Part One

THE FIVE PRINCIPLES OF EVIDENCE-BASED CHANGE

1

INFORMATION OVERLOAD OR PERSUASIVE ANALYTICS?

Logic-driven analytics, the first principle of evidence-based change, is about identifying the most pivotal issues that an organization needs to focus on and then using robust analysis to describe those issues as well as the likely outcomes from addressing them. The use of logic-driven analytics also ensures commonality in the frameworks and mental models used in analyzing issues and defining success.

Not long ago, it was widely agreed that a lack of metrics hindered the HR profession's ability to demonstrate its value, influence key decision makers, and uncover insights into the effects of human capital on strategic success. Today—according to Boudreau and Ramstad (2007), and as observed by Cascio and Boudreau (2010)—the hard work of the HR profession, and of the thought leaders on HR measurement, has led to an embarrassment of riches. Information overload is now far more prevalent than the lack of data. Just consider the extensive numbers produced by the typical HR information system. It is often possible to generate statistics—such as turnover rates, salary costs, demographic distributions, competency inventories, and employee-opinion levels—at the touch of a key, and to "cut" those statistics to focus in on business units, individual leaders, and specific employee groups, product lines, or regions.

This is not to say that the data HR wants are always just sitting in the HR information system, waiting to be used. Many

HR and business leaders find that the available information is often not suited to their strategic questions, and they invest heavily in developing new measures that better illuminate key relationships. It is clear, however, that the future of HR will be characterized less by the lack of data than by questions about how to use data well and generate data judiciously.

Figure 1.1 shows, in three dimensions, how the HR consulting firm Towers Watson conveys the potential arenas of measurement. This figure illustrates the myriad ways in which HR can tackle its data. Being drowned in a sea of numbers is the problem; logic-driven analytics is the solution. The z-axis denotes the alternative business strategies an organization might pursue, whereas the x-axis captures the elements of the talent life cycle and the y-axis focuses on the four common categories of metrics. Each cell thus captures a unique set of metrics that are specific to the strategy, life cycle element, and type of

Figure 1.1 Data Measurement Framework
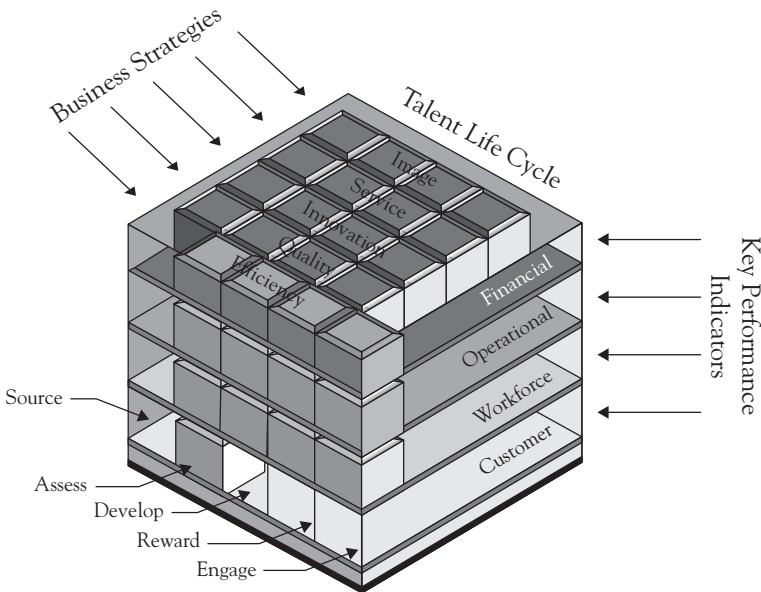
measurement focus for an organization. For example, a consumer goods company with an innovation-based strategy that is interested in employee metrics related to sourcing and selection might focus on the turnover of new hires in its product development group. A data cube like this helps organize data and metrics and identify the areas of focus.

Understanding Logic-Driven Analytics

The real crux of logic-driven analytics is that it is not enough to have numbers, and it is not enough to do an analysis of those numbers—there has to be an underlying logic guiding the analysis.

