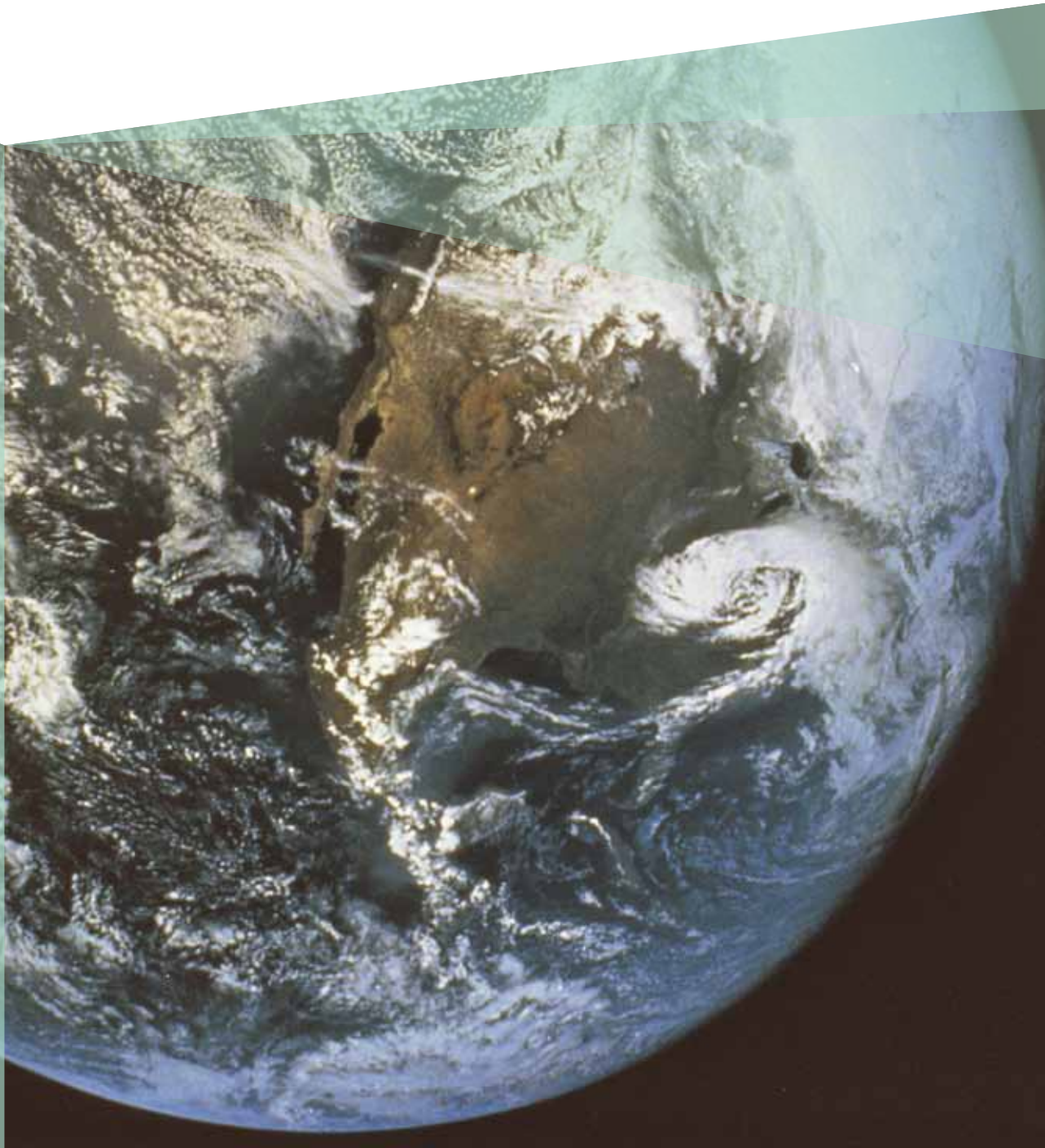


# USAGE OF METRICS AND ANALYTICS IN EMEA MOVING UP THE MATURITY CURVE



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## MOVING UP THE MATURITY CURVE

When we asked business executives about the importance of human capital measurement in a research project we conducted across the Europe, Middle East and Africa (EMEA) region in 2010,<sup>1</sup> on average, companies of participating executives spent 32.6% of their revenues on human capital (such as compensation and benefits, training and development, and other people-related investments), yet only 15.9% said that they had more than a moderate understanding of the return on these investments.

