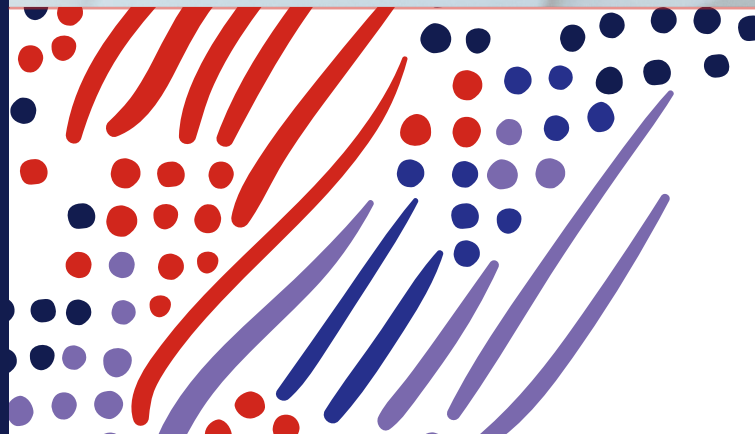![ADP logo] ADP®
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A buyer's guide to data-driven HR

Which approach is best for you?

Smart organizations know that they need to use their HR data to make strategic decisions. They need actionable insight to make their work forces happier, smarter and more productive. Evaluating and understanding today's workforce has become more important and more challenging in our pandemic environment. Managers need fast and accurate information now more than ever, although HR practitioners tend to lag in using data in HR.

Smart HR teams know that workforce data lets them prove their strategies are delivering real business results. But knowing you need to use HR data and knowing how to do it are very different things. To tackle data-driven HR there are few components you need to get right: You need to be able to gather and manage the right data, understand what it means in the context of your most important business goals, and then use it to improve processes and make better, data-driven decisions.

29%

Only 29% of respondents say they are good or very good at making positive changes based on HR analytics.[1]

Three basic questions to ask in determining your data-driven path:

What are we trying to achieve with our HR data?

The full picture gives you the ability to act. For example, if you've identified a problem with retaining high-performing individuals, it's important to understand you need qualitative data that can answer questions directly, but you also need to know whether benefits, salaries and compensation packages are competitive. Identify the questions you need data-driven answers to.

Where do we get the data we need?

Identify internal and external sources of data. First, integrate all the data from multiple internal systems. Then, to see the correlations and benchmarks, you're going to need data from external sources. Once you've identified all data sources, you will have more confidence in your analysis and resulting initiatives.

How do we make sense of our data?

Data analysts can translate numbers, using business data to help you make better decisions. But for more advanced analytics, you'll need to blend technology, statistics and domain expertise to connect multiple data sources and uncover patterns.

Three options: Build, buy or partner

The type of HR analytics solution you need depends on the capabilities of your organization. Generally, there are three approaches:

Option **1**

Build from scratch

There are two main reasons to opt for the DIY approach. Either your organization has very specialized analytical needs, or you have custom-built systems that can't easily integrate with off-the-shelf analytics software.

Building from scratch will require internal IT resources to create new systems, and it may involve hiring new talent to build and manage your data warehouse. In addition, there will be ongoing costs to maintain and evolve your analytics solution.

When it comes to the DIY approach, there's only one big question to answer: **Are our requirements so specific that they can only be met by building from scratch?** If the answer is no, then other options should be explored.

45%

In-house projects tend to run 45 percent over budget and 7 percent over time, while delivering 56 percent less value than predicted.[2]

Option **2**

🗠 Standalone software

The standalone software approach means you buy standalone HR analytics software and use a third-party integrator to bring your data sources together. You'll then use your own resources to implement, run and manage the software. This approach makes the most sense for organizations that already have business intelligence tools and teams in place producing reports and analytics for other functions like finance and sales: they can extend their learnings and assets into HR. HR departments are typically relatively new to analytics and often lack experience and standards. It will take more effort to deploy analytics than in other departments due to the unique, complex and ambiguous nature of HR data. These are the questions to consider:

Do your people need training to use new software?

