation. However, these same people can serve as evangelists of people analytics and provide great value to the organization by spreading the use of people analytics as rapidly as possible and in many cases actually elevate their own role, often times becoming the people analytics manager!

Among advanced organizations, HR practitioners, along with HR leaders and HR business partners, utilize people analytics significantly more than in emerging organizations, reflecting the expanded role of HR in these organizations. Advanced organizations have begun to bridge HR to higher-level business matters, which ultimately leads to significantly better business outcomes. Executives and people managers, and to a lesser extent, board members, use people analytics considerably more in advanced organizations than in emerging organizations.

4 The long-running Sierra-Cedar HR Systems Survey series has shown that, for several years, the highest performing organizations have been those designated as data-driven. Two key characteristics of data-driven organizations are a higher than average number of data sources and metrics (analytics topics).

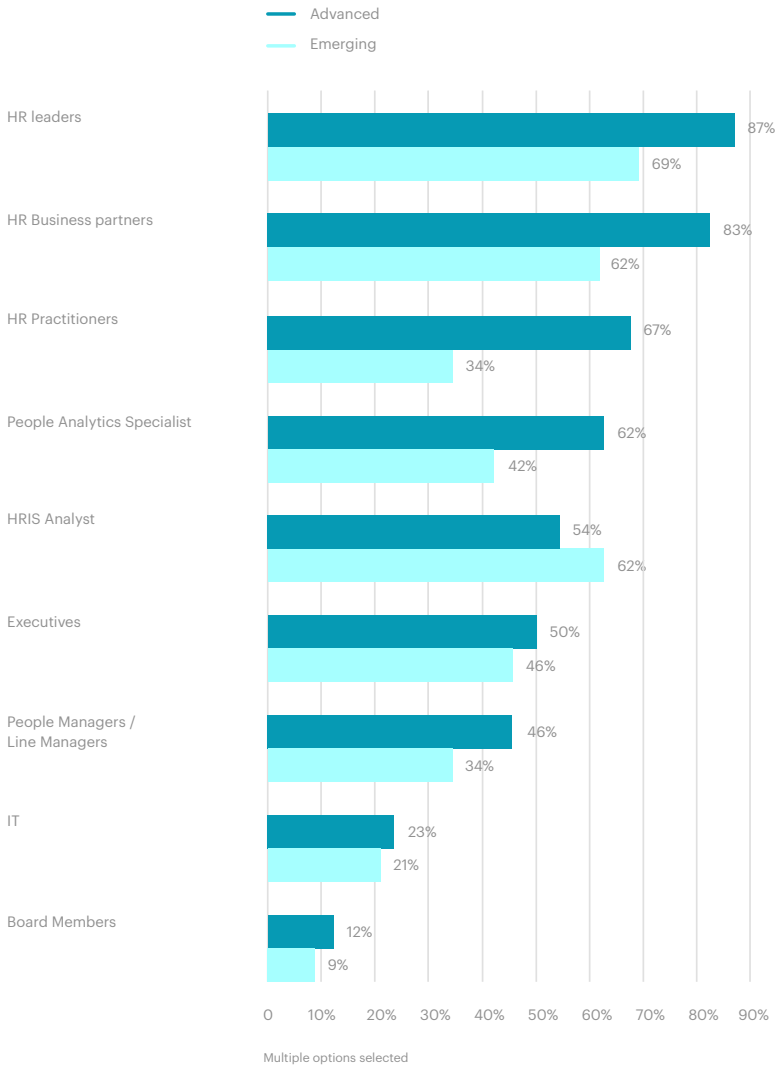

Figure 9: People Analytics User Types: Advanced vs. Emerging Organizations

The people analytics teams in advanced organizations are larger, indicating the value and higher levels of sophisticated research and analysis they bring to their organizations. Over all respondents, the average size of the people analytics team is 7.1.

Advanced organizations have an average of 15.5 members compared to 4.3 for the emerging organizations, reflecting the importance and sophistication of teams in highly mature people analytics organizations. The team size also varies by organization size as indicated in Figure 10.

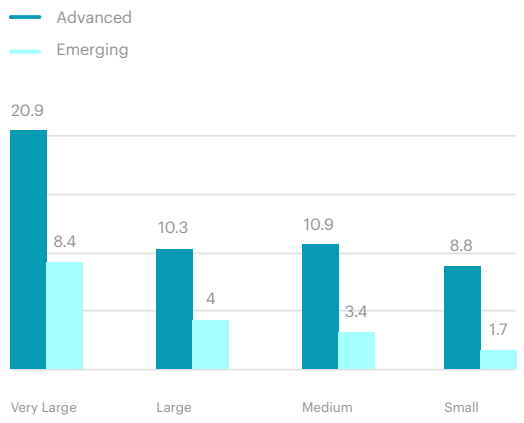

Figure 10: People Analytics User Types: Advanced vs. Emerging Organization

Advanced organizations report a larger average number of team member types (3.7 vs. 2.9) than do emerging organizations. The survey asked about ten different roles in three categories shown in Figure 11. Advanced roles are more strongly represented in advanced organizations, whereas team members in emerging organizations more frequently have data handling roles.

