How valuable is HR analytics for your organization? Bridging the gap between HR policies and the bottom-line

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Business Problem

Most business leaders have heard about the huge potential of human capital analytics to create value, and many are actively thinking about how it might be applied in their organization. But introducing analytics into human capital management can be a costly endeavor. Companies deciding whether or not to invest in human capital analytics need to assess the potential dollar impacts and feasibility of analytic initiatives.

The financial impact of human capital analytics varies for every company. It depends on the size of the workforce, company revenue, labor mobility, compensation and employee productivity dynamics, specific labor markets they operate in, recruitment costs, the type of analytic initiative, and other factors. So, the assessments need to be specific to your organization – general industry analyses and market reports are not enough. At the same time, standard consulting projects that involve data deep-dives may generate customized insights and recommendations, but are highly costly and time consuming.

Almost any company can indeed benefit from a quick and cost-effective way to understand the financial impact of human capital analytics.

TalenTeck Solution

Our Workforce Impact Simulator (WIS) provides the solution. The WIS is designed to predict how analytics-driven people management policies will affect workforce dynamics and financial outcomes. It requires minimal company data and gives a rapid, customized assessment for your organization.

Using dozens of advanced simulations, the tool enables HR leaders to see the effects of policy changes, before implementing major changes. And by focusing on the financial impacts of specific analytic initiatives, the WIS bridges the communication gap between CHROs and CFOs, tying HR policies to the bottom-line.

The tool generates customized results by using historical data about your workforce. It starts by simulating your company's workforce and policies as they were in the last year. Then we input analytics-enabled talent management strategies to forecast their impact on the workforce and the bottom-line.

For example, let's look at a specific case of a data-driven hiring policy. Suppose we build Applicant Flight Risk models that predict how long a candidate will work for your company if hired. These predictive scores can be incorporated into a hiring policy to increase the rate of job offers to more durable candidates.

We then simulate the short-term and long-term effects of such a policy. See Figure 1 for a snapshot of the tool, which provides information about each of the following:

- *Hiring*: Throughout each year, you'll need to hire fewer people to maintain the headcount, reducing your recruiting, hiring, and training costs.

- *Productivity:* Over time the workforce will become more senior. If employees tend to learn on the job, this will result in a more productive workforce, adding to your top-line.

- *Compensation:* If senior employees are paid more than rookies, the total compensation bill will increase as the average tenure of the workforce increases, offsetting some of the productivity gains.

- *Vacancy costs:* With fewer exits throughout the year, the productivity losses from operating with empty seats while you search for replacements are reduced.

- *Labor market pressure:* Data-driven hiring policies can put pressure on the labor market, because you need to find more of the durable candidates. However, this pressure is partially offset by the fact that when you hire better people, you don't need to make as many hires.

Figure 1: Our Workforce Impact Simulator is an interactive tool that summarizes information about how data-driven policies affect workforce dynamics and financial outcomes.

- *Prediction Quality:* All of this depends on the predictive power of the model. Better flight risk models will make the results of any given policy stronger. Model strength is explicitly incorporated into the simulations to ensure realistic results. In the preliminary assessment, we simulate several different hypothetical scenarios of model strength. Once we build flight risk scores specific to your company, this parameter comes directly from the actual models. You can then determine whether improving the models by implementing smarter data collection practices is a worthwhile investment.

The tool plays out results in the same way for a variety of other recruitment, hiring, and retention policies. The ability to forecast the financial impact of data-driven HR policies prior to implementation enables you to make strategic decisions about talent management and determine whether investing in human capital analytics makes sense for your organization.

How it works
- *Simple data exchange.* You give us 1 year of anonymized historical data about your company's people – when they applied, joined and exited — and basic financial information.

- *Construct the past.* We build a model of your current workforce and summarize key metrics.

- *Simulate the future.* We use this model to simulate various recruiting, hiring, and retention strategies and their impact on the composition of your workforce.

- *Assess financial impact.* We calculate the potential ROI from implementing data-driven policies.

- *Explore the results.* The WIS is interactive and accessed through the TalenTeck client webpage.

For more information about TalenTeck's Workforce Impact Simulator and to get a rapid assessment of your own organization, contact us at info@talenteck.com.