

## Making sure people count

Workforce analytics can help HR provide the business with evidence-based insights that generate value

Almost 40% of British businesses expect to change their workforce plans in response to current economic challenges, according to a recent CBI report<sup>1</sup>. It would be natural for a business to expect HR to lead this change, but it is not clear that the average HR function is currently equipped to do so.

**The challenge: HR functions are not always making the most of data**

To offer leadership to the business, HR needs to be able to obtain insights from data, and use those insights to make predictions and support decision-making. Successful HR functions and practitioners do this all the time, but experience suggests they are in the minority.

The typical HR function cannot easily answer questions about the future – for example, it cannot confidently predict how the workforce profile needs to change to support a proposed restructuring.

Nor can most HR functions easily explain current workforce trends. When asked whether an unexpected increase in staff turnover is due to market or internal conditions, for instance, HR managers may have a “gut feel”, but be unable to justify it with hard figures.

HR commonly has trouble, too, in quantifying the impact of its own activities, often leading to a suspicion that initiatives are not delivering the required returns. For example, recent CIPD research<sup>2</sup> found that, of the 61% of organisations undertaking talent management activities, only 50% considered them to be effective. If organisations could measure effectiveness against pre-defined targets, they would be able to avoid or stop initiatives that do not create the intended business value, or modify them so that they do.

One obstacle here is that HR people are not always comfortable with quantitative data. It is common to

hear things like “I’ll leave the number crunching to someone else”. This is especially damaging when an estimated 70% of operating expenses<sup>3</sup> relates to workforce costs. Where HR does “do numbers”, its work is too often limited to simply reporting measurements like headcount.

Another obstacle is that the right data is not always readily available. The digital revolution has meant that organisations are often swamped with data from multiple HR systems, making it hard to find the right data and then integrate it. The temptation is therefore to report on what is accessible rather than what is valuable.

<sup>1</sup> Economic challenges facing UK business, IPSOS/MORI Survey, November 2011

<sup>2</sup> Annual survey report 2011, Learning and Talent Development, CIPD

<sup>3</sup> From a 2006 SHRM survey of over 700 companies, cited in HMCI, Managing an Organization’s Biggest Cost: The Workforce



Without an ability to make confident, evidence-based statements about the workforce or the effect of its own initiatives, HR will struggle to be seen by the business as a leader of change. For that to happen, HR itself needs to start thinking like a business. Successful businesses support their daily decisions with quantitative analysis of costs, risks, return on investment and so on. HR, too, must generate insights from quantitative evidence.

**The solution: HR must learn when and how to apply workforce analytics**

Workforce analytics is the quantitative exploration of data about employees to gain insights and inform change. It overcomes the common obstacles to evidence-based decision-making by pulling together data from multiple sources and presenting analyses in a form that can be understood without any mathematical knowledge.

By learning when and how to apply workforce analytics, HR can generate the intelligence the business needs to manage the workforce in a way that supports its strategic goals.

Capgemini has defined three stages of a business or department’s lifecycle where workforce analytics is relevant: we call these “Establishing Excellence”, “Optimising the Present” and “Transforming the Future” (see Figure 1).

**1. Establishing Excellence**

This stage is relevant not only to a newly established organisation or department, but also to an underperforming department or organisation that needs to revisit the way it manages its workforce.

In either case, the major requirement is to position HR to measure the performance of its processes and the impact of its policies. The objective is to ensure that both processes and policies meet the needs of the

	STAGE		
	Establishing Excellence	Optimising the Present	Transforming the Future
Situation	New or underperforming organisation/ department	Existing organisation/ department needing to maintain and improve performance	Major restructure; mergers/ acquisitions; change in operating models; downsizing
Workforce analytics activities	Definition of information requirements and metrics; design of processes and policies	Monitoring and measuring; identifying weaknesses to enable improvement	Evidence-based planning of change

Figure 1: Three stages of workforce management

business, and to increase the value that they deliver. For this, HR needs to be able to check that its processes are lean, cost-effective and efficient, and that its policies are achieving the intended results.

At this initial stage, HR needs to define the data to be collected, and the metrics and targets (such as KPIs and SLAs) against which to assess it. By doing so, HR can lay the groundwork for workforce analytics.

Even at this early stage, HR can start applying workforce analytics to optimise the process and policies it proposes to put in place.

**Client success story: HR management Information**  
 Capgemini worked with a global financial services organisation to design a set of metrics for learning and development, aligned to the strategic direction of the organisation. We created a reporting tool that combined data from several databases to report KPI metrics on a regular basis.

Automation of the analysis and reporting process reduced the time taken from 15 days to three hours. Tasks automated included

upload of source data, analysis, and population of the dashboard. Staff managing curriculums are now able to assess progress and performance with tangible metrics.

**2. Optimising the Present**

With an established organisation or department, HR should use workforce analytics to monitor performance, both of the workforce and of HR itself, and quickly identify where improvement is needed.

The metrics produced by workforce analytics can also be used for a range of other purposes: for example, to measure and demonstrate the benefits of a newly-implemented process, policy or system, or to identify trends in work volumes to see how the workforce profile must be adjusted. Measurement of the effects of initiatives such as talent management allows HR to make sure that they deliver maximum value, and to prove to the rest of the business that this is the case.

