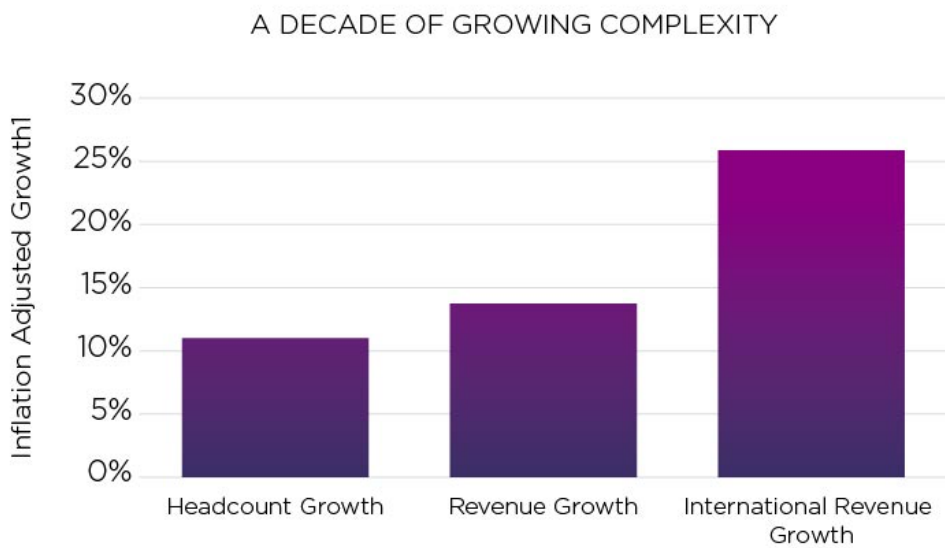
Why Analytics Must Solve the People Problems too.

By Patrick Quinlan

Over the last 10 years, the biggest companies in the world have gotten bigger and faster than ever before.

The Fortune 50 – companies that account for more than 5% of global revenue – have outgrown inflation by more than 14%. 10 years ago these were already enormous businesses. Today, they have more people, broader international footprint, and increased complexity.



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This kind of rapid growth keeps CEOs up at night, for the simple reason this means the company is more complex than any one person can fully comprehend. In a bygone era, executives could wrap their arms around their business. They could understand every product, every type of customer, and even what motivated their employees.

The size and scope of today's Fortune 50 company means that's impossible, which is why we turn to spreadsheets, BI tools, and expensive consulting firms to provide insight into what's going on under the hood of our businesses.

But not all corporate functions have participated in the analytics revolution. In people-oriented areas of business like talent management, learning, HR, and my area of focus, compliance, the world is still largely *qualitative*, intuitive, and trial-and-error. Instead of using the power of

[1] Revenue growth derived from Fortune 50 Company reported financial information. International growth and headcount growth derived from Fortune 25 SEC filings where information was disclosed.

technology to guide decisions through understanding their people, too often these pe officers find themselves relying on anecdotes.

That's not enough for the needs of modern businesses. To manage a global organization, you need to leverage the power of data – especially in the most human situations.

THE PROBLEM WITH ENTERPRISE-SCALE SOLUTIONS TO HUMAN PROBLEMS

At the end of the day, it's the people who make a company run, or run off its rails. We have the technology to understand our most precious asset – ourselves, but few companies know how to truly take advantage of this.

For instance, when problematic people and behaviors are discovered, historically a company would blanket the company with messages, oft-ignored trainings, and other one-size-fits-all reactions that mitigate risk -- but at the cost of ever-thickening layers of corporate policy and bureaucracy. Over time, this makes the machine of business run more and more slowly, which is part of the reason startups sometimes sprint past legacy holders.

THE OPPORTUNITY

We all know a sales team operating in a murky political climate will have very different pressures than an internal IT department running in the US or EU. Or that a company that places sales above ethics is at greater risk for running afoul of the law than one that places emphasis on both. But what isn't obvious is exactly *where* those problematic places will be or which employees are most at risk.

Today's sophisticated software means that massive amounts of human data can be crunched in real time. Our digital exhaust can predict our future behavior, which has several profound implications for business.

HR, compliance, talent management, and financial systems all bring human data into an organization. A small team of analysts can predict where and how employees will stray into problematic behavior, so that corrective action can be taken before something happens. This has profound implications for large corporations spread across the globe.

When rules get broken, ethics get compromised, or employees step outside of the law, it's almost always because good people ended up doing bad things. A close look at the data shows that their behaviors can be predicted, and that a company has a chance to step in before something happens, instead of after-the-fact.

The good news is the data is already flowing into most companies, and even better news is it can now be harnessed.

FROM FIREFIGHTERS TO FOREST MANAGERS

HR, compliance, legal, and even marketing departments are trained to react to the very worst scenarios: Department of Justice investigations, lawsuits from harassed employees, charges of unethical behavior in a key component of their business. This is the fire, and a company will usually manage the fallout by creating a company-wide policy to prevent something similar in the future.

The nimble, adaptive company that is remaining innovative in today's markets is a lot more like a modern forest manager than a firefighter. They know how to read the landscape for warning signs, and take the steps necessary to truly minimize risk without having to have the fire trucks on standby.

There are three steps we've seen companies take to shift their corporate culture from *reactive* to *proactive*:

1. Understand *why* are people doing what they do.

In the old model of companies, managers, HR, and other staff were focused on monitoring behavior: Did John show up for work? Did Jeff submit an expense report? Did Laura close that new recruit? Did Susan meet her monthly quota?

When you're trying to *influence* good behavior, however, monitoring outcomes won't cut it. You need to understand context. And getting the right context is all about knowing *why* people do the things they do.

When something goes wrong, most company's default reaction is this was a bad apple who did a bad thing. But the data they need to understand this on a deeper level is there, if they shift how they're looking at the problem.

2. Know where to look to anticipate problems before they arise.

While it's true there's smoke before fire, the truth is before there's smoke there have to be the right conditions for fire to break out in the first place.

Typically when employees are frustrated or are in difficult positions, they adapt as best they can, and sometimes in ways that run afoul of ethics. Another way to view this is that these employees are not getting the support they need from the home office to do their jobs well, and well inside of ethical boundaries.

For virtually every people problem, the signals will come from disparate sources – warnings that the conditions are right for a fire to break out. Data points might include things like:

- Payroll data around frequency of moves
- Missed promotions of hard-working talent
- Salary in relation to peers
- Communication streams to determine the level of upper management support
- Number of years spent in countries with lax enforcement and endemic corruption.

3. Target education and engagement.
Once you know an employee (or department) is at high risk, it's time to act. But knowing there's a potential problem isn't a solution.

Every people analytics problem needs to be paired with a corresponding change in how those people are engaged. For instance, rising star employees can be incentivized to keep competitors from luring them away. Problematic areas or people can be educated about the risks of their job, shown the importance of maintaining the company's ethics, and given a way to raise their hand should they need help.

No matter if working with potential superstars or potential lawsuits, the goal is the same: engage the employee as soon as the data points to the potential for a problem.

THE FUTURE OF BUSINESS: CREATING OPPORTUNITIES BY ANTICIPATING PROBLEMS

The fact that we as CEO's have software powerful enough to process this kind of data is nothing short of revolutionary. It means that the once too-short arms of a CEO, unable to reach around the company being run, can now once again understand the most important and complicated part of their business: their human capital.

At the end of the day, analytics allows people to engage with people in meaningful and impactful ways, enabling connection, compassion, and intelligent interaction. Far from merely mitigating risk, it creates alliances between people and across departments, and strengthens the overall fabric of the company.