A buyer's guide to data-driven HR

Which approach is best for you?

ADP®
A more human resource.℠

You know where you want to go. Now pick your route.

Smart organizations know that they need to use their HR data to do big, important things. They need to know that strategies are working – and what to do when they're not. And they need actionable insight to make their workforces happier, smarter and more productive.

Smart HR teams also know that workforce data lets them prove their strategies are delivering real business results.

But knowing you need to use HR data and knowing how to do it are very different things. To tackle data-driven HR there are few components you need to get right: You need to be able to gather and manage the right data, understand what it means in the context of your most important business goals, and then use it to improve processes and make better, data-driven decisions.

Each one of these is as important as the other. They either work together in a virtuous circle of HR data harmony – or a vicious cycle of data frustration.

Want to learn more about using your HR data effectively? **Download the workforce analytics workbook**.

Loading route

Three basic questions

Whatever route you take, there are three foundational questions you need to ask.

What are we trying to achieve with our HR data?
It's absolutely vital you're measuring what matters. Start with a business goal, then work backwards to find out exactly what kinds of data you need to improve your decision-making ability. For instance, if you've identified a problem with retaining high-performing individuals, you need qualitative data that can answer questions directly, such as 'what's being said in performance reviews or in unstructured feedback?' But you also need to know whether benefits, salaries and compensation packages are competitive. The full picture gives you the ability to act.

Where do we get the data we need?
Once you know what you need to do, you need to work out where that data is. Integrating all the data from multiple internal systems and making it visible is a major challenge. Plus, to see the most unexpected correlations you're going to go further and gather data from external sources. If you don't know exactly where the right data is, it's impossible to have total confidence in your analysis and resulting initiatives.

How do we make sense of our data?

Once you understand what you want to measure and know you can access clean, accurate, up-to-date data, you need to think about what infrastructure needs to be in place to analyze that data. You'll need analysts to capture the business requirements, and translate these requirements into specifications for software that can process the data. You'll also need the resources to manage and maintain the software.

Is your organization armed with the training and skills to make sense of HR big data? Is there a culture of curiosity when it comes to uncovering the insights data can yield?

Data analysts can translate numbers, using business data to help you make better decisions. But for more advanced analytics, you'll need to blend technology, statistics and domain expertise to connect multiple data sources and uncover patterns.

Business requirements are constantly evolving. That means your analysis will never be complete – it has to be an on-going function. If your organization wants to be at the forefront of the most impactful innovations in advanced analytics, then you'll also need to identify an approach that can grow with your requirements over time.

Route update

L	Undergoing repair work
↻	New data loaded
⚠	Real-time status report

Introducing your options

The type of HR analytics solution you need depends on the capabilities of your organization.

In this guide, we identify three approaches based on different needs and capabilities.

- Build from scratch
- Invest in standalone software
- Partner with a full-service provider

This guide equips you with the questions you need to ask to figure out which approach makes sense for your business.

Let's dive in.

Start

Build from scratch

Some companies use spreadsheets as their front-end tool but you need to think about the full picture to get the most out of your data. The work comes from your internal teams realizing that the data that you need is non-trivial and you need to have the ability to clean it up so you can report on it.

There are two main reasons to opt for the DIY approach. Either, your organization has very specialized analytical needs. Or you have custom-built systems that can't integrate with off-the-shelf analytics software because they don't offer the connectors to pull all of the data into the new software.

The DIY approach was far more common in the 1990s when the analytics solution market was in its infancy, and data warehouses were starting to emerge in larger companies.

But nowadays, the market is packed with vendors offering a wide spectrum of off-the-shelf solutions at various price points. That means unless you already have the resources you need – or the very specific requirements mentioned above – a DIY approach is going to be a preference, rather than a necessity.

Building from scratch will require internal IT resources to create new systems, and it may well involve hiring new talent to build and manage your data warehouse. Managing these staff resources properly can be a considerable challenge. That's all before you've hired analysts to actually dig in to the data to find out what to do with it.

Aside from the considerable costs and complexity of creating an analytics program, the ongoing costs of maintaining and evolving the software must be taken into account.

Another factor comes from your internal audience: How much do they know about what they need to analyze? Often, people inside the business won't know what analytics they need until you give them something – at which point, they'll figure out they need something different. If you're taking the DIY route, your internal audience has to be absolutely clear on KPI requirements or you'll never get past the analysis phase.