To apply workforce analytics effectively, HR must know what data to gather and what metrics to apply. If it does not, it should revisit stage 1, Establishing Excellence.

**Using workforce analytics to optimise policy** Many organisations measure and report absence, retention and training without interpreting what they mean for the organisation. Workforce analytics can help HR identify possible cause-effect relationships in the data. For example, an abnormally high absence rate might reflect either lack of motivation or an excessive workload, each of which would suggest a different policy adjustment.

**Using workforce analytics to optimise processes** Many HR departments use qualitative research such as interviews, surveys and focus groups to assess how far processes are meeting stakeholders' needs, but their effectiveness should also be assessed quantitatively. For example, if qualitative research shows that managers want more administration to be done by the HR department, quantitative analysis can predict the effectiveness of doing so.

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#### **Client success story: workforce evolution**

A UK government organisation wanted a better understanding of how the size and shape of its workforce was evolving. It had identified some specific concerns. For example, 40%+ of the workforce would be considering retirement in the next 5-15 years. Long-term planning was necessary to sustain performance.

Capgemini built an Excel-based model to calculate workforce flows and supply from one to 10 years into the future, allowing HR to select the best recruitment, promotion and retention policies. A dashboard shows the impact of decisions.

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### **3. Transforming the Future**

Whenever the organisation undergoes significant change – mergers, restructuring, changes of operating model, downsizing and

so on – HR needs to understand the effect on the workforce. It needs to plan any required adjustments to workforce size and capabilities, and demonstrate the likely effectiveness of its decisions.

As well as giving clarity about the impact of a proposed change, workforce analytics makes it easy to compare different options. Where there is uncertainty about the business's future, a range of scenarios can be explored, to see how the workforce would need to adapt in each case.

Currently, HR departments planning a restructuring exercise often invest considerable time in manually changing organisational hierarchies and reporting lines to reflect changes in business models. Workforce analytics tools can eliminate much of this effort, and enable faster decisions by identifying linkages and dependencies quickly and flexibly.

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#### **Client success story: benefits management**

A major retail bank was implementing a transformation programme aimed at improving the service HR provided to the business. However, many of the projects within the programme had unclear objectives and undefined benefits. The bank was struggling to measure the value HR delivered.

Capgemini rapidly implemented a practical framework for identifying, measuring and managing benefits from the programme, providing evidence of over £50m p.a. of benefits. The framework changed HR's culture from delivery of projects to delivery of value. HR can now manage the project portfolio better by prioritising according to value, and can demonstrate that it is creating value for the business.

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### How to do it: positioning HR for workforce analytics

Workforce analytics requires a range of skills and expertise. Typically, only senior managers have the strategic view that is needed to ask the right questions (for example, to determine the type of metrics that should be applied), and it is these managers who will have to interpret and act on the answers. Technical skills will be needed to decide how data needs to be organised to answer the questions, extract the data from operational systems, create models and so on.

In supporting workforce analytics initiatives, we collaborate closely with the client's decision-makers to understand the business strategy, so that we can identify the data and measurements needed to support it. We combine data from all relevant sources into models, analyses and reports that answer the questions management needs to ask, always in an easy-to-understand format. We then work with the client to convert these insights into better decisions.

Because our workforce analytics engagements bring together our employee transformation and business analytics teams, we can deliver comprehensive solutions, including support for change implementation. We often use our proven benefits management framework ("SAFER") in conjunction with our change management approach to help clients build a realistic business case, secure stakeholder buy-in, and plan and deliver the change.

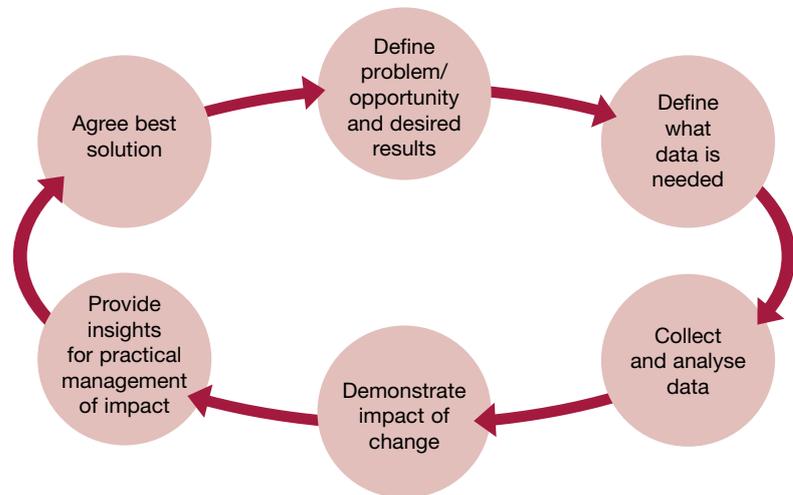


Figure 2: Capgemini Consulting's approach to applying workforce analytics

### Conclusion

Workforce analytics can help HR to:

- provide reliable, evidence-based insights into how changes in the business affect the workforce, and vice versa
- monitor, and explain changes in, the performance of the workforce
- demonstrate the effectiveness of its own policies and processes

Proven tools and methodologies bring together and analyse data from multiple systems, and present the results in ways that are easily understood by decision-makers with no mathematical background.

With workforce analytics in place, the business really can rely on the HR department for leadership of workforce-related change.

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