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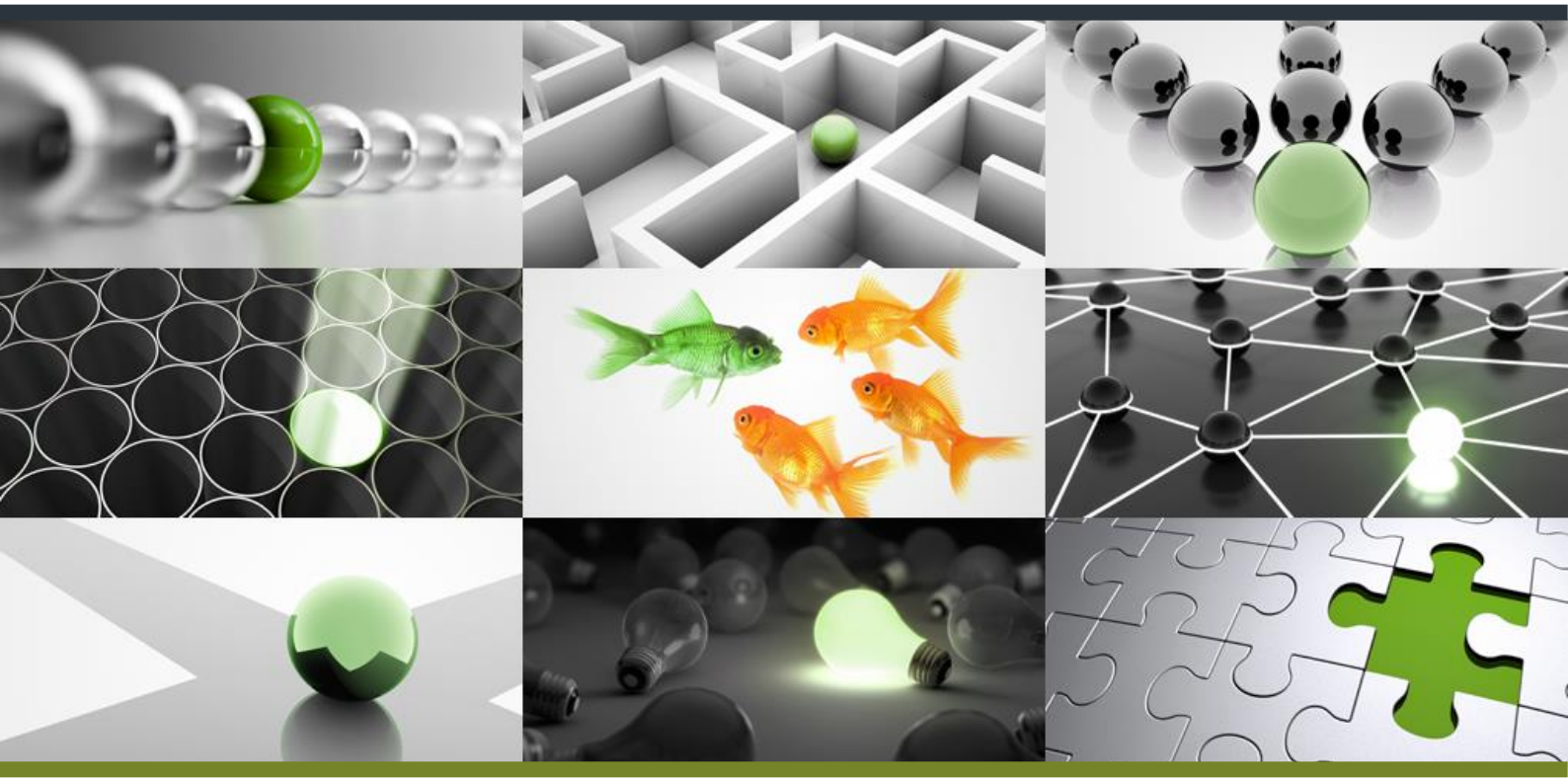


Whitepaper: Talent Analytics

Written by Jim Whelan

August 2014

Winner 2014 UK Transition Coaching Consultant of the Year

Rated as STRONG amongst UK's 1000 largest management consultants

Winner 2014 INTL Award for Transition Coaching Consultant of the Year

Finalist 2013 HR Distinction Award Adding Value

Finalist 2013 CIPD Consultant of the Year

Winners CMI Outstanding Organisation of the Year (SME)

TALENT ANALYTICS

White Paper, by Jim Whelan July 2014

What is your organization measuring?

