

Intelligent Human Capital Management

Workforce Analytics Drives Profit and Performance

September 2009

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Executive Summary

This report looks at how Best-in-Class organizations are making use of Business Intelligence (BI) reporting and analytics capabilities – whether through tools integrated into existing ERP, HRIS systems, or talent management applications, or via stand alone BI software that is purchased and then integrated with HCM applications – to deliver real results to the organization by providing insight and data to drive intelligent decision making. The study contains data from surveys and interviews with 233 companies, 159 of which are actively using HCM reporting and analytics, or are currently integrating these capabilities.

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

Best-in-Class Performance

Aberdeen used three key performance criteria to distinguish Best-in-Class organizations. These top performers, on average, experience the following:

- 83% of the divisions within the organization have workforce plans in place
- It takes 1.09 days to get an accurate headcount
- The payroll error rate is 0.91%

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics:

- The ability to integrate HR and talent management data with other organizational data in order to understand the future needs of the organization and utilize tools to perform gap analysis and model future scenarios
- Training for business and HR leaders in how to use reporting and analytics capabilities to enable better decision making and business management
- The creation of standardized HCM metrics and initiatives that are agreed to by all key stakeholders to allow for data comparisons and benchmarking

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, organizations must:

- Begin to share HCM data with decision makers, even if you start with static, standard reporting capabilities
- Create a data-driven decision culture, and help HR, line of business managers, and executives understand how to utilize HCM reporting and analytics

"A tight control of human capital has had the greatest impact on the top and bottom line."

~ Vice President of HR,
Communications Solution
Provider

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Chapter One: Benchmarking the Best-in-Class

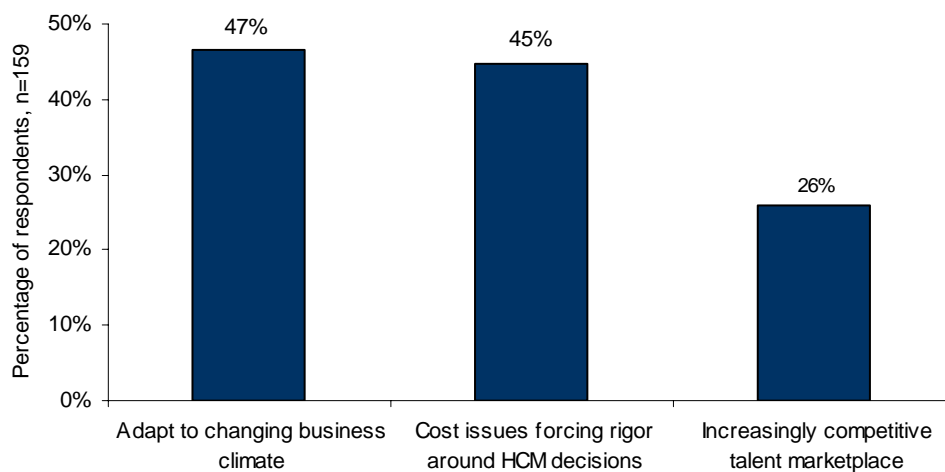
Business Context

The current economic recession has been the frame of reference for all business decisions in the last seven quarters. It has resulted in increased scrutiny on all activities, and decisions about people are no exception. Aberdeen research from December 2008, [The 2009 HR Executive's Agenda](#), found that 60% of Human Resources (HR) and line of business leaders indicated that the current state of the economy would increase the importance of Human Capital Management (HCM). But despite its growing importance within the organization, many human capital leaders struggle to connect the dots between talent and workforce initiatives and the priorities of the business, and are unable to make truly fact-based, data-driven decisions about talent. This study looks at data from 233 companies to understand how they are utilizing workforce reporting and analytics to make better decisions and improve company performance.

Data-Driven versus "Gut Feel" Decision Making

Cost pressures, the desire of HR and business leaders alike to make data-driven decisions, and the ever-increasing pace of change in the marketplace today are pushing organizations to think more about how they utilize human capital data (Figure 1). With the advent of increasingly popular enterprise solutions for core HR and talent management needs, organizations are collecting more workforce and talent data than ever. But now they are looking to ensure that they are implementing and utilizing the right tools to help analyze the current state of the workforce, model future scenarios, and improve rigor around human capital decisions.

Figure 1: Top Pressures Driving HCM Reporting and Analytics



* Survey respondents were asked to choose two top pressures

Source: Aberdeen Group, September 2009

Fast Facts

- √ Best-in-Class organizations with HCM reporting and analytics solutions in place achieved an 11% year-over-year improvement in profits and a 6% improvement in revenue per employee

“We are working on an accelerated planning timeline to accommodate changes in the marketplace.”

~ HR Director, Hospitality Industry

The presence of HRIS or HRMS solutions and talent management solutions has helped organizations reap many benefits, but no matter how organizations are storing and managing human capital processes and the corresponding data, all are facing increasing pressure to use that data in new ways. Aberdeen's December 2008 study [The 2009 HR Executive's Agenda](#) found that workforce analytics software was one of the largest areas of planned growth among Best-in-Class organizations, cited by 32% as a technology they would be implementing in 2009. Data needs to be visualized and contextualized so it can be used to understand current conditions, and model future scenarios. In May 2009, Aberdeen's study of [Executive Dashboards](#) found that the top pressures driving the use of dashboards were *the need to gain visibility into key business processes* (cited by 43%) and *the need to replace "gut feel" decisions with "fact based" decisions* (cited by 37%).

The results of this study look at how organizations are taking the next steps and utilizing HR and talent management data, integrated with other organizational data, to make better decisions and drive business results.

The Maturity Class Framework

Aberdeen used a weighed average of three Key Performance Indicators (KPI's) to distinguish the Best-in-Class from Industry Average and Laggard organizations. These KPIs address the timeliness of data access, the accuracy of data, and an organization's ability to utilize data for workforce planning. Headcount is a basic measure required of all organizations, and the time it takes to access data is a cross industry standard. It should also be noted that among the Laggard group, most organizations do not currently measure payroll error rates, and scoring was rated to reflect this deficiency.