A typical HR metric is turnover. Turnover numbers are interesting. Add in an analysis of the cost of turnover, and the business begins to pay attention. Yet HR really begins to add value when it builds a logic around what is good turnover, what is bad turnover, and how the costs and benefits surrounding turnover can be optimized in light of business needs. This logic transforms the turnover metric from an interesting number into meaningful evidence that can guide the organization in making the right kinds of changes.

By *logic*, we are not implying the dry, formal methods taught in first-year philosophy. The term *logic* simply points to some context, some line of reasoning, that guides the analysis. In the example of the hospital (see the Introduction), the turnover numbers needed to be looked at in the context of what each department was delivering. There was a logic behind the relatively high turnover in the food service division. In light of that logic, it was possible to know whether the turnover was good or bad and whether any changes needed to be made. Without that logic, HR could not have seen what the numbers meant.

To help guide HR toward logic-driven analytics, Boudreau and Ramstad (2007) developed the *logic, analytics, measures, and process* (LAMP) mnemonic. The important point to remember

is that *logic* comes first. Later in this book (see Chapter Nine), we will see how IBM captured numerous measures about the competencies of its consultants. This data capture was guided by the logic of viewing the talent pipeline as similar to a supply-chain pipeline, with the goal of having the right talent available to fill the business needs at the right time. Without the logical framework built on the supply-chain concept, IBM would have had a lot of metrics but no powerful metaphor to guide talent-management decisions on the basis of those data. High-quality measures and sophisticated analytics can reveal important insights, but evidence-based change often hinges on using the appropriate logic to target the analysis to the most promising and important questions.

In the Ameriprise case that also appears later in this book (see Chapter Ten), the issue was which HR services to continue to provide. One logical framework that was deployed was a marketing concept called *Kano analysis*; at its simplest, it involves distinguishing among the features that customers must have, the ones that they would like to have, and the ones that they do not expect but would be delighted to have. The logic used in this case guided thinking on what questions to ask and what data to collect about existing HR services. The company was able to collect all kinds of data about HR services—usage rates, user-satisfaction rates, figures for estimated impacts on sales, and so on—but in the absence of a logical framework such as Kano analysis, the company would have had just a collection of numbers, not a guide to decision making.

The *process* part of the LAMP framework is a critical but frequently overlooked aspect of logic-driven analytics. Good measures and analysis driven by a logical framework are not enough; there must be a process for communicating and framing the information in such a way that key constituents outside HR will act on it. Valid and insightful statistical analysis can add great value, but there is a danger that sophisticated statistical

analysis by competent HR professionals can fall flat if it is seen as "HR speak." The same analysis can be a source of breakthrough change if carefully constructed to answer the right questions, and if presented in a way that makes it actionable by key decision makers. The latter outcome requires skills well beyond those of the typical data analyst or systems expert. IBM brought in a high-level supply-chain expert to help HR with the logic and assist with the process of communicating the implications to stakeholders.

Data and sophisticated analysis translate into true change leadership only when combined with the human touch. This calls for an individual or a group that brings an awareness of the audience, an ability to find the most significant relationships, an expert's eye for the organization's prominent mental models, and the insight of a good storyteller. Gebauer and Lowman (2008) share the compelling story of how McKesson combined data and analytics from multiple perspectives with leadership action to engage and involve employees in significantly enhancing the performance of the organization. It is this ability to use metrics thoughtfully in motivating and informing change that is at the heart of evidence-based change.

The "Analytics" in Logic-Driven Analytics

HR leaders are embracing the fact that skills in data collection and analysis are fundamental competencies for the HR profession. Analysis is sometimes the domain of a few specialists (note they are not necessarily in HR) with advanced degrees in such areas as psychology or economics. Nevertheless, the future of HR depends not only on such specialists but also on what is still the rare capacity for HR professionals to be at home with basic principles of data analysis, research design, and the statistical inferences that can and cannot be made from a set of data.

