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**Making Talent Analytics and Reporting Into
a Decision Science**

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Talent analytics and reporting must shift from a focus on cost-efficiency and process effectiveness, while familiar and important, to a balanced combination that also extends to strategic measures that enhance talent and business decisions. Only if talent analytics progress can executives and investors make decisions based on complete information about the effectiveness of an organization and its business strategy. An organization's human capital is one of its key assets, and as such, warrants measurement that yields valid data about what it can do, its condition, and how it fits with the organization's management approach and strategy. In addition, the increasing expectation that HR will provide predictive analytics based on massive amounts of real-time data about employees, not just descriptive analytics, adds to the importance of evolving from describing the efficiency and effectiveness of talent and HR, to measuring the current and future impact of talent on organizational effectiveness.

This chapter describes results from our 2013 survey of a global sample of HR leaders in 416 companies, and compares those results with earlier surveys conducted over the last twenty years (Lawler and Boudreau 2015). If the HR profession is building toward a decision science, we should see increased use and effectiveness of talent measures and analytics, and that higher use and effectiveness should relate to a stronger strategic HR role. Our results suggest there is much room for improvement:

- Talent analytics has remained stubbornly traditional for decades.
- Yet, the use and the effectiveness of talent analytics is positively related to HR's role in strategy.
- Decision support is the least frequent talent analytics activity, with most activity describing HR efficiency or program effectiveness.
- Talent analytics effectiveness has improved moderately since 2007.
- These findings are consistent globally, particularly in Western countries\
- Chinese HR leaders rate their organizations somewhat lower on talent analytics and reporting use and effectiveness
- Indian HR leaders rate their organizations higher than Western HR leaders in both the use and effectiveness of talent analytics and reporting.
- Organizations that take a bureaucratic or low-cost competitor approach to management consistently report greater use and effectiveness of talent analytics.
- Organizations that take a high involvement approach to management consistently reported higher talent analytics use and effectiveness.

Survey Approach
To determine how organizations are using talent analytics, we conducted a global study of corporate talent management in 2007, 2010, and 2013, collecting data from HR executives in companies with 1,000 or more employees (Lawler and Boudreau 2015). One executive per company responded, usually the chief human resources officer or a direct report. In 2013, responses were received from 416 companies in Australia, Canada, China, Europe, India, and the United States. Companies in the U.S. sample had a median of 14,000 employees, while companies in the international sample had a median of 4,200 employees. The U.S. firms had median revenues of $5.0 billion, compared with $2.0 billion for the international sample.

Talent Measures and Analytics Use

In this section we examine how frequently each category of talent analytics measures are used, and whether their use varies across regions. We also examine whether their use is related to the strength of HR's strategic role, and whether the organization's management approach relates to the usage pattern of talent measures and analytics. We asked about the use of talent measurement in three key areas: efficiency, effectiveness, and impact (Boudreau and Ramstad 2007; Cascio and Boudreau 2011). Efficiency refers to the amount of resources that HR programs use, such as cost per hire. Effectiveness refers to the outcomes produced by HR activities, such as learning from training. And impact refers to the business or strategic value created by the HR activities, such as higher sales. Measuring all three is often required to fully understand how HR investments and practices affect organizational performance.

We measured use of talent metrics with nine items. Efficiency items included measuring "the financial efficiency of HR operations," "the cost of providing HR programs and processes," and "benchmarks against outside organizations." Effectiveness items included "HR dashboards or scorecards," "effects of specific HR programs (e.g., learning from training, motivation from rewards, validity of tests, etc.)," and "cost-benefit analyses of HR programs." Impact items included "the business impact of HR programs and processes," "the quality of the talent decisions made by non-HR leaders," and "the business impact of high versus low performance in jobs."