Table I: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 83% of divisions of the organization have workforce plans in place ▪ 1.09 days on average to get an accurate headcount ▪ 0.91% payroll error rate
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 50% of divisions of the organization have workforce plans in place ▪ 1.16 days on average to get an accurate headcount ▪ 2.98% payroll error rate
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 13% of divisions of the organization have workforce plans in place ▪ 5.36 days on average to get an accurate headcount ▪ 14.33% payroll error rate

Source: Aberdeen Group, September 2009

The Best-in-Class PACE Model

Using analytics and reporting tools to enable more strategic workforce and talent decisions requires a combination of strategic actions, organizational capabilities, and enabling technologies, including:

- Integrating HR and talent management data with other organizational data in order to understand the future needs of the organization and utilizing tools to perform gap analysis and model future scenarios
- Training of business and HR leaders on how to use reporting and analytics capabilities to enable better decision making and business management
- Creating standardized HCM metrics and initiatives that are agreed to by all key stakeholders to allow for data comparisons and benchmarking

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> ▪ Need to adapt to changing business climate ▪ Cost issues forcing more rigor around HCM decision making 	<ul style="list-style-type: none"> ▪ Integrate HR and other data for scenario planning ▪ Identify gaps between current skills and future needs ▪ Standardize talent management initiatives 	<ul style="list-style-type: none"> ▪ HCM metrics defined and agreed to by key stakeholders ▪ Well-defined process to aggregate employee data with other organizational data ▪ HCM data is modeled for strategic planning purposes ▪ HCM data is benchmarked against external data ▪ HCM scorecard performance data is shared with key internal stakeholders on a regular basis ▪ Clearly defined competencies for all key roles 	<ul style="list-style-type: none"> ▪ Spreadsheets ▪ Static reports (email or hard copy) ▪ Visualization of organizational charts and reporting structure ▪ Core HR System ▪ Data warehouse ▪ Automated alerts ▪ Talent management suite ▪ Graphical data display tools (dashboards / scorecards)

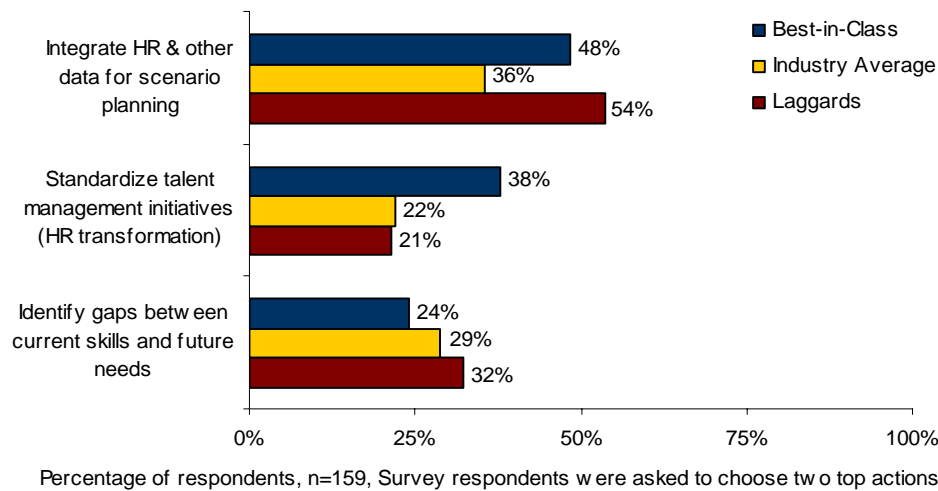
Source: Aberdeen Group, September 2009

Best-in-Class Strategies

The case for workforce analytics, reporting, and BI is clear, but many organizations still struggle with how to execute on the desire to gain deeper insights. Findings from this study indicate that achieving success with workforce analytics results from the combination of two essential variables: the ability to integrate the proper data in order to create a comprehensive picture of the current state; and a deep understanding of future business plans and requirements. Workforce analytics and planning is not just an HR exercise - it requires the collaboration of IT, HR, and the business to bring together the tools and information with the expertise to use that information in meaningful ways. The top strategies identified by

organizations to improve the use of HCM reporting and analytics include data integration, gap analysis, and HR transformation (Figure 2).

Figure 2: Top Strategies to Address Workforce Analytics Needs



"Line managers do have easy access to data from our talent management suite, so they can look at the performance of their team, for example. But, that data isn't integrated with the core HRIS data at all."

~ HR Director, Industrial Technologies Product and Solution Provider

Source: Aberdeen Group, September 2009

The strategic actions taken by Best-in-Class organizations highlight some distinctions in priorities when compared to all other organizations. The comparison shows that across all organizations, the top strategy is to integrate HR data with other functional data in order to perform scenario planning. All organizations see the need to move away from siloed data and ensure that forward-looking plans take into account all perspectives. Best-in-Class companies are more likely to have a single central repository of HCM data to facilitate this integration, a capability cited by 57% of the Best-in-Class, versus 49% of other organizations.

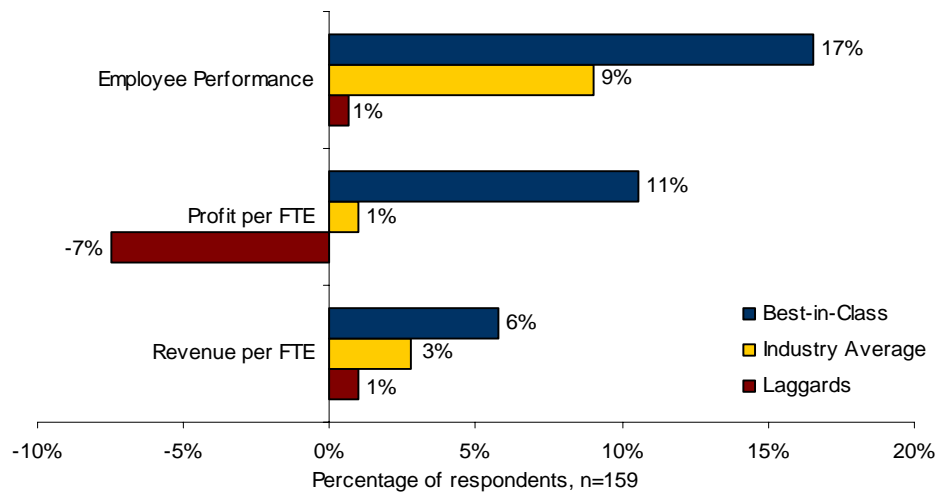
The biggest point of differentiation is the focus on HR transformation to standardize HR and HCM processes and data. In our current economic downturn, these Best-in-Class organizations seem to be taking advantage of the lull in some talent management activities like hiring, to spend time and resources on getting data and processes in order to support growth in the future. Aberdeen's December 2008 study, *The 2009 HR Executive's Agenda* found that 42% of Best-in-Class organizations anticipated that budgets for HCM processes, programs, and technology would increase in 2009, because current economic conditions were increasing the strategic importance of HCM efforts. The current study finds that Best-in-Class companies are 68% more likely than all other organizations to be focused on HR transformation efforts as a key component of analytics and workforce planning efforts.