Here are a few principles of statistical and research design that are fundamental to a wide variety of human capital analyses but are often sources of error when they are ignored:

- *Sampling*, which makes it possible to generalize findings to the relevant situations
- *Correlation* (an instance of two phenomena tending to move in the same direction) as distinguished from *causality* (an instance of two phenomena moving together because one causes the other)
- Elimination of *alternative explanations* through careful design of experiments and quasi-experiments

None of these techniques requires an advanced degree in order to be used, and HR professionals need to take enough interest in these ideas to begin applying them to their work. Interested readers can learn more about these techniques by reading Cascio and Boudreau (2010) or by partnering with people who have experience in this area to grasp how these techniques are applied to HR analytics. However HR approaches learning these basic analytical tools, the takeaway is that they now belong in the toolkit of the typical HR professional; they are no longer just the purview of expert data analysts.

Another useful set of ideas about analytics is shown in Figure 1.2. In this figure, we see how Towers Watson thinks about the analytical domain in terms of the results of the analysis (the four rows) as they are applied to the main elements of the talent life cycle (the five columns). There are four sorts of analytical outcomes, represented by the rows labeled *Optimize, Predict, Correlate,* and *Describe and Benchmark*. With respect to the element labeled *Source and Select*, a starting point is simply to collect data, such as "cost per hire"—a *Describe and Benchmark* outcome. A more sophisticated approach is to undertake some analysis, such as correlating the quality of hires to business performance. As just noted, correlation should not be confused

Figure 1.2 Analytics at Each Phase of the Talent Life Cycle

	Source & Select	Assess	Develop & Deploy	Reward	Engage & Retain
	Measurement, Data Analytics, and Planning				
Optimize	• Model implementation of onboarding program and impact on sales per square foot	• Model implementation of performance management and impact on sales per square foot	• Model implementation of career development and impact on sales per square foot	• Model increased pay competitiveness and impact on sales per square foot	• Model impact of increased engagement through flexible scheduling on sales per square foot
Predict	• Predicted impact of reducing first-year turnover on percent change in sales per square foot	• Projected same-store revenue impact of greater percentage of high performers	• Projected impact on revenue/customer of increased managers per square foot	• Project impact of revenue/labor cost by a pay increase	• Projected sales per square foot by increasing engagement
Correlate	• Link new-hire engagement and customer satisfaction • Link first-year turnover—store manager and same-store revenue	• Link span of control—sales per square foot ratio to shrinkage	• Link percent of employees with a development plan to customer satisfaction and sales per square foot	• Link revenue/labor cost to percent change in same-store revenue • Link pay competitiveness to shrinkage	• Link engagement of store manager to sales per square foot
Describe & Benchmark	• New-hire engagement • First-year turnover—store manager • Cost per hire • Offer acceptance rate	• Performance distribution • Revenue per high-performing employee • Span of control—sales per square foot ratio	• Employee headcount • Sales per square foot/employee headcount • Percent of employees with a development plan • Sales per square foot/manager headcount	• Revenue/labor cost • Training cost per EE • Labor cost percentage of overall labor cost—store manager • Pay competitiveness	• Engagement • Store manager turnover • Absence rate—sales • Voluntary turnover by high performers • Internal staffing rate—first level managers

with causation, and a higher level of analysis seeks to predict causal outcomes on the basis of metrics (for example, one can predict the impact on productivity of a reduction in turnover among new hires). Finally, the most sophisticated outcome of analysis would be a model in which, for example, HR simulates the impact of investment in programs for new hires. The point is not that every analysis must strive for the upper part of the matrix, but rather that useful and change-inducing results can occur at every level of analysis. Where logic-driven analytics is concerned, HR needs to start applying frameworks like LAMP, learn the basics of data analysis, and be aware of the different levels of analysis, such as those shown in Figure 1.2, in order to act at the appropriate level.

HR analysts should also develop facility with a number of analytical concepts from economics and finance, including those listed here:

- The differences among fixed, variable, and operating costs
- The time value of money
- Present value and discounting
- The difference between cost-benefit analysis and cost-effectiveness analysis
- The notion of utility as the perceived value of something, where perceived value depends on the value of individual attributes, their probability, and their relationships
- The notion of break-even analysis and inflection points as opportunities for optimization and simplification

It is not our purpose to teach these concepts here but to draw attention to the idea that logic-driven analytics rests, in part, on the strength and validity of the analysis itself. These concepts are not overly difficult, and the easiest way to learn how to apply them to HR issues is to partner with people in the business to whom these concepts are second nature.