It is widely accepted that the value of a business lies mainly in people, brand and reputation. To say that value is created by people is a no brainer. However when it comes to measuring Human Capital Value reliance on historical data is no longer adequate. By the time historical data is gathered the world has moved on and more significantly many talented people will have moved on.

How many organisations are able to predict with any reliability the significant risk of attrition, the resultant loss of productivity and the costs of replacing lost skills? What if an organisation's brand lags behind other more attractive employers? The task of replacing skills is challenging enough and is made harder by increasing attrition and intense competition for skills.

This is a real issue for businesses today. In a recent report by *PwC* the availability of skills was said to be the main concern for business leaders across the UK with 63 per cent of respondents describing it as a "serious concern". The report revealed that most of the companies surveyed considered that they were unprepared to respond this very real challenge.

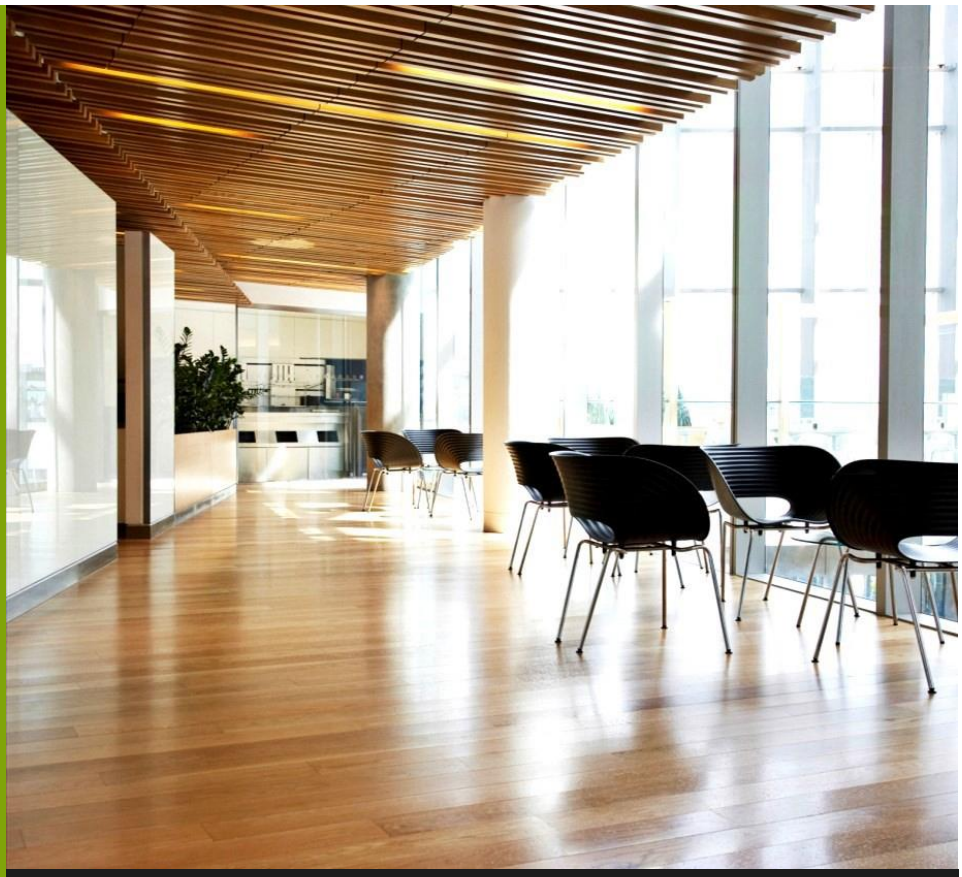
"By the time historical data is gathered the world has moved on and more significantly many talented people will have moved on."