Better Data Driving Better Business

HR transformation, data integration, BI, and workforce analytics - words like these can strike fear in the heart of many HR and business leaders because they can sound like complicated, time consuming, and (most concerning to

many) expensive concepts. But the organizations that are achieving Best-in-Class performance in workforce analytics and workforce planning have invested in improving data quality, accuracy and timeliness, and are achieving impressive results. It does require time, effort, and sometimes actual hard dollar costs, but the return on these investments is hard to ignore (Figure 3).

Figure 3: Year-over-Year Change in Key Metrics

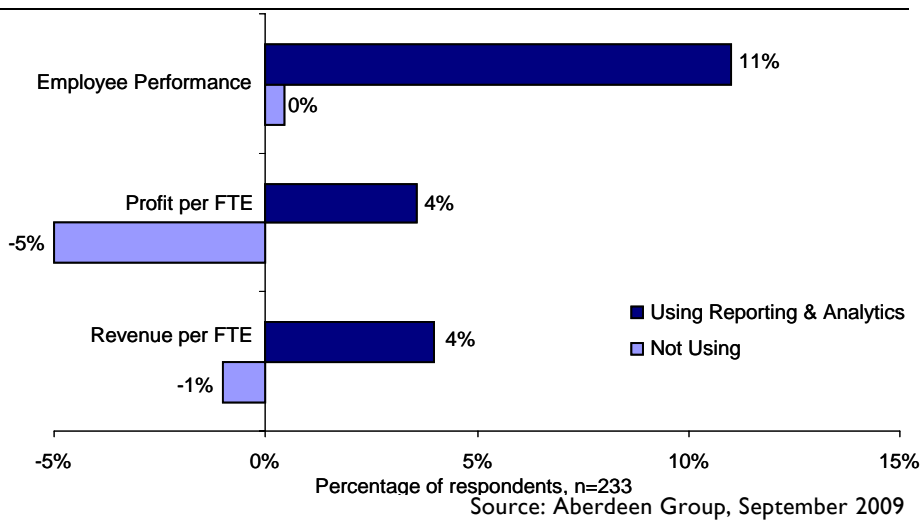


Source: Aberdeen Group, September 2009

Best-in-Class organizations are achieving outstanding year-over-year improvements in key metrics such as employee performance (defined as the percent of employees who rate "meet" or "exceeds" performance expectations at their last performance review), profit per full time employee and revenue per full time employee. Laggards not only saw no growth in revenue, but saw an actual decrease in profits per employee over the previous year. Everyone knows how difficult the last 12 months have been for all organizations, but it seems clear that organizations that have been able to utilize data to implement effective workforce plans that put the right people in the right place at the right time to meet customer needs and achieve organizational objectives, and that can make better data driven decisions are the ones achieving impressive results.

Best-in-Class organizations are, by definition, able to achieve more from their efforts in human capital reporting and analytics. However, Aberdeen's research has also revealed that, on average, the aggregate of all organizations actively using reporting and analytics with human capital management data are outperforming organizations that are not using reporting and analytics - and are doing so by a wide margin (Figure 4). Clearly, organizations that have put in place reporting and analytics capabilities, and have made the better management and utilization of HCM data a priority, are able to better manage the business through improved employee performance, which in turn drives improved organizational performance.

Figure 4: Year-over-Year Impact from use of Reporting / Analytics

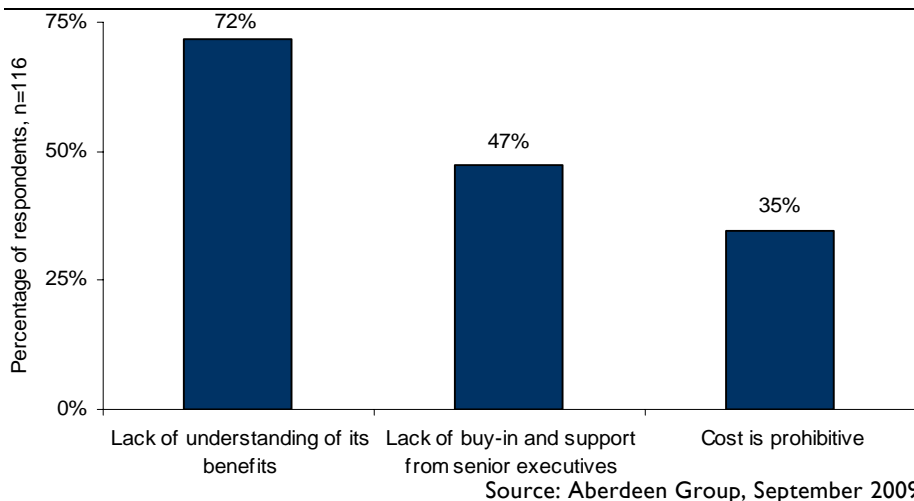


Simply measuring or capturing HCM data is not enough. However, when organizations are able to couple this data with educated reporting and analysis, they are more equipped to turn this data into actionable recommendations and decisions that drive better business performance. In Chapter Two of this report we will explore in more detail the capabilities that organizations are putting in place in order to achieve these impressive results.

Barriers to Overcome

Despite the overwhelming performance improvement achieved by organizations with HCM reporting and analytics efforts in place, there remain barriers that must be overcome in order to achieve more widespread use. For organizations that have yet to begin utilizing workforce analytics or reporting or have no current plans to do so, the top barriers center on organizational understanding and buy-in. The most frequently cited barrier is a lack of understanding of the benefits to the organization of these capabilities (Figure 5).