That said, as we noted earlier, even the most rigorous analysis that uses the most valid measures can fail to induce change if it is not carefully crafted with the use of logical frameworks that engage the target audiences.

Using Logic to Find the Right "Story"

Organizations have the potential to generate thousands of reports on such issues as turnover, employee attitudes, and skill levels, and to parse the data so as to give personal reports to leaders in every unit, reports that can be further analyzed for all sorts of associations. It might be discovered, for instance, that turnover in one unit is higher among females early in their careers, or that employee attitudes are below national benchmark levels in units that fail to meet their financial goals. Again, however, the goal is not simply to generate interesting HR metrics and analysis but to use analytics to make good decisions and drive change. That distinction bears repeating when the HR function in so many organizations makes the mistake of simply throwing data out to its constituents, in the hope that they will make the necessary connections to important outcomes, root causes, and actions that will produce results.

Thus one important use of logic is to discern which data and which analytics are likely to be most pivotal to the vital issues facing the organization. That's why HR analysts have to be good at analyzing strategy and business issues and understanding how human capital connects to those issues. Although these skills are similar to what is typically described as business acumen in today's competency models, they go well beyond business acumen. Here, we are talking about the ability to understand the logic of the business well enough to see where data about human capital can most improve decisions that will have a pivotal impact on important business results.

For example, if the logic of the business says that selling more to existing customers is more profitable than acquiring

new customers, then HR data reflecting the first goal should be the focus of the business decision makers. It is not enough simply to show that more employee engagement is associated with higher sales; it is also necessary to show how engagement relates to *existing-customer* sales. Thus the logic of the business drives HR to ask, "What kinds of employee attitudes drive improved sales to existing customers? What HR programs improve those attitudes?" Data and analysis that provide answers to those questions will create a very compelling story, which is also vital to key decisions, whereas more generic data about employee attitudes and HR programs can fail to direct attention to the pivot points. This is where data cubes like the one shown in Figure 1.1 can be useful. They help create the connective tissue between the strategic and operational aspects of the business and the requirements for the various aspects of the talent life cycle.

In the future, however, the value of understanding logic will go beyond making HR leaders savvier about understanding and communicating connections between their analyses and the business. In next-generation HR, logic will actually be able to enhance the credibility of results because it will be connected with frameworks that leaders already use.

Using Logic to Create an Emotional Connection

Mr. Spock, the *Star Trek* character, is known for his dispassionate application of logic, to the exclusion of all emotion, and yet episode after episode of this TV series shows that it is often an emotional connection to his logical arguments that creates the catalyst for great achievements. In the real world as well, this lesson is profound and is often the source of the most perplexing aspects of HR analysis and data.

Many HR units and HR data analysts are frustrated because they know that their analytical work is first-rate, and they even see it published in prestigious scientific journals. But decades of evidence suggest that managers seldom read such journals,

know very little about this kind of scientific evidence, and routinely ignore findings that most human behavior scientists would regard as well documented. One reason for this paradox is that HR analysis aimed exclusively at scientific rigor often fails to connect with the context and reality of the problems the analysis is designed to address. In organizations, this failure displays itself as a tendency for leaders to listen politely to and even applaud HR analysis but then place the findings on a shelf, never to consult them again.

The cases you will read about in this book show how a number of HR leaders overcame this tendency. The cases also show how leading organizations have deftly embedded rigorous analysis within logic models and frameworks that are familiar to key constituents. We have already mentioned that IBM drew on a supply-chain metaphor; later in this chapter, you will see how Deutsche Telekom used the same metaphor to reframe the logic of succession and leadership development. These frameworks are effective because stakeholders understand them and trust them. When analysis is framed in a comfortable way, stakeholders do not just listen; they take action, and they embed the logic of the analysis in their decisions. Boudreau (2010) coined the term *retooling HR* to describe this kind of framing, offering examples that involve retooling turnover data within a framework of inventory

Assessing Your Level of Analytical Sophistication

Cascio and Boudreau (2010) have suggested a continuum of analytical sophistication that can be used to get a sense of how far along you are in the world of logic-driven analytics:

1. *Counting: making sure all the relevant data about the workforce are tracked, organized, and accessible.* For example, HR will

(Continued)

have ready access to facts like the number of senior jobs filled internally. This sounds straightforward, but a lot of work is involved in getting to this first stage.