Another drawback of the DIY approach is that you won't get access to benchmarking data to see how you compare to your peers. If this is information you want, you'll have to consider another approach.

In essence, when it comes to the DIY approach, there's only one big question to answer: **Are our requirements so specific that they can only be met by building from scratch?** If the answer is no, then let's explore the other options.

Standalone software

The standalone software approach means you buy standalone HR analytics software and use a third-party integrator to bring your data sources together, so you can use the software. You'll then use your own resources to implement, run and manage the software.

This approach makes the most sense for organizations that already have business intelligence tools and teams in place producing reports and analytics for other functions like finance and sales. It is relatively efficient to extend the mandate to HR and use the existing licenses and expertise to build out your HR analytics solution.

The main question to ask is whether the team has the expertise and resources to deal with the unique, complex and ambiguous nature of HR data and the difficulty of knowing what HR questions need to be answered.

As a department, HR is relatively new to analytics, and often there will be a lack of standard metrics and approaches to measurement. That means it will take more attention and effort to build and maintain analytic content in HR than in other departments.

These are the questions to consider.

Do your people need training to use new software?

It's sounds like a no-brainer, but if your people don't enjoy using a new system – or don't even know how to – then you won't be able to drive full adoption. So you need to work out if you can manage training programs yourself, or whether you need to bring in expert consultants. Sometimes software partners provide training and help getting started as part of the package – but often for an added cost which you'll want to take into account.

Another thing to think about is protecting your resources. So if you train specialists within your business to manage and support your HR analytics software, you need to guard against them leaving and taking that essential knowledge with them.

Who can access HR data insights?

Workforce insights aren't just something that HR needs to see. They need to be accessible by other lines of business, leadership and so on. You need to make sure your HR analytics software makes it easy to share insights across your organization.

Do you have all the support you need?

You want to get the process of HR data analysis started quickly and smoothly. If you invest in the software alone, you'll have to stitch it together with the systems you're using to record your HR data. For that to work, you'll need to be certain the data is flowing through correctly and securely. Having a single source of truth means you need ongoing processes for data entry, clean-up, and maintenance, as well as systems for migrating multiple data sets to a single location.
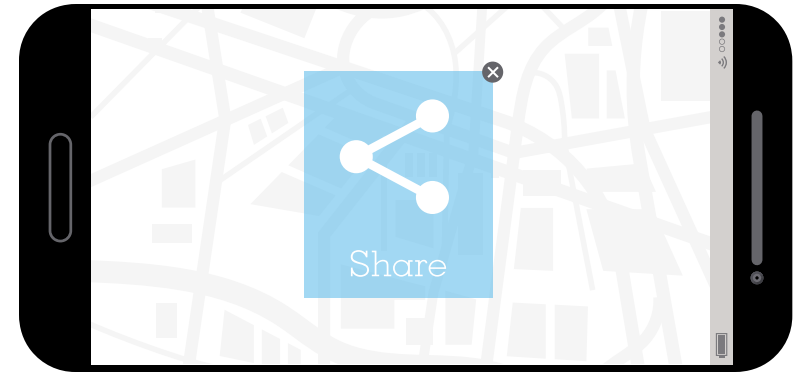
This is where your third-party integrator should be able to help – but check that this level of support is included or whether you'll be paying for hidden extras. Building and maintaining all those processes gets expensive, and the increased workload from managing them yourself means there's a chance ROI could begin to diminish in the medium to long term.

It's also vital you work out what kind of service and support relationship you'll have with a software partner. When things go wrong, you need to know you can call someone who will be there, that can combine knowledge of their product with an understanding of your specific needs.

Full-service HCM partner

The HCM partner approach is the most turnkey option, so it works best for organizations that don't want to invest in the people and technology to build out their own analytics solution, or the time to build out their own data store to securely and accurately aggregate all their people data.

HCM providers go farther than both DIY and standalone software analytic solutions because they can integrate analytics into the core HCM workflows, providing insights in dashboards and reports.

Taking this approach means your business goals need to align with the HCM provider's vision and philosophy for how to apply analytics to your organization. That means you need to properly understand their strategic vision for how analytics fits into the overall HCM solution.

When your goals and your provider's vision are in alignment, this approach offers a pre-built best practice for getting started with the fewest moving parts to worry about building and/or maintaining. It also means **you automatically get an integrated solution between the HCM workflows and the analysis of the data** generated from those workflows.

Even with an HCM partner you still need to answer the three basic questions we started with. And you'll also need to keep your eye on the fine print details: What are the parameters of the agreement? Who owns the data? Where is it stored? How transparent is it? How is it kept secure?

