A ROADMAP TO ORGANIZATIONAL EXCELLENCE

THE TALENT MANAGEMENT HANDBOOK

THIRD EDITION

MAKING CULTURE A COMPETITIVE ADVANTAGE BY ACQUIRING, IDENTIFYING, DEVELOPING AND PROMOTING THE BEST PEOPLE

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Chapter 46

The Internal Labor Market Paradigm: A Model for Using Analytics to Evaluate and Interpret Workforce and Business Performance Data

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MANY ORGANIZATIONS SAY THAT THEIR WORKFORCE IS AN ASSET—EVEN THEIR greatest asset. How many manage their workforce as if it were an asset? How many can point to specific methods and processes they use to gauge the payoff from their workforce decisions and expenditures that remotely match the disciplined, quantitative rigor they routinely bring to decisions about financial and physical assets? The answer is very few. Workforce decisions are still made primarily on the basis of industry benchmarks, "best practice" comparisons, management philosophy, employee and market surveys, or simple gut feel. In no other area of business management or investment choice are decisions involving such large sums of money made on such a flimsy, noneconomic basis.

This state of affairs is surprising in light of the current "big data" and analytics revolution that is transforming the way decisions are made in almost every business function and across many fields. The proliferation of easily accessible, digital data on customers, workers, investors, and companies has made it easier for organizations to practice evidence-based decision making. This discipline enables them to target their investments to high-yield areas. While it has been relatively slow to adapt, the human resources (HR) function is also embracing analytics and big data. In recent years, workforce analytics

has emerged as a burgeoning domain within HR. There has been a surge in the number of businesses establishing in-house workforce analytics functions. The infusion of data scientists and empirically oriented HR practitioners is helping HR become a more quantitative discipline and helping HR leaders uncover opportunities for improving workforce management.

The type of analytics being conducted is evolving quickly as well. HR professionals and line managers in the vanguard of workforce analytics are shifting emphasis from reporting of basic descriptive workforce data—for example, workforce demographics, rates of employee turnover, distributions of performance ratings—to delivering results from "predictive" models designed to forecast the likely effects of specific workforce practices. For example, recruiters are increasingly turning to predictive models to identify better job candidates and improve the quality of hires. Some organizations are using predictive models to estimate the "flight risk" of their employees, enabling managers to intervene to preempt unwanted turnover among their direct reports. By delivering this kind of output, workforce analytics teams are having an impact on HR. But are they having a similar impact on the business?

Despite these notable advances, building a workforce analytics capability that delivers true workforce intelligence remains a challenge to even the most sophisticated of HR departments. More than ever before, leaders and managers have access to volumes of workforce and performance data, but true insight remains elusive. Workforce analysts struggle to uncover the story within the data and communicate it in a way that resonates with executives and motivates them to action. This is a common lament of HR leaders. As a result, the output of workforce analytics has failed generally to infiltrate the executive suite and seed an authentic asset management view of human capital among top executives. This limits the impact that workforce analytics can have on the business.

In my roughly 25 years of delivering results of advanced analytics to organizations and advising them on their workforce strategies and investments, I have come to believe that while data are the foundation of good workforce analytics and technology essential to facilitate the extraction and delivery of analytical output, they are not what drive its ultimate business value. Rather, the discipline's success depends on the analytical lens professionals use to examine the data—a lens that can be crafted with insight from relevant fields such as labor economics, organizational psychology, and other social sciences. The shift from workforce data to strategically valuable workforce intelligence will not come from new algorithms or ever-more granular data collection alone, though these are worthy undertakings—but from deploying a strong framework, or perspective, on how to synthesize and interpret findings from the data analysis.