Figure 5: Barriers to Implementing Reporting and Analytics



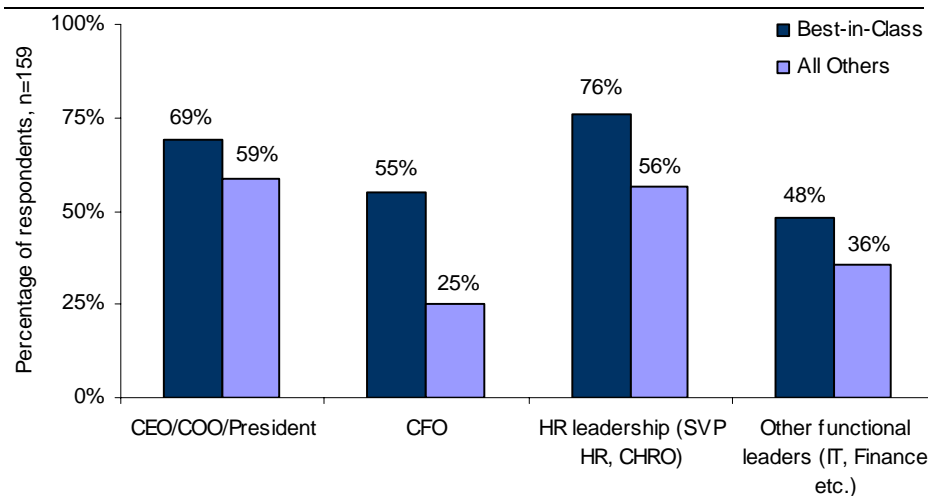
"We work diligently to understand what people plan to do with the information when they get it so we can ensure that managers have the right data for the right action or initiative, and not waste time generating reports that aren't really valuable."

~ Richard Bradley, Head of Client Services, Alexander Mann Solutions

This lack of understanding may be at the root of the other barriers identified. Without a clear understanding of the benefits to be gained by reporting and analytics capabilities, senior executives may not be comfortable supporting such initiatives, and will therefore perceive the costs as prohibitive. In order to combat these barriers, organizations that have already put in place reporting and analytics, or have gained budgeting and project approval to do so within the next 12 months, are involving a higher level of influencers when considering workforce analytics solutions (Figure 6).

In particular, Best-in-Class organizations are nearly 1.5-times more likely to involve the CFO as a key influencer for analytics solution decisions, and are 30% more likely than all others (Industry Average and Laggards combined) to involve other functional leaders in the decision process. This implies that they are able to demonstrate ROI and justify project spending, paving the way for both the purchase and implementation of solutions. Getting leadership buy-in and support by demonstrating potential benefits and performance gains is crucial for organizations when implementing analytics and reporting solutions.

Figure 6: Key Influencers for Workforce Analytics Solutions



Source: Aberdeen Group, September 2009

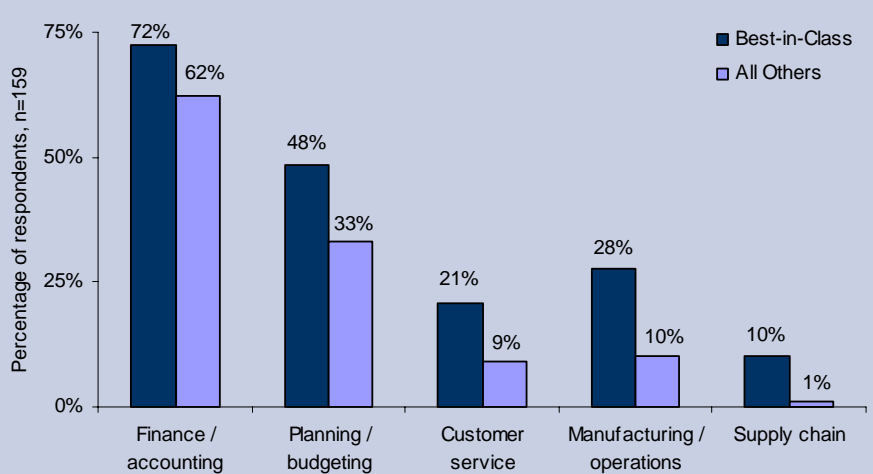
Aberdeen Insights — Strategy

The integration of HCM data with other functional data is often the last mile of an HR transformation effort. Organizations have been utilizing dashboards, analysis tools and modeling capabilities on other organizational data for years, but applying these tools to HCM data has traditionally been far less prevalent. And integrating people data with other data in order to improve the accuracy of forecasting in other areas has been a struggle. But organizations that have the most robust reporting and analytics capabilities are able to walk this last mile, and are integrating HCM data with a wide array of other functional areas (Figure 7).

continued

Aberdeen Insights — Strategy

Figure 7: Functional Areas where HCM Data is Integrated



Source: Aberdeen Group, September 2009

The people within an organization have a huge impact on every aspect of the business, and organizations that are achieving the greatest degree of success with HCM reporting and analytics are not keeping this information siloed. And it may come as no surprise that these Best-in-Class organizations that are best able to integrate people data with other organizational data also achieved an average 11% increase in profitability over the past 12 months - as compared to a 2% decrease in all other organizations.

One interesting note is that Best-in-Class organizations are more than twice as likely as all others to integrate HCM data with customer service data. This correlates strongly with data collected on customer retention. Best-in-Class organizations reported an average 92% customer retention rate, compared to an 85% customer retention rate among all others. Given the costs associated with new customer acquisition, and the revenue implications of retaining customers, this is an impressive result. Managing, utilizing and modeling HCM data is not just about managing internal decisions, but it can also have a direct and tangible impact on the customer experience. Understanding and managing these links has wide ranging implications on the organization's perception in the eyes of customers and shareholders.

In the next chapter, we will see what the top performers are doing to achieve these gains.

Chapter Two: Benchmarking Requirements for Success

The use of HCM data for the purposes of reporting and analytics has a wide ranging impact for organizations, enabling better talent decisions, and improvements in overall organizational performance.

Case Study — Parkland Medical Center

Parkland Medical Center is an 86 bed acute care hospital located in Derry, New Hampshire. The Parkland facility is owned and operated by HCA Inc., which altogether has 163 hospitals and 105 freestanding surgery centers in 20 US states and London, England. Parkland has been actively using business intelligence for human capital management since 2005, when reporting and analytics was introduced to assist management decisions making in many areas of the business. This introduction of business intelligence was part of a broad rollout across all HCA facilities.