Table 11-1 shows the results for the average use of HR metrics in talent analytics for the surveyed regions in 2013. Looking at the table, we see a similar pattern across all regions, the greatest use appears in efficiency measures, with effectiveness slightly lower, and with measures of impact least frequently used. However, even the efficiency category averages suggest that such measures are being planned or built, but are not available now, so it appears that all measures are generally at an early stage. To further investigate this, we calculated the percentage of U.S. organizations that reported they "have measures now" for the impact categories. Only about one in 10 reported "have now" for the business impact of performance differences in jobs, and about the same proportion for measures of the quality of talent decisions. About 22 percent of U.S. organizations report "have now" for measures of the business impact of HR programs and processes. This is encouraging, but 22 percent may be an overestimate. Our experience suggests that when HR executives are asked if they "measure business impact," they often interpret it to mean program effectiveness (the effects of specific programs on workforce changes such as skills, competencies, and attitudes) or efficiency (the effects of programs on cost savings) rather than the effects of such programs on business outcomes such as financial performance and sustainable effectiveness.

<insert Table 11-1 around here>

Returning to Table 11-1, the regional patterns are interesting. While all countries reflect the general pattern that efficiency measures are more frequently used than effectiveness and impact measures, it is somewhat less pronounced in Australia, the European Union, and the United Kingdom. In the United States, the pattern reflects significantly higher use of efficiency measures, while in Canada, Australia, the European Union, and the United Kingdom it reflects a significantly lower frequency of impact measures. In China, the averages are much more similar across the three measurement types, because China reported the same low level of impact measures as other countries, and the frequency of efficiency and effectiveness measures was at that same low level in China. The use of dashboards or scorecards as well as financial efficiency and benchmarking is significantly lower in China than in other countries. Measures of the business impact of HR programs are used more in the United States and Australia than in Europe

and Canada. HR leaders in India rated the use of measures somewhat higher than other regions, particularly for the impact of performance differences in jobs.

China has very similar ratings for all three types of HR measures, while other countries show a pattern of more use of measures of efficiency, less use of effectiveness measures, and the least use of impact measures. This may be due to the fact that HR in China has emerged more recently, and so progress on effectiveness and impact measures has been similar to efficiency, while in other countries, the efficiency measures may have emerged earlier, before many of the current impact measurement technologies and frameworks were widespread.

When we compare the 2013 survey results show in Table 11-1 to our earlier surveys, the 2013 results show a decline in the use of impact measures. Every impact measure rating in 2013 is lower than in 2010, with some even lower than in 2007. When it comes to using talent analytics and reporting, progress appears at best slow, and reporting of HR's impact may even be decreasing.

Does Talent Analytics and Reporting Usage Relate To HR's Strategic Role
Is the use of talent analytics measures important to HR's strategic role? To find out, we calculated the correlations between each of the measurement items and a separate item assessing HR's role in strategy. That item asked the HR leaders to rate HR's role in implementing their company's strategy on a four-point scale: 1 (no role), 2 (involved), 3 (provides input and helps implement), and 4 (full partner). For example, 4 percent of U.S. organizations rated HR's role as having no role in implementing business strategy, 22 percent as being involved in implementing it, 54 percent as providing input and helping implement it, and 21 percent as being a full partner in developing and implementing it. The responses clearly indicate that HR is not a full partner in most companies in the U.S., and the results were similar for other regions.

When we look at the association between measurement use and the rating of HR's strategic role, we find that they are consistently and significantly positively related. All except two of the measurement items are positively correlated with greater HR involvement in strategy. However, not all types of measures are not equal when it comes to HR's role in strategy. In both the 2010 and 2013 survey data, neither measures of non-HR leaders' talent decisions nor measures of the difference in the impact of job performance between roles were significantly related to HR's role in strategy. HR's strategic role was more strongly related to traditional measures such as benchmarks and scorecards. All three of the effectiveness measurement categories were significantly related to HR's role in strategy, yet in 2013 only 46.7 percent of companies use scorecards while measures of program effects and cost-benefit were used by 25 percent or less. Moreover, these proportions are actually lower than in 2010, when more than 50 percent of companies used scorecards and the other two categories were used by more than 25 percent. While correlations do not imply causation, it is nonetheless a paradox that the use of these measures seems to have declined, despite their strong association with HR's strategic role.