The Internal Labor Market Lens

Since the early 1990s my colleagues and I at Mercer have relied on the construct of the *internal labor market* (ILM) as the basis of the lens we use to analyze and interpret workforce and business performance data. The classic idea of an internal labor market

invokes a particular set of workforce practices and processes that actually supplant external labor market forces in allocating and pricing labor (Peter B. Doeringer and Michael J. Piore, 1971). In its more modern incarnation, articulated in Nalbantian and colleagues (2004), the idea has been vastly broadened to comprise the entire range of management practices that govern how talent is recruited, selected, developed, evaluated, rewarded, managed, retained, or terminated. The approach is based on the observation that an organization's workforce, the workforce it has today and the one it will have in the future, is the outcome of a set of talent "flows"—entry, exit, development (i.e., promotion, lateral moves, and learning)—and the system of rewards offered by the organization which values employees both for what they bring and what they do. These talent flows and rewards—what we call "ILM dynamics"—are influenced by policy choices and by external labor market conditions. The talent flows and rewards interact to create the human capital of the firm and determine how well the workforce performs. Organizations that understand these ILM dynamics are better positioned to shape their workforce to their business needs.

Mapping the Internal Labor Market

An internal labor market (ILM) map is a well-established way to render an organization's talent dynamics. As displayed in Figure 46.1, the map represents the distribution of employees across career levels and the average annual rates of movement into (i.e., new hires), out of (i.e., turnover), and through (e.g., promotions, lateral moves) these levels over the period analyzed, usually, three to five years.

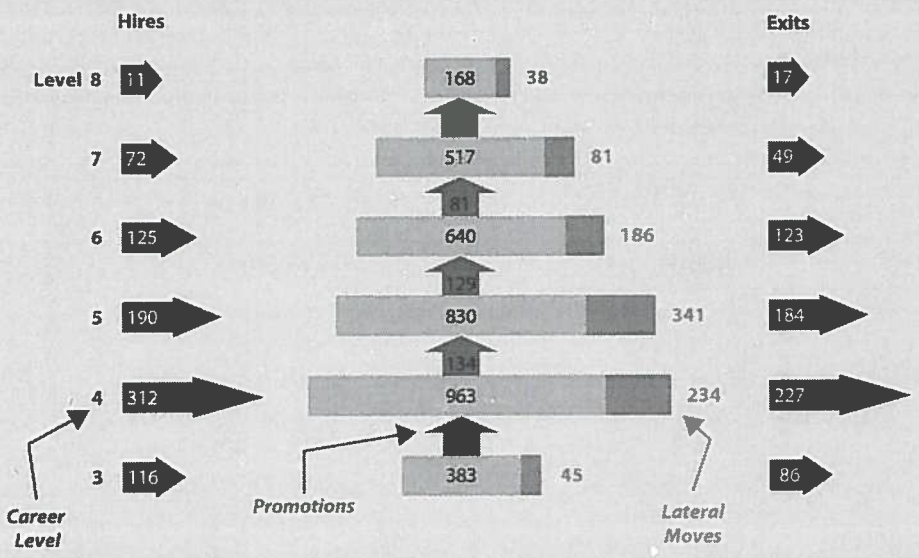

Figure 46.1 Internal Labor Market Map: Representative Example

The ILM map offers a "system-at-a-glance" view of the dynamic process that actually creates an organization's workforce. ILM maps across and even within organizations can differ in shape, size, relative orientation of "buying" versus "building" talent, overall velocity of talent movement, the degree and location of career bottlenecks or choke points, concentration of hiring and/or exits at particular levels, among other things. Observations on these descriptive characteristics can be very revealing about critical human capital issues. Even more powerful is information learned from statistically modeling the drivers of these talent flows and associated rewards to explain why the internal labor market functions as it does and which workforce characteristics and practices are most influential in driving observed outcomes. See Nalbantian, Guzzo, et al. (2004).

Mapping an Internal Labor Market

ILM Analysis® is a way of quantifying and explaining internal labor market dynamics. (For more information on ILM analysis, see Nalbantian and colleagues 2004). The methodology involves a coherent set of models designed to statistically estimate and quantify the drivers of the key workforce dynamics of retention, promotion, performance, and pay. Using this particular lens, organizations can uncover and articulate the story within the data, one that captures the unique opportunities and looming risks related to workforce management. By quantifying key relationships, they can objectively prioritize the actions most likely to help them seize those opportunities and mitigate those risks more effectively. Finally, the ILM lens brings an unambiguously economic view of human capital management, providing the basis to treat workforce decisions as investment decisions.