Initially, access to reporting and analytics was only provided to specialist users that were well versed in IT. But, over time, access has increasingly been pushed down to more and more business users, so that dashboards and reports are now available to director-level positions in finance, administration and human capital management, for example. At this point, business managers have been trained and have direct access to data, but can still call on a business intelligence specialist for help whenever necessary. Education and training is still conducted on a quarterly basis.

The introduction of analytics brought about a distinct cultural change. Being able to get timely insights into data has really helped managers to understand what factors really drive the business, and understand both positive and negative trends. It has been very empowering for management to be able to achieve that level of insight. Access to data is secure, with each manager only having visibility to the data that is relevant to them. Such role-based access is a critical factor that aids the adoption of reporting by line managers.

Business intelligence is used to help drive productivity and the efficient use of staffing. The biggest single cost on any hospitals financial statements is salaries and wages. As a result, strong financial performance is critically dependent on efficient staffing and productivity. Parkland's management monitor the service mix – the mix of in-patients in the hospital and the various skills and resources required to take care of them – continuously, to optimize and fine-tune staffing requirements, on a daily and even hourly basis if necessary. Long running trends in the service mix are also monitored so that the hospital can understand which skills and roles they need to fill in the future.

Fast Facts

- √ Best-in-Class companies are **80%** more likely than Industry Average and **more than twice as likely** as Laggards to have HCM metrics defined and agreed-to by key stakeholders

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute their daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of appropriate tools and effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Well defined process to aggregate employee data with other organizational data		
	55%	39%	13%
	HCM data is modeled for strategic planning purposes		
Organization	48%	31%	11%
	HCM metrics are defined and agreed-to by key stakeholders		
	79%	44%	28%
Knowledge	Employees understand how their individual performance affects organizational goals		
	62%	46%	25%
	Single central repository of all HCM data		
Enablers	57%	39%	13%
	Training for business managers on the use of reporting and analytics to make employee-related decisions		
	55%	30%	11%
Enablers	The following business intelligence tools are currently being used:		
	<ul style="list-style-type: none"> ▪ 79% static reports (email or hard copy) ▪ 66% visualization of org charts and reporting structures ▪ 59% data warehouse ▪ 59% talent management suite ▪ 55% graphical data display tools (dashboards / scorecards) 	<ul style="list-style-type: none"> ▪ 61% static reports (email or hard copy) ▪ 58% visualization of org charts and reporting structures ▪ 44% data warehouse ▪ 34% talent management suite ▪ 41% graphical data display tools (dashboards / scorecards) 	<ul style="list-style-type: none"> ▪ 54% static reports (email or hard copy) ▪ 39% visualization of org charts and reporting structures ▪ 21% data warehouse ▪ 21% talent management suite ▪ 25% graphical data display tools (dashboards / scorecards)

	Best-in-Class	Average	Laggards
Performance	Effectiveness of reporting and analytics solutions for HCM data is measured at least bi-annually		
	48%	31%	14%
	HCM data is benchmarked against external data		
	59%	32%	19%

Source: Aberdeen Group, September 2009

Capabilities and Enablers

Organizations achieving business success through the ability to perform workforce reporting and analytics have in place a variety of tools and capabilities that allow for better HCM and business decisions. This section of the report looks at those tools and capabilities and how they support the results reported in Chapter One.

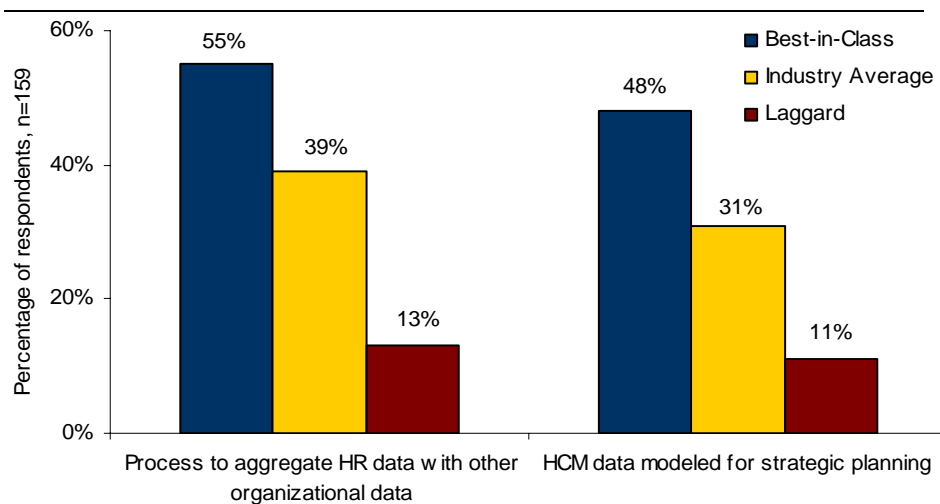
Process

Organizations achieving Best-in-Class performance have gone above and beyond just being able to capture and utilize HCM data to make better talent decisions. These companies also have the ability to integrate that data with other organizational data for decision making and planning purposes. Best-in-Class organizations are 90% more likely than all other organizations to have this capability in place. This is likely due to the fact that Laggards are still working on improving the source data and ability to use HCM data within HR, and only 13% have a well defined process in place to integrate employee data with other organizational data (Figure 8). In addition, Best-in-Class organizations are 80% more likely than all others to enable managers to make real time operational decisions based on HCM data. But still just over half (52%) of Best-in-Class organizations have this capability in place. When it comes to the processes to integrate HCM data and utilize it for both current state decisions and future planning, Best-in-Class organizations are ahead of the pack, but still have room to improve.

"There is a need to remodel positions, jobs and competencies since our old model dealt only with salary ranges."

~ Finance Director,
International Higher Education
Institution

Figure 8: Process Capabilities



Source: Aberdeen Group, September 2009

One area of process capabilities where the Best-in-Class separate themselves is that 72% have clearly defined competencies for all key roles, compared to 38% of all others. Defining competencies is a key baseline capability that allows organizations to standardize decision making and evaluations across the talent life cycle from hiring to development to succession planning. Defining a set of competencies that can be utilized throughout the life cycle is a crucial component to integrating data and performing forward looking modeling.