Building talent through innovation and thought leadership.

Vacant roles cost revenue and profit..

An employer might find that it is competing at the top of its game for talent and that its retention rates are optimal. But there are still material skills gaps in the organisation.

With persistent shortages of highly skilled people, the consequences are potentially significant in terms of lost revenue and profit. Two typical symptoms are vacancies remaining unfilled for too long and the quality of candidates being deemed to be poor.



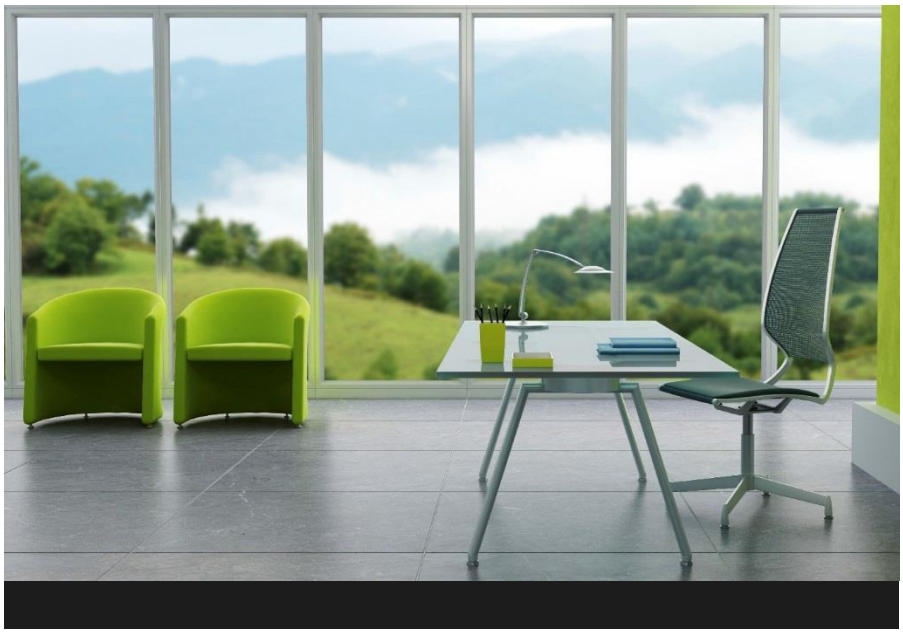
The need for Talent Analytics

Further evidence that employers are under prepared to tackle skills gaps can be found in the CIPD's autumn 2013 *HR Outlook* survey. In that survey the highest priority for HR was identified as "building relationships with colleagues and understanding their priorities".

The survey pointed to the prevalence of open and collaborative HR functions, a sign that HR is still operating in the area of relationships and organisation building. Whereas developing the ability to use data to inform decisions came fifth. Interestingly, addressing talent shortages did not feature in the list of top HR priorities.

The CIPD survey reinforced a need for executive sponsorship of data led approaches in HR so that such initiatives are driven as transformation projects. Given the serious issue of skills shortages, a transformation that should be given the highest priority is the development of talent analytics.

The powerful insight offered by big data and predictive analytics could have a major impact on skills gaps by helping employers to plan and execute recruitment and retention programmes more effectively.



Analysing data

As a minimum, data should be procured on the availability of skills and the competitive landscape for recruiting those skills. Looking ahead, the use of algorithms to predict attrition would enable early intervention before skills gaps start to impact on revenue and profit.