Since then, the workforce measurement (metrics and analytics) discussion has gained further momentum within European organisations. Business and HR decision makers increasingly show a strong desire to better understand the business impact and outcomes related to their people investments.

Workforce metrics and analytics also are receiving a “rising board interest”, which is reflected in business executives’ views about key audiences for workforce metrics: the leadership team and board members are the most important stakeholders, followed by non-managerial employees. External stakeholders, such as investors, banks, analysts and rating agencies, are still seen as the less-important audiences.

## THE “BIG DATA” DISCUSSION HAS ARRIVED IN HR AND IS CHANGING THE LANDSCAPE

Software companies have made significant investments in data management and the analytics capabilities of their platforms. And with the fast emergence of the cloud, this part of the software industry is growing very fast. Cloud computing enables organisations to store and access larger amounts of data more easily, regardless of location and company size.

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<sup>1</sup> Spahrer-Patrick E. “Human Capital – An Appreciating Asset” in *The Human Capital Agenda in EMEA: Succeeding in an Era of Contradictions* (Mercer, 2010), available at [www.mercer.com/HumanCapitalAnthologyEMEA](http://www.mercer.com/HumanCapitalAnthologyEMEA).

For HR, this poses the challenge to combine various sources of workforce data in the analytics process. These sources include:

- Candidate/applicant data (curricula vitae, references, education, certificates)
- Core HR data (employee attributes, demographic data, compensation and benefits data)
- Learning and talent data (performance data, competency data, succession data)
- Perceptual data (feedback from employee engagement surveys, exit interviews, opinion polls)
- Social media data (internal and external social media)
- Labour market data (internal and external labour market data)
- Business operations and finance data (strategic planning data, budget data, business and financial performance data, accounting data, etc.)

As data become more available, many organisations are now focusing on leveraging the various data sources in their quest for better analytics to inform people-management decisions. Yet questions still remain:

- How exactly do organisations use metrics and analytics to support their decision making?
- Are adequate capabilities available to do the analytics work?
- Who is the audience for HR analytics and metrics within and outside the organisation?

To obtain answers to these questions, Mercer conducted a survey in autumn 2012 with more than 250 HR executives and professionals from across EMEA about how metrics and analytics are used in their decision making.

## SURVEY RESULTS HIGHLIGHTS

Our recent survey revealed the following:

- Within the HR function, organisations are more likely to guide their decisions by using ongoing reports and benchmarking among internal and external peer groups, as opposed to using more sophisticated analytic techniques, such as projections, simulations and predictive modelling. Furthermore, there is a higher degree of confidence that these less-sophisticated analytics better facilitate decision making.
- Supporting the relatively low use of more sophisticated analytics, respondents believe that HR professionals do not possess an adequate skill level to perform them. However, the majority of organisations that use less-sophisticated metrics are those that say they don't have the talent to support them.

- In the survey, 97% said they use analytics to develop ongoing reports (87% of them use analytics often) and 82% use analytics to internally benchmark (42% of them use analytics often).
- Yet only 26% use analytics for predictive modelling (and 8% use them often). In fact, use of advanced tools trails off significantly as they become more sophisticated, as outlined in Figure 1. Whichever type of analytics is used, its use leads to better compensation decisions, albeit at varying degrees, according to respondents.

