Using Predictive Analytics to Drive More Effective Leadership Actions

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Executive Summary

Today the pace of change creates daunting challenges for businesses and organizations around the globe. New technologies, new ways of working, and new players are regularly shifting the landscape and the rules. Sometimes they even upend the game itself.

It takes bold leaders to navigate this complexity and invest in future-oriented leadership development. But it also takes accurate, relevant, and actionable data to determine the best strategies for moving forward. Some questions to explore:

- How should managers and executives in your organization lead in order to *grow your competitive advantage?*
- What does the executive team need to do to work together to *drive optimal business results*?
- How can you *shape your leadership culture* to drive sustained, profitable growth in years to come?
- What practices will *retain and engage top talent?*
- What people investments will *yield the greatest impact* on customer satisfaction and business performance?

Predictive analytics can help you answer strategic questions like these by connecting the dots between people data and actual business results. You can uncover leverage points and determine which people investments are most likely to move the needle and get your organization where it wants and needs to go.

What this paper covers:

- How you can use predictive analytics to predict business outcomes
- How an evidence-based approach can help you make smarter decisions about leadership development investments
- How you can turn data into actions that produce impactful, measurable results

The Predictive Power of Data

When considering an investment in leadership development, how do you determine where to focus first for the greatest impact? It can be a real challenge to decide which leader practices and behaviors, which aspects of culture, and which aspects of employee experience and engagement to target.

But what if you had the power of prediction? What if you could use analytics to guide your decisions, set priorities, and determine where to invest your time and resources?

It's not a pipe dream. Today we can place the power of prediction at your fingertips—helping you determine the leadership strategies most likely to bring important business objectives to life.

This predictive approach is similar to the methods used by Google and other online search innovators. When you look for an answer to a burning question, algorithms analyze web data for relevancy and serve up the information most likely to match your needs.

When you use similar methods to analyze the data you collect about your people and your business, you can get a clear and actionable picture of which leader behaviors and practices, culture, and employee experience and engagement aspects are most closely linked to your business strategies.

As a result, it becomes much easier to find your focus. You can use what you learn to make smarter, better-informed decisions about developing your people and your culture. And that can translate into a measurable, positive impact on your organization's current and future success.

5 Steps to Use Predictive Analytics in Leadership Development

01 **SET PRIORITIES**
*Identify **what matters most** for your organization's **future success***

02 **GATHER DATA**
*Combine **multiple types** from **multiple sources** at **multiple levels***

03 **ANALYZE**
*Focus on **linkages and gaps** you uncover, then prioritize what matters most*

04 **TAKE ACTION**
*Make an action plan and **smarter investments in your people** using data*

05 **ASSESS IMPACT**
*Measure your **return on investment**, validate and fine-tune approach*

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Finding Focus: 5 Evidence-Based Steps

So how do you get started and embrace this new predictive approach to decision making? Try this 5-step, evidence-based approach endorsed by experts in leadership development, leadership assessments, and predictive analytics.

1. Set Priorities

What are your business challenges and opportunities?

To determine what matters most to your organization and to its current and future success, an important first step is to engage your executive team and other key stakeholders in a discussion of which business outcomes and metrics need the most attention. For example, you might consider:

- *What strategic priorities are found in your business plan and what is being done right now to address them?*
- *Which strategies are working and which aren't?*
- *Is it crucial that you double down on efforts to lower operating costs?*
- *Should you focus on increasing customer satisfaction?*
- *Do you need to emphasize improving worker productivity?*
- *Should you concentrate efforts on driving more innovation?*
- *How important is it to speed time to market?*
- *Is it critical that you capture new customers?*

Carefully guided discussions will help you identify the priorities most meaningful to your organization and define what better business results look like.

2. Gather Data

What is your current state?

Two types of data are critical to connecting the dots between business performance and people performance. First, you need business metrics linked to the priorities you've established. Second, you need data on the unique aspects of your environment that set you apart, including your organizational culture, employee experience and engagement, and leadership behaviors and practices.

No two organizations are alike, and one-size solutions are seldom a perfect fit. That's why you need your own unique recipe for success. Rather than relying on generic benchmark results from other companies, it's important to identify the precise types of qualitative and quantitative data that can help you track progress towards outcomes important to your organization.