2. *Clever counting: extrapolating from descriptive data to yield insights through trend projections or cross-group comparisons.* For example, analysis may show that Asian leaders are more likely to be promoted into senior jobs than are European leaders, a practice that is likely to result in a narrow range of perspectives at the top of the organization.

3. *Insight: understanding the drivers behind the trends and cross-group differences discovered through clever counting.* For example, HR will recognize that the way Asian leaders are developed through cross-unit assignments better prepares them for senior jobs, thus clarifying the root cause of their disproportionate promotion numbers and suggesting possible solutions.

4. *Influence: using analytical results to create valuable and tangible change.* For example, HR will personalize the overall data in a way that grabs the CEO's attention by showing individual cases of good European leaders who left because they correctly perceived that there was little room for their advancement. It is the evolution toward *influence* that is the hallmark of well-integrated logic and analysis, the heart of logic-driven analytics.

Sometimes organizations invest inordinate effort in mastering the *clever counting* stage and fall short on *insight* and *influence*. (But see Chapter Eleven for a description of how the Royal Bank of Scotland [RBS] Group quite consciously aimed for *insight* and *influence* rather than building the world's best HR data warehouse.) This simple continuum should help you assess the sophistication of logic-driven analytics in your organization.

turnover, reframing talent sourcing and assessment validity within the frameworks of supply chains and quality control, and reframing leadership readiness for an uncertain future within the framework of financial portfolio theory and risk hedging.

"Back of the Envelope" Versus Pushing the Envelope

In an age when it will be ever easier to generate numbers and statistical analysis about your workforce, perhaps the most important principle to keep in mind is that less is often more. The cases in this book certainly offer insights into advanced and forward-thinking data and analysis systems, and it is easy to become frustrated if your organization isn't blessed with such an advanced infrastructure or with a cadre of advanced technical analysts. Nevertheless, to fixate on these things is to miss a fundamental point: namely, logic-driven analytics is about creating *evidence-based change,* not necessarily about creating the most impressive data system or analysis.

The sophistication of the analysis should be consistent with the best way to create the needed change. If you read carefully, you will find that in many of the cases featured in this book, the most important "data" were not numerical at all but instead statistics personalized by using a real example or statistics translated into a logical story. By scientific standards, the actual calculations were often imprecise, but they were compelling enough to get attention and generate action. Logic-driven analytics requires enough precision to avoid mistakes, but that does not usually mean pushing the envelope to the limits of the technology. "Back of the envelope" is often enough—and can be even more effective.

Deutsche Telekom: Bringing the Logic of the Supply Chain to the Analytics of Leadership

How do most organizations make decisions on succession? Is it a smooth process, or is HR scrambling at the last minute to source

an external candidate or promote someone not quite ready for the job? Leaders often feel certain that *somewhere* in the company, there must be someone able to do the job—or at least someone who could have been ready with better planning. Then they reluctantly search outside.

Recognition that we need to plan for succession leads to the appropriately named *succession planning process*, which typically requires identifying a successor for each key position. Unfortunately, this often becomes an administrative "name-to-box" exercise. Yes, this way a possible successor is named. But it involves one name only, without strong evidence this person is the best choice, nor is there good data about the candidate's readiness to move up, let alone about what has been done to prepare him or her. In many organizations, fewer than 50 percent of those promoted were actually listed on the succession plan for the position. Furthermore, name-to-box succession plans do not address the broader issue of developing deep talent pipelines enterprisewide.

Deutsche Telekom (DT) "retooled" the challenges of succession planning to those of building talent pipelines. They realized that essentially the problem was one of logic-driven analytics. They needed good-quality data about their talent across the enterprise, and they needed to analyze it based on a legitimate logical framework of pipelines. Additionally, they had to present it with a logic framework that would engage leaders outside HR to make good decisions about promotions, deployment, and development. This case shows how DT solved the problem of generating the right data and making it useful, all the while generating buy-in from all key stakeholders. It reveals how systematic attention to creating common logic frameworks, then using them to direct data analysis and presentation, leads naturally to more positive outcomes for HR systems.