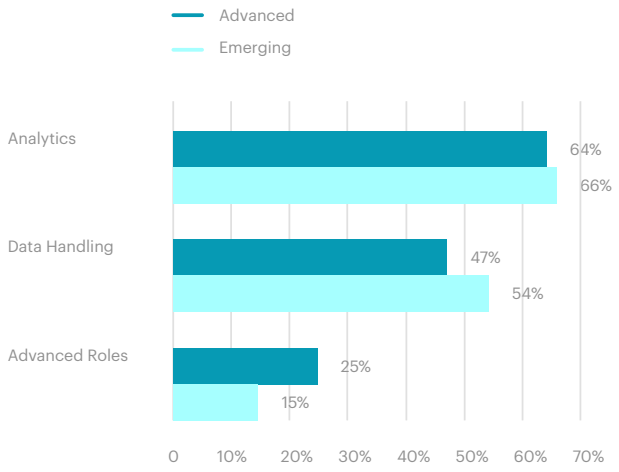

Figure 11: People Analytics User Types: Advanced vs. Emerging Organizations

Advanced organizations have been able to substantially de-prioritize reporting and the reporting role. Instead, these organizations are more focused on analytics and less focused on data handling, particularly data extraction. The advanced organizations instead have teams that are more focused on advanced activities represented by roles such as the data scientists, storytellers, trainers, change managers, and I/O psychologists. See Figure 12 for further detail.

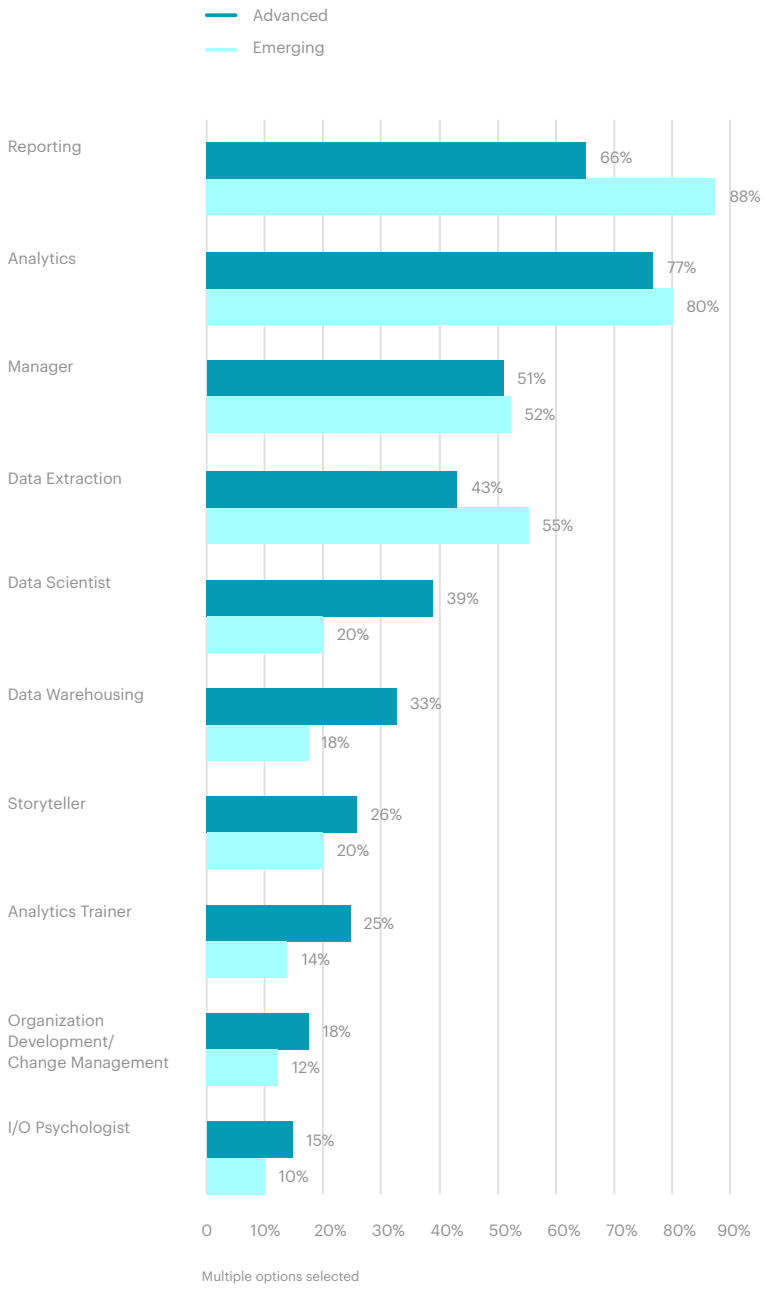

Figure 12: People Analytics Roles on Team: Advanced vs. Emerging Organizations

3.3

Data Sources and Topics in Analytics Solutions

From prior Sierra-Cedar research, we know that out-performing data-driven organizations more frequently use a higher number of data sources and metrics. As a result, the scope of analytics in these organizations is broader and more impactful.

This survey examined whether twelve different data sources or repositories are currently included in an organization's analytics solution. These sources include not only HR and talent management systems, but also data from workforce management, safety, financials, operational systems unique to the industry, employee engagement, marketing, sales, as well as from a data warehouse and external benchmark data.