We recommend that you combine multiple types of data from multiple sources and at multiple levels (e.g., team, function, and business unit). And here's why that matters.

Let's say you work for a software company eager to deliver the continuous stream of new features and capabilities customers expect. But your business metrics show your software delivery cycles are lengthening instead of getting shorter.

A recently conducted 360-degree leadership assessment survey shows many of your leaders lack important collaboration skills. You decide to broaden your perspective, though, by conducting a new organization-wide employee experience survey that delivers additional insights. You discover your software development and quality assurance teams are operating in silos instead of in lockstep—creating workflow bottlenecks that are slowing time to market.

Now you know that collaborative leadership is only part of the story. You also need people initiatives and processes that help you break down barriers and promote cross-functional teamwork.

3. Analyze

Uncover the linkages and gaps.

Once organizational priorities are established and data collection is complete, experts use predictive modeling to identify the precise people factors that help or impede your most important business goals. Sophisticated analytics point to important linkages and to any gaps in your current leadership practices and behaviors, culture, employee experience, and engagement. This allows you to paint a picture of which specific leader behaviors and practices are likely to have a quantifiable impact on your organization culture, employee experience, and most important business outcomes.

Leader Behaviors and Practices	Organizational Culture	Business Outcomes
	Employee Experience (Climate)	

To keep you from spreading your time and resources too thin, it's important to prioritize and narrow down what you find so you can focus first on those levers producing the greatest impact on your business outcomes. If you uncover a dozen factors creating a drag on innovation, for example, you might want to focus on the top 3. Your objective is to produce a short, actionable list you can use to guide your people-development efforts.

Discussing what you've learned with key stakeholders can help you deepen your understanding and clarify the root causes behind the gaps identified. Why do employees think their leadership team is ineffective? Why are functional organizations and business units poorly aligned? Why are cultural biases impeding important change initiatives?

Also, take a deep dive into the broad policies and organizational practices found to support or interfere with strategy execution and explore changes that could improve your strategic impact.

4. Take Action

Use data to make better-informed decisions.

Now that you've connected the dots between people data and key business metrics, you have the insights you need to make smarter investments. No more guesswork. You will know the specific dimensions of leader behavior and practices, culture, employee experience, and engagement that are most closely linked to your top business goals.

As a result, you can create a carefully focused action plan that incorporates the development options best suited to your needs. You can take evidence-based steps to strengthen leadership, align organizational systems and processes, nurture a culture of engagement, build shared commitment, and bring key business strategies to life.
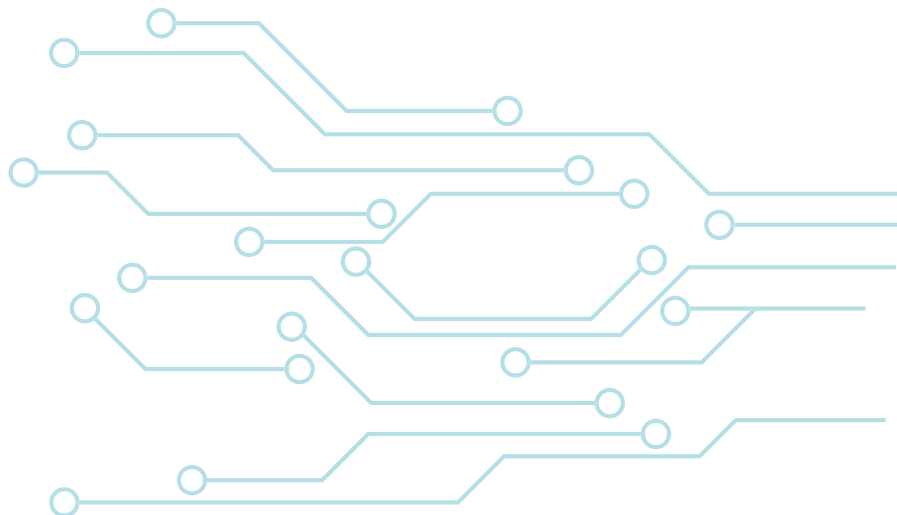
5. Assess Impact