The Language of Markets

Perhaps the most consequential benefit of the ILM approach is that it uses a language that executives inherently understand—the language of markets. Executives are all about markets. Identifying, understanding, anticipating, and responding to the various markets with which their business interacts—customer markets, capital markets, supplier markets, and external labor markets—is what they do. Executives are constantly working to get a handle on market developments to uncover opportunities to make money. They are constantly seeking advantage over competitors who are engaged with those same markets. That's their prime responsibility. Somehow executives have had a blind spot for internal labor markets. This is ironic as the internal labor market is the only market over which they have meaningful control, unless, of course, their organizations are monopolies.

Part of the problem is that executives may not recognize that they are running a form of labor market. The ILM is very much a market. It performs all of the core functions of more traditional "external" labor markets: matching people to jobs, motivating people to perform in those jobs, and pricing those jobs, along with the attributes, capabilities, and behaviors people apply at work. The only difference is that the ILM accomplishes these functions through internal processes and procedures rather than through arm's length transactions.

Demand and Supply

Like all markets, the ILM is driven by the dynamics of demand and supply. The demand side of the ILM is a derived demand. It reflects the attributes, capabilities, and behaviors that are needed *in and from* the organization's workforce to achieve its business goals. These can be determined using qualitative methods such as structured surveys or interviews that elicit the expert opinions of those closest to the business as to what those workforce requirements are or will be. But they can also be determined through the application of advanced workforce modeling. Careful statistical analysis of the running record of business performance can be used to link workforce attributes and management practices to actual business outcomes. The idea is to uncover from the organization's performance history the real sources of human capital value to the firm.

This professional services firm, for example, used statistical modeling to identify and measure how the composition of sales and delivery teams influenced year-to-year sales growth with respect to their large national clients. Figure 46.2 provides several drivers for revenue growth at a professional services firm.

The evidence showed that all else being equal, greater staffing diversity on these teams—whether it be diversity of disciplines or business practices, diversity of experience as measured by variation in tenure, or even demographic diversity—led

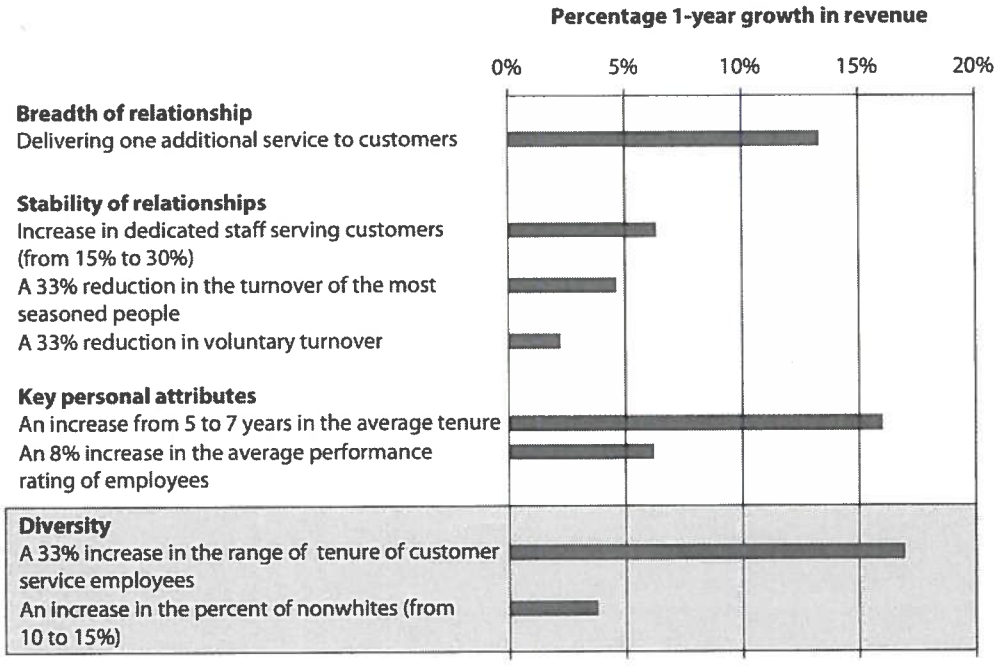

Figure 46.2 Selected Workforce Drivers of Revenue Growth at Professional Company

to significantly higher sales growth. For instance, teams with higher average tenure among their members far outperformed those with members with average tenure. But those effects were magnified when the most tenured employees were matched with new blood. The results of such modeling effectively provide the basis for a workforce blueprint for sales and delivery teams, outlining an optimal configuration of workforce attributes and behaviors that define the demand side of the company's ILM.

