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Analytics in the HR Function at Sears Holdings Corporation

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Three years ago in March of 2009, I was given the opportunity to build an HR Analytics team within the HR function of Sears Holdings Corporation (SHC). Strategic planning sessions had identified analytics as a specific gap in the services HR was providing. At the time, metrics from HR and Finance did not agree on basic things such as headcount or payroll. There were multiple legacy HR systems, and standards were not in place; for example, each business unit had its own way of calculating turnover. So building analytic capability was added as a core pillar to our internal HR mission statement.

The culture of data-driven decisions at SHC has helped drive demand for our services. Challenging economic conditions since 2008 have created a difficult environment for all retailers, and the merger of the Kmart and Sears companies left a good portion of our leadership team new in their roles. That created fertile ground for HR analytics because business leaders were open to new ideas and eager for better information about decision-making. Today, with a high degree of executive sponsorship, we almost never have to push our services on clients, but rather have the opposite problem—too much demand.

What We Do

Our team has a broad vision: To become the industry leader in HR analytics by supplying data-derived insights to HR, SHC, and business leaders—insights that enable strategic decision-making and

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optimize decisions about people. Anything of potential value is in scope. Our work includes classic elements of HR accountability:

- Building actionable HR scorecards based on metrics that are predictive of customer service and employee engagement
- Building strategic HR dashboards that track retention, career development, and leadership effectiveness
- Validating assessments and uncovering learning to influence new employee sourcing and selection
- Using analytics to strengthen the performance management system and design probationary periods
- Displaying the natural career paths of job groups and recommending ways to strengthen associate development—both through key "feeder" roles and by identifying business critical or pivotal jobs

But our work also includes people-related questions around staffing, scheduling, physical work environment, and department configurations.

We prioritize requests based on value creation, complexity, and business impact. This means we stay occupied with some pretty intensive analytic research and models, but we also sprinkle in small, quick wins as a way for analysts to relax their minds and take a break from the monster problems they've been tackling all week.

The phrase "Fresh-Squeezed Insights Served Daily" has become our team's motto for two reasons. First, the word "insight" serves as a constant reminder that, while the client may have asked for us to provide data, insights are what they really need. So even on the simple requests, we aim to provide context—comparison to last year, to comparable companies, external benchmarks, or what we know from academic research. Although that takes a bit more time, it greatly enhances usability of our work products. Second, the words "fresh" and "daily" are about our work being relevant to business problems right now. It encourages our key clients to leverage us frequently without feeling guilty about multiple requests in a week.

It's also important to understand what we don't work on—what we say "no" to. We have a rule of thumb that our time is worth $2,000 per hour. Although that is not what I pay my analysts or bill my clients, it

is an estimate of the annual value we create for the organization. That rule governs everything from which meetings we attend and which projects we double up on, to how deep to go in the research, when to stop an effort, and most importantly, what projects don't make the priority list. For example, probing the attributes of successful specialized sales associates who specialize in water heaters is not as important to the organization as understanding the thousands of associates who sell appliances or electronics.

Saying "no" is an under-appreciated leadership skill; but if you want to keep precious resources focused on strategic, high-value problems, you've got to get good at it. Responses that redirect, such as "Here is some internal research we did on a similar topic" and "Data we publish monthly in the HR Scorecard will provide 90% of what you are looking for" are ways to say "no" without ever using the word. If the redirect doesn't work, another tactic is to zoom out and respond to a specific request with an enterprise or companywide solution. For example, if we receive a request for turnover trends of a job code, department, or business unit, with almost the same work investment, we can deliver a solution that answers the question for others across the company. Finally, refocusing the question by probing into what problem is trying to be solved or what the client is attempting to do helps ensure our work investment is productive.

Who Make Good HR Analysts

Don't be tricked into believing you need a lot of quant jocks or statistics PhDs. We staff our team with curious HR professionals. Industrial and organizational psychologists are particularly well-prepared for analyst roles like this because of their formal education with statistical tools and the scientific method. So are people with an Economics minor or undergraduate degree. Because of expansion and internal promotion, we've had to source for HR Analysts a number of times. I'm convinced that success depends on the following four competencies or types of intelligence:

1. **Business Intelligence** is really the most important attribute, essential to building relationships with operations or line management. This includes an understanding of important factors in the business environment, the ability to present and communicate findings and insights in an easy-to-understand way, and the desire to partner with the business to sharpen focus and implement change.

2. **Analytical Intelligence** is asking the right questions of the data and taking initiative to understand the "why" behind the "what." Here we are looking for strong ability to manipulate data to create insight. We look for curiosity in approaches to research and unique ways of squeezing value out of data.

3. **Systems Intelligence** refers to understanding general information systems, including how and where data is stored. People who have implemented, managed, or built HR software can quickly learn new programs. We also look for a demonstrated ability to get at data that others believed to be unavailable.

4. **HR Intelligence** resides in people who have figured out the human capital levers that drive top-line and bottom-line growth. It includes general knowledge of HR practices and regulations, plus the ability to communicate with other HR professionals in a credible manner.