Understanding Deutsche Telekom's Situation

DT is a global telecommunications and information technology company with operations in 50 countries. A big organization with

260,000 employees, it has many lines of business—broadband, fixed-network services, mobile communications, and Internet TV. The business units are extremely strong, and most are very profitable, so enterprisewide initiatives must be acceptable to these powerful stakeholders.

The telecommunications industry is fast-moving and talent-driven. Therefore, it is no surprise DT felt it needed a steering tool to allow leadership to assess the balance between demand for and supply of talent in pivotal areas. In the past, DT had faced situations where it was simultaneously laying off large numbers of people in one division while hiring large numbers in another. This raised the question of whether it would have been possible to redeploy people instead. But that sort of redeployment is not possible without a good enterprisewide talent-management system.

While there may have been a fair bit of talent management going on at DT, every business unit did things differently. Each unit had its own database for talent, with its own structure, definitions, tracking systems, and protocols. Even if one unit tried looking across to other units for openings for its surplus people, or to find available talent to fill a vacancy, the need to reconcile different systems would stymie the search. Not only that, but in many cases the same role had different titles or definitions in different units. Naturally, leaders tended to stick to the data and analysis systems they knew, which often meant considering talent only in their units. Like an inventory system trying to reconcile the pipeline of materials, unfinished goods, and production without a common logical framework, data, and analysis, it is not possible to achieve the synergies that cross-unit integration can bring. Until they tackled the problem at an enterprise level, it was impossible to have any kind of overall picture of talent pipelines at DT.

Creating Buy-In and Developing a Logical Framework

Why would there be resistance to a new system for developing talent pipelines? Ironically, one issue was that the business units

really cared about talent. They tended to see talent as their own property, not an enterprisewide resource. They were concerned that any enterprisewide system would mean they could lose their best talent to other units. Furthermore, because they cared about talent, they had their own ways of assessing competencies and determining readiness. The business units thought any new system would not be as effective in meeting their needs as their homegrown systems. To get the business units onside, HR needed to show that any new system served all stakeholders well, and that the benefits of cross-unit cooperation outweighed the costs.

The most important first step is what HR did *not* do—they did not go off and design a state-of-the-art talent-management system and *then* try to get buy-in. Instead they held a monthly stakeholder meeting where stakeholders were part of the development process.

Since the new system would need to be as good for the business units as what they had in place, the starting point was to research all the existing databases and frameworks to assess talent (for example, methods for assessing performance, competencies, and potential) and how those systems addressed talent requirements of each specific business need. As the stakeholders looked at the different systems, they could see unique advantages of each and then consider how those systems might contribute to the common goal of excellent talent. This perspective allowed them to imagine what the right practice for the enterprise would be.

Most important, their research extended beyond HR professionals in the business units to interviews with line managers and the board about needed outputs from the talent-management system. This meant that in stakeholder meetings, HR could lead good evidence-based discussions on what managers and the board wanted; it avoided a descent into a "we like this" versus "you like that" argument. Knowing what the board wants is a powerful means for forging agreement across units because it can focus attention on the organization-wide outcomes as well as best outcomes for individual units. The board's involvement

helped emphasize that competent talent was a critical corporate asset, not just a means for business unit heads to achieve their own goals.

The final step was to build the new approach to talent in a way that integrated with what was currently in place so it was easy for business units to migrate to a common system that would provide them an organization-wide perspective.

Sometimes getting buy-in is seen as selling an idea to someone. But as DT demonstrates, with an evidence-based approach, getting buy-in can be about getting stakeholders to engage in a process of learning about different approaches and reaching a conclusion together. DT used evidence to inform a logical premise—that the objective was achieving optimal balance between common and standardized systems that allow cross-unit talent movement with systems individualized and customized enough to meet particular unit needs.

Thinking About Talent Analytics

For effective talent management, DT needed information about the current quality and quantity of talent—what would be in the new talent management system; future supply—what it could project based on reasonable assumptions about attrition and development; and future demand for talent—which would be an output of the company's business planning processes.