The supply side of the ILM reflects the current and evolving mix of workforce capabilities that reside in the organization or to which the organization has access. These are driven by talent flows noted earlier: how well the organization is able to attract, select, and retain the kind of talent required for business success; how effectively the organization develops this talent both through formal training and development and through on-the-job learning as employees move through assignments, roles, and career levels, among other things; and how well the organization applies this talent to the right ventures and goals and motivates employees to perform at high levels. Simply having the right assets in place is not enough. Inducing talent to perform is a big part of the equation.

Just as on the demand side, insight into supply can be derived through qualitative means—for example, exit interviews that get at the reasons employees leave the firm, or engagement surveys that help gauge what elements of the employment proposition are most valued by employees or what actually influences the level of productive engagement by employees in the firm. Market surveys can also help determine how competitive the organization's pay and benefits and are.

Even more insight on the supply side can be derived from statistical modeling of ILM dynamics. For example, planning for a significant transformation of its business model, a prominent technology company recognized that it would need to replenish its workforce with a greater number of university hires, those with undergraduate and graduate degrees in the fast-developing engineering, IT, and business management fields on which they increasingly relied. This involved a significant shift from the company's traditional sourcing strategy. An analysis of its ILM raised major red flags for the leadership of this company. University hires fared unusually poorly at this company, compared to other sources. All else being equal, they were significantly less likely to be promoted or receive a high rating. Not surprisingly, they were also significantly more likely to leave than colleagues who came in through the company's traditional talent sources. They also cost as much as 20 percent more than comparable talent hired through other sources. Table 46.1 shows how university hires fare compared to hires from other sources.

Clearly, current ILM dynamics were working decidedly against the organization's goal of increasing the supply of this kind of talent. Presuming the determination on the demand side was correct, significant changes would be required in the ILM dynamics of this company to address the talent dynamic that had it on course to fall short. The ILM analysis not only forecast the gap, but was able to quantify the dimension of the differences. It helped leaders focus on appropriate interventions to change this.

	Percentage Differences in Probability of Outcome or Base Pay Level			
	Turnover Voluntary exit next year (Y)	Promotion Promotion next year (Y)	Base Pay Compensation level	Rating Above average rating next year (Y)
Source A (vs. referrals)	–50%	+85%	+10%	–
Source B (vs. referrals)	–35%	–45%	+15%	–
University campus recruiting (vs. referrals)	–17%	–45%	+20%	–12%

Example of how to read:
All else equal, university hires are 17% *less* likely to quit, but 45% less likely to be promoted in comparison to employees hired through **referrals.** They are also 12% less likely to get a high rating and cost about 20% more.

Note: "–" indicates that an effect is not statistically significant.

The statistical model upon which these results are based accounts for individual attributes, organizational factors, and external influences and includes all active employees over a six-year period. All effects are significant at the 95% level unless otherwise noted.

Table 46.1 University Hires do not Fare as well as Hires from other Sources, all Else Equal

Quantities and Prices

Quantities and prices are the defining parameters of all markets. This insight provides the foundation for analyzing internal labor markets. The quantity variables in an internal labor market are represented by the mix of productive characteristics resident in the organization's workforce which, in turn, are produced by ILM talent flows. The rewards offered by the organization function as prices, signaling what the organization values. Employees are influenced by the rewards you give them, and vice versa. Identifying how these quantity and price variables interact provides the stories and narratives executives value when they must make decisions. So, for instance, one can better understand the causes and consequences of unwanted turnover in an organization by also determining what is valued through rewards.

