People Analytics Solutions: Market Primer

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Overview

Many organizations are rich in people data but short on resources that can help create insights and inform action to maximize worker productivity and achieve business objectives. High-performing organizations use people analytics to optimize operational efficiencies, but also wield it to predict the future and make insightful decisions.[1] As the people analytics (PA) solutions marketplace continues to morph, understanding which solutions best fit organizational needs can leave buyers perplexed. The situation, as you can see, presents an opportunity and a conundrum.

PA solutions can offer powerful tools to a wider set of users (beyond data scientists and analysts), helping them make smarter decisions about and for their talent. This article provides a high-level look at the current state of the PA solutions market, key activities that these solutions support, and how today's solution capabilities can help organizations generate better insights and drive the right action.

In This Article

- ⊘ The current state of the people analytics solutions market
- ⊘ Key people analytics activities
- ⊘ Categories of solutions with people analytics capabilities

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The People Analytics Market

We define people analytics (PA) as the use of measurement and analysis techniques to understand and optimize the people side of business.[2] Organizations have an extensive amount of data about their people—demographic and performance data, job history, compensation, training, wellness, customer satisfaction, team relationships, and so on. People analytics solutions can make sense of that data, turn it into useful information, and enable predictive insights for enhanced decision-making. In 2018, more than 80 percent of organizations indicated that people analytics was an important or very important priority.[3] It is no secret that highly skilled analytics talent is in short supply as the need for PA has grown. Even with the tight talent market, many organizations are investing in data scientists and building PA teams. However, dedicated data professionals can't succeed by themselves.

Nearly 7 out of 10 PA teams have five or fewer members.[4] The sheer volume of data that teams need to process can mute the impact of these teams. Not surprisingly, according to our research, only 2 percent of organizations can be classified as high performing in people analytics.[5] Many organizations are turning to technology to provide greater support to PA teams and to help drive productivity.

High-performing organizations are three times more likely to encourage experimentation with analytics tools and models[6] and, as a result, report higher financial outcomes.[7] These organizations bridge the productivity gap with PA solutions, putting insights into the hands of those who need them most—leaders, managers, and even individual workers, inside and outside of the HR department.

KEY POINT: People analytics is defined as the use of measurement and analysis techniques to understand and optimize the people side of business.

The majority of organizations, those at lower levels of maturity in this area, need to develop expertise in deriving insights from PA and develop the data literacy[8] of workers beyond the dedicated team. Doing so positions the company to better address issues and opportunities, now and into the future.

A Fast-Moving Environment

Understanding the importance of people analytics differs from understanding where to go for support in this area.

The growing number of solution providers[9] in the market has created some confusion for buyers around capabilities—namely, what is available and which best address an organization's needs. Capabilities such as managing structured (predefined) and unstructured (open-ended) data, and how quickly insights can be derived from both types of data are highly relevant. Solutions that provide actionable insights in real time and influence action offer organizations a strategic opportunity to successfully weather a fast-moving, ever-changing business environment.

Organizations can further capitalize on this opportunity by taking advantage of the broadened accessibility that technology solutions offer in this space. As the end user base widens to include HR leaders, managers, and workers throughout the organization, PA can help to put the power of data into the hands of those who can actually have a positive impact on business and workforce outcomes.

Data democratization—providing data and insights to the many (instead of the few) and to various levels of the organization—is a game-changing concept. Data transparency will guide organizational and individual decision-making, while role-based metrics and permissions will help the right users have access to sensitive information. For the data-enabled organization of the future to thrive, however, HR leaders, managers, and workers need a thorough understanding of the core PA activities and the types of solutions available to support those activities.