Organization

Organizationally, success in the utilization of HCM reporting and analytics all comes down to alignment. The alignment of stakeholders around metrics and priorities and the alignment of individuals with the goals of the organization require an understanding of how HCM analytics can benefit performance. Defining and getting alignment around HCM metrics is a crucial first step for any reporting and analytics initiative, and it's not surprising that this is the number one reported capability for Best-in-Class organizations. Best-in-Class companies are 80% more likely than Industry Average and more than twice as likely as Laggards to have this capability in place. This capability is crucial, because unless all stakeholders agree upfront about what data is important to them, the organization will be unable to meet all those needs with the reporting and analytics it puts in place. Defining what is important to the organization, from both an HR and business perspective, as it relates to HCM data is a key component of analytics and reporting success.

Another area where Best-in-Class organizations achieved superior results was in employee performance, which is defined as the year-over-year improvement in the number of individuals in the organization that rate "meets" or "exceeds" performance expectations on their annual reviews. This achievement is facilitated by the organization's ability to help employees understand how their individual performance impacts the overall organizational goals, and to ensure that individual activities support organizational goals. Best-in-Class organizations are 68% more likely than all others to ensure that individuals have this understanding, and it is paying dividends in improved employee performance.

Knowledge Management

Taken as a whole, human capital reporting and analytics are really an effort in knowledge management. Knowledge management is all about contextualizing data and exposing it to key stakeholders. But in order to support this broader effort in knowledge management around its workforce, organizations must implement some key capabilities that allow for the capture and contextualizing of the analytics and reporting data itself. Still just over half of Best-in-Class organizations (57%) have a single central repository of HCM data in place, but they are 46% more likely than Industry Average organizations to do so. Where further differentiation comes in is that Best-in-Class organizations also supply training to HR and business

leaders (45% and 55%, respectively) on how to use reporting and analytics tools to make use of that data.

In addition to training, Best-in-Class organizations also provide more direct access for managers to the HCM data they need to run the business and make decisions (Table 4).

Table 4: Analytics and Report Access by Managers

	Best-in-Class	All Others
Percent of managers who have access to necessary analytics and workforce data	68%	49%
Percent of HCM reports and analytics required by managers that are generated automatically, without IT intervention	58%	48%

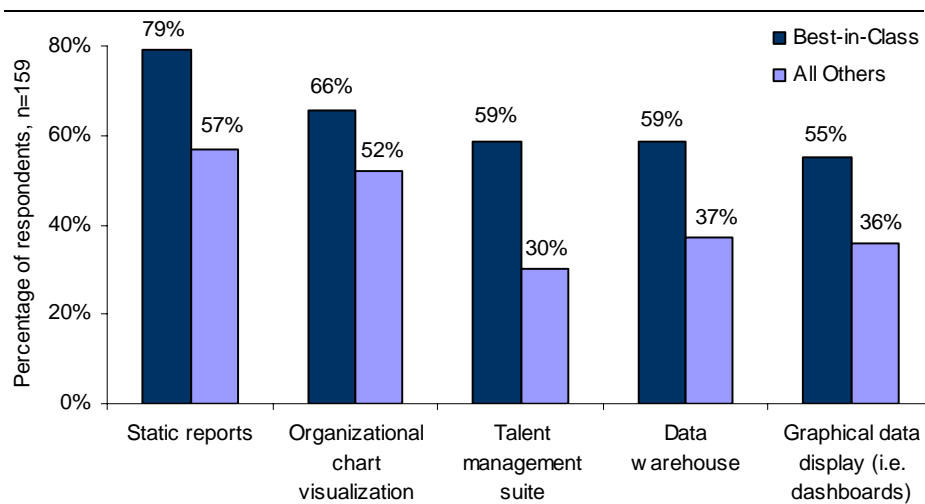
Source: Aberdeen Group, September 2009

These top performing organizations are truly managing information and turning it into knowledge that can be utilized by the business to make decisions. They are also more able to surface this information to managers in real time. Forty-five percent (45%) of Best-in-Class organizations indicate that managers have immediate access to current HCM data for their team members at their desks, without the need to contact HR, as compared to 28% of Industry Average and 7% of Laggard companies.

Technology

There are several technologies that stand out as key to enabling Best-in-Class performance (Figure 9). Three technologies are used to deliver information to managers (static reports, organizational chart visualizations and dashboards), while two technologies serve as data sources for those reports (talent management suites and data warehouses).

Figure 9: Technology Enablers



Source: Aberdeen Group, September 2009

Information Delivery Technologies

Many of Aberdeen's Business Intelligence research reports have found that Best-in-Class organizations are better than other organizations at providing static reports to managers. While that may sound simple – even mundane – it is a very sound way to provide very basic information to managers in a timely fashion. Such reports typically forsake sophisticated graphics and are, at best, limited in the ways that business managers can manipulate the data. However, they do have a couple of advantages – namely that they are easy to generate and often free. Many business intelligence and talent management solutions provide the ability to provide relatively simple, static reports that can be automatically refreshed and pushed to selected managers periodically, such as weekly or monthly. Once initially created, there is little to no overhead or IT resources required to keep the updates coming, making them an inexpensive and efficient tool for data sharing.

More sophisticated management information, in the form of dashboards and scorecards, as well as other visualizations, are technologies used more commonly by Best-in-Class organizations than others. Dashboards provide a very rich graphical display, showing multiple key performance indicators or metrics on a single screen. Often, information can be displayed in the form of gauges, for example, clearly showing when a particular metric has passed a critical value or is in need of management attention. Drill-down capabilities to review the detail behind summarized information is also a common feature.

Organizational chart visualizations can vary from simple "lines and boxes" representations to more sophisticated tools that offer scenario planning within "live" graphical representations of individuals and reporting structures, populated with information on competences, performance and capabilities. Just 10% of all organizations surveyed indicated they have the additional ability for managers to plot future organizational charts based on anticipated needs, but an additional 40% plan to implement this capability in the future.