Why does using efficiency and effectiveness measures relate more to HR's strategic role than using impact measures? Perhaps the prominence of efficiency and effectiveness measures relative to impact measures is understandable, as the tidal wave of data and increasing ability of HR information systems to deliver those data through cloud-based applications is daunting. Organizations can be forgiven for retreating to measurement approaches that reflect the tried-and-true emphasis on saving money or producing an immediate program effect. Measures of specific HR program costs are easy to understand because they associate particular programs with tangible outcomes such as performance ratings, turnover levels, and engagement scores. As

a result, they help to establish HR as business focused and a credible contributor to business strategy decisions. Talent leaders can initiate strategic involvement by using efficiency and effectiveness measures. These measures are often the gateway to developing a more sophisticated decision science, as shown by the history of analytics in disciplines such as marketing and finance (Boudreau and Ramstad 2007). More common measurement elements (efficiency, cost, and dashboards) have credibility with business leaders. They may represent an attractive first step in the measurement journey that leads to HR leaders becoming more strategically effective by using and communicating the value of less common talent analytics such as the quality of talent decisions.

But the gap between efficiency and effectiveness measures and impact measures is also paradoxical, because this same tidal wave of data is uniformly expected to create a demand for more sophistication and differentiation in human capital decisions. The demand for predictive analytics reflects an interest in predicting the impact of talent and HR investments on strategic outcomes, not merely on the costs and effectiveness of HR programs. The impact measures form the basis for such sophistication. A fixation on costs can encourage cutting expenses, even when as a result important benefits are sacrificed.

Considering the nonsignificant correlation with HR's role in strategy for the impact measures, it is not surprising that their use has declined since 2007. That said, such measures are often vital to developing a decision science for HR. However, HR may lack the capability to use such measures effectively or HR's constituents may not be receptive to such measures, thus giving them far less of an effect than more traditional measures. Impact measures may reveal patterns that make HR leaders and their constituents uncomfortable. For example, an organization that measures the business impact of performance differences may discover that the difference between good and great performance in some positions has much greater effect than in other positions, but leaders are often ill-equipped to explain these differences to employees, and even less prepared to act on them, by differentiating rewards or development. Similarly, if HR systems track the quality of talent decisions made by leaders, they will may reveal which leaders have shortcomings in their talent decisions, and many HR and non-HR leaders are reluctant to address these shortcomings.

Thus, when it comes to measuring and analyzing HR impact, talent leaders must address challenges that extend beyond simply measurement use and reporting. They need to be better prepared to use impact-based analytics, and not only to use efficiency and effectiveness measures. There is value for HR in developing impact measures and educating HR's constituents to understand and use them.

So far, we have seen that the use of talent analytics and measurement is moderate at best. But are there certain organizational characteristics that explain why some organizations use such measures more than others?

Management Approaches and The Use of Talent Analytics
We found that the use of talent analytics is consistently related to how an organization is managed. We asked the HR leaders to rate the degree to which each of the following approaches described how their organization is managed (the rating scale was 1 = little or no extent; 2 = some extent; 3 = moderate extent; 4 = great extent; 5 = very great extent.). Below are the approaches, followed by their average rating:

- Bureaucratic, including hierarchical structure, tight job descriptions, top-down decision making (2.8)

- Low-cost operator, including low wages, minimum benefits, focus on cost reduction and controls (2.2)
- High involvement (flat structure, participative decisions, commitment to employee development and careers (2.9)
- Global competitor (complex interesting work, hire best talent, low commitment to employee development and careers (2.9)
- Sustainable (agile design, focus on financial performance and sustainability (3.2)

The sustainable management approach is most common, while the low cost operator is least common.

When we analyzed the relationship between the management approaches and the use of talent analytics, the bureaucratic, global competitor and sustainable approaches were unrelated to the pattern of measurement use. However, the high involvement approach shows significant positive correlations with all the talent analytics measures, particularly for five of the nine measurement uses: measuring HR costs, using dashboards, conducting cost-benefit analysis, measuring the quality of leaders' talent decisions, and the impact of performance differences. There were significant negative associations for the low-cost operator approach with measures of HR program cost and dashboards.

Research indicates that the high involvement approach is generally positively associated with the use of advanced HR practices, and this holds true for using more extensive HR measurement (Lawler and Worley 2012). In particular, organizations that emphasize the high involvement approach seem friendlier to measuring and reporting the talent decisions and performance impact of leaders decisions (Lawler and Boudreau 2015). It may be that pursuing a high involvement approach naturally leads to discussions about these measurements, thanks to greater employee engagement. In such situations, this management approach creates a culture and management mindset that is more prepared for the challenges that come with such measurement.

