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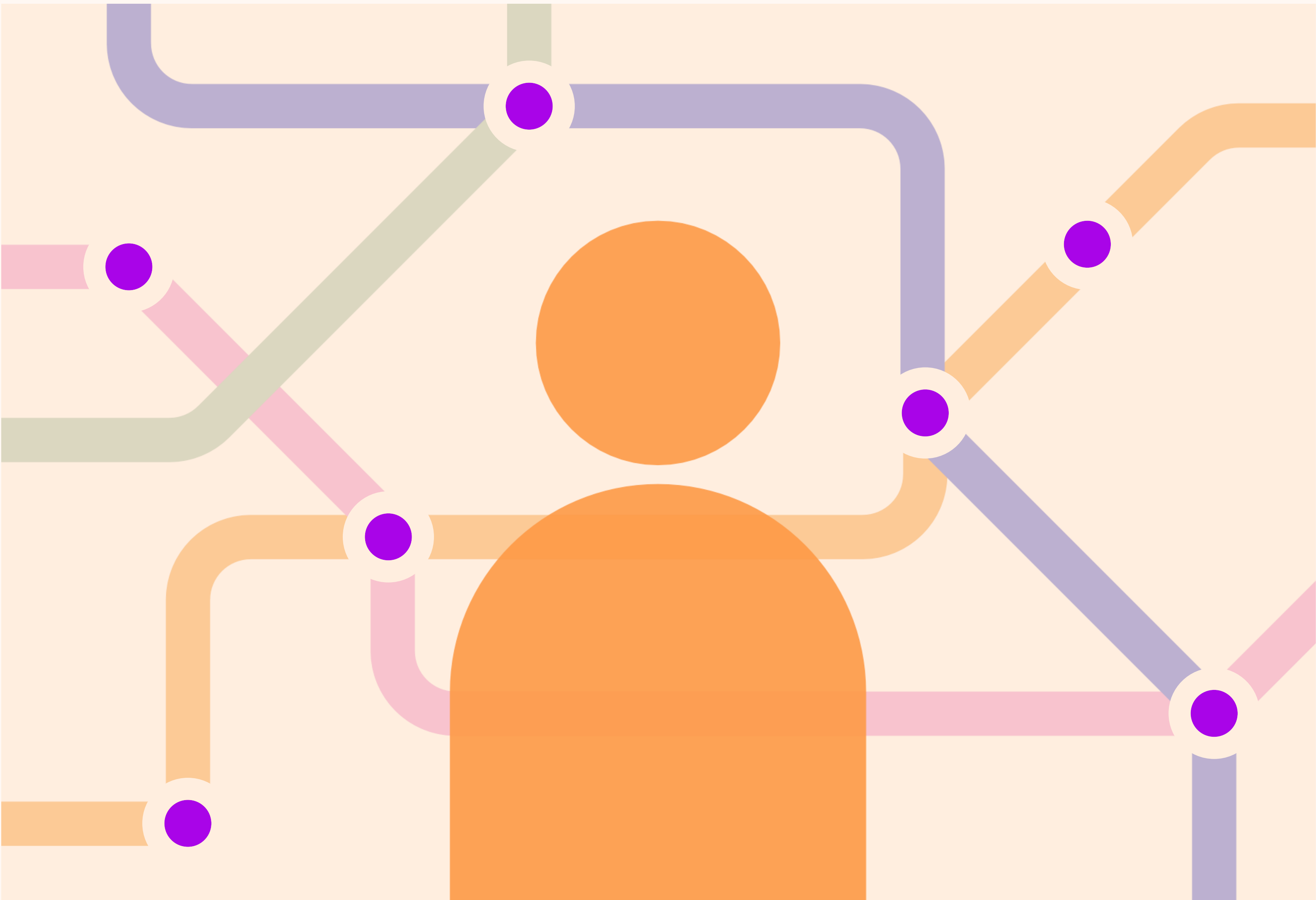
The CEO's Guide to People Analytics

Everything leaders need to know about people analytics, ways to leverage it, and how to achieve business priorities.



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Introduction

With good reason, investors focus on a company's financials. But outcomes like earnings, cash flow, and profitability only explain half of a firm's market value. What accounts for the other half?

Intangibles close some of this gap between financial outcomes and overall firm value. A company's strategy, brand, innovation, research and development, and goodwill account for some of the differences between companies with the same tangible assets. One factor drives these company decisions: **leadership**.

Leaders drive each category of intangible value in different ways. For companies to keep their promises, leaders must build trust and reduce risk. To create a clear, compelling strategy, leaders must define a desirable future and deliver value to customers. To align core competencies, leaders must invest in R&D and connect functional expertise across departments. Finally, leaders build organizational capabilities by aligning the company's culture with its mission.

However, to design a successful people strategy, leaders must also think about the experience they create for your employees. For this reason, rather than analyzing isolated processes or metrics, they should focus on the employee life cycle. Measuring the employee life cycle provides contextualized, data-driven insights that help create a positive and continuous employee experience, leading to employee success, motivation, and well-being.

