ANALYTIC AND PREDICTIVE TALENT MANAGEMENT: THE FUTURE IS NOW!
A growing number of companies are opting for innovative approaches that allow them to manage their talent challenges efficiently and proactively. These new approaches are essentially based on two major trends: a growing availability of data on internal and external talent pools, and the adoption of analytical and predictive analyses centered on business needs. These trends are driving a veritable evolution of competencies within human resources functions.

LIMITATIONS OF QUALITATIVE AND REACTIVE APPROACHES
The most effective strategies implemented are those coming out of a rigorous analysis of the business-related human capital issues and their fundamental causes. Not so very long ago, such analyses were based on qualitative approaches. One-on-one interviews with managers, employee surveys, and focus groups were the main sources of data used to complete analytics and determine talent management strategies.

Today, the analysis of talent issues is often based on an examination of descriptive human capital indicators or on a comparison of those indicators with market trends. Essentially, these indicators make it possible to observe historical trends, such as the changes in turnover rates, performance rating distributions, promotion rates, and salary progression.

These qualitative and reactive approaches to talent management have two main limitations. First, as the case study below shows, there can be substantial discrepancies between the perceptions obtained from interviews or surveys and the actual facts observed in an analysis of objective data on internal and external talent pools. And secondly, the traditional approaches focus essentially on current or past issues.

“"The most effective strategies ... are those coming out of a rigorous analysis of business-related human capital issues and their causes.”"
A survey conducted in a major services company revealed that 82% of the employees felt that salary increases and promotions were not linked to performance. Only 26% believed that professional training and experience increased their chances of promotion.

During the individual and group consultations, human resources management noted several instances of dissatisfaction with the performance management program. As a result, management made a commitment to implement an action plan that included a review of the program.

As part of the evaluation of the existing program, data relating to compensation was cross-referenced with data on employee movement, which revealed a strong correlation between salary progression and performance rating. Other data cross-referencing highlighted direct links between professional development and career advancement.

In light of the analysis, management decided to maintain the performance management program and to focus its actions on better communicating the results of the program to employees. It turned out that the discrepancy between the observable facts and employee perceptions was the main problem that needed to be solved.

“Only 26% [of employees] believed that professional training and experience increased their chances of promotion.”
INTRODUCTION OF NEW APPROACHES BASED ON ANALYTICAL AND PREDICTIVE MANAGEMENT

With the implementation of integrated human resources management systems, a wealth of data has become accessible, from basic information such as hire dates, job positions, and ages to more sophisticated data on competencies, behaviors, and personality traits.

But what is the best way to put all this objective data on the internal and external talent pools to good use? That is where analytic and predictive talent management comes in, by enabling human resources teams to better understand what is really happening in the organization, to detect trends, to identify the causes of the situations observed, and to make projections or model various future scenarios about internal and external talent pools. These approaches use statistical and quantitative analyses as well as explanatory and predictive models. Analytical and predictive talent management thereby enhances the qualitative approaches and improves the quality of the strategic decisions related to talent management.

HOW TO USE THE OBJECTIVE DATA FOR TALENT MANAGEMENT

The new analytical and predictive approaches to talent management used by cutting-edge companies are garnering a lot of interest. These companies use the data available on their internal and external talent pools to not only target their human capital investments with near-surgical precision, but also to anticipate future issues. They carry out causality analyses to understand the specific talent issues in crucial segments of the workforce or in specific units. They use statistical forecast models, using simulations to project the results of different workforce scenarios. They anticipate and measure concretely the value and efficiency of their talent management initiatives. In brief, their human resources teams have developed analytical and predictive management capabilities that are used for strategic purposes.

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Figure 1 shows the main characteristics of the different levels of analysis in talent management. It also shows the strategic contribution value associated with each level.

THE ANALYTICAL APPROACH IN ACTION

Several companies throughout Canada have recently used analytic and predictive approaches for strategic talent planning. They have implemented customized strategies that specifically target the issues and risks arising from the current and future characteristics of their internal and external talent pools.

PROJECTING TALENT DEMAND AND NEEDS

How many employees will be needed to achieve the operational and business objectives for the next seven years? How should employees be distributed within the units, functions, and levels? Which talent segments will be most important for the company’s success? Which competencies and types of expertise and behavior will be critical for meeting the business objectives?

By using analytic and predictive talent management, a mining company came up with concrete answers to these questions. The company developed business scenarios that it used to model its quantitative and qualitative workforce projections. The company also took those scenarios into consideration when making its business decisions, as was the case for
its project to expand operations into a thriving region. Based on their expansion plan, the human resources team created various forecast scenarios for workforce needs for three sites in that region. The scenarios were then discussed with the management team. The scenario that was finally selected was the main driver of the attraction strategy and the integrated talent recruitment plan launched by the human resources team, which played a strategic role in the company’s future.

ANTICIPATING CHANGES IN THE INTERNAL AND EXTERNAL TALENT POOLS
Analytic and predictive management also makes it possible to anticipate changes in internal and external talent pools, using assumptions about workforce demographics. What are the characteristics of the internal talent pools in terms of age groups, experience, and career paths? What is the talent flow by job level? What is the quality of the succession pool for management positions? What are the drivers and disincentives for internal talent mobility? How will external talent availability in the labor market change for each position and the different locations? Through an analysis of its internal and external pools, one organization was able to anticipate the specific issues and risks it might face in the coming years. Furthermore, this aerospace manufacturing company was able to determine that the issues and risks were different from one unit to another and in each of its production sites. Because of its ability to conduct multi-site analyses, the human resources team was able to develop targeted strategies for each of its units around the world.

As Figure 2 shows, the aerospace manufacturing company observed that the age curve within a given unit was going to reverse itself by 2017, resulting in substantial need for the knowledge transfer and employee training.

Figure 2. Change in the Internal Talent Pool (2011–2017): Demographic Projections for a Given Sector

“Through an analysis of its internal and external pools, one organization was able to anticipate the specific issues and risks it might face in the coming years.”
This forecast enabled the HR partners of the business unit concerned to justify to management the action plans needed to address the challenge proactively.

More recently, the human resources team at another manufacturing company used an analytic and predictive approach to better understand the current structure of its workforce in an industry sector and to anticipate changes in its traditional recruitment pools for the next seven years. Based on this analysis, the company developed specific action plans to address the anticipated imbalances between talent supply and demand in the crucial segments of the workforce.

As illustrated in Figure 3, the analysis of the manufacturing company’s external talent pools demonstrated that for some of the company’s critical talent segments, there would be 10% to 20% reductions in available workforce in its traditional recruitment areas over the next seven years. In light of these anticipated shortages, the company has considered alternative strategies for talent acquisition and development.

Figure 3. Projection of the Qualified External Labor Pool for a Given Position (2012–2019)
NEW COMPETENCIES TO DEVELOP

After wide usage in the areas of marketing, sales, finance, and operations, the analytic and predictive approach to workforce management and planning is now being adopted in the area of human resources. It now offers human resources professionals the possibility of using a broad range of data and information tools to significantly improve the quality of their analytics and the increase relevance of their talent management decisions and strategic initiatives. The challenge will be to learn to use decision-making methods that go beyond approaches that are essentially qualitative or centered on the adoption of best practices. There is no doubt that the analytic and predictive approach will be one of the main forces behind the next wave of change in talent management practices over the next five years. These practices will enable human resources teams to implement proactive talent strategies within increasingly dynamic economic and demographic contexts.

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