Transforming Today’s Workforce to Prepare for Tomorrow’s Needs

Using Analytics to Make Smart, Forward-Looking Decisions

THOUGHT LEADERSHIP FROM ORACLE AND IBM | MARCH 2015

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Mobility, social networks, cloud, analytics, big data—these emerging technologies are having a decisive impact on the business world. Getting the right human capital in place to leverage these advancements is critical to executive strategy. You need a workforce—and an HR team—that knows how to respond.

In its 2013 C-Suite study, IBM tapped the knowledge and experience of 4,183 CxOs to look at how these and other macro trends are driving organizations forward. These business leaders acknowledged the significant role that social, mobile, and digital technologies are playing between organizations and their customers. To meet today’s rapidly evolving needs, not only will chief HR officers (CHROs) have to accommodate employees in sales and customer service, the report suggested, but also establish new positions that improve the digital experience. This may include retaining developers familiar with social computing, analytics, and mobility as well as hiring data scientists who can extract new insights from enterprise data. HR must encourage the workforce to embrace these roles including recruiting new talent, providing specific training interventions, and implementing retention programs.

A high-performance workforce establishes a “single source of truth” for employee data.

All of these initiatives succeed or fail based on the quality of the underlying data—accessed by powerful analytic tools. Unfortunately, HR leaders often complain that they can’t access the data they need because it is stored in several different systems. Large organizations often depend on a variety of “point solutions,” each with its own source of information. It’s a big job to access and combine this information in a meaningful fashion to assess labor costs, monitor attrition rates, and complete many other fundamental HR tasks. It is equally difficult to create a cohesive picture of the various aspects of the employee lifecycle, or to share the critical data that HR pros need for effective talent management and succession planning.

That’s why high-performance workforces establish a single source of truth for employee data. Just as finance officers depend on metrics about revenue and profitability, HR executives need to have current data to monitor significant trends in the workforce, along with analytic tools that allow them to create meaningful insights to run the business. Having integrated data means you don’t have to switch between applications and spreadsheets, which streamlines data analysis and makes your team much more efficient. By integrating core transactions with workforce and talent management systems, and layering a powerful analytics solution on top, HR leaders can align individual processes to drive positive change.

Laying the Groundwork for Change

Having a reliable source of information at your fingertips is also one of the keys to gaining respect from other senior executives—and gaining the attention of the CEO. However, according to the IBM survey, despite progress in recent years, HR is still not considered at the forefront of strategic contributions. Only 35 percent of CEOs mentioned the CHRO as being significantly involved in formulating the organization’s business strategy, compared with 72 percent who involved the CFO, 63 percent who involved the CMO, and 42 percent who involved the CIO.

What types of visionary HR managers are today’s CEOs looking for? While almost two-thirds of CEOs believe HR is an effective provider of basic HR functions and transactions, not nearly as many of these chief executives see HR as a facilitator of organizational processes, a strategic partner, or a critical enabler (see figure).
When the CEO asks you about business, do you talk about headcount or business results? Do you focus on the one percent of the workforce in the HR department or the 99 percent that represents the rest of the workforce? CEOs want HR leaders who can elevate their focus, from running the machine of HR to running the machine of the business. For example, as CEOs evaluate new business ventures, they may need to know what types of teams can be created on short notice. Will senior management be able to deliver on the executive business plan? Can they do this not just on gut feel, but based on hard facts and predictive data? The ability to leverage workforce analytics enables chief HR officers to become strategic leaders within the company.

HR leaders must establish an agile workforce that can embrace new technologies to seize opportunities, streamline business processes, and understand their employee populations.

The business world is changing fast. To compete effectively, HR leaders must establish an agile workforce that can embrace new technologies to seize opportunities, streamline business processes, and understand their employee populations. This paper describes how HR leaders can apply best practices in the areas of people, processes, and technology as they guide their workforces into the future. As you read further, ask yourself these questions:

- What are the central challenges of preparing a workforce for 2020 and beyond?
- How can you manage today’s workforce while simultaneously planning for tomorrow’s talent needs?
• How do you create a workforce that is imbued with organizational speed, agility, and adaptability—at scale?

Workforce Analytics

Forward-looking HR departments rely on analytics to drive decision-making. According to the C-Suite study, those organizations that consistently use workforce analytics are significantly more likely to be effective in addressing a range of workforce challenges, such as talent retention, employee engagement, and performance management (see figure).

*Talent and data: Organizations with more analytics prowess are better able to tackle key talent-related challenges*

Companies need to place the same emphasis on knowing and engaging the workforce as they do on knowing and engaging their customers. Gone are the days of managing talent based on hunches or loose predictions. All hiring managers need to be able to monitor key performance indicators (KPIs) related to time and labor management, talent management, project tracking, scheduling, and other HR functions. A complete workforce management solution should include both transactional and analytic functionality, with business intelligence tools for planning, budgeting, monitoring, and compliance.

