



The Future of People Management

Closing the People Impact Gap for better business outcomes

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Data and decision making in a new world of work

Business leaders face new and complex challenges every day that necessitate nearly continuous decision making. Leaders at all levels would benefit from additional insights to support and inform workforce decisions. And the events of the last two years have compounded the need for speed and agility in transforming data to insights.

*However, a gap exists between workforce data and optimized decision making—a **People Impact Gap**. This divide exacerbates the challenges that leaders face when making decisions.*

The data needed to better inform decisions is available, but the People Impact Gap exists because most HR systems of record were not originally designed to deliver insights around people data. Rather, they were designed to store data and to process and manage transactions in the context of established workflows.

*To close the gap and take full advantage of the existing data in HR and other business systems, organizations need a **technology infrastructure and operating model** designed to produce and utilize analytics and insights. By leveraging purpose-built technologies and an analytics strategy that places business outcomes at its center, organizations can position their decision makers to more effectively answer the work, workforce, and workplace questions they face.*

Navigating complexity

The full impact of the COVID-19 pandemic is yet to be completely understood for humans on an individual and societal level. But we know that the world of work has dramatically changed: for many, the work, the workplace, and the workforce look profoundly different from pre-pandemic days. Along with shifting power dynamics and changing social contracts¹ we've seen a so-called Great Resignation with record percentages of workers leaving their jobs.² Among the most notable developments is a significant shift away from fully in-person work locations in favor of an increase in hybrid and fully remote work. These changes in where and how work gets done in organizations every day create new complexities for both workers and leaders.

Changes in where and how work gets done create new complexities for workers and leaders

To better understand how organizations can navigate such complexities, Deloitte and Visier conducted the Visier Deloitte People Cloud survey with 500 business leaders regarding how they are currently addressing people and work challenges.³ As a part of this research effort, we share our perspectives on a concept we call the People Impact Gap. This gap stands in the way of business leaders better understanding their workforce—specifically, how workers impact the business and how the business impacts workers.

Many business challenges can be solved by people—with their skills, capabilities, and energies as the solution. But business and talent decisions should not be based on instinct alone and should instead incorporate data and data-derived insights. Deloitte's 2020 High-Impact People Analytics study identified superior business outcomes for organizations that prioritized the integration of wide-ranging data sets and distributed data-derived insights widely across their business leadership.⁴

Even as business service delivery becomes increasingly digital, it is apparent that business operations still require a human touch. People are the business; they create products and deliver services, delight customers, and solve complex problems. Without people to execute business processes and perform the actions needed to generate value a business would be an empty shell, devoid of purpose and energy, creating no tangible or intangible value.

People are the business; they create products and deliver services, delight customers, and solve complex problems

Unlike machines, people require a distinctly human management approach. Each person possesses a unique set of attitudes, experiences, values, and motivators. So, managing people requires a complex series of decisions and actions that align peoples' capabilities and interests to work they can complete as individuals or teams. No one-size-fits-all approach is guaranteed to work, and each decision is a careful balance between the organization's overall goals, the individual, and the team or work group.

The move from paper-based HR processes to those enabled by digital systems of record creates the source data for insights. Business results are elevated when managers' decisions are informed by timely and relevant insights derived from people and business data and tailored to the specific situation.

¹ 2020 Global Human Capital Trends: The social enterprise at work—Paradox as a path forward, Deloitte Insights, 2020.

² Visier Insights Report: Stop the Exit, A data-driven approach to retaining top talent. Visier Inc., 2021.

³ Visier Deloitte People Cloud Survey, 2022.

⁴ High-Impact People Analytics, Deloitte Consulting LLP, 2020.

Data access for better decisions

The business leaders responding to our survey⁵ agree on the linkage between data and decision-making: With better access to people data, 70% of executives say they could make better decisions, faster.⁶ This suggests a gap between what leaders need to help them be effective and what is currently available today via their HR systems of record.

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Most functions like Marketing, Finance, Supply Chain, Customer Service are successfully leveraging analytics and insights—yet HR is lagging. In most organizations, HR has not yet invested in the technologies and human and organizational capabilities to make this a reality. Deloitte’s 2020 High-Impact People Analytics study found that 82 percent of organizations globally are in the earlier stages of their maturity journey.⁷

For all the transformation that has taken place within the HR function, the demand for insights to drive business value seems to have been left behind. The resulting gap hinders business performance and, if left unattended, organizations will continue to make decisions with a combination of intuition and limited information – increasing the risk of suboptimal outcomes. However, with proper attention and investment, organizations can take advantage of their data and help people leaders make better business decisions.