Advanced organizations report twice as many data sources than emerging organizations (4.8 vs. 2.4). These organizations include almost all data sources more frequently, with some sources such as talent management and employee engagement data included 20% or more frequently. This indicates that the analytics efforts of advanced organizations are strongly focused on the support of talent decisions. Financial data is the other data source more strongly integrated in advanced organizations, which enables these organizations to juxtapose business outcome measures with workforce data.

Figure 13 (Right): People Analytics Data Sources: Advanced vs. Emerging Organizations. Blue boxes designate difference of 5% or more.

	Advanced	Emerging
Core HR	81%	88%
Talent Management (i.e. performance, learning, recruiting, etc.)	85%	65%
Employee Engagement Data	63%	35%
HR Specific Data Warehouse	54%	32%
Workforce Management (i.e. time and attendance, absences, etc.)	37%	33%
External Benchmark Date (e.g., compensation, turnover, etc.)	37%	33%
Financials	40%	27%
Data Warehouse (Single, Enterprise Warehouse)	27%	13%
Operational Systems that are Industry or Organizati-onal Specific	23%	13%
Sales / CRM Data	13%	6%
Safety / Audit Data	6%	8%
Marketing Data	10%	2%

	Advanced	Emerging
Turnover / Retention	63%	77%
Gender Equity (e.g. female ratio, female ratio in US	63%	68%
Diversity (e.g. diversity ratio, diversity ratio by country)	54%	58%
Compensation (e.g. trends, pay for performance	58%	53%
Talent Acquisition / Recruiting (e.g. source, quality of hire)	48%	49%
Employee Engagement (e.g. overall engagement score)	58%	38%
Absence (e.g. absence rates, cost impact)	33%	30%
Total Cost of Workforce	31%	29%
Learning (e.g. impact, time to productivity, internal hires)	40%	22%
Overtime Analysis (e.g. overtime compensation ratio)	15%	26%
Operational Metrics (i.e. patient or customer satisfaction, NPS)	40%	17%
Performance (e.g. revenue per operating unit)	10%	2%
Health & Wellness (e.g. sick days, participation in wellness initiatives)	25%	19%
Resourcing (e.g. optimum resourcing of full-time, part-time, overtime)	23%	17%
Productivity (e.g. revenue per employee and/or team	29%	12%
Call Center / Case Management (e.g. time to respond)	23%	12%
Facilities (e.g. cost of office space per employee)	19%	6%
Organizational Network Analysis	13%	5%
Employee Social Network Analysis	15%	4%

Figure 14: Analytics Topics in Solution: Advanced vs. Emerging Organizations. Blue boxes designate difference of 5% or more.

Likewise, advanced organizations report using more analytic topics, with almost eight compared to 5.6 for emerging organizations. The most used analytic topic in all organizations is turnover/retention, followed by gender equity. Compensation and employee engagement tie for the third spot in advanced organizations, followed closely by diversity, while emerging organizations rank diversity and compensation above employee engagement. As Figure 14 indicates, advanced organizations have more aggressively embraced learning metrics, operational metrics, and even employee performance metrics (such as revenue per employee by operating unit) in at least one-third of organizations. These are most frequently used, and mandatory, to show improvements in business outcomes.

4.0

Leading Practices of Advanced Organizations

While the technology (people analytics solutions), people (users and people analytics team members) and data (sources and analytics topics) are keys to the success of people analytics and enhancing business outcomes, change management is another and possibly most critical key ingredient. This refers to the foundation or set of practices that surround any successful technology effort, including people analytics.

The survey asked a series of questions about change management, as outlined in the table in Figure 15. In all cases, advanced organizations conduct more change management practices than emerging organizations.

Overall, the scope of change management practices varies between organizations. These practices may include creating a company-wide data-driven culture, establishing partnerships, focusing on communications and training, or creating people analytics centers of excellence. At a minimum, most organizations cite communications and training as a key change management practice. Advanced organizations do more activities (2 vs. 1.5 than in the emerging organizations) and complete these activities more frequently. When asked to rate the success of change management activities in building a culture of analytics, all respondents give an average rating of just 5.4 on a scale of one to 10. Advanced organizations rate their success higher, with an average rating of 6.8.

	Advanced Organizations	**Emerging Organizations**
Vision of data driven culture defined and supported	33%	28%
Culture of change management	39%	19%
Partner with more roles to achieve success	5.1 roles	3.9 roles
Champions that **promote PURCHASE** Head of analytics	26%	16%
Champions that **promote USE** HRBP	27%	20%
HRBP trained as agent of change	38%	30%
Establish a People Analytics COE	29%	13%

Figure 15: Leading Practices of Advanced vs. Emerging Organizations

4.1

Vision

Advanced organizations more frequently have a vision that includes creating a "data-driven" culture as part of the workforce strategy. In our white paper, *The Economic Impact of Visier People*,[5] this was the top characteristic of the most mature organizations.