Source Data Technologies

If management action is to be driven by reports and dashboards, high quality data is essential. Best-in-Class organizations use two major sources for that data. The first source is a data warehouse, used in many cases to provide a single source of the truth for HCM reporting. Data warehouses allow data from multiple transactional applications to be brought together, cleaned and integrated. From this central resource, business managers can then be provided with consistent, high quality HCM data.

In addition, today's talent management suite providers are fulfilling a crucial role as a source of data that can be utilized for workforce analytics and planning purposes as stand-alone or integrated with other HR and ERP systems for these purposes. An increasing number of talent management suite providers today are responding to these reporting and analytics needs with additional functionality in these areas built into their latest releases.

Organizations that are going through the process of implementing these talent management solutions want to ensure that they can make the most of the data captured and use it to improve overall business performance.

Performance Management

Managing the performance of reporting and analytics efforts is a key component of success. Simply put, what gets measured gets done. Best-in-Class organizations are 84% more likely than Industry Average organizations to measure the effectiveness of analytics and reporting solutions at least bi-annually and are more than three-times as likely as Laggards to do so. This ability is tied to the previously mentioned capability of defining HCM metrics with key stakeholders upfront. Metrics that determine the effectiveness of reporting and analytics are just as important to define as are the metrics that will be included in reporting efforts. Top organizations are also able to make meaningful comparisons of internal HCM data to external benchmarks. This can be critical for planning purposes and to help the organization understand where it may be falling behind its peers and competitors for key talent areas.

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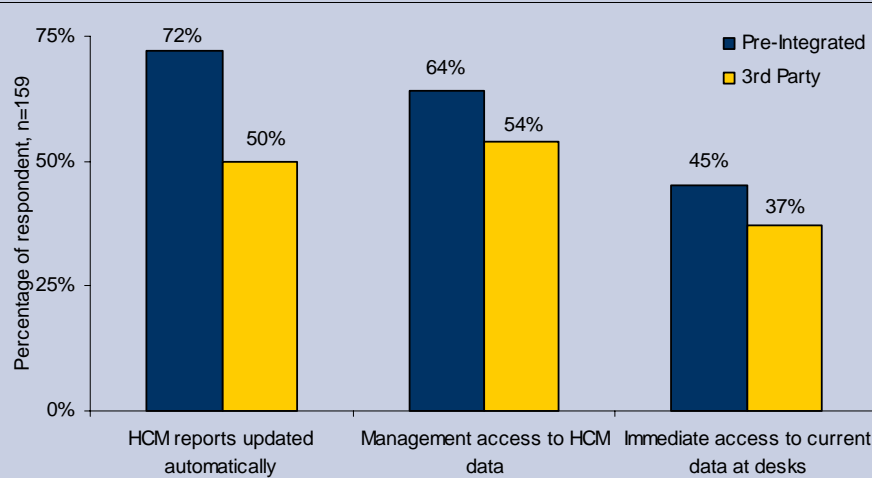
There are a wide range of solutions for reporting and analytics in human capital, including those pre-integrated into HR or talent management solutions, ERP implementations, or stand-alone applications. An alternative approach is to obtain reporting and analytics from a third-party that is then used to tap into HCM data. This later approach is more likely to be adopted by organizations that are dedicated to a best-of-breed approach to enterprise software, or have a number of disparate HCM applications that provide source data for analytics. Based on responses to this survey, there seems to be some advantages to getting workforce reporting and analytics pre-integrated with an HCM application, and we are seeing an increase in the number of HCM solution providers making reporting and analytics a bigger part of their offerings.

First of all, getting reporting and analytics pre-integrated enables reporting and analytics to be delivered to more business managers. Survey respondents with pre-integrated reporting and analytics were able to provide, on average, 64% of their managers with tools for use with workforce data, as compared to 54% of managers in organizations using third-party tools (Figure 10).

continued

Aberdeen Insights — Technology

Figure 10: Functional Areas where HCM Data is Integrated



Source: Aberdeen Group, September 2009

For respondents using a third-party reporting solution, only 54% of managers had access to reporting and analytics for HCM data. Managers also enjoy more immediate and more timely access to relevant HCM data on their teams. Those survey respondents using a pre-integrated reporting solution indicate that on average, 45% of their managers had immediate access to current data on their team members at their desks. For respondents using a third-party add-on, this figure falls to 37%.

Finally, a pre-integrated reporting solution appears to reduce the burden on the IT organization. In those organizations using a pre-integrated solution, survey respondents indicate that 72% of HCM reports required by managers are generated and updated automatically without assistance from IT. This is true for only 50% of HCM reports for those using a third-party reporting product.

Chapter Three: Required Actions

Whether a company is trying to move its performance in human capital data management for analytics and reporting from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Define key HCM metrics.** Putting in place HCM metrics that are agreed to by all key stakeholders is the number one planned capability for Laggards, with 67% of respondents citing that they plan to implement or improve this capability going forward. Defining how HCM data and results will be measured is a fundamental step to being able to run reports and perform analytics that will support organizational decision making. Until the business and HR are on the same page regarding what will be measured, implementing reporting or creating dashboards will be an exercise in futility.
- **Visualize organization chart data.** Laggards are 33% less likely than Industry Average organizations to be able to visualize organizational chart data and reporting structures. This type of tool is among the top three tools currently in place for both Best-in-Class and Industry Average organizations, and is one of the most prevalent types of data visualizations. It lays the foundation for further data visualization as an organization moves up the maturity curve. In addition, defining the competencies of individuals and being able to understand the competencies of key roles when making moves in the organizational chart is an important follow-on step. The ability to allow managers to plot and plan organizational charts based on future needs and interdependencies is a top growth area.
- **Implement a data warehouse.** Laggards are only half as likely as Industry Average organizations to have a data warehouse in place, and 42% of Laggards indicate that they plan to implement or improve data warehouse tools to further enhance reporting and analytics efforts. This step is all about getting the organization's HCM data in order, and consolidated so that it can be used to run reports, comparisons and analysis. Like the other Laggard steps to success discussed here, this step is about laying the foundation for more advanced reporting and analytics capabilities and functions.

