

Developing talent intelligence to boost business performance

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Abstract

Purpose – *It may be a cliché of modern business for a company to say that “people are our greatest asset,” but this is one truism that should be taken seriously. Up to 70 percent of a company’s value is tied up in the skills and experience of its employees. All too often, however, business executives and Human Resource (HR) departments have very little insight into how to use this asset for better business outcomes. This paper aims to look at the importance of effective talent metrics and to examine the problems organizations face when trying to develop talent intelligence.*

Design/methodology/approach – *The paper discusses the findings of Talent Intelligence: Key to Business Success, an independent research report examining business and HR attitudes to talent metrics and analytics.*

Findings – *Despite the business value that accurate, accessible talent intelligence can provide, the research finds that there are significant differences between those talent metrics that organizations consider important and the data to which they have access. A legacy of disparate technology systems and a focus on measuring efficiency rather than effectiveness are the primary reasons for the lack of talent intelligence among many businesses.*

Originality/value – *The paper examines the findings of a comprehensive international survey of HR and business managers, identifying the barriers to collecting and analyzing useful talent metrics and laying out the key steps towards generating talent intelligence.*

Keywords *Human resource strategies, Human resource management, Human resource accounting, Technology led strategy*

Paper type *Research paper*

In today’s knowledge economy, up to 70 percent of an organization’s value is based on the skills and experience of its employees (Taleo Research, 2010). Yet, for most businesses, there is simply no visibility into how well the company’s biggest asset is being managed. In fact, LinkedIn and Facebook may offer more information about a company’s talent assets than the Human Resource (HR) department is able to provide. Without a unified, strategic approach to talent data and real intelligence on a company’s most valuable asset – its workforce – HR will struggle to generate the kind of insights that inform board-level decisions and drive business performance. In 2010, Taleo Research executed an international survey on talent analytics. It was designed to understand the value companies place on talent information and whether HR and line of business executives have access to the reliable talent data they need in order to understand the levers that help them drive business results.

The research found that although there are some differences between geographies, HR and business leaders are generally well aligned in the importance they place on talent management information. However, there are significant gaps between the level of importance companies place on talent management data and their access to reliable information. HR and line of business executives are not receiving access to the talent management data that is most important to them.

From data to insights

McKinsey defines business intelligence as:

[...] the ability to transform data into insights to help manage a company [...] business intelligence consists of the processes, applications, and practices that support executive decision making (Mayer and Schaper, 2010).

Few companies have achieved the goal of transforming their data into insights because it requires the data to be timely and intuitive to access. Business intelligence data has to be captured by processes, placed in a talent profile, consolidated from multiple sources and then presented to those who need it in a format that helps them gain those insights.

The challenges of getting good data are numerous and include a lack of historical data, the logistical difficulties of collecting and updating accurate information, incompatibility between systems and the difficulties of avoiding duplications, to name just a few. Surmounting these challenges is expensive and requires sufficient IT resource to constantly manage and deliver the information. IT support is also required to change the metrics as the needs of the business evolve. Even if a company invests in data warehouses, integrations and change management processes to get it right, traditional business intelligence still overlooks information about the company's greatest asset – its people.

There is, however, a growing recognition among both business leaders and HR that this lack of talent intelligence must be addressed.

The rise of talent intelligence

There are a number of reasons why talent intelligence is rising quickly up the agenda. With businesses emerging from one of the toughest economic periods in recent history, HR departments are under more pressure than ever to justify any investment in new systems or initiatives. Accurate, accessible and relevant data is therefore a must for any HR director looking to secure support for new projects.

Talent intelligence is also hugely valuable for HR teams looking to make their case at board level. For years, the HR department has struggled to gain a seat at the executive table, or to make its voice heard once it was there. Facts and figures are the language of the boardroom and without the hard data to prove that effective people strategies can boost business performance, HR is always at risk of being underappreciated.

The growing pressures of globalization are another factor. Many businesses find it hard to keep track of their employees' names and addresses across multiple regions, never mind maintaining key talent metrics across a global workforce. As more companies expand internationally, it becomes increasingly difficult for businesses to manage their talent effectively without a high level of insight into the workforce, leading to greater awareness of the importance of talent intelligence.

Demographics are playing a part as well. Across the USA and much of Europe, the ageing Baby Boomer generation is likely to cause problems for businesses as they face a possible "brain drain" with key employees retiring en masse over the next few years. Employers need

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to be able to measure and predict the effect of this ageing workforce and prepare to fill critical positions through succession planning.