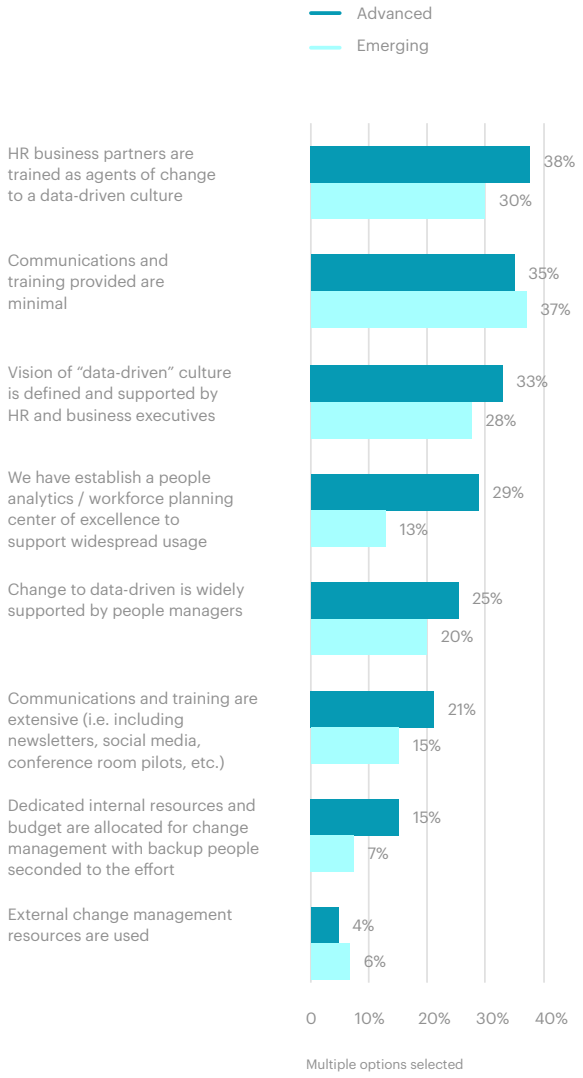

Figure 16: Scope of Change Management Efforts: Advanced vs. Emerging Organizations

4.2

Culture of change management

Only 21% of all respondents consider their organization to have a culture of change management. Emerging organizations report only sporadic change management is done. However, those from advanced organizations, more frequently report a culture of change management with every technology change as shown in Figure 17.

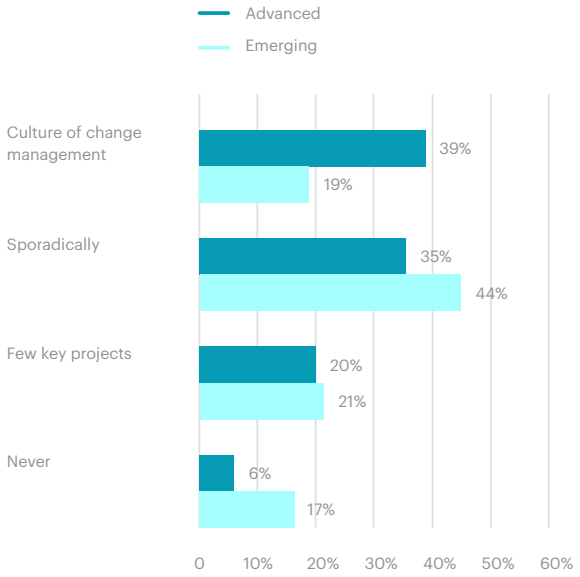

Figure 17: Degree of Change Management for People Analytics and Planning: Advanced vs. Emerging Organizations

5 The Economic Impact of Visier People: The Journey of Visier Customers to Business Impact and Strategic Value, 2017, https://hello.visier.com/resources_research-reports_Total-Economic-Impact-of-Visier-People.html.

4.3

Partners

Advanced organizations work with more partners, both specific roles in HR or with specific departments, within the organization to achieve success. These organizations work with 5.1 partners, compared to three in emerging organizations. HR leaders and HR business partners (HRBPs) are the primary partners for people analytics across all organizations, with the latter partnered with much less frequently in emerging organizations. Interestingly, advanced organizations do not partner as frequently with IT and finance.

Visier recommends partnering and alignment with IT and finance groups to promote successful outcomes. IT partnerships support data integration efforts, and finance partnerships are necessary to align on metrics and integrate financial information into the analytics solution. This makes it easier to show workforce performance and positively impact business outcomes.

Advanced organizations show a much stronger partnership with various HR functional areas such as recruiting/talent acquisition, learning and development, and service center/HR operations leaders. Such partnering indicates that these organizations are likely providing analytics in support of these functions.

The survey indicates that Visier customers partner with all roles and departments more frequently than non-customers, and on average they partner with more (5.4). This segment more frequently partners with finance to promote business outcomes, as without financial performance data, it is difficult to show workforce contribution to financial success.