Our interview process is built around these attributes. Asking questions like "When did examining outliers shape the course of a project?" helps us evaluate analytical intelligence as well as personal curiosity. Having candidates "Describe an interesting unintended consequence after you applied an intervention" helps us gauge human resource savvy as well as business acumen. Interviews conclude with a short case study, and the recommendations or solutions our candidates present point out the areas in which they are strongest and most comfortable. It is pretty rare to find one candidate who scores high in all four competencies, but staffing your team with diversity of strengths is a way to encourage collaboration and cross training.

Our everyday management practices are designed to build good analysts. The team is centrally located, which enables sharing of tips, building off prior experience, spontaneous brainstorming, and testing

of hypotheses among like-minded peers. We also give analysts a lot of autonomy and the capacity to experiment. Some of our most valuable ideas have come from providing curious and creative analysts space to tackle their "wish lists." Nothing squashes creativity faster than an urgent deadline, so we endeavor to spread deliverables appropriately and provide slack in our "insight manufacturing system."

Our Recipe for Maximum Value

Although every project and question is unique, we began to notice our most successful work outputs contained the following components. When these ingredients are mixed together lovingly, your clients are guaranteed to come back for more!

- **25% Data.** Gather, clean, and connect disparate data. Use only the freshest data you can afford, and pay attention to what outliers can teach you about data quality. Partner with Finance or Operations to share work burden and create partnerships; you'll often work with those teams on your pursuit of rigorous data.

- **10% Stakeholders.** Collect key hypotheses from executives. This is a great way to "sift the lumps" out of your research questions. But keep the conversations brief so that they don't taint your ability to treat the data with an open mind. Create memorable flavor by sprinkling in a pinch of business myth-busting. (Caution: Too much can spoil productive collaboration.)

- **15% Analysis.** A few HR professionals will need to become familiar with advanced math, or you can "in-source" analysts from your customer, marketing, or strategy teams. (They tend to be willing to help the folks who manage pay and career opportunities.)

- **20% Storytelling.** Reduce the research stock into one memorable slide. Explain what the insights mean and how to take them into action. Shake financial acumen liberally into the story because no proposal is worth a leader's time unless it expresses itself in financial outcomes. Go as deep as you need to behind the scenes, but remember that the savory flavor of regression, T-tests, and P-values is an acquired taste for most.

- **20% Implementation.** Here is where the homemade flavor really stands out! Resistance or obstacles encountered likely point to shortcuts taken in stakeholding or the analysis. Involving HR analysts in the implementation enables them to gain the business intimacy that shapes future projects in actionable ways.

- **10% Embedding.** Top off your delicacy by defining accountabilities, embedding purposeful reporting, and transferring operational ownership. Celebrate short term wins. Set a specific date to monitor outcomes. And remain flexible—modify the business change plan if necessary.

Key Lessons Learned

My three years of dedicated focus on HR metrics, measurement, and analytics could be described as crawl, walk, and now run. When we got started, there wasn't much industry information about how to form a team, what work to do, or how to do it. So I jumped in head first, rolled up my sleeves, and learned some important lessons:

- **Behavior.** In the space between strategy and outcomes is human behavior. The secret to unlocking value has been to focus on behaviors that lead to outcomes rather than on measuring the outcomes alone. This is not an easy task because the outcome data (sales, turnover, customer service) is readily available, whereas the data required to build behavior metrics often does not yet exist. Galileo is my personal source of inspiration: "Measure what is measurable, and make measurable what is not so."

- **Momentum.** How many times have you been in a meeting that ended with the decision that "we need more data to make a decision?" A trick we use to help speed progress is asking "What would you do differently if you knew the answer to that question?" That helps us get underneath client concerns as well as politely surfacing the fact that enough information probably exists to make a decision.

- **Attention.** Learn to listen well. Your head has two ears and only one mouth. Using them in that proportion helps discover business pain points, what organizational hypotheses are in operation, and which myths are worth busting.

- **Purpose.** Be sure to balance the immediate with the important, and don't let what is urgent win over what's truly critical. This also applies to designing reports—every tool should answer a question. Don't be shy about putting the purpose statements right at the top to focus clients on how to interpret the information.

- **Action.** You may have worked hundreds of hours on a problem and are super-proud of your statistical models or data creativity. But when it comes to telling your story, remember that your client wants "less information and more application." Keep your executive recaps focused on insights that influence decisions and actions that drive value through change.

- **Partnership.** Partner heavily with Finance and Operations. Learn to speak their language and understand their pain points. It's always a proud moment when clients forget which functional team we work on and view us as performance improvement consultants.

- **Software.** Credibility comes from confidently knowing. Analytics need to go deeper than means and medians, so invest in good statistical software. We are quite fond of JMP, a statistical discovery product from SAS. The product's drag-and-drop interface makes it simple for HR professionals to learn. It's visual, highly interactive, and very cost effective.

- **Chartology.** Never underestimate the power of a good visual. If my twin 6–year-olds have taught me anything about attention span, it's that capturing someone's attention happens even before the first word is spoken. A good visual will combine "show" and "tell" to speed understanding.

These capabilities are helping the leadership of Sears Holdings close the strategy-execution gap while at the same time solving frontline worker retention, engagement, and career path issues. I am very thankful that my skills, abilities, and background merged at the perfect time as the HR profession becomes more analytical.

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