*Companies need to place the same emphasis on knowing and engaging their workforce as they do on knowing and engaging their customers.*

Steering the workforce without analytics is like driving a car through thick fog. Based on the pace of change in the economy today, the accelerator pedal is pegged at 100 mph! Analytics help managers make informed decisions as they guide the workforce into the future. Just like a speeding vehicle, the sooner you can spot changes in the road ahead, the more time you have to correct your course or address new opportunities. If you have properly instrumented work processes, then you can try things quickly and obtain quick feedback on whether or not new initiatives will succeed or fail. Just look at other departments within your company. Today’s marketing professionals generally know within 15 minutes whether or not an ad campaign is successful. Can you make these same judgments by evaluating changing factors in the workplace? For example, if you initiate a policy that allows for more
flexible work arrangements, how quickly will you know whether or not these arrangements are making people more productive?

Many companies have very little capacity to deal with unforeseen demand spikes. If your company enters a new market, do you have the tools to simulate customer demand and attrition scenarios, and their impact on the workforce? You may have a lot of data on worker demographics but do you know how to put that information to use to predict worker attrition? Analytic tools can help you forecast future needs based on current and historical data.

For example, when an organization in the entertainment industry determined it needed to bolster its customer service staff to drive sales and reduce turnover rates, they used workforce analytics to understand their talent pipeline. The company developed a model to identify the characteristics of its highest performers and incorporated their findings into an applicant tracking and assessment platform. These insights gave them the knowledge they needed to attract and retain the right people, which resulted in less turnover, lower overall training costs, and an increase in profitability—all notable increases in an industry where minor changes in margin have a major impact on the bottom line.

**Recruiting and Talent Management**

A solid talent management strategy is a key to ensuring a high-quality workforce. But how do you know what talent to acquire, to develop, and to retain? What skill-sets and other attributes are necessary to meet executive objectives? How can you pinpoint deficiencies in your current workforce? Market leaders make a science of matching talent supply with talent demand so they can forecast staffing needs and address shortages before they become problematic. Workforce modeling tools can identify high-performance drivers across each role and use these drivers to effectively recruit, develop, and retain individuals with critical capabilities. Best-in-class tools can also predict outcomes based on any number of contemplated scenarios, allowing for a higher probability that organizational design efforts will yield the needed results.

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Most workers crave insight into opportunities and direction about career paths. Screening and recruitment processes should be structured to make them successful. It is much more expedient if employees can learn about opportunities themselves and determine if they are a good fit for a particular position.

People want to feel connected to where the organization is going. As your company embraces new technologies you need to help them make the transition. If people are afraid of what may happen to their jobs, they will stop sharing and stop collaborating. HR can help employees maximize their value as they adapt to the changes that new technologies bring to them.

Many employees prefer self-service applications that let them see available positions and collaborate socially. The more context and insight employees have about how they fit into the organization, the better. Consider a scenario that often arises at a growing company: an employee admits to her manager that she doesn’t necessarily want to go down the career path that has been outlined for her. She would like to know what else is available. If that employee has the power to view all the open opportunities within the organization, she might be alerted to alternate transitions that better match her evolving interests.
Self-service recruiting applications allow employees to exercise control over their careers. It should be easy for them to see these opportunities so they can bring them up in performance conversations. HR pros should be able to personalize the experience and incorporate the company brand in these applications as well.

Succession planning tools are other useful weapons in the analytic arsenal. A talent management application toolset will rate the skills and capabilities of the workforce to help you determine who can grow and evolve into alternate roles. Ultimately, such a solution can tie performance directly to compensation as well as recommend specific learning plans based on employee performance reviews.

The Value of Social Data

Most senior HR officers admit that they do not have a finger on the pulse of their workforce. They only obtain intermittent feedback and they rely on a relatively small inner circle of employees to tell them what is going on.

Meanwhile, data about employee perceptions is being entered by the employees themselves in the context of social network applications. That’s why social and mobile computing practices are becoming such an essential component of workplace computing. A company that supports this demand with an information-driven, social, and mobile culture creates an engaged and connected workforce that contributes to the bottom lin. Two-thirds of the organizations surveyed by IBM said their organizations use social networks on a regular basis (see figure). However, many firms are still in the initial stages of applying social approaches to knowledge sharing, innovation, and expert identification.

Going social: CHROs are in the early days of applying social approaches within the organization

<table>
<thead>
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<th>Use of social tools</th>
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<th>Exploring/piloting</th>
<th>Regular/consistent use</th>
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<tr>
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Social data about employee sentiment reveals clues about how people feel and how they think. What is top of mind? What are employees worried about? Is their pay equitable? Are they afraid that a business unit might be moved offshore? It’s easy to answer these questions with 10, 12, or even 100 employees. But how do you gather these insights when the workforce numbers in the thousands?