Now that we have examined the patterns of talent analytics and measurement use, we turn to examining whether talent analytics and measurement are effective.

Talent Analytics and Measurement Effectiveness

In this section we examine the effectiveness of talent analytics measures. As we did in the earlier section on usage, we examine whether effectiveness varies across regions. We also examine whether their effectiveness is related to the strength of HR's strategic role, and whether the organization's management approach relates to the effectiveness pattern of talent measures and analytics.

We measured the effectiveness of talent metrics and analytics by creating two categories: talent analytics that support HR's contributions to strategy versus talent analytics that support HR's contributions to the internal function and operations of HR. The items for strategy contribution measures included "improving decisions about business strategy and human capital management," "identifying where talent has the greatest potential for strategic impact," "connecting human capital practices to organizational performance," and "supporting organizational change efforts." The items for functional and operational contributions included "assessing and improving HR department operations," "predicting the effects of HR programs before implementation," "pinpointing HR programs that should be discontinued," and "using big data."

Table 11-2 shows how HR leaders rate the effectiveness of these HR measures and analytics. The pattern is similar across all countries, except India and China. All the measurement and reporting outcomes show effectiveness ratings hovering around 3.0 (neither effective nor ineffective), with many below 3.0. The results for 2007 and 2010 are similar. Progress is slow at best, but with some promising trends.

<insert Table 11-2 around here>

For the U.S. sample, in 2010 no outcomes were rated effective or very effective by more than 40 percent of respondents, but in 2013 three exceeded this level ("contribute to decisions about business strategy and human capital management," "support organizational change efforts," and "assess and improve HR department operations"). Two of the highest rated outcomes are related to strategic contributions: "support organizational change efforts" and "contribute to decisions about business strategy and human capital management"; they were also highly rated in the 2010 study. A third strategic outcome, "identify where talent has the greatest potential for strategic impact," showed a significant increase in the percentage of those rating it effective in 2013 compared with in 2010, particularly in the United States. The other two highly rated items concern assessing and improving HR department operations and connecting human capital practices to organizational performance.

It is encouraging that we see gains in effectiveness ratings for these strategic contribution measures, but this is in the context of only moderate effectiveness ratings overall. With few exceptions, the results are similar to those from our surveys dating back to 2004. The effectiveness ratings have consistently been either at or slightly below the midpoint on the five-point scale. Thus, effectiveness improvement is possible in both analytics supporting strategic as well as functional HR contributions.

China and India are notable exceptions, with average ratings generally higher than the rest. HR executives in China and India consistently rate the effectiveness of their metrics slightly above the scale midpoint on almost all items, while in the other countries, the ratings are more varied. Based on the data, it is not possible to tell if companies in China and India are more effective at talent analytics, or if their higher ratings are a novelty effect, reflecting the recency with which talent analytics systems have been implemented in the two countries. In countries where such systems have a longer history, HR executives may have developed higher standards for effectiveness. Similar to our suggestion about talent analytics usage earlier, it may also be that in China and India, the more recently emerged HR functions can immediately use the increasingly efficient measurement systems that are embedded in modern technology platforms and HR information systems. Or it may be because China and India have fewer legacy HR systems to hold back such adoption, a leapfrog effect has taken place.

Does Talent Analytics Effectiveness Relate to HR's Strategic Role?
As with the talent analytics usage, we examined the relationship of talent analytics effectiveness to the item measuring the strength of HR's strategic role. All of the effectiveness ratings were significantly and positively associated with HR's role in strategy. Notably, big data appears to still be an emerging area, yet effectiveness in using big data generated a significant correlation with HR's strategic role, though somewhat less than other effectiveness items. Thus, it appears that when HR is effective in the emerging arena of big data, it also plays a stronger strategic role.

Compared with the 2007 results, the 2013 correlations between measurement effectiveness and strategic role are higher and more frequently statistically significant. It appears that effective talent analytics and reporting is increasingly associated with a strong HR strategic role. Talent

leaders thus need to further emphasize measurement and analytics effectiveness, not simply its usage. They need to carefully consider how talent analytics can visibly add value in ways that constituents understand and embrace.