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Key People Analytics Activities

Organizations task dedicated people analytics teams with conducting various types of analyses that are backward-facing (descriptive) or forward-facing (prescriptive) in nature. Our People Analytics Solutions research[10] identifies five key activities (see Figure 1) based upon these types of analyses that move from the elementary ("What happened?" and "Why did it happen?") to the more advanced ("What will happen?" and "How can we make it happen?"):

- Gathering data
- Producing reports
- Conducting analyses
- Building models
- Providing insights

Figure 1: People Analytics Activities

Descriptive ↔ Diagnostic ↔ Predictive ↔ Prescriptive

Gathering Data · **Producing Reports** · **Conducting Analyses** · **Building Models** · **Providing Insights**
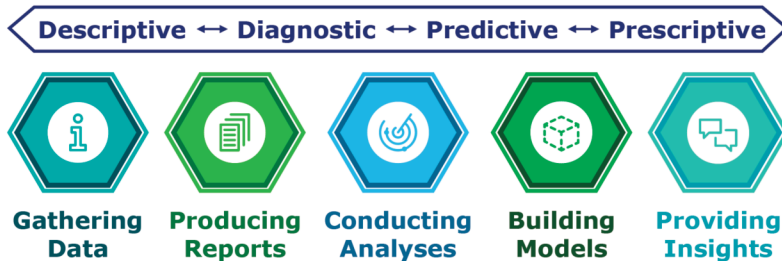
Source: *Bersin, Deloitte Consulting LLP, 2019.*

According to our research, organizations should expect better talent outcomes and better business outcomes[11] when they routinely and strategically perform these five activities. High-performing organizations find that leveraging their PA teams, particularly for building models and providing insights, allows them to have higher overall rates of retention, improved engagement, a more diversified workforce, greater workforce productivity, higher revenue, greater cost savings, and the ability to generate new business opportunities.

Most organizations capture a wealth of data that PA teams can use to inform workforce and business decisions. The challenge, however, is that these teams tend to be small, regardless of the organization's size. Activities that tend to be descriptive and diagnostic in nature (gathering data, producing reports, and conducting analyses) are typically time-consuming and labor-intensive, which limits the ability to perform high-touch predictive and prescriptive activities, like building models and providing insights.

Forward-looking analytics can offer insights that permit organizations to predict and plan versus describe and react. However, given the current focus of (and constraints on) most PA teams, most organizations don't get around to it. Our research shows (see Figure 2) that 74 percent of organizations frequently gather data, while 49 percent frequently perform prescriptive activities such as providing insights. In addition, more than 81 percent of organizations spend time producing reports frequently, yet only 21 percent do the same for building models.[12]

Figure 2: Percentage of People Analytics Teams that Frequently Support Activities

74% **Gathering Data** 81% **Producing Reports** 62% **Conducting Analyses** 21% **Building Models** 49% **Providing Insights**

Source: *Bersin, Deloitte Consulting LLP, 2019.*

PA solutions have continuously upgraded their capabilities and now offer numerous ways to help address critical future-oriented questions. When considering PA solutions, think about how exposure to backward- and forward-facing insights enables parties to understand the current state and influence the future state. Also, consider how the solutions can support the five key PA activities.

Gathering Data

Seventy-four percent of organizations report[13] that they frequently gather data. To do this, they access a variety of data sources, including existing HR systems, insights gained directly from workers through surveys, through interaction with existing tools and processes (e.g., performance reviews), or through the course of work (e.g., email communication).

Data gathering through active sources (explicitly asking for their information, preferences, and opinions) is the most common approach. Engagement surveys, annual performance reviews, focus groups, and pulse surveys, for example, can all be used to better understand what happened in an organization. Passive approaches to data gathering have advanced recently as the result of enhanced capabilities around appropriately integrating data from different systems and applying metadata for approaches like network analysis. These activities, which examine behaviors and interactions, occur without directly requiring individuals to take action. For example, analysis of metadata within email communications examines information about the senders and recipients. As with active data gathering, individuals should understand how and why the data is used and analyzed.

Some organizations use passive data to understand networks of people (in terms of volume and effectiveness of their communication and collaboration), not to read the content. PA solutions that offer passive data collection do not automatically collect data about the content of communications; organizations can purposely choose to collect various content sets as part of their data-gathering process.

Accessing data in operational systems, such as financial planning systems, customer satisfaction databases, or sales management tools can be an additional means of data collection. These data sets can then be combined with people data to determine relationships between people's activities

KEY POINT: Organizations should expect better talent outcomes and business outcomes when they routinely and strategically perform five key people analytics activities.

and operational results, such as engagement and customer satisfaction. While analyses start with the foundational activity of gathering data, data alone does not create meaning or results.