By leveraging data and analytics, CEOs can better understand the factors that drive employee satisfaction and performance, and make data-driven decisions to optimize them. In turn, better-informed workforce investments drive business success and help achieve CEOs' priorities.

The CEO's Guide to People Analytics breaks down the value people analytics brings to organizations into specific, measurable, priority outcomes that CEOs meet when they use people data to make business decisions.

How top management benefits from People Analytics

CEO	helps the organization execute its business goals and strategy more effectively.
COO	makes the company's operations run more efficiently.
CFO	makes the company more money, reduces overhead and/or helps the company spend less money, and with the positive ROI coefficient in the process of doing so.
Board of Directors	helps the organization do all the things the CEO, CFO, and COO desire, along with understanding the health of the organization's workforce to produce sustainable value into the future.

Chapter 1.
CEO's Priorities in 2023
Measuring what matters with people analytics

> In this chapter, we look at key challenges CEOs across industries face, and how they can find a strategic business partner in data-driven HR to help set the course.

With economic headwinds, the imperative of cost-cutting, and uncertainty ahead, business leaders have entered 2023 already braced for recession. While its magnitude remains undetermined, its certainty is palpable — geopolitical tensions, supply chain disruption, talent shortages, and the lingering pandemic effects will largely set the stage for business in the next 12 to 18 months.

Against this backdrop, CEOs look for certainty where they can. Approaching the planned portfolio undertakings with a future-back lens, corporate leaders need to be nimble and ever-adjust today's resources to the business vision.

But what of the key resources that make the organization running in the first place?

How will CEOs approach the human capital that propels the organization safely through the uncertain climate ahead?

With some of the leading businesses already shedding significant portions of their workforce, what moves must CEOs ponder when it comes to their workforce? And how does people analytics help? Let's look at the top agenda items and see how people analytics helps bridge the gap.

BRIDGE THE GAP: CEO'S PRIORITIES AND HOW PEOPLE ANALYTICS HELP

- Succession Planning & Critical Roles
- Workforce Planning
- Employee Costs
- Hiring to Plan
- Turnover
- Diversity, Equity, and Inclusion
- Engagement and Productivity

> Almost a third of CEOs make it their top strategic priority to adopt new working models/talent strategy to attract and retain employees over the next six months.
>
> **Source: EY CEO Imperatives Surveys, 2023**

Succession Planning & Critical Roles — Succession planning and critical roles are traditionally associated with talent management, not people analytics. Still, analytics on succession planning & critical roles (***Are they engaged? Are they leaving?*** etc.) are very important to senior management. This is sometimes a blind spot for PA teams.

Workforce Planning — Related to the last point, senior leaders are focused on unforeseen risks to the business. Are a wave of retirements coming? Do we have enough software engineers to meet business demand? How is the merger/acquisition affecting the makeup of the workforce? Analytics on the answers to these questions are table stakes for executives.

Employee Costs — Does the business have a handle on the total cost of the workforce? Finance and compensation usually partner on determining the cost of employee compensation. People analytics can bring employee cost benchmarks to bear, and executives are quite attuned to this information. How does the business's revenue per employee stack up to competitors?

> 36% of CEOs say that to emerge from a potential downturn in a position stronger than their competitors, they need to lean in and increase their investment in talent, including workforce wellbeing and skills development.
>
> **Source: EY CEO Imperatives Surveys, 2023**

Hiring to Plan — Definitionally, you must have a hiring plan to be able to track progress to the plan. People analytics should not only be providing analytics end-to-end on critical hiring metrics to executives, but should also be providing data to make more informed hiring plans in the first place. People analytics usually is good on the former, less so on the latter.

Over 50% of CEOs believe that labor/skills shortages will impact profitability in their industry over the next 10 years, to a large extent.

Source: PwC's 26th Annual Global CEO Survey

Turnover — Now we get into the people analytics bread-and-butter. Executives care about turnover insofar as it affects the business negatively. Basic turnover statistics are fine. More refined metrics, like cost of turnover, turnover projections, and turnover's impact on operational effectiveness, are better.

Question: Which of the following options best describes any action your company may be considering to mitigate against potential economic challenges and volatility in the next 12 months?

Note: Percentages shown may not total 100 due to rounding. **Source:** PwC's 26th Annual Global CEO Survey

DEI — Not only are senior leaders demanding more information on D&I representation numbers in recent years, but so are BoD members and stockholders. With upcoming changes with ESG and SEC Human Capital Guidelines, D&I reporting appears to be critical for the foreseeable future. People analytics teams should be prepared for the new regulations as they arrive.

Engagement/Productivity — Only humanist executives will likely care about engagement for engagement's sake. People analytics teams are better served to effectively demonstrate the linkage between engagement and productivity. Once done, leading and lagging indicators of increased or decreased engagement and productivity will be requested by executives. People analytics can help executives "see around the corner" if these types of metrics are reported effectively.