Figure 1  
Range of Analytical Strength by Type of Analytics: EMEA

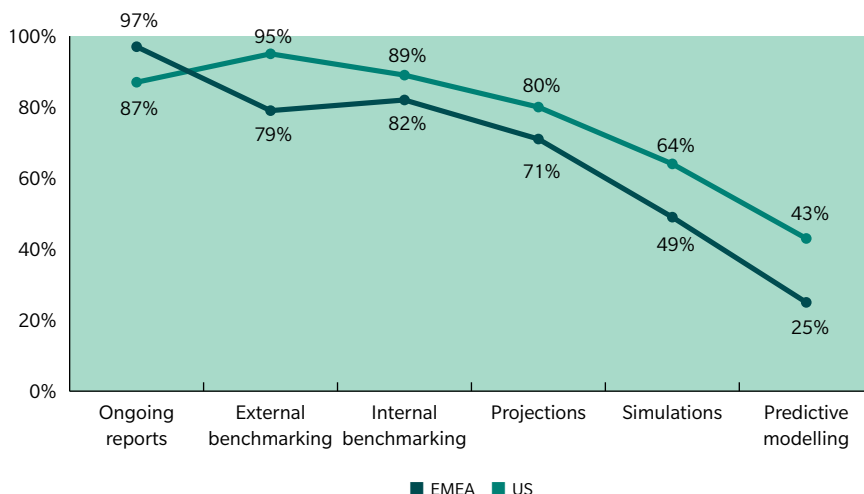
RANGE OF ANALYTICAL STRENGTH	TYPES OF ANALYTICS USED TODAY WITHIN THE HR FUNCTION	TYPES OF ANALYTICS USED TODAY WITHIN THE HR FUNCTION	ANALYTICS PERCEIVED BY PARTICIPANTS TO LEAD TO BETTER COMPENSATION DECISIONS*
Less powerful ↓	Ongoing reports	97%	66%
	External benchmarks	79%	72%
	Internal benchmarks	82%	72%
More powerful ↓	Projections	71%	62%
	Simulations	49%	45%
	Predictive modelling	26%	36%

\*Participants who did not use the specified analytic were excluded from this percentage.

Source: EMEA 2012 Metrics and Analytics: Patterns of Use and Value Survey

The results are consistent with those obtained from US organisations that participated in the WorldatWork and Mercer US Metrics and Analytics: Patterns of Use and Value Survey conducted in February 2012.

Figure 2  
Range of Analytical Strength by Type of Analytics: EMEA/US Comparison



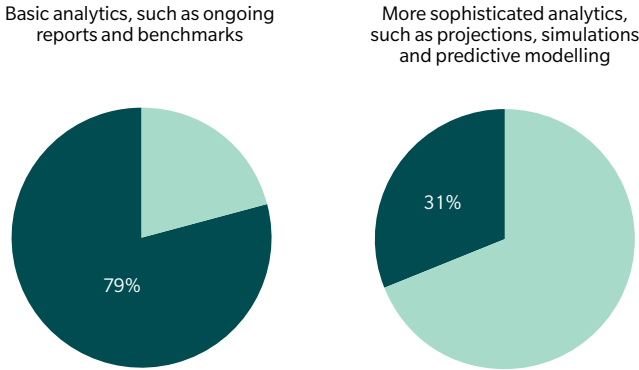
Source: US and EMEA 2012 Metrics and Analytics: Patterns of Use and Value Survey

HR professionals may be falling behind their peers in other functional areas of the business in their use of increasingly sophisticated analytics methodologies. One example is in marketing, for which analytics are used to predict demand and buying behaviour in specifically defined consumer segments for a certain time and location.

Understanding the drivers for employee retention, employee productivity and the total return on human capital investments is crucial to maintaining a competitive advantage for the organisation.

The survey also revealed that despite a lack of the right tools and technology, in support of the relatively low use of more-sophisticated analytics, respondents (69%) believe that HR professionals do not possess an adequate level of skill to perform them.

Figure 3  
**Current Skill Levels of HR Professionals to Perform Analytics**  
Strongly agree/agree that HR professionals' skill levels are adequate to perform:



Source: EMEA 2012 Metrics and Analytics: Patterns of Use and Value Survey

### WHAT ARE THE BARRIERS TO USE OF MORE POWERFUL ANALYTICS?

- **Inadequate skill level within the HR function?**  
Yes. Only one-third of respondents (31%) indicated that the HR function has an adequate level of skill to perform sophisticated analytics such as projections, simulations and predictive modelling. In fact, only 79% indicated that their HR function has an adequate level of skill to conduct basic analytics, such as ongoing reports and benchmarks.
- **Limited staffing resources?**  
Perhaps. Half of all respondents (50%) have one to two full-time equivalent (FTE) employees responsible for HR-related analytics, which would equate to five to 10 people spending 20% of their time on analytics. Given that two-thirds (64%) of organisations have between 1,000 and 10,000 employees, one to two FTE employees sounds about right for organisations that are starting to delve into deeper workforce analytics.