Most users will require training, regardless of their experience. You will need to work out if you can manage training programs yourself, or whether you need to bring in expert consultants. Sometimes software partners provide training and help getting started as part of the package — but often for an added cost which you'll want to take into account.

Who can access HR data insights?

Workforce insights aren't just something that HR needs to see. They need to be accessible by other areas of the business, leadership and so on. You need to make sure your HR analytics software makes it easy to share insights across your organization.

Do you have all the support you need?

If you invest in the software alone, you'll have to stitch it together with the systems you're using to record your HR data. You'll need ongoing processes for data entry, clean-up and maintenance, as well as systems for migrating multiple data sets to a single location. This is where your third-party integrator should be able to help, typically for a fee.

Learn more: [Data Questions: Using Intelligent Tools When Everything Changes](#)

Read the top and tough questions companies are asking about data.

It's also vital you work out what kind of service and support relationship you'll have with a software partner. When things go wrong, you need to know you can call someone who will be there, that can combine knowledge of their product with an understanding of your specific needs.

Option 3

Full-service HCM partner

The HCM partner approach is the most turnkey option, so it works best for organizations that don't want to invest the time, money and resources in their own analytics solution. HCM providers go further than both DIY and standalone software analytic solutions because they can integrate analytics into the core HCM workflows, providing insights into dashboards and reports. Here are some questions to consider when choosing an HCM partner:

Does your partner have the right priorities?

It's important that your partner has data analytics as a core competency. They should also architect an analytics solution that continually works to minimize extra cost and complexity on your end. Finally, they should fully understand your core business objectives, and use them when building the foundations for your solution.

What kind of insight is your HCM partner able to provide you?

This goes all the way back to the first question: What are you trying to do with your data? You want a partner that can give you the tools and capabilities you'll need as your maturity increases, without paying for functionality you don't need. Can your partner see what's coming next? Asking what capabilities your partner has in the pipeline is a good way to gauge their expertise and commitment to delivering in the long run.

Can you contextualize your insights?

Some partners will give you insights that show you exactly what's going on in your own company. Some go further and place those insights in the context of benchmarks based on industry, job function, location and so on. Would that kind of information be valuable to your organization?

The quality of benchmark data is important to get right. It has to be current and refreshed to reflect current times. Some benchmarks are only gathered through surveys while others use more reliable industry data from actual operations. Understand the full dimension of quality when evaluating a partner.

How will the system setup affect your IT department?

If you're going to work with an HCM partner, that should mean a minimal burden for your IT department. Implementation shouldn't put undue strain on your technical resources. If you need to migrate data from multiple HR and payroll systems to your new solution so all your data is one place, you need to look for a partner that will support you throughout that process.

Is your HCM partner future-proof?

When you're picking an HCM partner, it's vital they fit with your organization's medium- and long-term goals. HR leaders need to know what your company goals are and whether your partner can support them. Do they have a global footprint so the relationship can grow as you grow? And do they have the foresight to know what's coming next in the HR analytics game so you can maintain competitive advantage?

Learn more:
[Business Agility: How Nimble Organizations Will Come Out on Top](#)

Perspectives on how different HR functions can use data to make better decisions.

Going forward

Every organization is different, so no two will tackle their workforce data in the same way. Whichever method you use today, answering these questions should give you a better idea of where you need to go next. If you're looking for advice on working with a partner, then we'd love to help. Check out our [guide](#) to making the business case for taking your reporting and analytics capabilities to the next level.

How ADP® can help

Today's companies are using data and technology in new and exciting ways. From finding, hiring and engaging the right people to managing health-care compliance and regulatory changes, as well as HR solutions are flexible, scalable and make a difference.

When everything is changing fast and new issues arise, ADP can help. We give you the insight and tools to see what's happening in your company and the market, assist your managers and employees to work better and handle your compliance, payroll and benefits. Then you can focus on meeting the needs of your customers and clients and growing your business.

1. "The State of HR Analytics 2021", Oracle and the HR Research Institute, 2021

2. "Delivering large-scale IT projects on time, on budget, and on value", McKinsey and University of Oxford, 2012

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