Industry Average Steps to Success

- **Get executives involved in strategic planning for talent.** Well over half (56%) of Industry Average organizations indicate that this capability is one they plan to implement or improve. HR executives have long been heeding the cry to be more strategic and get a seat at the executive table. Helping senior executives within

Fast Facts

- √ **55%** of Best-in-Class organizations plan to implement or improve the capability to model HCM data for strategic planning - yet, these companies are **35%** more likely than all other organizations to currently have this capability in place

the organization understand that managing talent is how they need to be managing the business will not only help achieve this strategic position, but also maintain it in the future.

- **Turn your data into knowledge the organization can use.** Data visualization, whether as dashboards or scorecards or organizational structure representations, are one of the key ways data turns into knowledge that managers and leaders can use to make decisions. When a leader can, at a glance, understand the status of key HCM metrics, or progress of initiatives it enables them to make decisions to correct course as needed, or to continue efforts that are achieving success. And data visualizations are much less intimidating than the reams of Excel spreadsheets and charts. Business leaders have become more accustomed to business scorecards and dashboards, and taking advantage of this comfort when presenting them with HCM data will help ensure adoption and support of HCM reporting efforts.
- **Build expertise in the use of reporting and analytics within HR and the business.** Industry Average organizations are only about half as likely as Best-in-Class organizations to provide training for managers on how to use the data and reporting they are provided to make people decisions. And only 39% of Industry Average companies even train HR staff on how to use HCM reporting and analytics. Making use of the information provided is a key step in transforming the culture into one of data-driven decision making, and capitalizing on the full benefits of HCM analytics.

Best-in-Class Steps to Success

- **Put data into the hands of business managers.** Thirty-eight percent (38%) of Best-in-Class organizations currently have manager self-service tools for HCM data and analytics in place, but another 38% indicate they plan to implement these tools going forward. This is a growth rate of 100%, making it one of the top planned tools for Best-in-Class organizations. The more that decision makers in the business can get to the relevant data they need, on demand, without intervention from HR or IT, the more likely they are to actually use it. Making it simple, relevant, and intuitive are critical to organizational adoption of a data-driven mindset around people.
- **Use HCM data for future planning.** Best-in-Class organizations are not only interested in reporting and analysis on the current state, but also are looking to move beyond the ability to perform strategic planning based on scenario planning. Fifty-five percent (55%) of Best-in-Class organizations indicate they plan to implement or improve the ability to model HCM data for strategic planning, and they are 35% more likely than all other organizations to currently have this capability in place. While only 28% of Best-in-Class organizations currently have predictive analytics tools in place

"Analytics done solely for narrow purposes such as cost cutting or limited process improvement is short sighted and wasting a valuable business improvement resource."

~ HR Manager, Government Agency

now, this is an area where top performing companies should continue to focus.

- **Utilize workforce planning to execute organizational change.** Making plans is part of the battle, but being able to execute on those plans, and manage the organizational change required by those plans is quite another. Currently 41% of Best-in-Class companies have the ability to execute organizational change based on the insights gained by workforce analytics. Change management and the ability to navigate a rapidly changing competitive environment is a key capability, and 66% of the Best-in-Class plan to either improve current organizational change capabilities or put them in place.

Aberdeen Insights — Summary

The current recession has caused turmoil throughout many organizations, including within HCM practices. Forty-six percent (46%) of survey respondents cited *adapting to the changing business environment* as the top pressure driving HCM reporting and analytics efforts. But, making truly smart decisions about talent requires more than just HCM data.

The key findings of this report include:

- HCM data alone is only partly useful. So much more power comes from integrating that data with operational data drawn from other functions within the organization – such as sales data, or customer service data. This enables top performers to be identified, talent profiles created, and strategic talent planning to occur.
- Senior executives, business managers, and human capital managers need to come together and define the human capital KPIs and metrics that will be used to plot a future course for the enterprise. Those metrics need to be communicated to managers throughout the organization, and populated with timely, consistent data.
- If business managers are to be empowered with solid data on their employees and their performance, training in the use of the reporting tools and interpretation of the data is essential. A little knowledge can, after all, be a dangerous thing. Without focused training, line managers may do more harm than good with decisions based on poor interpretation of the data.

Moving forward organizations will continue to see the value of sharing information to make more data-driven decisions. If your organization is not already sharing HCM data with decision makers, start somewhere, even with static reports, and begin to build a data-driven decision culture. The benefits of moving toward Best-in-Class workforce analytics and reporting solutions are too substantial to be ignored.

"If you don't know what you are doing with the data, you may make a decision which is ultimately more costly to your business."

~ Client Services Director,
Professional Services Firm

Appendix A: Research Methodology

Between August and September 2009, Aberdeen examined the use, the experiences, and the intentions of more than 230 enterprises using reporting and analytics for human capital management.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on workforce reporting and analytics strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: Senior Management (C-suite, President, Chairman) (11%); Vice President (9%); Director (25%); Manager (29%); Staff (8%); and other (18%).
- *Department / function:* The research sample included respondents from the following departments or functions: human resources (45%); information technology (15%); business process management (11%); business development / sales / marketing (8%); and other (21%).
- *Industry:* The research sample included respondents from a wide array of industries including: IT / consulting services (11%), software supplier (6%), finance / banking / accounting (5%), education (5%), and transportation / logistics (4%).
- *Geography:* The majority of respondents (68%) were from North America. Remaining respondents were from the Asia-Pacific region (9%), EMEA (16%) and RoW (7%).
- *Company size:* Twenty-seven percent (27%) of respondents were from large enterprises (annual revenues above US \$1 billion); 43% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 30% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Forty-eight percent (48%) of respondents were from large enterprises (headcount greater than 1,000 employees); 31% were from midsize enterprises (headcount between 100 and 999 employees); and 21% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

- √ The degree to which HCM reporting and analytics are used within the organization
- √ The tools and processes used to collect and disseminate HCM data
- √ Current and planned use of tools to support HCM reporting and analytics
- √ The benefits, if any, that have been derived from workforce reporting and planning initiatives

The study aimed to identify emerging best practices for HCM reporting and analytics and to provide a framework by which readers could assess their own management capabilities.

Table 5: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, September 2009

Table 6: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, September 2009

Table 7: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, September 2009

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [Executive Dashboards: The Key to Unlocking Double Digit Profit Growth; June 2009](#)
- [Assessments in Talent Management, March, 2009](#)
- [The 2009 HR Executive's Agenda, December, 2008](#)
- [Strategies in Workforce Planning, August, 2008](#)

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

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