- **Uninterested leadership?**

No. According to the survey, almost three-fourths of respondents indicated that their top/C-suite executives and their HR leaders have requested workforce analytics. However, although executive leadership is showing strong interest, only a little more than half (59%) of respondents reported that their divisional business leaders have requested workforce analytics, and fewer (37%) are being asked by line managers.

## WHERE IS THE JOURNEY HEADING?

When asked what respondents would like to explore through analytics that they are unable to do today, survey respondents said they would most like to gain greater insights to effectively motivate our best performing employees (58%) and whether the rewards strategy motivates and engages top-performing employees (45%) – and, at the same time, they would like to determine the strategy’s overall effectiveness.

Figure 4

### Metrics and Analytics Should Do the Following (‘Wish List’)

Selected as a top-three choice



Source: EMEA 2012 Metrics and Analytics: Patterns of Use and Value Survey

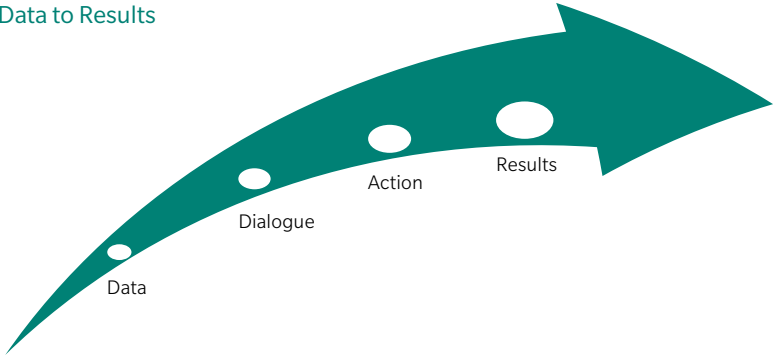
Furthermore, this observation underlines demographic shifts that, combined with economic and operating pressures, are creating significant risks for organisations. Firms around the world – and particularly those in Europe – are facing severe long-term talent and skills shortages. Having the right number of employees with the right skills in the right place to execute the business strategy is key in today’s competitive landscape.

### CONCLUSION AND RECOMMENDATIONS

The study shows that European companies are maturing in the application of metrics and analytics as a decision-support process. However, further development of capabilities will be required to apply advanced analytics and metrics, supported by adequate tools and data infrastructure.

For HR, now is the time to build these capabilities in the organisation, but it will require the right governance, resources and technology. The skills that HR needs to build include the analytical capabilities as well as those related to mathematical and statistical modelling. In addition, it is also critically important to blend the analysis and research with the art of storytelling: the “magic” of workforce analytics is in the dialogue phase. It is the basis to transform “big data” into a story that evokes emotion, dialogue and action within the organisation:

Figure 5  
From Data to Results



Source: Mercer 2012 web briefing together with Theresa M. Welbourne, Professor of Business and Director of the Centre for Entrepreneurship, University of Southern California

Mercer advises organisations to keep the following in mind during this journey:

- Train your workforce and equip it with the right skills to apply more sophisticated analysis that can be incorporated into scenario planning and the overall business strategy.
- The application of metrics and analytics is a process, not a project. You want to be able to run the analysis, rather than just capture and store data.
- Typically, the application of workforce analytics and metrics evolves through a number of levels of maturity, and different companies are at different stages of the journey.
- Develop both short- and longer-term views when starting your journey. Think about the short-term aspects of workforce planning, but keep in mind the longer-term resourcing challenges.
- The use of workforce analytics and metrics in decision making is a cultural change for most organisations, especially where anecdotes and retrospective reports have dominated the discussion. A data-analytics and insights-driven approach reinforces a different mindset that needs to be developed and nurtured over time – within HR and the line-management organisation.

## ABOUT THE AUTHORS

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