To populate a system with data about the quantity and quality of talent, there needs to be a common language about the levels, job families, and competencies across the enterprise. The most important tool was a common taxonomy of about 60 job families, each of which comprised a number of subfamilies. For example, HR was a job family with subfamilies such as HR Development and HR Business Partner. This taxonomy provided enough detail that any unit could look across the enterprise to find potential candidates, but not so much detail that the system became unwieldy. Now if a leader in the Chinese operations

needed to fill a position in a certain subfamily of finance, he or she could easily search across the whole organization to see what talent was available.

This setup offered room for business units to customize aspects of the system to their own needs—for example, using some of their own competencies. However, wherever it made sense, there was enterprisewide consistency. For instance, at the top three levels of management there is a single competency model for all of DT, because once leaders reached the top three management levels, the highest priority for the system was ability to develop and deploy those leaders across the enterprise. The top three management levels are clearly seen as a "corporate asset." Similarly, all units use the same method for describing the quality of talent, using the familiar dimensions of performance and potential, where potential is based on a competency analysis (Figure 1.3). The common framework makes it possible to talk about talent in the same language across different business units, and if a unit has many high potentials/high performers, then it would be natural to export some to other units.

An important additional assessment for each employee is shown in Figure 1.4. It is common for a measure of potential to

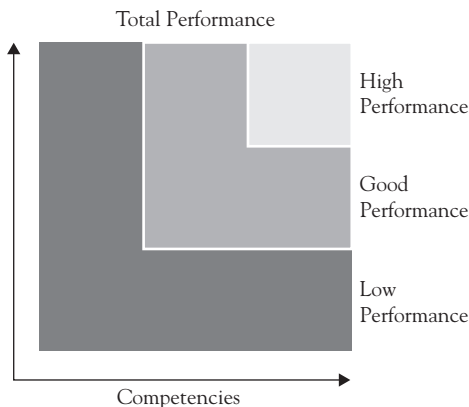**Figure 1.3 Performance Versus Potential: Matrix for an Individual**

Total Performance

High Performance

Good Performance

Low Performance

Competencies

Figure 1.4 Readiness for Vertical or Horizontal Movement

Job Families		
Horizontal	Vertical	Job Families
☐	✓	Management
☐	☐	Corporate
✓	☐	Technology
☐	☐	Finance
☐	☐	IT
☐	☐	HR
☐	☐	Marketing/Product Management
☐	☐	Sales

show whether individuals are ready to move up vertically in their job family, but DT added assessing which other job families they might be able to move to horizontally. For example, the figure shows an individual with tick marks showing that not only can that person move up vertically in the Management job family but that he or she has also the ability to move horizontally into Technology.

The addition of this horizontal perspective opened up the potential for the organization to move talent around in a way that fills gaps and deflates surpluses. This was a new way of thinking for managers accustomed to thinking of talent deployment and development only within their unit and in an upward direction. It was difficult at first, but has now become an essential piece of data for making good decisions about deployment and identifying when talent gaps can be filled by a combination of vertical and horizontal moves instead of going outside to hire. A subtle change in the logical model of talent movement (adding consideration of horizontal moves), combined with additional data showing where individuals might be ready for a horizontal move, revealed talent management options that had

been hidden. Whether the issue is staffing, reorganization, or downsizing common job families, the data on horizontal mobility make it easy to see options available to the organization. All this is mediated by a common technology infrastructure that ensures a search for talent automatically brings up people from other units who could potentially fill an opening.

"Lately, we moved one of our HR talents from HR to the internal auditing department; this would not have been possible without transparency regarding her personal career plans. The tool simply helps us to create more opportunities," said Torsten Bittlingmaier, Head of Corporate Talent Management.

From Data to Decisions

An essential step in any analytics approach is to ensure that the data can be presented to leaders in a way that will help them make decisions. In the case of DT, the main tool was a traffic light graphic (see Figure 1.5), which showed whether a talent pipeline was strong (green light), acceptable (yellow light), or weak (red light). The information could be shown by management level and job function. This graphic was quite easy for the managing board to read and nicely drew the board's attention to any foreseen talent deficits in critical areas. A "more info" button would drill down to provide detail in any segment, such as how many high potentials there were, how many high performers, how many solid performers, the gender distribution, the age distribution, and other key performance indicators for the pool. It was really easy to see the talent landscape, and the system itself is simple to use. The ease of analysis leads to well-informed decisions on whether to hire, redeploy, or retrain. For example, if there were a yellow light in Finance at the Group 1 level, HR could look more closely at the supply options of moving people up more quickly or moving people laterally into the function (with appropriate training). If the gap still could not be adequately addressed, then they would know it was time to start looking to external hires. This