Experiencing the People Impact Gap

When it comes to managing people and their performance, many leaders experience the **People Impact Gap**—*the gap between the crucial answers that people managers need and the raw data that is contained within the people systems of record*—contributing to a crisis of confidence for people leaders.

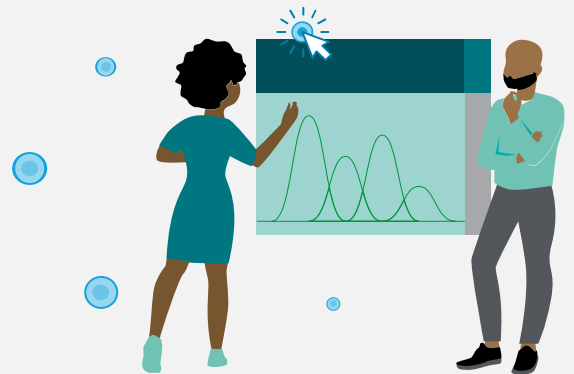
In the 2020 Deloitte Human Capital Trends Survey,⁸ only 3% of executives felt they had all the information they needed to make sound people decisions. Despite having access to some people data, leaders in our recent survey⁹ shared that they struggle to address a variety of people issues.

As a result of this gap:

Only **37%** of senior leaders are very confident in their ability to address workload management

Only **42%** of first-level leaders are very confident in their ability to address team performance

Only **29%** of senior leaders are very confident in their ability to address questions related to retaining talent



Business leaders seek timely, relevant, and contextualized data and actionable insights to inform decision-making

⁵ Visier Deloitte People Cloud Survey, 2022.

⁶ Ibid.

⁷ High-Impact People Analytics, Deloitte Consulting LLP, 2020.

⁸ 2020 Global Human Capital Trends: The social enterprise at work—Paradox as a path forward, Deloitte Insights, 2020.

⁹ Visier Deloitte People Cloud Survey, 2022.

Disparities between people leaders

Among the challenges for many people leaders is lack of access to data and insights. Rather than all leaders having access to the same information at each level of the organization (data democratization in its purest form), data and insights tend not to be evenly distributed or tailored to the needs of specific leader cohorts. People leaders also view situations through a lens influenced by their position within an organization, which can contribute to differing perceptions of business issues between leaders.

While 56% of C-suite leaders are very confident in their ability to connect team contribution to broader business goals, only 40% of first-level people managers are very confident in that area. Similarly, the C-suite is far more confident than first-level managers in their ability to address retention, workforce planning, and talent attraction topics.¹⁰