Analytics and intelligence

Taleo Research's Talent Intelligence survey assessed the most important talent metrics across the USA, UK, France and Australia. While there was some variance between the regions, it is interesting to note that the same five types of data were listed among the ten most important metrics for each country. Talent metrics listed as "very important" in each region include:

1. *Defined business goals* – selected by 94 percent of respondents.
2. *Goals aligned with business plans* – selected by 92 percent of respondents.
3. *Performance plans aligned to goals* – selected by 84 percent of respondents.
4. *Competency/skills gap analysis* – selected by 82 percent of respondents.
5. *Employee engagement levels* – selected by 81 percent of respondents.

While these findings show that there is a clear demand for a number of key talent metrics, the research also reveals that there are gaps between the information considered important to decision-making and the data that is available. For instance, in the UK, in all but one type of data, there is a notable talent intelligence gap as shown by the following findings:

- 91 percent of UK respondents want information on the competency/skills gaps in the workforce, but only 55 percent have access to reliable data in this area;
- 90 percent say that it is important to have information on how individual's goals are aligned to business, but only 57 percent have access to reliable information; and
- 82 percent consider data on succession bench strength to be important, but only a minority (41 percent) has access to reliable data on it.

It is not just in the UK where companies are not measuring the metrics that matter. In the USA, most companies are measuring less important data rather than providing the information that is considered "very important" to their executives.

Figure 1 shows the data ranked from most important to least important by respondents in the USA. Where the "Access and reliable" data point is below the "Important" line, it means executives do not have access to reliable data on metrics they consider to be very important. Notably, access to reliable information falls below the importance line for all ten of the most important analytic data elements. Conversely, where the access data point is above the line, more executives have access to data they consider less important.

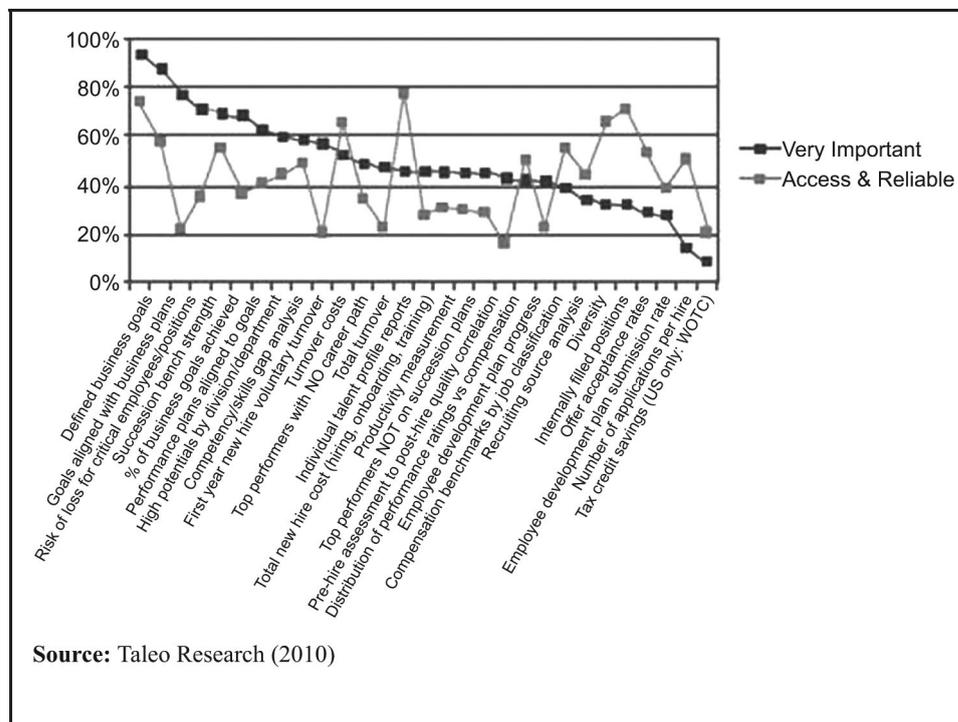
The top ten most important data points are key to measuring the effectiveness of talent on business outcomes. Yet the majority of executives, both HR and line of business, do not have access to reliable data to measure their impact on the business.

Barriers to talent intelligence

What is preventing HR teams from gathering the reliable data that the business needs? As with business intelligence (BI) systems, siloed talent management systems are a major obstacle in gathering talent data for analysis. Historically, best of breed talent management vendors started with one or two specific solutions; customers would purchase from multiple brands to get the configuration that delivered what they needed.

However, this presented challenges as integration and interoperability between these distinctly different systems was not a factor considered by vendors. Data management and formatting was another challenging area for businesses using multiple talent management systems. Organizations collect a large amount of personnel data, yet until recently they could not put it to use because the data were siloed or in an inaccessible format.