Producing Reports

Leveraging the data that organizations gather requires the ability to turn it into understandable, digestible, usable information— most commonly reports. Often descriptive in nature, people analytics reports can help explain what happened in the organization (e.g., department turnover was 10 percent). The audience for people analytics reports will drive the type of data included and how the reports are displayed and accessed. PA solution providers delineate reports by customer or role, and also by the metrics those roles require. For instance, reports for the chief human resources officer (CHRO) will feature metrics that apply to the strategy and decisions surrounding the overall workforce. Department managers with more limited responsibilities may receive reports with metrics related to the talent reporting to them. Individual workers would have the most limited metrics, perhaps only those related to their own work, contributions, and performance. Even with more than 80 percent of organizations producing reports frequently,[14] not all solutions offer role- or metric-based reporting. Organizations must consider their primary customers for PA reports, what those customers' needs are, and focus on solutions that support those needs.

Conducting Analyses

PA solutions have opened the door for data literate HR leaders, managers, and individuals to perform analyses that previously required advanced statistical skills. Point-and-click dashboards have alleviated the need to learn programming languages. Solution supported analyses can help users explore diagnostic analytics that explain why an event or situation occured (e.g., people left the organization because they felt there were limited career development opportunities).

Descriptive and diagnostic analytics tend to be backward-looking, or historically focused. PA solutions are making these tools more accessible to nonscientists and those outside of dedicated data analysis roles. Again, that is important as PA teams are overextended. Predictive and prescriptive analytics focus on the future. Using data to generate forecasts allows organizations to prepare for a variety of what-ifs (predictive) or to generate new opportunities (prescriptive). Organizations begin to see the real return on the PA investment with future-oriented analyses because the complexity of these solutions helps generate and guide the direction of the business and individual behaviors.

Building Models

As part of the predictive and prescriptive types of data analysis, building models is a critical aspect of the value-add proposition people analytics brings to organizations. People analytics models can support predictive analytics that help forecast what will happen in the future (e.g., engineers in a particular location are more likely to leave next year because a contract

KEY POINT: Organizations commonly gather data through active approaches that explicitly ask individuals for their information, preferences, and opinions. Passive approaches to data gathering do not directly require individuals to take action, and include activities such as analyzing the metadata within email communications.

was not renewed). As stated previously, 21 percent of organizations build models frequently,[15] which speaks to the small size of PA teams and the highly skilled, advanced statistical knowledge required to perform such tasks. As HR leaders, managers, and workers receive training and access to perform lower-level data analytics activities, the PA teams can focus more of their work on higher-level, higher-value activities.

PA solution providers enable analyses based on the goal or outcome the user would like to achieve. Many solutions have proprietary and predesigned out-of-the-box use cases that support common questions, such as:

- Who are high-potential employees?
- What are the factors that impact retention?
- What is the current state of engagement?

Preconfigured use cases do not require users to have sophisticated statistical skills. The PA solution prescribes the data required and the appropriate analysis to generate the outcome. The solution guides the user through the whole process rather than requiring the user to have extensive background knowledge or experience. Some providers also offer the ability to export data so that data scientists can perform more custom analyses.

Providing Insights

Providing insights from data is another aspect of the solutions market where organizations can derive value. PA solutions produce perceptions and recommendations as part of this activity. For example, solutions can help users understand how to make something happen (e.g., leaders should highlight opportunities for workers on how to learn and apply new skills, reducing the risk of potential turnover). Organizations, however, must do the heavy lifting of acting on these suggestions. Solution providers are beginning to help organizations prioritize potential actions, and even generate reminders or proactive nudges to shape or change behaviors. Slightly less than 50 percent of organizations currently produce frequent insights.[16] Similar to building models, this is an opportunity as organizations free their PA teams to address higher-level activities.