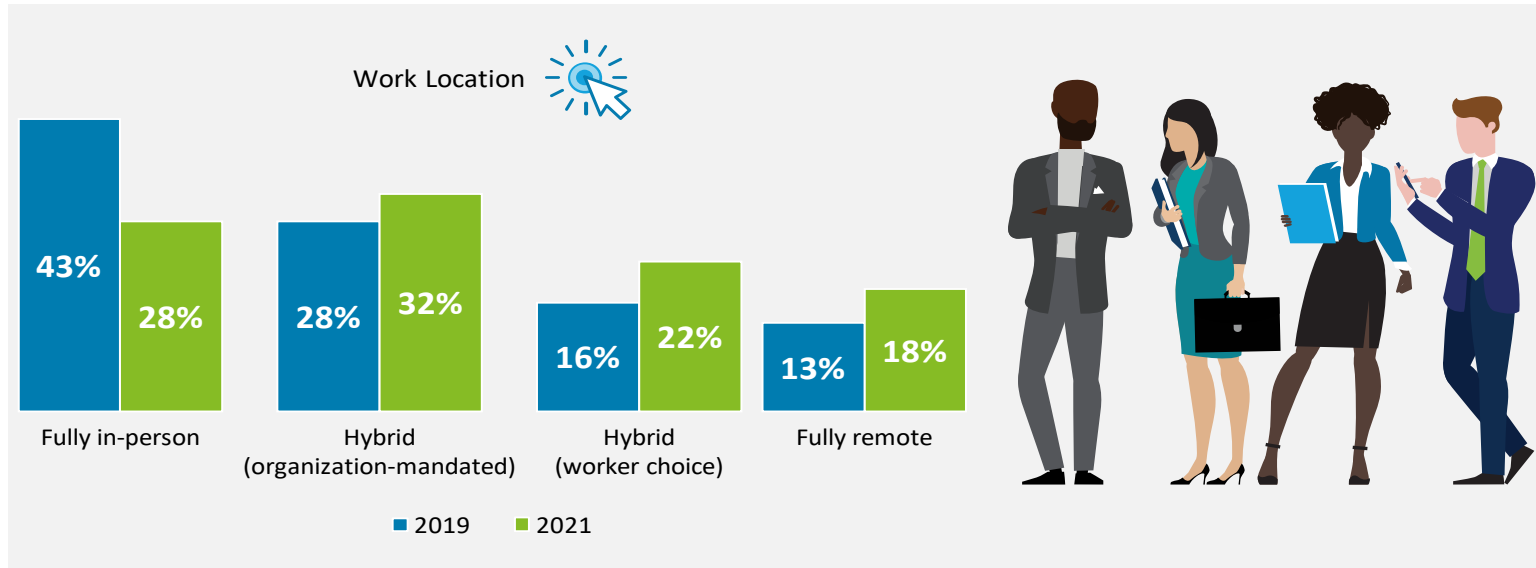
Part of this confidence by C-suite leaders may be rooted in the reality that they have a greater level of impact and control over these topics as compared to first-level managers—who more typically operate within the constraints of established programs, processes, and policies. Given the differing vantage points of C-suite leaders and first-level managers, different data insights are needed for these unique groups. Information disparities between these groups can result in slower responses to market shifts or other risks, which may be mitigated by an increased democratization of data and insights.

¹⁰ Visier Deloitte People Cloud Survey, 2022.

Shifting work models

For many, the pandemic disrupted traditional work models overnight. Our survey data shows that significant shifts in workplace location have occurred over the last two years.¹¹ The percentage of workplaces that were fully in-person decreased between 2019 and 2021, while the proportion of hybrid work models and fully remote workplaces climbed.

Data reviewed in the following sections suggests that leaders across work location models are experiencing challenges in different ways; this shift in work models may have exacerbated common leadership challenges. Ultimately, the unexpected need to manage performance in these new models is yet another example of an issue faced by leaders where the People Impact Gap can be felt acutely.