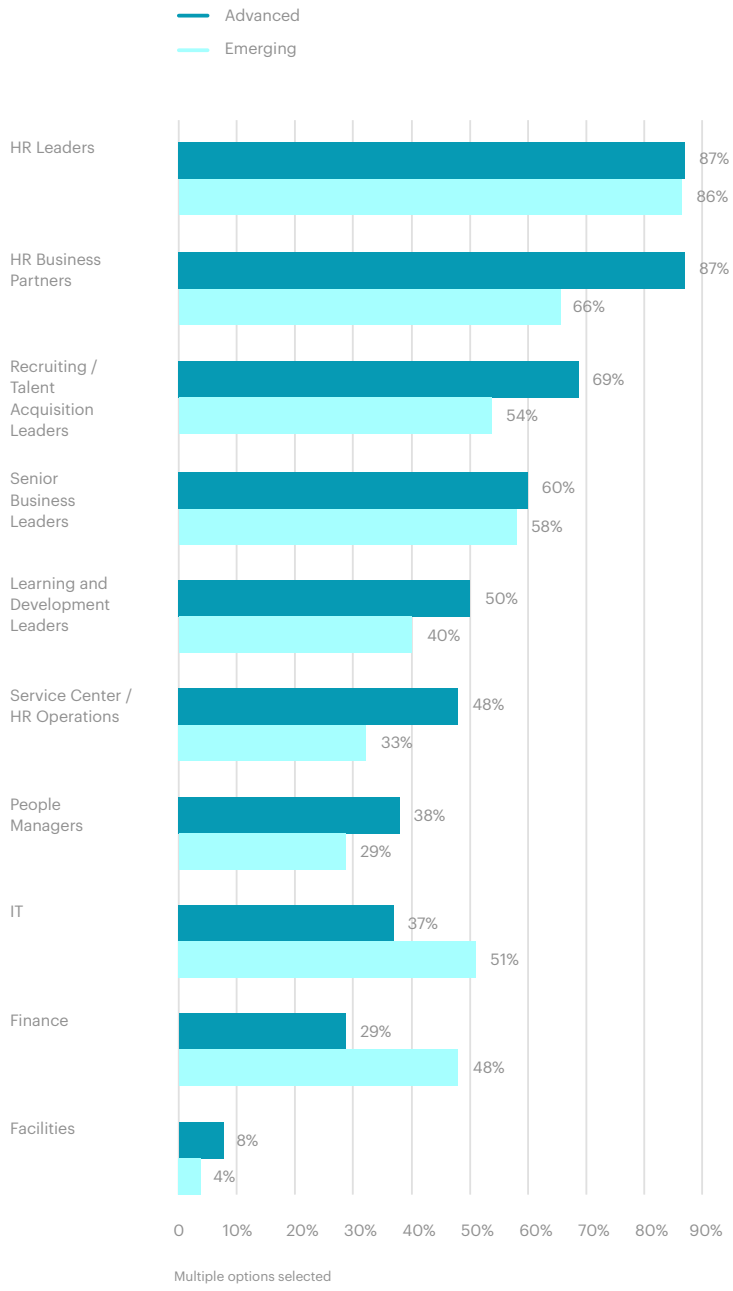

Figure 18: People Analytics Partners for Success: Advanced vs. Emerging Organizations

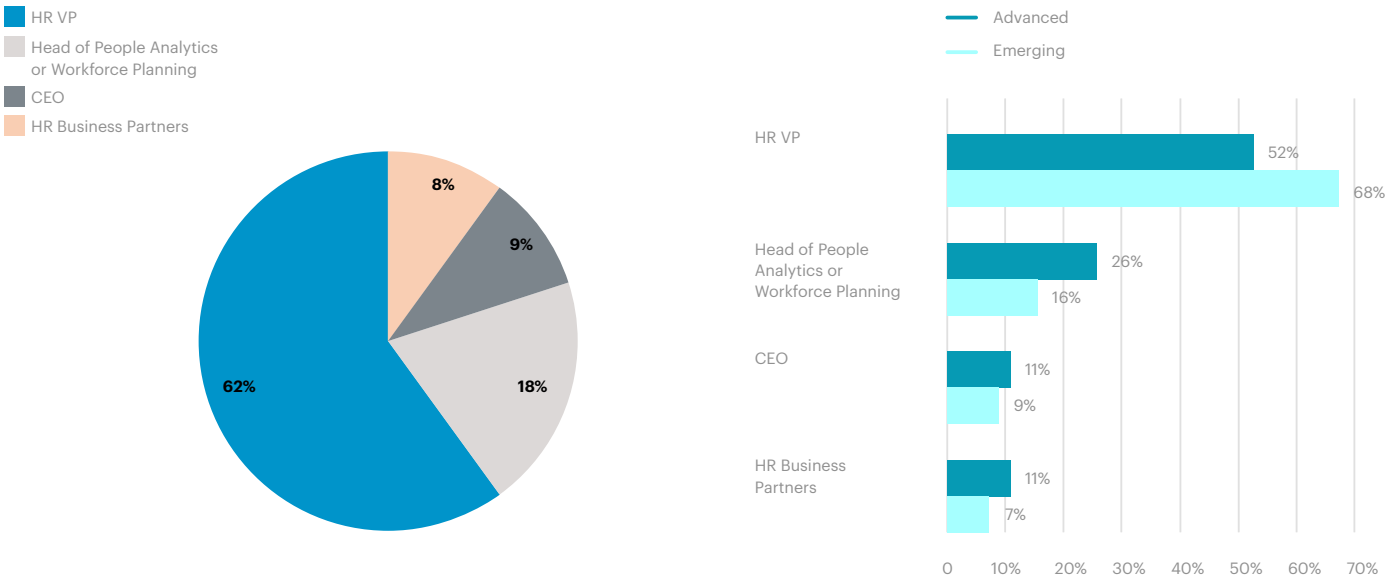

Figure 19: Effective Champions to Promote Purchase: Overall and Advanced vs. Emerging Organizations

Partners promote the purchase and use of people analytics software. The Vice President of HR (also known as the CHRO in some organizations) is the primary champion that promotes purchase of people analytics software. Interestingly, in advanced organizations that role is less strong than in emerging organizations, and the head of people analytics or workforce planning tends to play a stronger role.