A modern HCM suite can gauge employee sentiment and calculate an individual’s relevance based on his or her social connections. For example, sentiment analysis gauges how positively or negatively an individual is influencing an industry, market, or organization. Positive and negative statements can be balanced into a scorecard that is sent to departmental managers. The insight they gain might influence the next round of hiring or succession planning.
Social media is an ideal way to share knowledge, both inside and outside the organization. Increasingly, HR pros are being called on to establish the social networks that bring employees together and build the organization’s collective intelligence. When properly deployed, these networks can help employees identify new career opportunities. For example, IBM has a LinkedIn type system that it uses to engage its workforce. Once a comment is posted or a topic is promoted, employers can see the reaction from the employee base. As other people comment the blog will expand. This is another measure of influence and, ultimately, employee value.

**Predictive Analytics**

A complete analytics system uses current and historical KPIs to predict performance and attrition, determine corrective action through “what if” scenario modeling, and make knowledgeable changes. For example, a top performer who has worked too many hours, not taken enough vacation time, and received a low pay increase may be one step away from leaving. By continually analyzing KPIs such as these, you can stay abreast of these developments and send automatic alerts to managers. A predictive analytics system can:

- Flag managers with the reasoning behind an employee’s low performance or when there is high likelihood of attrition
- Enable managers to see what impact one or many changes, such as pay increase, promotion, or relocation, would have on an employee
- Shift management of the workforce from one based on history to one based on forward-looking analytics
- Allow managers to forecast workforce performance and identify talent risks while there’s still time to take corrective action

Analytic tools enable you to be proactive and circumvent problems such as the loss of valuable talent.

Not all organizations have collected enough data to derive this type of insight. But once you’ve built up enough history, the predictive capabilities become very valuable. For example if you have an employee who has been working for the organization for four years in the same role at a fairly static pace and salary range, what is the likelihood of their walking out the door? Analytic tools enable you to examine these trends so you can be proactive and circumvent problems such as the loss of valuable talent. If a person is actively updating their LinkedIn profile for three consecutive months, that individual is probably considering a job change. Workforce analytic tools include predictive models to monitor and gauge the impact of these activities.

**Becoming a Brand Ambassador**

It’s no surprise that talent development and employee engagement rank as the highest priorities of senior executives, according to the IBM C-Suite study. After all, employees represent the organization’s brand on the front lines. They are the ones who interact with customers on a daily basis, who analyze changes in customer preferences, and who develop and maintain the technologies that help connect the physical and digital worlds.

Ideally your employees should be brand ambassadors. They can articulate what they love about your company and why they want to work there. They know what the company “stands for.” HR leaders discover these attitudes and tendencies by examining social analytics and other data sources. Social media provides great proof points about individual employee experiences.
CHROs must see themselves as chief communications officers for employees. They should be conscious of their “brand” and constantly assess the experience of their employees, just as marketing professionals consider the corporate brand and the experiences that customers confront. According to one survey, 80 percent of the information that employees obtain about a company before they join comes from external channels. It is much easier to obtain this information now than it used to be, mainly because most employees have loose ties with hundreds of people, and extensive networks of acquaintances to tap for insight. Pay attention to your brand in the market and monitor public perceptions in the social networks.

Effective Solutions for Human Capital Management

Today’s HCM community has access to tools and technologies that are modern, efficient, and relatively easy to use. Cloud-based solutions improve the user experience and lessen the administrative burden on HR. This gives the HR team more power to deliver relevant information and gain insight into what is happening in the workforce. Technology has become a point of leverage that empowers HR leaders with valuable insight.

Armed with these tools, HR officers can step back and consider the types of resources they will need in three, five, and even ten years. Do your HR business processes give you visibility into your workforce and the ability to drill down so you can determine what needs to change? A complete talent solution allows you to understand the best sources of internal and external talent and to fill key positions with high-quality, socially sourced referrals.

For example, an educational institution with a broad, decentralized IT footprint had multiple HR business units, each with its own back-office systems and tools. Once they started to consolidate they realized how difficult it would be to derive insights from all this disparate data. They didn't have a good handle on their overall talent pool. To improve the situation they are eliminating duplicate tools and implementing a shared service model that spans multiple business units.

*Installing a global HCM system is not just a technical exercise. It’s a business exercise. You need a partner with targeted expertise.*

Consolidating in this way is a big initiative. Tactically you have to bring up a new HCM system while working with one or more old ones and simultaneously creating new business processes and services. Oracle and IBM are skilled at helping HR leaders solve a wide variety of workforce management, talent management, and recruiting challenges. Our focus is on building role-based applications that are intuitive and easy to use. IBM brings the People and the Process. Oracle supplies the Technology. Together, we have looked at human capital management from all angles. We implement holistic solutions that cover everything from the basic workforce management to comprehensive talent management, backed by rich analytics that deliver true insight.

Remember, a best in class HCM solution is a proven foundation for positive change. But technology alone can’t transform your business. Many organizations also need help reengineering their business processes and managing the cultural changes that business transformation initiatives bring. They may also need guidance accessing and integrating the data that drives rich insights. Installing a global HCM system is not just a technical exercise. It’s a business exercise. You need a partner with targeted expertise.

Please see [oracle.com/hcm](http://oracle.com/hcm) to learn about technical solutions for today’s most pressing HR business problems, and [follow this link](http://link) to learn how IBM and Oracle work together to help you simplify, innovate, and transform your business.
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