Management Approaches and the Effectiveness of Talent Analytics
Earlier, we saw that the management approach taken by an organization is systematically related to the use of talent analytics. Here, we analyze whether the management approach also relates to the effectiveness of talent analytics.

An organization's management approach is systematically related to the effectiveness of its talent analytics and measures. High ratings on the high involvement approach show the most consistent and strong correlations with the effectiveness of talent analytics. The strong relationship between the high involvement approach and talent analytics effectiveness across all the items in Table 11-2 suggests that high involvement organizations may make employees and the employment relationship a key driver of competitive success and performance.

The sustainability approach shows a positive relationship with one item, "identifying where talent has the greatest potential for strategic impact," in the 2013 survey, but this is very different from the 2010 results. In 2010, the focus on sustainability had many more significant correlations with analytics effectiveness, so it appears that this approach is less generally positively related to measurement effectiveness in 2013.

The bureaucratic and low-cost operator approaches both show negative correlations with most elements of measurement effectiveness, and some of these negative correlations are statistically significant. When organizations emphasize a bureaucratic or low-cost-operator management approach, they are significantly less likely to have measures that contribute to strategic decisions, support organizational change efforts, improve HR department operations, encourage using logical principles, and motivate action. The causal direction could go either way, but it seems most likely that pursuit of the bureaucratic or the low-cost-operator approach simply and directly leads to less attention to talent analytics and thus less effective HR measures.

Talent leaders need to approach talent analytics as a change process, not simply one of generating data and findings. The strong association between talent analytics effectiveness and HR's strategic role suggests there is great potential here. However, talent leaders should be aware that in units that emphasize bureaucratic or low-cost operator approaches, the change process may be more challenging, and achieving effectiveness may be more difficult. It may be advisable to start in units with a management approach that is more supportive or compatible with talent analytics. If talent analytics is implemented in units with more of a bureaucratic or low-cost operator approach, talent leaders may need to find creative ways to demonstrate the value of a more strategic approach to talent analytics and to HR.

Conclusion
The results reported here suggest that progress is slow, but there are some promising indicators that talent analytics through HR measurement is progressing. As we noted at the start of this chapter:

- Overall, our data suggest that talent analytics has remained stubbornly traditional for decades, despite evidence that the use and the effectiveness of talent analytics is positively related to HR's role in strategy.

- There is little activity in areas that are dedicated to decision support. Most activity is in areas that measure efficiency and activity effectiveness.
- The results for talent analytics system effectiveness indicate moderate effectiveness and a slight improvement since 2007. The outcomes of talent analytics continue to show consistently strong relationships with HR's strategic role, an important area for HR and one where improvement is needed in order for HR to have a meaningful role in determining business strategy. Not only does measurement effectiveness generally relate to HR's strategic role, effectiveness in HR functional and operational areas relates significantly with the strength of HR's strategic role.
- These findings hold true in most Western countries, but HR leaders in China rate their organizations somewhat lower on talent analytics and reporting usage and effectiveness, and HR leaders in India are generally more positive about both the use and effectiveness of talent analytics and reporting.
- The data strongly suggest that an organization's management approach is related to the use and effectiveness of talent reporting and measurement. Specifically, the greater use of a low-cost competitor approach to management, the less likely it is that talent reporting approaches are used and that they are effective. In contrast, a greater emphasis on a high involvement approach to management makes it more likely that talent measurement and reporting is used and effective.

HR has a great opportunity to do more measurement that will have a positive impact. Evidence suggests that there are systematic patterns in talent analytics use and effectiveness, and that the pattern relates to the management approaches of organizations, as well as HR's strategic role. Notably, an emphasis on high involvement management approaches has a strong association with the use and effectiveness of impact measures, suggesting an organization's management approach can create a friendly environment for talent analytics. Talent leaders need to consider piloting measures in business units that take a high involvement approach, where there may be more support. When implementing talent analytics in units that take a low-cost operator approach, talent leaders should devote additional attention to the change process, as it appears these such units may present more formidable challenges.

HR metrics and analytics remain underdeveloped and underused, so more attention to them is needed to harness their potential for improvement and added value. At this time, the best way to increase HR's strategic role is to create and use traditional efficiency and effectiveness measures. It may be wise for HR to start in traditional areas and work toward more advanced impact measures as executives develop their understanding of HR metrics.