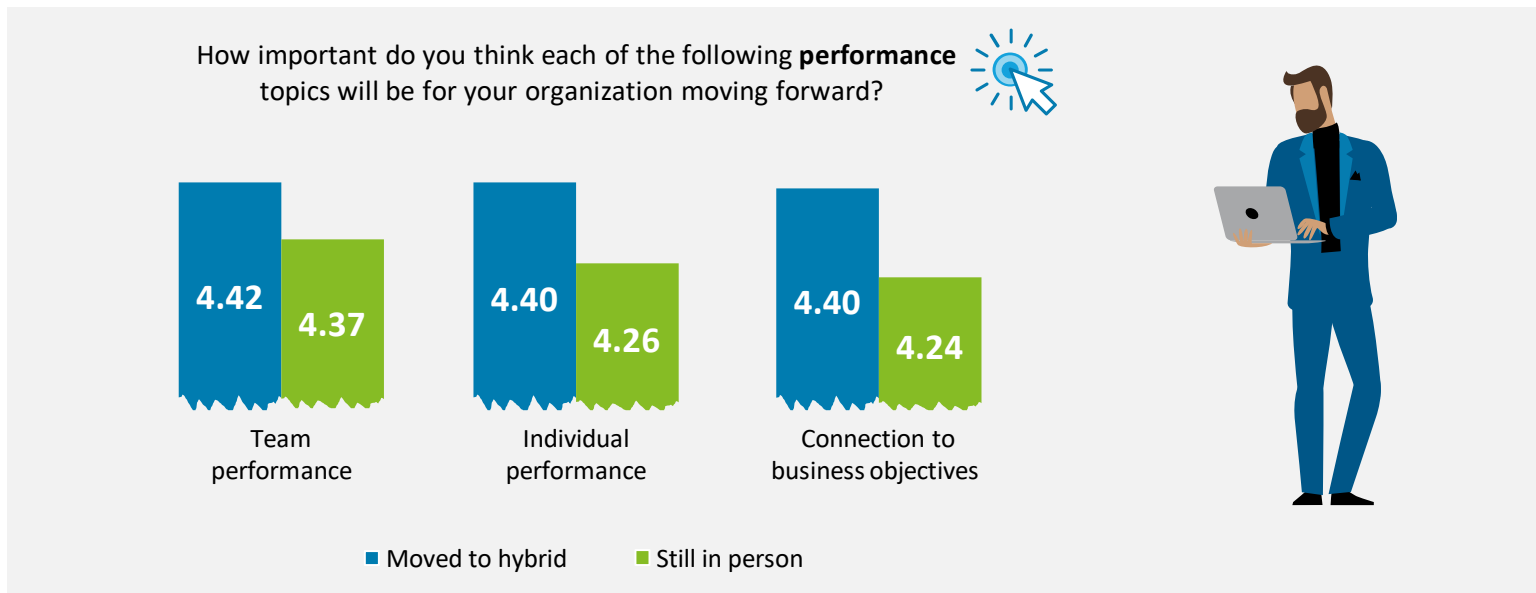


¹¹ Visier Deloitte People Cloud Survey, 2022.

Performance management

To explore the impact of the changing work location models described above, the collaborative Visier Deloitte People Cloud Survey identified the organizations in our sample that had in-person work models during 2019, prior to the pandemic. We then compared data from those that remained in-person two years later in 2021 versus those that had moved to a hybrid model in the intervening time.

Applying a 1-5 scale from “Not Important” to “Very Important”, people leaders in both models assigned high importance to each of the performance topics we asked about, underscoring the criticality of managing performance regardless of worker location. However, we noted that leaders in hybrid work models assigned slightly higher importance scores across all dimensions, suggesting that the move to hybrid may be contributing to even greater importance of and focus on these topics.¹²



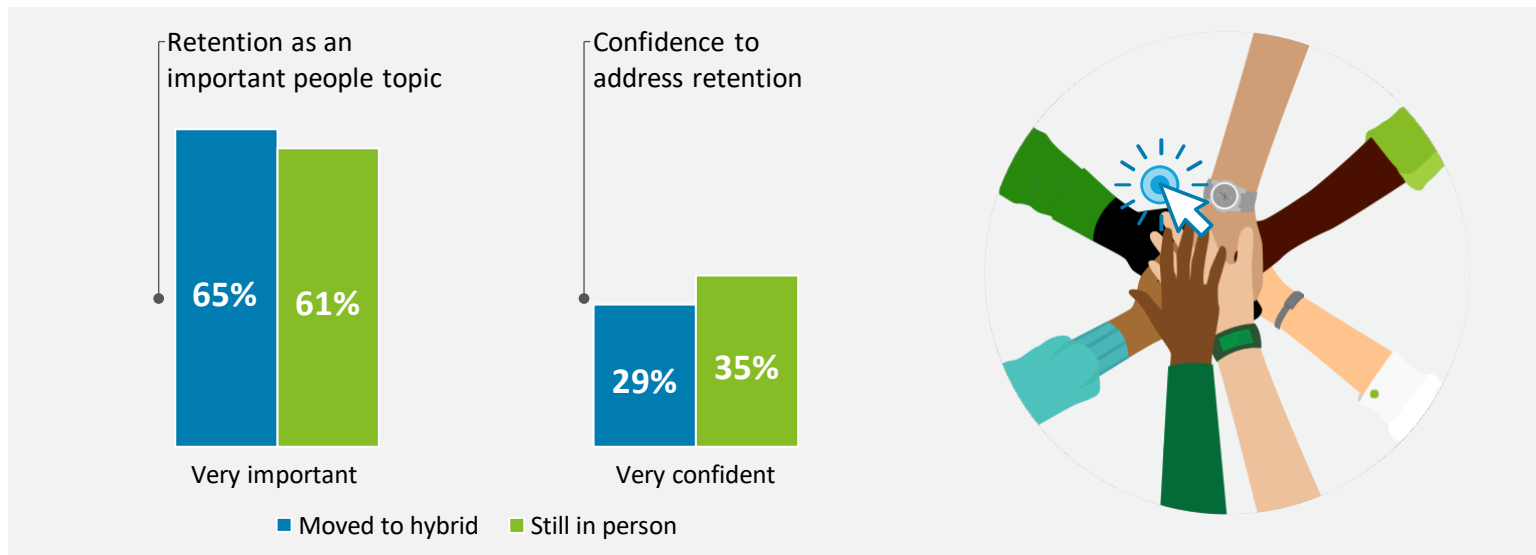
¹² Visier Deloitte People Cloud Survey, 2022.

