THE BIG DATA BREAKDOWN

How Predictive Analytics Can Revolutionize Company Performance

Big Data may be a hot buzzword, but how can it lead to making smarter business decisions about your workforce? Cornerstone's Max Simkoff, VP, Analytics, and Michael Housman, Chief Analytics Officer, discussed in a recent webinar, "Applying Predictive Analytics to Decisions about Your Workforce," how predictive analytics enable Big Data. They highlighted how it can help organizations make more informed, less risky business decisions that deliver a major impact on everything from hiring and performance to driving revenue. Check out key takeaways from the webinar below.

What is Big Data?

Big Data is simply a collection of historical information, and predictive analytics uses that information to forecast employee and/or customer behaviors. Big Data can be defined by the "3 Vs": **volume** – huge datasets measured in petabytes or more, **variety** – data sourced from many disparate locations, and **velocity** – data collected very quickly, sometimes by the second. When the findings of Big Data are applied to your workforce – i.e. data related to a candidate's performance history – analytics can help HR teams more accurately predict employee tenure, and even identify which new hires will serve customers the best.

How Can Predictive Analytics Drive Better Business Performance?

Companies that embrace predictive analytics for their workforce outperform the competition: they're twice as likely to have top quartile financial performance, and they make decisions five times faster, meaning that while they're executing projects, other organizations fall behind due to "analysis paralysis." In addition, they're twice as likely to make more informed, data-based decisions. Predictive analytics can also help companies make more accurate and nuanced choices, as the questions they'll be able to ask about their workforce's capabilities go beyond simple "yes or no" responses.

What are the Challenges to Predictive Analytics?

CFO magazine found five common myths about analytics that prevent stakeholders from adopting the future of business strategy:

- **Our HR teams aren't mature enough** – In reality, workforce analytics aren't sequential, meaning they don't have to be implemented at a specific point. No matter an organization's current capabilities, there is always room for analytics.
- **We don't capture enough data** – The goal isn't to have more data than the competition; but rather to look at your business challenges, create a plan of attack, determine what data you need to test that plan, then determine whether you have the right resources. Predictive analytics enables companies to do more than just make blind guesses about whether their strategies will be effective.
- **The cost is too high** – Predictive analytics doesn't mean an expensive, end-to-end revamp of HR's current tools. In fact, they may already be sufficient. Predictive analytics is about highlighting a problem and finding the right data to solve it, not creating a cluttered mountain of unusable information.
- **Predictive modeling tools are too expensive and risky** – Business intelligence vendors pitch their products as catalysts that return high volumes of data, often with a high price tag to match. In reality, most companies are successful taking a more measured approach to Big Data by shooting for stronger results through more strategically curated information, not by collecting mountains of it and hoping an obvious course of action presents itself.
- **We're not staffed with statisticians** – This is true for most companies, though without statisticians who can build predictive tools, stakeholders will continue to make decisions with huge financial ramifications despite having very little data.

McCann, David. "Five Myths About Predicting Workforce Behaviors." CFO Magazine. Date published: March 2013. Date accessed: Oct. 1, 2015. http://ww2.cfo.com/people/2013/03/five-myths-about-predicting-workforce-behaviors/

How Can Big Data's Findings Drive Workforce Decisions?

Predictive analytics enable HR teams to calculate employee tenure, performance, year-over-year revenue targets, and even how they can properly incentivize managers. Traditional dashboards, which only let you react to data, keep companies chained to the past. Analytics help you predict what will happen, and why, so you can adjust your workforce operations to anticipated marketplace conditions. In a real world success story, Xerox was suffering from hiring, retention, and performance issues that negatively affected profits and customer service ratings. To overcome those challenges, they needed a data-driven solution that was scalable and focused on results. By applying analytics to their workforce planning initiatives, Xerox saw a 9% increase in employee tenure, avoided 820 risky hires, saved over $2.5 million, and enjoyed a 2-3% increase in customer satisfaction (read the case study here).

Predictive Analytics: Interesting Workforce Insights

Check out these noteworthy workforce findings from Big Data analytics:

- Having friends at work is the biggest factor of attrition
- There is an 'overtime sweet spot' that maximizes productivity
- Salary increases only have a short-term effect on retention
- Employment history is not a predictor of performance
  (so don't be afraid to hire job-hoppers!)

Findings derived by Cornerstone OnDemand from data on millions of applicants from leading Business Process Outsourcers and many of the world's most recognized global brands. Data comes from 31 countries, 18 different industries, and over 500mm performance records.

Summary

Business and HR decisions often go hand-in-hand, and Big Data can lead to a smarter approach to both. When applied correctly, companies can leverage predictive analytics to make more intelligent decisions about who to hire, and how they can drive workforce performance. Organizations can better predict who their high performers will be (and why), who **not** to hire, and perhaps most importantly, how to be proactive in an increasingly competitive business world.

To view this webinar and learn even more ways that predictive analytics can lead to stronger employee performance, click here.

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