In addition to being the most effective champion to promote purchase, the HR VP, or CHRO, is also the most effective champion to promote the use of people analytics software, with the CEO being the least effective champion overall.

The HR business partner is the slightly more effective champion of use over the head of people analytics in more than 25% of advanced organizations. We expected the HR business partner more frequently to be the most effective champion to promote use. However, in conducting interviews with Visier customers, most people analytics directors or HR executives report that HR business partners are not analytical, with estimates that 25% or less are both strategic and analytical. In fact, among Visier customers, the most critical obstacle to people analytics is that organizations do not have a “data-driven” skill set within HR and/or within HR business partners (64%).

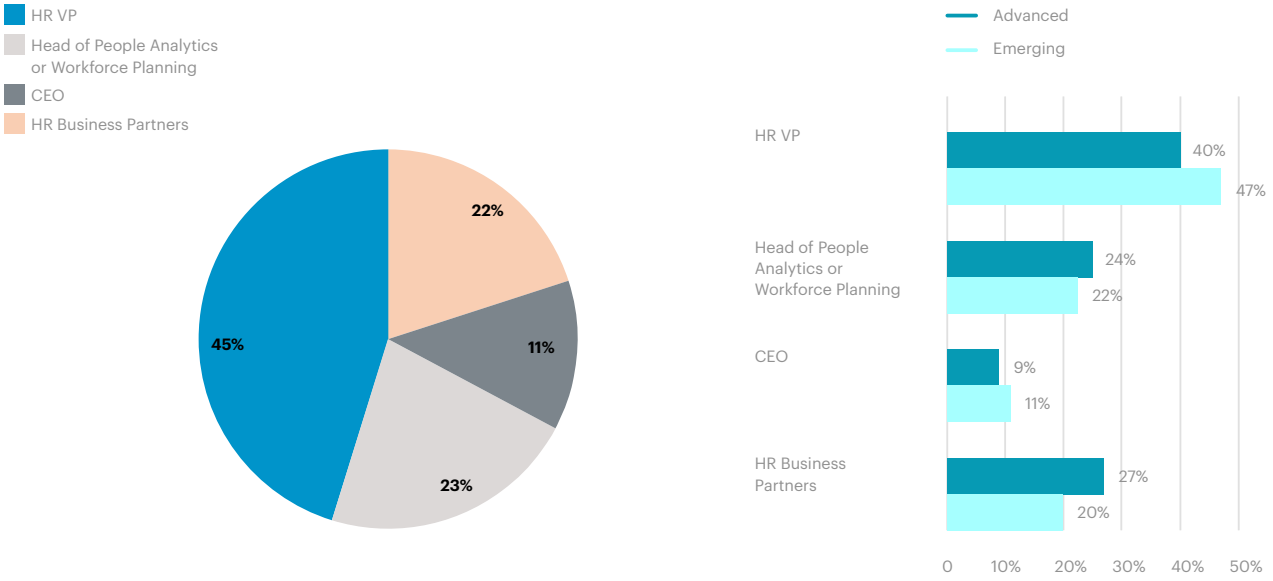

Figure 20: Effective Champions to Promote Use: Overall and Advanced vs. Emerging Organizations

In 38% of advanced organizations and 30% of emerging organizations, HR business partners are trained to be agents of change, so their potential to become champions to promote use in the future will improve. (See Figure 16).

4.4

Establishing a People Analytics Center of Excellence (COE)

One of the characteristics of organizations that are most mature with their adoption of people analytics is the establishment of an analytics center of excellence. The advanced organizations are no exception: they adopt a COE 100% more frequently than emerging organizations. These centers typically support HR business partners, people leaders, and other HR centers of excellence for talent acquisition, development, and retention while freeing the analytics team to focus on more sophisticated analysis.

5.0

Advanced Organizations Outperform

Surveys on people analytics adoption by other researchers show that data-driven organizations outperform on various financial metrics.[6] Our survey results are no different. Advanced organizations in this survey outperform the emerging organizations on profit margins (56% higher) and return on assets (22% higher). Only 47 of the 259 organizations are publicly traded, restricting the availability of independently validated financial metrics.

Further, the sample is too small to control for industry variations, such as that high-tech organizations report higher profit margins than in other industries. Thus, as with the Sierra-Cedar HR Systems Survey, we dig deeper using more sophisticated analyses (structural equation modeling) to determine the link between people analytics adoption and financial performance. Continuing research started in 2014 in partnership with Dr. Janet Marler, Professor of Strategic HCM at The State University of New York, Lexy Martin–Visier's head of research and author of this survey–identifies three value chains from adoption of people analytics and related practices that predict improved business results.

The key finding is that people analytics adoption, with associated maturity characteristics, is indirectly related to improved business results through improved HR and talent outcomes, and ultimately predicts improved financial performance. Organizations do not just adopt a technology solution and immediately improve financial value. Rather, successful organizations adopt solutions, evolve their practices, improve their HR/talent and business outcomes, and this in turn improves financial metrics.