Retention and other people challenges

The people topic that garnered the highest importance ratings for both in-person and newly hybrid organizations in our survey¹³ was retention and, unfortunately, both populations expressed limited confidence in their ability to address the issue. Leaders in newly hybrid organizations did assign slightly higher importance to the retention topic than those from in-person organizations, with the former also being somewhat less confident about addressing it.

In today's talent market, retention is not just an HR problem but a serious—even existential—business concern. As such, it is a potentially impactful use case for analytics teams to apply technology and derive data-informed insights in support of business outcomes.

Talent retention is not just an HR problem but a serious business concern

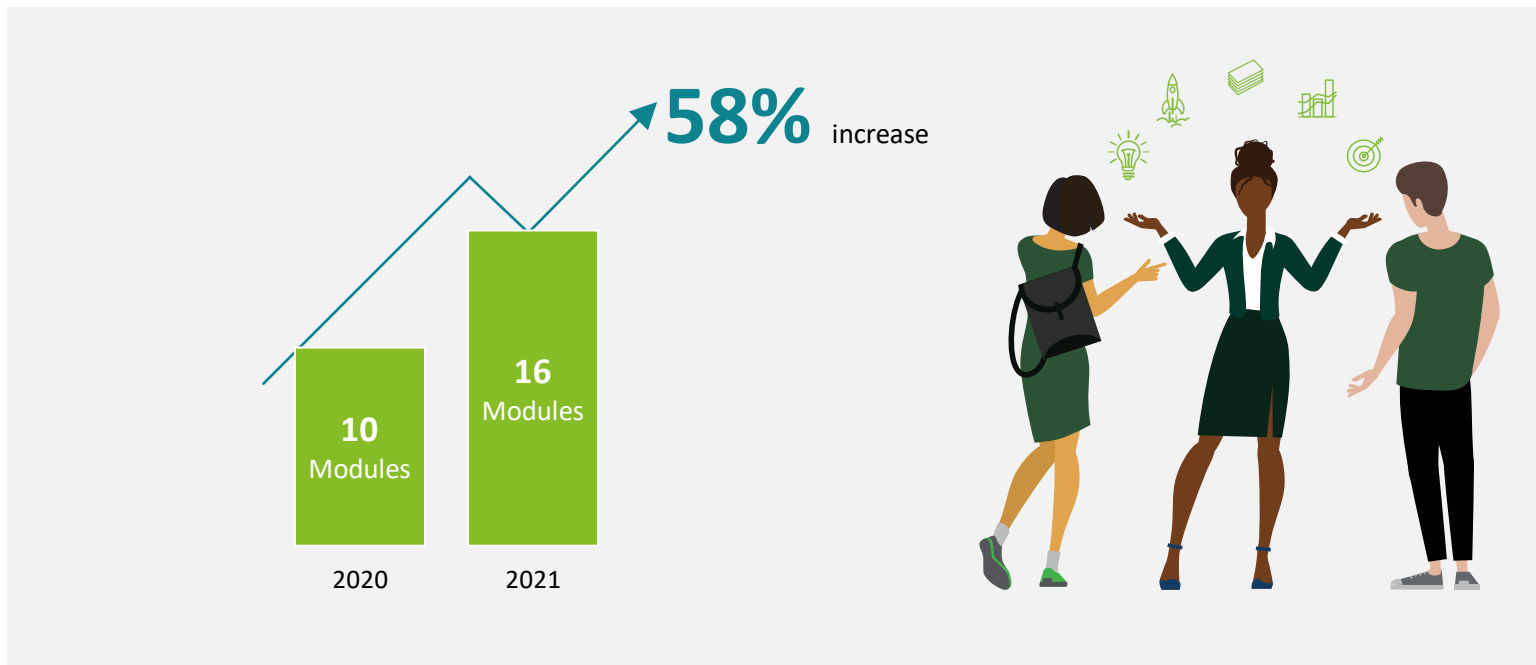


The average importance assigned to other people topics surveyed was also higher for those organizations that moved to a hybrid model, with talent attraction, talent development, and diversity, equity, and inclusion all noted as significantly more important. Additionally, these newly hybrid organizations were on average less confident in their ability to deal with people challenges across the board, suggesting again that new work models may be complicating people management for organizations.