Forecasting attrition

In the past I have been involved in programmes to address attrition. Here is a typical scenario. An employer gathers historical process data and surveys employee and leaver attitudes. Over time an understanding evolves of the key reasons for attrition. Having addressed the root causes of attrition and improved recruitment and branding strategies, too many people are still leaving the company. Why? Because the employer still does not fully understand external factors such as structural skills shortages and the competition for those skills. Employers need to align internal analysis with a comprehensive understanding of external factors in order to predict attrition and take early preventative action.

Using big data and algorithms can provide the answers needed to tackle the issue of attrition. In this field organisations such as Google lead the way. Internationally known HR thought leader Dr. John Sullivan in his research *Talent management lessons on algorithms,* showed that out of the entire list of Fortune 500 firms, there was only one algorithm driven HR function and that firm was Google. Dr. Sullivan commented “not only is Google the leader in algorithm driven people management decision making, but is literally the only function where all people decisions are based on data and analytics.”

Big Data and talent attraction

Big data enables effective marketing of the employer brand and career opportunities to passive candidates i.e. people who are not actively looking to move jobs but could be tempted if a great career or job opportunity was put in front of them.

This has the benefits of significantly extending the employer’s reach into the market for talent and enabling better targeted recruitment campaigns.

Demographic skills data

Examples of this type of data include the concentration of skills by geography, the number people graduating from preferred schools, colleges and universities and the numbers of experienced and qualified professionals in business locations. Armed with such data the employer can make informed decisions such as where to recruit and whether to recruit or train.

Take engineering for example. There is already a critical shortage of engineers in the UK. This problem will only get worse if as widely expected the number of retiring engineers will exceed the numbers joining the profession during years ahead. Under such circumstances it might be better for employers to concentrate on training graduates and school leavers for the next few years rather than spend a lot of money attempting to recruit experienced staff.

Before making such a strategic decision however employers would be wise to gather data on the availability of engineering skills internationally. This is a profession where international mobility is prevalent and where demand exceeds the supply across the globe. Using big data on the international availability and movement of key skills elevates resource planning from tactical guesswork to strategic decision making.

Root cause analysis using Six Sigma 6σ

With the real time data that is available from ATS and ERP systems the DMAIC approach to process improvement (define, measure, analyse improve, control) used in Six Sigma programmes can be applied to great effect in identifying errors such as delays in recruitment and their root causes. Using three key metrics: process speed, candidate quality (% of candidates interviewed deemed to be at "offer" standard) and competitiveness (% of offers accepted), it is possible to speed up recruitment processes significantly and address any perceived lack of candidate quality.

Technology innovations and Six Sigma process improvement together offer a truly leading edge capability in recruitment process management. The end result is high quality candidates being identified and selected with remarkable speed and reliability, giving the employer a great competitive advantage.

Poor quality of candidates or error prone selection?

Many candidates are overlooked in recruitment processes due to the volumes created by online access to vacancies and recruiters' reliance on inaccurate key word search tools for selection.

Innovative technologies are available to address error prone recruitment processes. These include artificial intelligence and semantic search technologies that combine, data mining, natural language processing and machine learning.

With such innovative technologies it is possible to automate and significantly improve the initial evaluation of all candidates in the talent pipeline.

Final thoughts

The HR profession and service providers have a great opportunity to make a real difference using big data and talent analytics. In support of this view I would refer to the report produced by The CIPD in partnership with Oracle: *Talent analytics and big data – the challenge for HR:*

"Big data is essential to HR and L&D because it allows the conversations and connections which have tended to be in the realm of the immeasurable to be captured and leveraged".

Some of the approaches and methodologies I have pointed to in this article have been in existence for some time. However the availability of real time data and the advancement of technology mean that predictive talent analytics can now be developed to achieve real gains in Human Capital Value. I expect that predictive talent analytics will become essential tools and will be embraced by the HR profession and service providers alike.

Jim Whelan, July 2014

About the author

Jim Whelan is an Associate Director with Rialto Consultancy.

He is working with Rialto Consultancy to provide strategic talent mapping and pipeline development services.

Jim's career spans many years in executive search, recruitment process outsourcing and talent development.