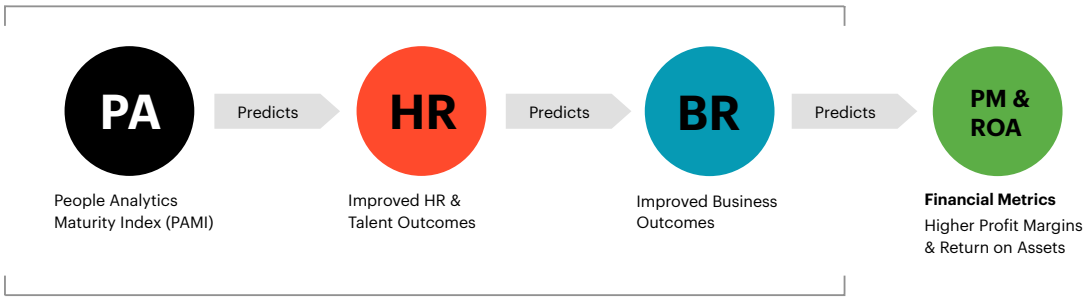

Figure 21: People Analytics Value Chain Model: Linking People Analytics to HR and Business Outcomes to Financial Value

6 Several studies point to this conclusion. See CEB Corporate Leadership Council, as quoted in Vaitkus, Laime, "Money makes the case for workforce analytics," The Bureau of National Affairs, 13 Feb. 2017, https://www.bna.com/money-makes-case-n57982083723/.

See also Bersin by Deloitte, as referenced in "Deloitte's Bersin finds effective use of people analytics is strongly related to improved talent and business outcomes," 13 Nov, 2017, https://www.prnewswire.com/news-releases/deloittes-bersin-finds-effective-use-of-people-analytics-is-strongly-related-to-improved-talent-and-business-outcomes-300553874.html. Sierra-Cedar 2014-2015 HR Systems Survey: 17th Annual Edition, 2014, https://www.sierra-cedar.com/wp-content/uploads/sites/12/2014/11/Sierra-Cedar_2014-2015_HRSystemsSurveyWhitePaper.pdf.

5.1

What Goes into the Value Chain Analysis?

People Analytics Maturity Index

The People Analytics Maturity Index (PAMI) is a sum of counts and scores from questions on process maturity, how people analytics are performed, types of users, the role of data in decision-making, data sources, partners for success, and the degree and extent of change management in an organization. Maturity comes from adopting people analytics solutions, with more solutions indicating a higher sophistication. Maturity also comes from more and broader user types, as well as more data sources, enabling organizations to impact business outcomes. A culture of change management and practices surrounding data and usage maturity characteristics further contributes to the successful implementation of people analytics.

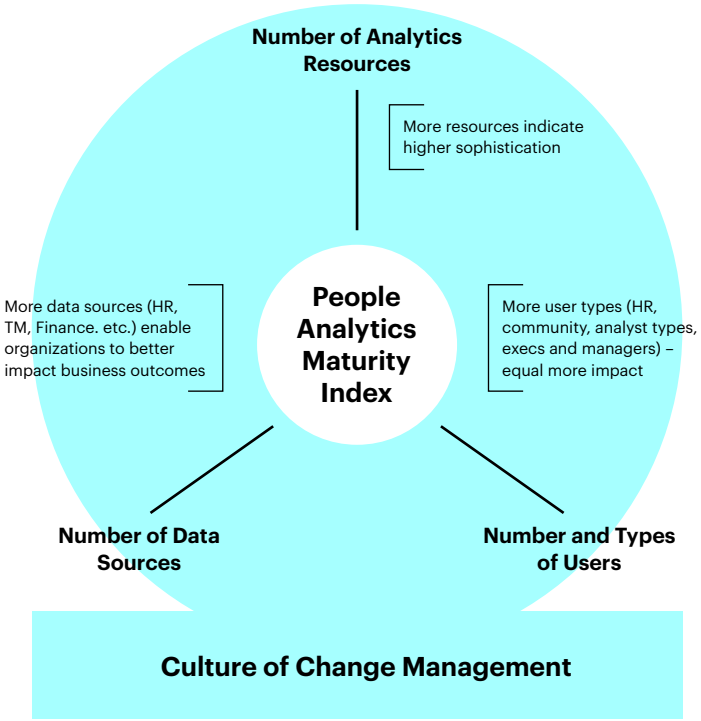

Figure 22: People Analytics Maturity Index

Improved Outcomes

The survey asked respondents whether various HR and talent management outcomes, along with business outcomes, improved, stayed the same, or declined over the past year.

HR and Talent Management Outcome	Business Outcomes	Scale of 1-5
HR Alignment with Business Strategy	Cost Efficiency of Organization	Strongly Declined
HR Cost Efficiency	Market Share	Declined
Availability of Workforce Data for Decision Making	Customer (constituent) Satisfaction	Neutral
Talent Management (attract, develop, retain)	Competitive Advantage	Improved
Retention of Top Talent	Innovation	Strongly Improved
Employee and Manager Productivity	Employee Engagement	

Figure 23: People Analytics Value Chain Outcomes

Notably, the availability of workforce data for decision-making was the top HR and talent management outcome (3.78 on a five-point scale), while innovation (3.51) was the top business outcome. These two outcomes are part of two of the value chains we explore in the next section.

The HR outcome—the availability of workforce data for decision-making—is a consistent finding from research based on the 2014 Sierra-Cedar HR Systems Survey. However, the business outcome finding—innovation—is new to the top spot. In the 2014 Sierra-Cedar HR Systems Survey, the top outcome was competitive advantage. Given our respondent sample consists of a very high percentage of high-tech firms, though, it is not surprising that the most improved outcome is innovation. Innovation also contributes to competitive advantage, but in high-tech industries this is more likely to contribute to a company's improved financial outcomes.