¹³ Visier Deloitte People Cloud Survey, 2022.

Closing the People Impact Gap

Organizations continue to implement systems which contain HR and business data. Data from the Sapient Insights HR Systems Survey¹⁴ tells us organizations on average reported having 16 major HR modules in 2021—up from 10 in 2020, a 58% increase. However, the right systems are often not in place in order to effectively combine and manipulate data from these and other business tools so that the data can be leveraged for insights.



The need to combine data and derive insights from an ever-increasing number and range of different systems—as the underlying data sets grow by the minute—creates a predictable gap for understanding people issues and business opportunities. This technological complexity can feel like both a blessing and a curse: while it creates the raw data needed to answer key business questions it also deepens the work required to unlock insights from the data.

Accessing the nuggets of insight locked inside a people technology stack can dramatically improve decision making

Without the necessary insights to understand how workers impact the business and how the business impacts workers, organizations will be unable to activate the level of engagement and performance that the new world of work demands. Hence, closing the People Impact Gap is vital work for every enterprise. With a change in mindset, the right technology, and the necessary human capabilities, it is possible to close the gap.

¹⁴ Sapient Insights 2021-2022 HR Systems Survey, 24th Edition.

Closing the People Impact Gap is vital work for every enterprise

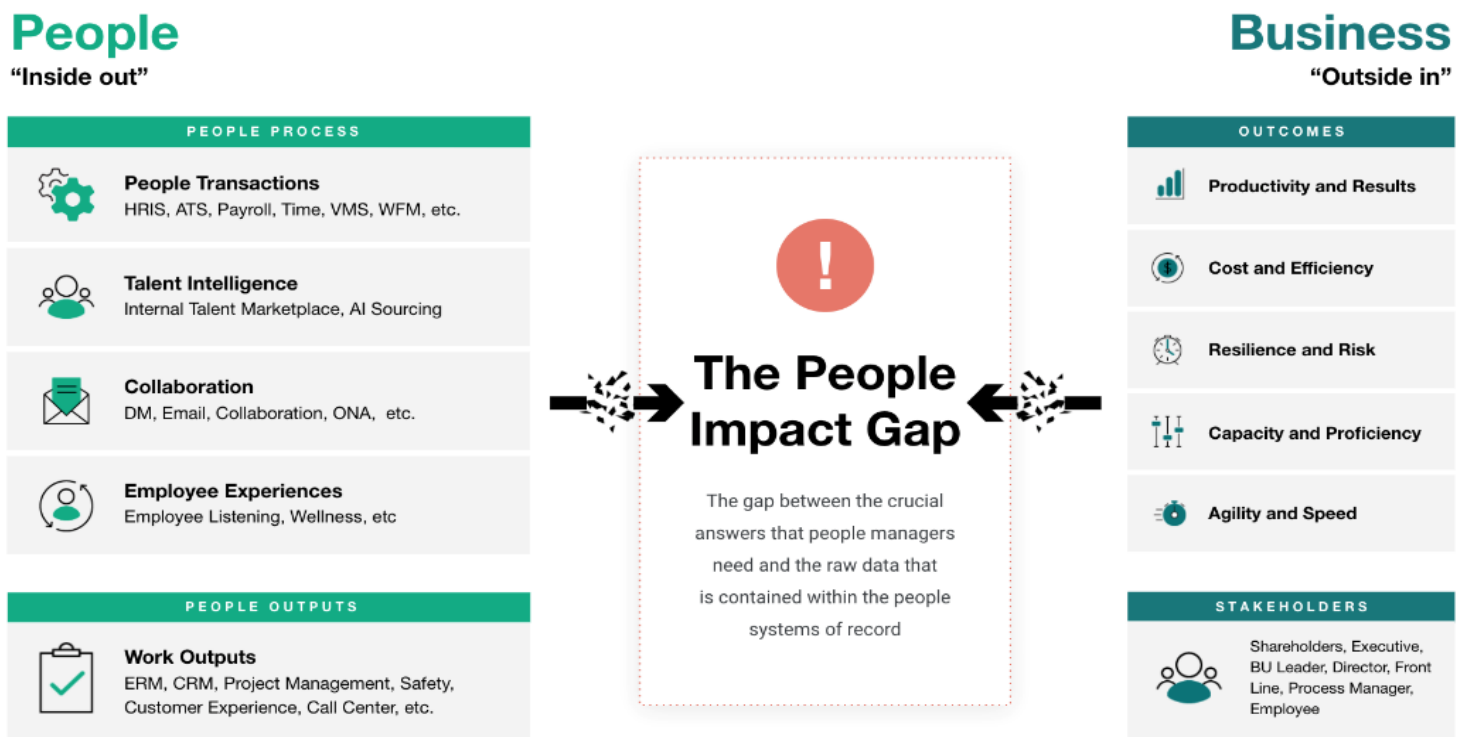
Early HR digitization projects focused on moving away from paper-dependent processes. More recent digital transformation efforts have targeted process automation and enhancing the user experience. While these transformations have enabled efficiency via higher levels of self-service and increased automation, the promise of people insights remains largely unmet. But the elusive nature of insights should not come as a total surprise.