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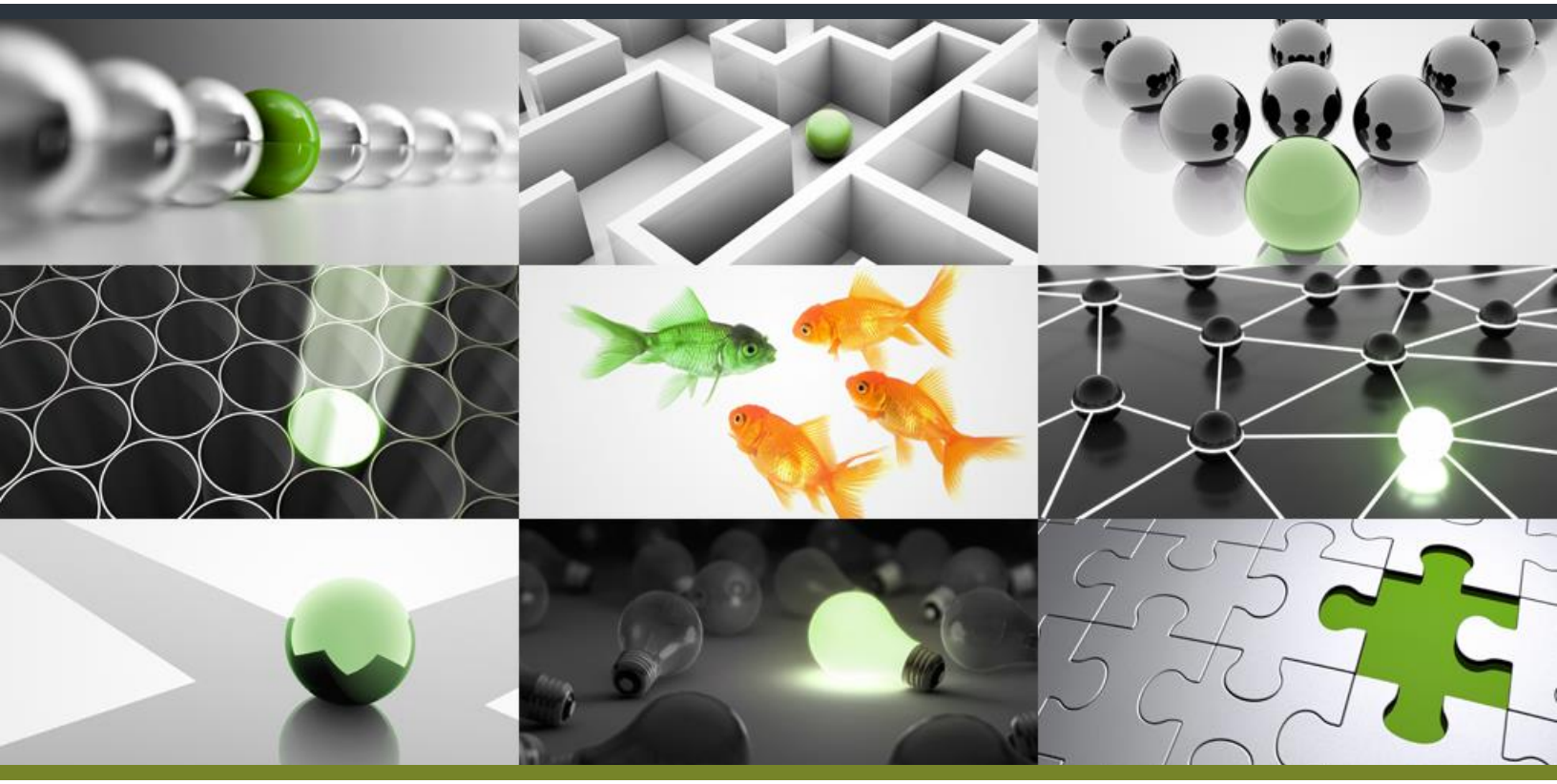

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