FinanceCo Tackles Unwanted Turnover

Consider the case of a regional bank in the American Midwest, "FinanceCo," which faced sustained, rising turnover among its most seasoned, high-performing employees. This pattern was atypical of turnover patterns—tenure usually reduces an employee's flight risk. Controlled statistical analysis of branch-level performance revealed that employee tenure was the single largest driver of branch profitability, customer retention, and growth, as well as local market share. Specifically, each additional year of average tenure of branch employees had an estimated worth of roughly $40 million. As such, rising turnover among more tenured employees threatened to diminish the supply of the human capital most valuable to the business.

Analyzing the drivers of business performance—the demand side—helped unearth a significant human capital risk facing the company. This is something FinanceCo's executives could readily understand. Now they needed to determine why this risk was materializing. An ILM analysis determined that the source of the problem lay in the company's pay practices for new hires. Responding to labor market pressures, the company was paying significant premiums for new hires, thus eroding the relative pay of more tenured incumbents. Tenure no longer had the luster it once had at what was traditionally a conservative institution that valued longevity. The "return to tenure" for employees had flattened and was on the verge of going negative. There is little mystery why this might influence turnover. The economic logic is simple: if additional experience outside the organization becomes worth significantly more than additional experience within, rational actors are likely to turn to the outside market to enhance their economic position, unless they are otherwise locked in by back-loaded incentive compensation and benefits plans (which was not the case at FinanceCo).

Before they undertook this analysis, FinanceCo's executives had no shortage of data—they could see they had a turnover problem among tenured employees. But they did not know the economic significance of the problem nor could they explain *why* this was happening. The ILM lens quantified the real cost of turnover. Further, it showed that the pricing mechanism within FinanceCo's ILM was not valuing the most critical workforce asset it had—employee tenure or "homegrown" knowledge and capability. The weakening rewards for tenure were eroding the "quantity" variable—the stock of homegrown talent through rising turnover. FinanceCo's ILM was not operating in the way the bank required, mostly because of excessive accommodations FinanceCo was making to external labor market pressures that were driving up the market pay for comparable employees. This was a problem FinanceCo urgently needed to address both by restraining the base pay for new hires in favor of stronger career rewards—for example, by increasing prospective pay and promotion opportunities—and by targeted pay adjustments for their most tenured high performers.

The ILM Lens Permits Simple Economic Stories

The FinanceCo story reveals another fundamental property of the ILM lens—its ability to cut through complex relationships and relate a simple story. HR leaders are prone to be programmatic. They tend to think in terms of the various programs and practices trending in the field and their potential to help the organization achieve specific outcomes. Executives are not versed in HR programs and practices. That is not their domain. They focus on outcomes—especially market outcomes. The ILM lens is agnostic with respect to programs and practices. They are only relevant in so far as they affect an organization's ILM dynamics.

Helping leaders understand how specific programs and practices affect the quantity and price parameters of an ILM grounds their thinking in the economics of workforce management. It was precisely this kind of insight that led the executive team of a major global products company to finally crack the nut on its efforts to strengthen the

diversity of its leadership and management teams, and in a way that demonstrably enhanced business performance.

Strengthening Diversity in Leadership at ConsumerCo

Encouraged by its board, the executive team of ConsumerCo was determined to increase representation of women and minorities in its leadership and management ranks. With women constituting a huge part of its consumer base and business growth increasingly dependent on business operations in emerging markets, the company's executive team recognized that greater diversity was a business imperative, not just a question of social responsibility. The thinking was: a leadership that viscerally understands the needs and values of a changing customer base is bound to make better business decisions.

Workforce diversity was not new to the company's talent agenda. The company had long been concerned with the issue. But the programmatic approaches it had undertaken had failed to make a significant impact on representation at the top. Moreover, the executive team was not interested in playing the numbers game, relying on quotas or targets around hiring and promotion to achieve its goals. It was important that actions taken with respect to diversity work hand in glove with the underlying talent strategies—that the company achieved its diversity goals in a way that drives business results. A different approach was in order. Adopting the ILM perspective offered a potential avenue to accomplish these dual aims.