While these systems can be very valuable, the architecture of a system of record often requires the data to be extracted and transformed before insights can be formulated. The need to incorporate additional data from other HR and non-HR sources can further complicate the journey from raw data to insights. The resulting lack of data-informed insights is one of the biggest challenges for organizations on their journey to enable improved decision-making—and to help them close the People Impact Gap.

The lack of data-informed insights is one of the biggest challenges for organizations on their journey to enable improved decision-making

The framework below illustrates and defines the People Impact Gap (See Figure 1: People Impact Gap Framework).

Figure 1: People Impact Gap Framework



Source: People Intelligence Alliance, 2022.

Leaders experiencing the People Impact Gap may find themselves lacking the necessary data-informed insights to act. Effectively managing people and teams is complex—hence the need for richer, more informative data sets aligned to specific questions and needs in order to improve business outcomes.

People decision example



Situation: A manager faced with a tight deadline and the sudden loss of a key employee will need to navigate the following people decision.



Question: Is someone hired as a conversion from a contract position likely to perform better or worse than a candidate sourced directly for a specific role?



Challenge: Notably, most organizations have the raw data to answer this question but lack the people capabilities and technology to do so in a timely manner. Multiplied across hundreds of managers and their innumerable decisions, the lack of insights like the one above can significantly impact overall business results.



Answer: Based on data derived from the organization's people analytics tool, the manager learns that when choosing between two similarly qualified candidates, contract conversions tend to lead to higher performance and increased retention. This is a key insight enabling the manager to make a data-informed choice, improving the team's service delivery, stability, and overall business results.

The role of technology and the People Impact Gap

For many organizations, the process of assembling or wrangling data to answer business questions is a manual and time-consuming effort, conducted for each business problem that needs to be informed with insights. However, given the stakeholders, range of questions, and data sources that need to be integrated, analyzed, and shared to inform decisions and actions, this requires a technology-driven approach to close the People Impact Gap.

In order to scale insights and drive outcomes consistently, organizational approaches should include data integration tools, data warehouses/data lakes, business intelligence (BI) technology, and/or analytical modeling capabilities. Organizations should consider leveraging platforms that allow users to develop and consume insights more easily, while also implementing an operating model that provides the strategy, talent and organization, governance, and business processes to deliver analytics and insights at scale—and with agility.

Technologies that have been purpose-built to fill the People Impact Gap move beyond transactional recordkeeping and reporting to support the following core capabilities:

- Combine disparate data sets for analysis, producing answers to complex business questions
- Aggregate and visualize data in order to communicate key insights
- Distribute insights to a broad user population by providing a personalized, intuitive, and easy to navigate user experience
- Suggest actions or approaches that will lead to desired outcomes

Business-focused people insights delivered through an analytics technology product distributed to a wide population of leaders can enable data-informed decision-making and democratize participation in strategic decision-making.