Here are some questions to consider when choosing an HCM partner.

Does your partner have the right priorities?

It's important that your partner has data analytics as a core competency. They should also architect an analytics solution that continually works to minimize extra cost and complexity on your end. Finally, they should fully understand your core business objectives, and use them when building the foundations for your solution.

What kind of insight is your HCM partner able to provide you?

This goes all the way back to the first question: What are you trying to do with your data? Depending on your level of data maturity, you'll need access to more or less sophisticated techniques. You don't want to pay for a lot of functionality you don't need. On the other hand, you want a partner that can give you the tools and capabilities you'll need as your maturity increases.

Can your partner see what's coming next? Innovative technology today is great – but you want innovative technology tomorrow too. Asking what capabilities your partner has in the pipeline is a good way to gauge their expertise and commitment to delivering in the long run.

Can you contextualize your insights?

Some partners will give you insights that show you exactly what's going on in your own company. Some go further and place those insights in the context of benchmarks based on industry, job function, location, and so on. Would that kind of information be valuable to your organization?

Benchmarks can be incredibly useful if they're based on real data that has been gathered recently. But you need to be sure the data you get is still current, otherwise you're working on faulty assumptions. And sometimes you can only get your hands on benchmarking data by filling out surveys. You need to ask potential partners what benchmarking data is provided and how your team can leverage those benchmarks to make insightful business decisions.

How will the system setup affect your IT department?

If you're going to work with an HCM partner, that should mean a minimal burden for your IT department. Implementation shouldn't put undue strain on your technical resources. If you need to migrate data from multiple HR and payroll systems to your new solution so all your data is one place, you need to look for a partner that will support you throughout that process. For some partners, this will be an added cost.

Is your HCM partner future-proof?

When you're picking an HCM partner, it's vital they fit with your organization's medium- and long-term goals. You don't want to be going through a procurement process every year.

So you need to know what your company goals are and whether your partner can support them. Do they have a global footprint so the relationship can grow as you grow? And do they have the foresight to know what's coming next in the HR analytics game so you can maintain competitive advantage?

On a very practical point, you also need to know whether your partner is going to be around in five years. It's an industry with lots of start-ups: Are they likely to go under or be bought in a merger? If so, what happens to your data?

Quick recap: Compare the options and pick the right analytics approach

Build from scratch

Expertise: Unless specific HR analytics expertise exists in-house today, talent will need to be acquired for your custom needs.

Technology: Requires building data warehouse platform, big data cluster and may involve hiring new talent to build and manage your data warehouse.

Service: Success requires knowledge of your internal audience and their expectations. Your analytics will be self-directed, and you won't have access to robust benchmarking data.

Additional costs: Often high, due to complex IT systems, maintenance and fast-moving technology evolution.

Standalone software

Expertise: Relies on being able to leverage your preexisting intelligence capabilities to create and maintain HR analytics expertise.

Technology: New software will need to be integrated with tools you already own. You will need ongoing processes for data entry, mapping, clean-up, maintenance, and migration of multiple data sets to one location.

Service: Post-implementation, product support and knowledge of your specific needs may be limited. You'll be responsible for making sure the insights provided by the software can be easily shared and accessed across the organization.

Additional costs: May be considerable, due to building and maintaining integrations, training staff, and occasionally engaging expert consultants.

Full-service HCM partner

Expertise: Offers deep, specialized expertise based on turnkey delivery of business insights from HR analytics investments.

Technology: Turnkey, integrated solution puts minimal strain on your resources. HR analytics are integrated and automated into the core HCM workflows, providing insights in user-friendly dashboards, embedded insights and reports.

Service: High-standard, ongoing. Provides you with a partner that understands your unique business objectives, helps you minimize complexity, contextualizes your insights with benchmarking and advances your data maturity.

Additional costs: Minimal. Some partners may have added costs to migrate data from multiple HR and payroll systems, as well as specialized third party apps.

Next steps

Every organization is different, so no two will tackle their workforce data in the same way. Whichever method you use today, answering these questions should give you a better idea of where you need to go next.

If you're looking for advice on working with a partner, then we'd love to help. Check out **our guide** to making the business case for taking your reporting and analytics capabilities to the next level.

Or **get in touch** with us – we love to talk to smart leaders about how they can turn workforce insights into positive change for their people and the whole organization.

Proving the power of people data

The business case for HR analytics

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