The company undertook a full ILM analysis of its U.S. and global workforces. Drawing on four years of workforce data, our team analyzed the running record of promotions, retention, performance, and pay to statistically identify and quantify the factors that most influenced those outcomes and, ultimately, female and minority representation across the management hierarchy. In this way, we could determine both impediments to the success of women and minorities as well as current strengths in ConsumerCo's ILM that might be tapped more effectively. At the core of this work was development of a "success profile," determining the attributes and experiences associated with success in the organization as measured by career advancement, performance, and pay.

ILM modeling provided an objective, quantitative picture of the success profile for talent at ConsumerCo. Understanding what drives success in an organization is important to ensuring that programs and practices are aligned with business needs. Leaders in organizations often stipulate that the company values certain attributes and behaviors in the workforce. But often what they think they value is different from what they actually value. Relying on intentions rather than actual realizations can be misleading. Further, what actually gets rewarded in the organization may be a more accurate reflection of what drives business value. It is useful for management to objectively assess what success looks like in the organization, both to determine whether its practices are actually aligned with business needs and to ensure that top talent is being put in a position where it can succeed.

Indeed, success is seldom the result of individual capabilities alone. The right people need to be given the right opportunities and experiences; they need to be put

in situations that properly test their abilities and make it possible for them to succeed. ConsumerCo's leaders understood that they could never optimize development of the diverse talent in the internal pipeline if they did not get a factual read on how their ILM was operating.

The ILM models estimated for ConsumerCo were able to identify and measure the impact of specific factors—both individual attributes and specific situations or circumstances—that were conducive to advancement, high performance, and higher pay at the company. At the top of the list was being in a supervisor or team leader role. Modeling showed that irrespective of employee demographics, those who became supervisors did well. All else being equal, supervisors were more likely to get a high rating, more likely to be promoted, more likely to be more highly paid, or get a larger pay increase. They were also far more likely to stay with the company. In other words, getting into a supervisor role was the ticket to success at ConsumerCo.

How did this particular success driver play out for women and minorities? Were they as likely to get into those roles as their male and white counterparts, respectively? And if they did, were the benefits from a career perspective as great as those accruing to their respective counterparts as well? Translated into the language of markets, we are asking, in effect, whether the quantity and price parameters associated with being a supervisor were the same for diverse talent as for white males. The answer, unfortunately, was no. The percentages of women and minorities in supervisor roles were significantly lower than those of their male and white counterparts, respectively. They simply weren't getting into those favored positions at the same rate—a quantity shortfall. What's more, all else being equal, neither women nor minorities fared as well as their respective counterparts once they were in those roles. Being a supervisor simply didn't confer the same value. In other words, both the quantity and price dimensions of ConsumerCo's ILM worked against the interests of diverse talent.

The same was true with other significant success drivers as seen in Sidebar 2. By exposing these differences, ILM analysis provided the basis for a new strategy that aimed to change how the company's ILM functions.

ConsumerCo Success Profile—Quantities and Prices

Table 46.2 shows a broad set of results from a model of the drivers of promotion at ConsumerCo. Listed are some of the factors that increase the probability of promotion, all else being equal. Attached to each factor are up and down arrows indicating if and how the quantity and price variables play out for women compared to men and minorities compared to whites. Down arrows mean that the particular group is less likely to be associated with the corresponding attribute or circumstance—have lower "quantities" (Q) of the factor—or earn a lower price (P) for that attribute; up arrows designate the opposite.

Size of Effect: Higher ↑ / ↓ Lower

Favorable on Promotion	Women (versus Men)		Minorities (versus Non-Minorities)	
	Q	P	Q	P
Being a team leader	↓	↓	↓	↓
High rating category A	↓	↑	↓	↓
High rating category B	↑	↓	↓	↑
Function 1	–	↓	–	↑
Function 2	↑	↓	–	↓
Function 3	↑	↑	–	–
Reporting to higher level than norm	↑	↓	–	↑
Recent job change/non-promotion	–	↓	↓	↑
Having a larger span of control	↓	↑	↓	↓
Being in a group with more varied tenure	–	↓	–	–
Higher degree	↓	↓	↑	↑

Q = Quantity (Relative possession of the trait)

P = Price (Relative promotion likelihood)

Both women and minorities are less likely to be in team leader roles (Q↓), and they do not benefit as much as their male and white counterparts (P↓), respectively.