Moving from data to insights and action

Turning data into valuable insights to inform decisions and actions cannot be done with technology alone. People leaders need a new way to think about, and act upon, the insights delivered by a technology platform in order to close the People Impact Gap.

The new world of work requires a commitment to a different way of being as an organization—one that embraces and supports decision intelligence. To help leaders navigate this environment, Deloitte developed a Field Guide for Human Capital Decision Intelligence.¹⁵ This guide contains a framework to help organizations make sense of the human side of business.

True decision intelligence capability should equip leaders at all levels with the means to make informed work, workforce, and workplace decisions, including the ability to:

- **SENSE what matters most** Identify problems and opportunities that have the potential to affect the human side of enterprise on a timely and ongoing basis
- **ANALYZE choices** Define the problems and opportunities in the context of work, workplace, and workforce, zeroing in on the pivotal issues and assessing responses in a way that accommodates uncertainty and risk
- **ACT successfully on the best choices** Implement the decisions most likely to achieve the best outcomes in an effective and timely manner

¹⁵ A Field Guide for Human Capital Decision Intelligence, Deloitte Consulting, LLP, 2022.

To see how the process of Sense, Analyze, and Act can play out, consider this workforce planning example



SENSE - help leaders stay ahead of disruption

Many companies set their budget and FTE count goals top down; however, staffing patterns and composition of team members' experience or capability levels are seldom part of the planning stage. Staffing levels are often determined by team leads, but insights into how to optimize team productivity and how leaders can help their team members add greater value to the organization are frequently unavailable.

The organization often has no access to the data about who is contributing to the work or areas of improvement to optimize the work to meet business growth objectives over the next year.



ANALYZE - uncover the real story

To understand ideal staffing levels for the year ahead, leaders should take a closer look at the current workflow and see where bottlenecks exist. For example, more items on the roadmap typically mean a higher headcount, but a people workflow analysis can reveal where "waste" or delays exist. Sometimes team composition can result in faster delivery, and simple changes in workflow or the tasks assigned can lead to higher productivity, whereas the lack of specific capabilities can result in longer lead times.

People and work insights can provide tangible ways to optimize talent and prioritize deliverables. Rather than taking

past performance and organization structures as given, organizations can look at their internal resources in more renewable and expandable ways.

By analyzing workflow patterns through data from different people systems, leaders can build an understanding of the true picture of how work gets done and use this to determine realistic expectations related to workforce planning required to meet organizational goals.



ACT - make informed decisions on the shifting intersection of work, workforce, and workplace

When people data is synthesized with work data, the People Impact Gap closes. People and work decisions are not done ad hoc, as a defense against improper workforce planning, but instead are included as part of the overall alignment of work, cost, and people which allows the entire organization to act more effectively toward achieving stated goals.

Managers require focused, actionable information that enables them to simulate possible actions and evaluate the impact of each one, leading to an evidence-based decision on the most effective path forward. Done well, the process gets smarter with each transaction, and this value gets fed back into the technology used to support the decisions.



The call to action

Recent Deloitte research highlights the need for a holistic approach to people analytics that complements the power of technology with human capabilities, a data-driven culture, sound and ethical governance, a future orientation, and close working relationships with customers.¹⁶ These findings, along with insights gleaned from the Visier Deloitte People Cloud Survey, support the need for organizations to invest in foundational capabilities for data insights and a technology infrastructure to address the opportunities highlighted by the People Impact Gap.

What does your organization need to close its own People Impact Gap? Conducting an assessment and analysis of gaps that may exist between your current capabilities, market leading practices and desired future state is a great first step. Once you understand the gaps that need to be closed and establish short- and longer-term priorities, an action plan and case for change can be created to deliver insights that improve decision quality and drive greater business impact.

We must acknowledge that there is no technology that can replace human judgement and decision making. Business issues are complex and data sets are imperfect; applying a decision-making framework can be useful in making the best decisions given the available data. In the new world of work, we believe that enhanced human capital decision intelligence—enabled by smarter technology and better insights—holds tremendous promise to elevate manager and people impact.

Enhanced human capital decision intelligence—enabled by smarter technology and better insights—holds tremendous promise to elevate manager and people impact

¹⁶ High-Impact People Analytics, Deloitte Consulting, LLP, 2020.

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