Value Chains

Using structural equation modeling, three value chains show that people analytics adoption and associated maturity aspects show significant statistical validity through indirect relationships in improvements in HR outcomes and business outcomes impacting profit margins and return on assets. For each of the value chains, we estimate that improving aspects of the PAMI predicts a higher return on assets.[7] The financial result improvement in profit margins and return on asset[8] is achieved through:

- Increasing analytics solutions
- Increasing the number of user types
- Increasing the number of data sources used in the analytics solutions
- Improving change management practices

Let's examine the three value chains in more detail.

Value chain 1: Availability of data for decision-making/ engagement and innovation.

People analytics maturity is indirectly related to an organization's return on assets. We estimate that a 10% increase in PAMI is related to a 1.4% higher return on assets through one HR outcome—improved availability of workforce data for decision-making—and two business outcomes—employee engagement and innovation. The result is improved profit margins and ultimately, a higher return on assets. To the extent an organization improves its data for decision-making, it can understand, analyze and improve on employee engagement and the innovation contributions of its workforce such that both contribute to financial success. With employee engagement, being able to analyze results of engagement measurement activities and then take appropriate actions should contribute to organizational performance. Likewise, understanding where innovation occurs by analyzing top performers and the source of their hires should help an organization hire more top performers, for example.

Figure 24: Engagement and Innovation Value Chain (1) HR Outcome: Availability of Data for Decision Making

7 All components of the value chains are statistically significant with a probability of being wrong of less than 5%. Please contact Lexy Martin, lexy.martin@visier.com, for a document that includes the statistical analyses and probabilities of significance.

8 Profit margins are a measure of how much out of every dollar of sales is kept as earnings. Return on assets is an indicator of how profitable a company is relative to its total assets i.e. how efficient a company is in using its assets to generate earnings.

Value chain 2: Talent management/engagement and innovation.

We estimate that a 10% increase in PAMI is related to a 2% higher return on assets through one HR outcome—talent management capabilities—and two business outcomes—employee engagement and innovation. This again affects an organization's profit margin and ultimately, its return on assets. As an organization improves its talent management practices, it impacts employee engagement. This in turn can improve workforce contributions to innovation and help drive profit margins. Improved engagement and innovation contribute to financial success. When it comes to talent management, to the extent that an organization can analyze and improve on its talent processes to attract, develop, and retain employees, it should be able to enable a more engaged and innovative workforce, which in turn contributes to improved financial performance.

Figure 25: Engagement and Innovation Value Chain (2)
HR Outcome: Talent Management

Value Chain 3: Talent management and employee productivity/employee engagement.

We estimate that a 10% increase in PAMI is also related to a 2% higher ROA through two HR outcomes—talent management and employee productivity—and one business outcome—employee engagement. These outcomes support improvements in profit margins and ultimately, create higher return on assets. As an organization improves its talent management activities, it impacts its employee engagement. This can improve employee productivity, which in turn can drive higher profit margins. Both engagement and employee productivity contribute to a higher return on assets through improving profit margins. Similar to the second value chain, to the extent that an organization can analyze and improve on its talent processes, it should be able to enable a highly productive and engaged workforce, which can then contribute to overall improved financial performance.

Figure 26: Engagement Value Chain (3)
HR Outcomes: Talent Management and Employee Productivity

6.0

Current Market Obstacles

The most critical obstacle for more than 50% of all organizations is that current transactional systems do not connect to important business results such as profit, customer satisfaction and revenue. Thus, a people analytics solution that integrates data sources from these systems is necessary.

Advanced organizations experience all obstacles to a lesser degree. In particular, these organizations have solved the data integration and analysis at scale issue. Advanced organizations, as well as Visier customers, were less likely to report headcount as an obstacle to data integration and analysis at scale, (17% advanced vs. 43% in emerging organizations and in 23% of Visier customers).

HR and Talent Management Outcome	Advanced	Emerging
The reports or analytics provided by our HR systems don't connect to important business results, such as profit, customer satisfaction and revenue	56%	56%
The reports or analytics provided by our HR system only report on the data included in that system	44%	54%
We do not have a "data-driven" skillset within HR and / or our HR business partners	38%	46%
We have data quality issues	35%	42%
Our HR metrics are not standard across all our systems	31%	31%
We lack the headcount needed to perform data integration and analysis at scale	17%	43%
We are too dependent on IT for analytics and reporting	13%	12%

Figure 27: Obstacles: Advanced vs. Emerging Organizations

Advanced organizations outperform, but simply adopting a people analytics solution is not enough to guarantee financial success.

Lessons Learned from Advanced Organizations

An analysis of the value chain highlights that organizations need to improve four key areas related to technology adoption:

1. More people analytics solutions
2. More users and more higher level users outside HR
3. More data sources and analytics topics
4. A culture of change management surrounding the implementation

As the value chain shows, doing more in any of these areas predicts improved financial performance. By adopting a range of people analytics solutions, extending usage to multiple stakeholders within the organization, embracing people analytics solutions across an organization, utilizing a higher number of data sources and analytics topics, and developing a culture of change management, your chances of success in people analytics will increase.