BOTTOM LINE

Women are more negatively impacted by "price" (P) effects

Minorities are more negatively impacted by "quantity" (Q) effects

Table 46.2 How Do women and Minorities Fare on the Factors That are Favorable to Promotion?

Generally speaking, at ConsumerCo, the barriers to the advancement of women tended to be about ILM prices; even when the women show the attribute associated with success, they benefit from it less. For minorities, the situation was the reverse. They were less likely to be associated with the success driver than whites. But if they did possess it, they would do equally well and sometimes better. Without changes in the quantity and price parameters of ConsumerCo's internal labor market, there was little likelihood that diverse talent would advance quickly and strongly enough to change the representation in the leadership ranks.

Armed with these insights, ConsumerCo's executive team understood that strengthening diversity was no longer about fiddling with representation numbers or pursuing standard programmatic interventions like mentoring or unconscious bias training. It was about something far more fundamental: addressing a form of market failure that impeded the success of diverse talent and hurt the business. It became a business imperative to change the quantity and price dynamics of ConsumerCo's ILM.

Leadership moved quickly to address the challenge. Priority was given to ensuring that diverse talent was represented, as a matter of course, on all candidate slates for all job openings. Special attention was paid to accession of women and minorities into the all-important supervisory roles—at all levels. An entirely new system of performance management was put in place to address systematic differences in evaluation of leadership potential, a pattern also unearthed by the ILM analysis. Within just a few years,

these and other measures helped ConsumerCo dramatically increase representation of women and minorities in its leadership ranks in a way that has proved sustainable and effective. Leaders not only appreciate the changes made, but attribute the huge uplift in their business performance to the creation of a more dynamic and aligned ILM.

The ability to engage and motivate the executive team has been perhaps the major reason for the success of ConsumerCo's new diversity and inclusion strategy. The translation of data and analytical findings into economic terms that executives understand made all the difference. HR met the business on business terms. HR came with hard evidence, rooted in an objective economic view of what was happening in the company's ILM and how it influenced the outcomes of interest. Complex relationships between talent deployment, career development, performance management, and rewards were reduced to a rather simple story about the interplay of quantities and prices that were producing ILM outcomes at odds with what the business required. If the organization wasn't nurturing and valuing the supervisory and leadership capabilities of its diverse talent—"pricing" them correctly—it was no wonder that representation of diverse talent in top management and leadership roles—the "quantities"—were falling short as well. Relevant prices would have to be adjusted to drive corresponding changes in quantities. The programs and practices devised by HR were simply instruments to drive change in ILM dynamics, not ends in themselves. ILM dynamics became the focus of analysis.

Quantitative determination of ILM dynamics provides a guide or reference point for HR leaders to use in designing their programs and practices. They are better served starting with these dynamics, not with the programs. Similarly, once executives understand their workforce issues in terms of ILM dynamics, they are better able to process the logic behind the programs and practices HR seeks to introduce. They don't need to get into the weeds of program design, but can keep focused on the challenge of program impact, with clear targets around price and quantity adjustments as engines of adjustments in ILM supply and demand.

What, at a Minimum, Do You Need to Know About Your Internal Labor Market?

There are many dimensions of an internal labor market that can be quantified and assessed through ILM modeling. Regardless of whether you conduct such modeling or not, it is always good to think about core characteristics of your internal labor market and what you would like them to look like under the best of circumstances. To achieve this end, you should consider the core dimensions below and try to answer some of the associated questions:

Know who you're selecting . . . and how they fare

- Are the screens used in recruitment predictive of better outcomes such as better retention or higher performance?

- Are some of the screens better than others in predicting these outcomes?
- Are the screens capable of distinguishing individual outcomes from contribution to team effectiveness?