Figure 1.5 Traffic Light to Highlight Talent Shortfalls

	Corporate	IT	Finance	Management	Te
Management Group 1	○○●	●○○	○●○	○●○	
Management Group 2	●○○	○○●	○●○	○○●	○○
Management Group 3	●○○	○○●	○●○	○○●	○○
Total	All engineering positions, Management Groups 1 to 3	All IT positions, Management Groups 1 to 3	...	...	

is a much broader and longer-term view of talent than is often the case in other firms, where only when a vacancy has already occurred, the shallowness of the talent pool is revealed. "We expect the traffic lights to alert us proactively and give us the opportunity to take necessary actions before issues become crises," said Bittlingmaier.

To review the talent pool data and to derive actions accordingly, two process steps were introduced—the succession meeting and the talent review. Each business unit conducts a succession meeting that focuses on reviewing the data as well as conducting an additional name-to-box succession planning for critical roles. Naturally, this meeting is more oriented toward risk management. The talent review is conducted by job family and aimed at increasing transparency across business units. In this meeting the pipeline is reviewed, and bench strength is discussed for the job family. These meetings allowed DT to actively manage its talent pipeline and react to upcoming talent shortages.

The board really likes the system, in no small part because it means that HR is well connected to the business strategy. If the

business will need certain kinds of talent in the next three to five years, HR focuses on that. This is a natural goal, but in many organizations HR runs its programs without a clear idea of which talent issues matter most to leadership. Getting HR data the board wants, in a way they can make sense of, changes the game. The board reviews the talent map on a regular basis, and that review ensures decisions made about hiring, development, and deployment are consistent with business priorities.

Reaping Results

Once the system was in place for organizing the data—standardized job families, competency models, performance ratings and readiness categories, the data itself, and the technology to gather and present the data—DT could reap a wide range of benefits. For example, the company could:

- Start with the business plan to determine the quantity and quality of talent (using the job family taxonomy) required to execute that plan over a multiyear period, and then compare that to the supply of talent and plan accordingly
- Initiate job rotations within or across business units
- Deploy "excess" talent where it was most needed
- Ensure there was a robust pipeline of talent for critical positions

A more straightforward benefit is that, because the organization now has a good handle on where talent shortages and surpluses will be, HR can equip managers to give much better advice on where career opportunities will be. Historically, managers might have a nice discussion with an employee about what he or she would like to do, but then nothing would come of it because no vacancies existed in that area. Now such discussions can be based on facts, not wishful thinking. If someone in IT is interested in an HR career, now it is possible to give that person

a realistic assessment of the openings expected in the HR job family, enterprisewide, in the next few years.

Similarly, a problem with high-potential employees is that they always have an expectation that a promotion is right around the corner. With the talent-management system in place, HR and managers had the data they needed to manage expectations much more realistically. For example, if their forecasts showed there would be vacancies in the individual's job family, then HR could accurately inform a high potential that rapid movement was likely. If the job family was already well staffed or demand would be shrinking due to changes in the business strategy, then the individual could be given the realistic view that there were unlikely to be openings soon. And, of course, that could naturally lead to looking more seriously at possible lateral moves into job families where demand would be higher. These improvements in career planning, as well as the enhanced opportunity for cross-unit moves, supported DT's efforts to continue to build its brand as a great place to have a productive career.

DT has shown that talent management is not an imprecise art form. Rather, it is a rigorous science based on solid numbers that tie to strategy. This enterprisewide view helped dissolve the parochialism of the business units and demonstrate the value of managing talent as a corporate resource. This case is an excellent example of how an analytic mind-set approaches a complex problem and not only builds an effective system but gets buy-in as the system develops.

The One Thing You Should Take Away

Although good measures and the right analysis are important, getting the numbers right is just the beginning. The magic happens when the measures and analysis are combined with the logic to know where to look for the important connections and the savvy to know when a story is better than a number and a good metaphor is better than yet another spreadsheet.