Figure 1 Gap between “very important” and “access to reliable” data



Consolidating data that is spread across multiple systems required a traditional BI approach, expensive IT resources and technically complex analysis. Significantly, companies with multiple applicant tracking (ATS), performance management (PM), compensation management, learning management (LMS) and HR systems faced a huge challenge in producing unified metrics that make sense.

Measuring the metrics that matter

Traditionally, where organizations have used talent metrics, they have measured the efficiency of their HR strategies, such as the time to hire, HR headcount ratios and percentage of performance reviews submitted on time. Yet many organizations still lack access to information that would help them to measure the effectiveness of their talent management strategies. For instance, although most companies measure time to hire, only 17 percent have access to reliable data on the quality of hire. In many ways these data are a more important measurement, since without it, organizations have no way of knowing if they are simply reducing the time it takes them to hire the wrong people.

Another example is that 93 percent of respondents know their organization’s defined business goals but only one in five (21 percent) know if they have the skills to execute their strategy. This is information that would be in a competency/skills gap analysis, one of the most important talent metrics, according to the survey. Both efficiency and effectiveness are important, but companies need to focus more on the effectiveness of their talent strategies and their impacts on the business strategy.

Finally, the insights gained from talent intelligence are only ever as good as the timeliness and accessibility to the data. Talent data must be self-generating and self-refreshed. Data must be collected and updated at every point as employees move through the talent life cycle: from applying for a job, through the hiring and onboarding processes, to performance reviews and development progress.

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Getting talent intelligence right

So what can HR and business leaders do to help create the right kind of talent intelligence for their organization? Success with talent intelligence requires a focus on accessing the right metrics, choosing the most important data elements and defining reporting requirements on a technology platform. The following four steps can help achieve this:

1. Understand what important information will help the business. Ask what the organization's strategy is and what skills and resources are required to execute that strategy.
2. Choose an analytical framework for delivering the relevant information by assessing who will need to access the data and how it should be represented.
3. Eliminate silos and use a unified platform and/or data model to capture and display the data.
4. Ensure that access to the data is timely and intuitive.

The key to aligning talent intelligence to drive business outcomes starts with ensuring access to the most important employee and talent data. This could include an employee's experience before and during employment, career ambitions that can be used in development plans and succession planning, individual performance ratings to help identify future leadership potential, and more. It is crucial to understand that this data cannot be collected as an afterthought or as a separate process. It must be captured as part of the overall and ongoing talent management process – not as a separate or additional task.

Implementing the right talent tools and processes is vital to any talent intelligence strategy. Companies can gain talent intelligence by implementing a single, unified talent management system or data model. This will allow users to access and manage talent data as part of the normal process of hiring, onboarding, conducting performance reviews and creating development plans for their employees.

Unless all of these stages are part of the ongoing process, it will be difficult to capture all the data required so that it can be compiled or analyzed in any meaningful way. A unified talent management system, or a unified talent data model, used to mine data from all talent systems is therefore, not just desirable, but a vital part of any talent intelligence strategy. With the intelligence that comes from this kind of holistic process, talent management initiatives can be executed and their results mapped directly on to measurable business outcomes meaning that, finally, HR is able to demonstrate the value that people strategies have on the bottom line of the business.

Case study: metrics assist UnitedHealth Group to manage international base

As one of the world's leading health care companies, UnitedHealth Group (UHG) employs 80,000 people across 44 countries around the globe. As a fast growth company, UHG recognized the critical role of quality of hire assessments in new growth areas in order to quickly assess and, if necessary, adjust talent processes.

UHG piloted its first quality of hire analysis with Taleo in its Asia offices in 2009. Michelle Fernando, International recruitment technology lead at UnitedHealth Group, comments:

Our big driver was to ensure that our strategies are in sync with the local cultures to ensure success. For example, in Hyderabad we were starting the office from the ground up. So in that environment, it was critical to see that we hired the right people and that we are keeping those people engaged in our business.

The Human Capital team made the analytics process very simple for hiring managers by asking them to rank the effectiveness of each new hire against five criteria on a scale from one to five. In cases where manager assessments were lower, UHG's Human Capital leaders were then able to create process adjustments as required. While skills alignments proved to be strong across the board, UHG came up against a surprise in its retention levels. In Mumbai, it experienced more "quick quits" – people leaving within their first six months – than it had throughout the rest of the organization. Further analysis and discussions with other businesses operating in India identified that this was culturally consistent in India. The best young engineers and executives often change jobs quickly to accelerate career and salary advancement.

This talent intelligence gave UHG the ability to adjust its hiring, staff engagement and development processes in the relevant areas. For example, they now put more emphasis on communicating career mobility options earlier in the employee experience and emphasize exit interviews to better separate cultural behavior from company engagement shortcomings.

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