Know who you're retaining ... and what the "right" employees actually value

- Are you retaining your top talent, including high performers, high potentials, those with critical skills?
- How much of turnover is driven by employee demographics or the influence of job families and location, as compared to people management practices?
- Are employees more responsive to elements of pay or to factors relating to careers?

Know what you're rewarding ... and whether the profile aligns with business needs

- Are you rewarding what your business needs to reward—that is, do you value the attributes, capabilities, and behaviors required to be successful?
- To what extent are rewards driven by performance?
- Are individual, group, or organizational measures of performance most determinative?

Know how careers unfold ... and if there are better, quicker ways to develop talent

- Are there multiple career paths within and across domains, and are some more productive than others?
- Are there career choke points or bottlenecks that stall up-and-coming talent and hurt their development and retention?
- Are there some positions—namely, "catcher positions"—that are more likely to lead to advancement and tend to feed a greater variety of higher level roles? (See Nalbantian and Guzzo, HBR, 2009.)

Know how vulnerable you are to changing labor market conditions ... and whether various workforce and business segments respond differently

- To what extent do changes in labor market conditions affect the likelihood that employees will turn over?
- Are these sensitivities the same for all job families and business units, or particular to certain ones only?
- Are you more or less labor market sensitive—in turnover, pay, and promotion—than other major competitors? Is this a good or bad thing, given your current business needs?

Conclusion

The case examples presented here demonstrate the importance of having a good analytics lens to apply to increasingly abundant workforce, labor market, and performance data. Pure "data mining" of the kind many marketers practice and many users of packaged workforce analytics undertake may be revealing of patterns in the data that could have meaningful implications for tactical policy decisions. But results of data mining

can be misleading, driven by potentially meaningless correlations that are more an artifact of available data than of substantive relationships and that may actually camouflage more fundamental relationships embedded in an organization's ILM. Worst of all, the shadowy black boxes of so many predictive analytics regimes are not geared to provide the insight to explain "the why" behind the prediction—often deliberately so. This is a serious deficiency. Explanation, not prediction, is the essential ingredient of strategy making. It is what is required to create a coherent vision of how an organization can secure and manage its human capital and a road map to accomplish business goals. Prediction alone can inform tactical decisions such as the choice of candidate slates, but is unlikely to provide the insight required to develop successful workforce strategies, such as a talent acquisition strategy.

Without a well-designed lens, grounded in rigorous research and refined through experience, workforce data remain just that—data. This is the problem many analytics functions are grappling with. They have plenty of data to work with and increasingly good technology to access and report their findings. They also have access to data scientists and statisticians who bring big data methods and more traditional statistical modeling to analyze the available data. Too often they lack the analytical lens. They lack a coherent analytical engine that they can consistently apply to these data to find, synthesize, and communicate meaningful stories.

Workforce analytics groups that simply deliver data, whether descriptive or predictive, will likely devolve to serving as reporting functions or, at best, functional tacticians, providing little strategic value to the organization. There is little future in those roles—the future belongs to workforce analysts who can meld statistical modeling and storytelling—science and art.

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MANAGEMENT

THE GO-TO GUIDE TO STRATEGIC TALENT MANAGEMENT—REVISED AND REORGANIZED FOR THE NEW WORLD OF BUSINESS

HR professionals, CEOs, and high-level executives routinely consult *The Talent Management Handbook* to drive spectacular results for their staffs and for their organizations. This comprehensive guide provides everything you need to build and manage a diverse, talented, and motivated workforce—the lynchpin to succeeding in today's hyper-competitive world. The most current HR processes, practical management tools and techniques, and invaluable resources inside this book will help you:

ATTRACT NEW TALENT AND RETAIN THE CREAM OF THE CROP

DESIGN CAREER PLANS THAT BOOST EMPLOYEE MORALE

IMPROVE PERFORMANCE THROUGH A PERSONAL VALUE EXCHANGE

COACH, DEVELOP, AND INSPIRE RAW TALENT

PREPARE THE CEOS OF THE FUTURE

IMPROVE THE PERFORMANCE REVIEW PROCESS

CREATE A CULTURE OF INNOVATION AND SUSTAINABILITY

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