People Analytics Solution Categories

There is an important distinction between general analytics tools and people analytics solutions. Organizations can apply analytics solutions, such as basic data analysis and statistical tools, to any functional area, such as finance or operations. In fact, most PA teams use some general solutions. But as defined earlier in the article, providers specifically design people analytics solutions to help organizations understand and optimize the people side of their business. In addition to functional support, PA solutions focus on capturing, analyzing, and deriving value from people data.

Three solution categories are available in the market:

- Pure-play people analytics solutions

KEY POINT: Building models is the people analytics activity that organizations conduct the least. However, it can be quite valuable to enable analyses based on the goal or outcome the user would like to achieve.

KEY POINT: Capturing, analyzing, and deriving value from people data is the focus of people analytics solutions.

- HR technology with embedded analytics
- Network analytics solutions

Pure-Play People Analytics Solutions

Pure-play solutions are designed specifically for people analytics and can use operational and experience-related data, like engagement or feedback surveys. They, therefore, generate insights from changes to the individual worker role to the aggregate workforce. Use cases are calibrated to focus on retention, productivity, collaboration, and inclusion. The experience and perspective of the HR leader, manager, individual worker, or entire team tailor role-based metrics and dashboards. Examples of pure-play solutions are those that help understand workforce perception.

HR Technology with Embedded Analytics

Solutions in this category have people analytics embedded into a larger system such as a talent management system (TMS) or human capital management (HCM) software system. Virtually all HR technology solutions manage and generate people data. As a natural extension of the access to and management of information (such as candidate application data, performance information, or worker engagement feedback), HR technology with embedded analytics solutions can be used to conduct key people analytics activities. These solutions focus on operational data (e.g., attrition or performance) and, therefore, generate insights related to HR processes. Embedded analytics can have limited access to the data, so capability limitations may thwart highly fine-tuned use cases. It is important for buyers to understand the capabilities their current HR systems provide, and the opportunity and limitation of embedded analytics. Most of these systems do not support understanding the worker experience or individual perceptions of the work environment, but when combined with other solutions can create an ecosystem approach to provide a holistic picture of the workforce.

Network Analytics Solutions

Network analytics solutions (often referred to as organizational network analytics [ONA] or social network analytics [SNA]) analyze the connection between people in the organization and the social context in which they work.[17] Identifying communication and productivity connections and recommending organizational, team, or individual changes are the focal points of these solutions. Network analytics solutions gather data actively and passively, with more capabilities for passive data collection than pure-play or HR with embedded analytics solutions; this presents a unique understanding of the organization's inner workings. Combining such solutions with pure-play analytics and embedded analytics solutions are a popular option. Working together, these three solutions can generate powerful insights that naturally complement each other.

Conclusion

Organizations have various levers at their disposal to increase their people analytics capabilities:

- Hire dedicated analytics workers
- Engage analytics consultants
- Purchase and implement PA solutions

More than 70 percent of organizations[18] are making investments in PA solutions to integrate data into their decision-making and derive value from available data. Of course, organizations are investing in analytics workers, but the talent market is tight and many PA teams are stretched to the limit and unable to maximize their skills sets. PA solutions offer organizations the ability to democratize data and provide insights to those who can take action and, ultimately, capture value of people analytics. As more workers access and operationalize data, PA teams are freed to do the tasks organizations so desperately need: generate insights, build models, and tell compelling data-driven stories that help steer the direction of the company and the people that power it.

🔑 Key Takeaways

- People analytics solutions are powerful tools that help organizations make better decisions about people and optimize productivity and performance.

- There is a mismatch between the amount of data that organizations have at their disposal and the number of people available to maximize the data.

- Four common types of analyses—descriptive, diagnostic, predictive, and prescriptive—within people analytics solutions help organizations address or solve specific problems.

- Solutions should support these five key people analytics activities: gathering data, producing reports, conducting analyses, building models, and providing insights.

- PA teams work with descriptive and prescriptive analyses to provide actionable insights, so organizations can make informed business decisions.

- There are three categories of PA solutions: Pure-play people analytics, HR technology with embedded analytics, and network analytics. These can complement each other well to create a holistic picture of the workforce and their productivity and performance.

Endnotes

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