Overall, the potential for talent metrics and analytics to contribute to HR's strategic value is significant, while the adoption and perceived effectiveness levels remain stubbornly moderate. Leaders both inside and outside HR can find great value in pursuing talent analytics effectiveness at the strategic and functional levels. While the survey did not address the role of big data in depth and predictive analytics, the trends depicted here will be amplified as these two forces increase. Talent leaders will need to be clear about the focus of their predictions, and recognize the difference between predicting program cost-efficiency and cost-effectiveness and determining the ultimate impact of programs on organizational outcomes.

Similarly, it will be even more vital to consider how talent analytics, fueled by even greater data and predictive power, is used and affects the decisions of constituents. The path to a greater strategic role today is through traditional HR measures, perhaps because key constituents define

the value of talent in terms of costs and efficiency, rather than impact. Talent leaders must lead the change process necessary to not only enhance analytics elegance, predictability, or accessibility but also achieve improved decisions and performance.

Moreover, talent leaders need to acknowledge that the change process appears to vary by their organization's management approach as well as the business unit involved. High involvement approaches offer greater support for talent analytics, while bureaucratic and low-cost operator approaches are somewhat more resistant and thus require greater change efforts. Talent leaders need to carefully consider their management approach before deciding how to implement talent analytics in their organization.

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Table 11-1 Average HR Analytics and Metrics Use							
Measures	**United States**	**Canada**	**Australia**	**European Union**	**United Kingdom**	**India**	**China**
Efficiency							
Do you measure the financial efficiency of HR operations (e.g., cost per hire, time to fill, cost of training)?	3.1	2.8	3.0	2.7	3.1	3.1	2.3

Do you collect metrics that measure the cost of providing HR programs and processes?	2.9	2.5	2.6	2.6	2.6	3.1	2.4
Do you benchmark analytics and measures against data from outside organizations (e.g. Saratoga, Mercer, Hewitt, etc.)?	3.0	2.9	3.1	2.7	2.8	3.0	2.2
Effectiveness							
Do you use HR dashboards or scorecards?	3.1	3.0	3.2	2.9	3.3	3.1	1.8
Do you measure the effects of specific HR programs (e.g., learning from training, motivation from rewards, validity of tests, etc.)?	2.3	2.0	2.5	2.2	2.4	2.7	2.4
Do you have the capability to conduct cost-benefit analyses (also called utility analyses) of HR programs?	2.3	1.9	2.2	2.0	2.5	2.7	2.2
Impact							
Do you measure the business impact of HR programs and processes?	2.5	2.0	2.8	2.3	2.5	2.8	2.4
Do you measure the quality of the talent decisions made by non-HR leaders?	1.9	1.5	2.0	2.0	1.7	2.4	1.9
Do you measure the business impact of high versus low performance in jobs?	1.9	1.8	1.8	1.8	1.6	2.6	2.0

Note: Response scale: 1 = not currently being considered; 2 = planning for; 3 = being built; 4 = yes, have now.

Table 11-2 Average HR Analytics and Metrics Effectiveness

Outcomes	United States	Canada	Australia	European Union	United Kingdom	India	China
Strategy contributions							
Contribute to decisions about business strategy and human capital management	3.1	3.1	3.4	3.1	3.0	3.3	3.2
Identify where talent has the greatest potential for strategic impact	3.0	2.8	3.0	2.9	2.6	3.4	3.1
Connect human capital practices to organizational performance	2.7	2.6	2.7	2.8	2.2	3.4	3.0
Support organizational change efforts	3.3	3.2	3.4	3.2	3.3	3.5	3.3
HR functional and operational contributions							
Assess and improve HR department operations	3.3	3.0	3.4	3.3	3.3	3.5	3.4
Predict the effects of HR programs before implementation	2.6	2.6	2.5	2.6	2.5	3.2	3.1
Pinpoint HR programs that should be discontinued	2.7	2.8	2.6	2.5	2.9	3.1	2.8
Utilize big data [a]	2.4	2.4	2.2	2.5	2.2		3.0

Note: Response scale: 1 = very ineffective; 2 = ineffective; 3 = neither; 4 = effective; 5 = very effective.

[a] Companies in India were not asked this question.