



CFOs Should Not Leave Workforce Analytics Solely to HR

People analytics remove much of the guesswork behind key management and operational issues.

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» With access to reams of financial data and the analytic tools to turn the information into insight, CFOs are certainly no strangers to the power of big data.



But finance chiefs may be less up to speed on workforce data, covering employee performance, compensation, demographics, career history, benefits, employee behaviors, time utilization, and attrition.

There's no excuse for less rigor in understanding such data. For a typical company, workforce costs total up to 70% of the cost of doing business. In fact, several studies performed a few years ago told a convincing story:

- EY found a strong link between CFOs' level of involvement in strategic workforce planning and broader business performance.
- Bersin by Deloitte found that the share prices of companies

with "mature" talent analytics exceeded those of their competitors by 30% over a three-year period.

- A survey by CEB (now Gartner) found that organizations could increase gross profit margin by an average of 4%, and save roughly \$12 million for every \$1 billion in revenue, by taking a leadership position in workforce analytics.

Strategic Insight

Early adopters of workforce analytics aimed their effort at simply managing the total cost of workforce (TCOW). Today, CFOs working closely with HR can use market and industry trends to identify workforce patterns and talent risks, forecast

productivity, uncover recruitment and retention challenges, project ROI from HR initiatives, and pinpoint leadership opportunities that could otherwise be missed.

CFOs can use talent data to bring strategic insight to talent acquisition and deployment by:

- Identifying ways to lower the cost of hiring, assigning, and engaging a productive workforce
- Ensuring compensation, benefits, and other rewards are aligned with business performance
- Targeting better ways of capturing ROI from HR development and well-being programs
- Determining and addressing signs of faltering performance
- Isolating mismatches in areas like benefits utilization
- Detecting and implementing process improvements across the workforce

Data and people analytics remove much of the guesswork behind key management and operational issues, helping companies make smarter talent decisions, boost performance, and even challenge conventional wisdom that can blind organizations over time.

Linking Performance and HR Programs

Data analytics also creates new opportunities for insight into the return on HR programs. For example, a company can look at population health and absentee data alongside plan participation and rewards data, and then compare the findings to productivity data in order to identify compelling corollaries between well-being and business impact.

Finding out a particular demographic poorly utilizes health care screenings allows a company to design responsive and more effective wellness campaigns.

People analytics can identify cost anomalies, especially in multinational operations where jurisdictional regulations vary widely. For example, staffing costs can vary significantly by geography due to variations in salary ranges, benefits costs, and employment laws. Modeling allows decision-makers to analyze these costs and determine the best geographies for specific roles.

Predictive analytics can reveal other management decision-making blind spots. Suppose a company is contemplating a hiring freeze as an answer to declining profit. That's a common-enough scenario, but by applying predictive analytics it may become clear that a reduced workforce and greater workload would not meet production demands.

Further analysis may reveal that hiring contingent staff, along with paying overtime, could cost more than the savings reaped through a hiring freeze.

The Right Information

Managing unstructured data is a growing challenge as employers try to extract "signals" from diverse data sources, data management packages, and integration and forecasting tools and methodologies.

The question is what specific data and analytics CFOs and CHROs should prioritize to manage financial risk and ensure adequate return on labor costs.

How should companies break down workforce analytics to provide

strategic insight? We think there are four main areas to tap into:

Healthcare analytics: The combination of population health, absentee, plan participation, wellness, and related financial data can help better influence the physical health of a population and help people effectively manage their health.

Financial analytics: Defined benefit plans, defined contribution plans, equity, compensation, and other personal financial data, coupled with business data, helps assess the ROI on reward spend and helps employees better manage their short- and long-term financial goals.

Diversity analytics: Talent management, learning and development, succession planning, and related metrics can help to build work environments and reward structures that meet the needs of a multi-generational workforce and support diversity and inclusion goals. Predictive analytics can also help to improve recruitment and retention strategies.

Engagement analytics: Similar to external marketing efforts, internally focused employee engagement analytics allow organizations to measure and predict how people react to program design, communication outreach, and market forces.

This combination of health, wealth, career, and engagement analytics provides the insight needed to make the most effective investments in people and gives them the tools they need to remain healthy and productive at work and in life.

Without that clear connection between employee performance and the organization's performance, managers can't properly evaluate and reward individuals. Employees lose sight of where they fit into the big picture and become less engaged in the work. The company's overall performance suffers.

Analytics at the Right Time, in the Right Format

What leaders should be looking for is a single, intuitive, and responsive reporting system that eliminates the task of data validation

and gives the CFO the tools to start driving business performance.

One-off reports from disparate talent data sources — accomplished through spreadsheets, manual processes, IT coding, and the like — won't provide the strategic insights needed to understand, predict, and monitor business risks.

Find a workforce analytics platform that:

- Consolidates both financial and people data
- Doesn't solely rely on HRIS analytics for the evaluation of people data
- Gathers full people data across performance, talent, population health, engagement, and rewards inputs
- Establishes current-state baseline as a control measure
- Assesses and predicts true "return on people" analysis with total cost of labor along with perceived and actual value derived from that labor, with the ability to segment to any business function
- Benchmarks this data against peers and ideal state
- Allows both HR and finance to model business and people scenarios for informed workforce decisions

Looking at Performance Through the Right Lens

Today's CFOs are not just on point to guide company financial performance. They need to touch everything in the company's value chain, most definitely including the workforce. Talent analytics must become a strategic priority. **030**

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For more information, visit buck.com/technology.