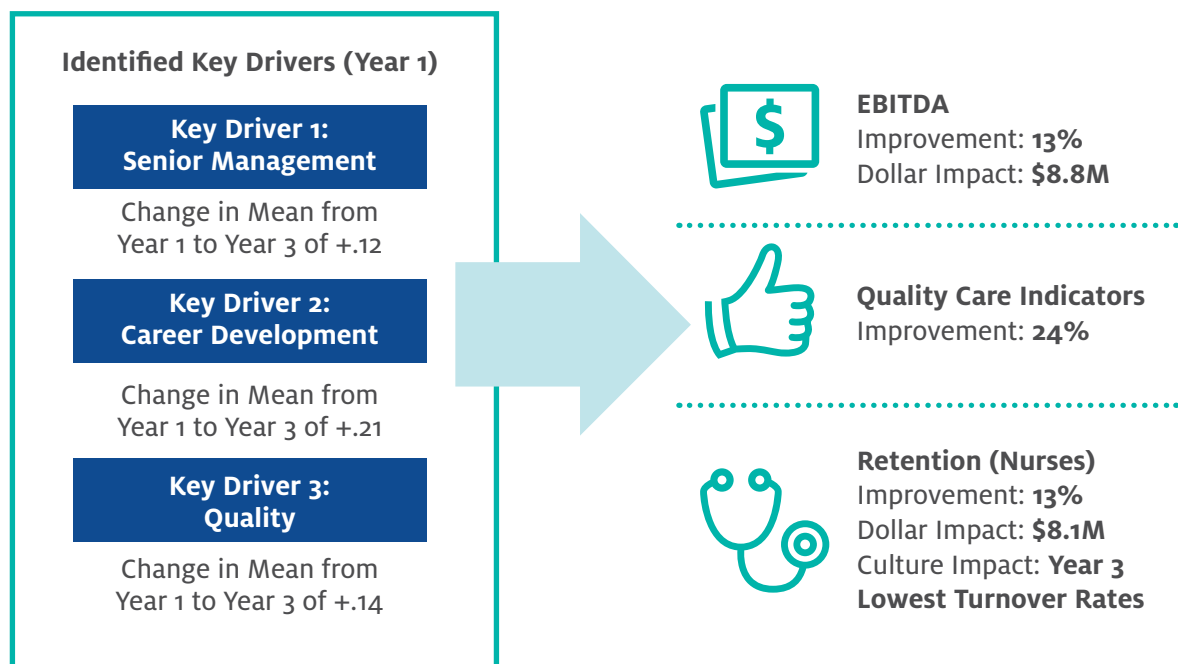## *Measure your results & return on investment.*

Use follow-up surveys and assessments to document the strategic impact of your action plans and the returns you achieve on your people investments. This final measurement step is critical. It helps you fine-tune your approach and validate whether you are on the right track. It also can demonstrate your strategic impact and help you build support for further investment.

The experiences of a healthcare organization illustrate why follow-up measurement can be so impactful. Executives were looking for ways to control costs without eroding patient care. To guide their decision making, they used advanced analytics to explore the links between business results and data from their annual employee experience and 360-degree feedback surveys.

After discovering an important link between key people drivers (i.e., senior management) and business results, they launched a new action planning process and leadership development program focused on improving those areas. The impact of those improvement efforts was tracked by re-administering 360-degree feedback and annual employee experience surveys over a three-year period.

Every manager who participated in the customized leadership development program was rated as significantly more effective on a follow-up 360-degree feedback assessment. Companywide improvements on the key people drivers on the annual experience survey showed the company saved $8.1M in turnover costs, increased EBITDA (Earnings before Interest, Tax, Depreciation, and Amortization) by $8.8M, and improved quality indicators by 24%. In other words, positive changes observed in targeted people drivers and leadership behaviors were directly connected to improved business outcomes, as shown here.

Tracking Outcomes of Predictive Analytics Used at a Healthcare Organization

Identified Key Drivers (Year 1)

Key Driver 1: Senior Management

Change in Mean from Year 1 to Year 3 of +.12

Key Driver 2: Career Development

Change in Mean from Year 1 to Year 3 of +.21

Key Driver 3: Quality

Change in Mean from Year 1 to Year 3 of +.14

EBITDA
Improvement: **13%**
Dollar Impact: **$8.8M**

Quality Care Indicators
Improvement: **24%**

Retention (Nurses)
Improvement: **13%**
Dollar Impact: **$8.1M**
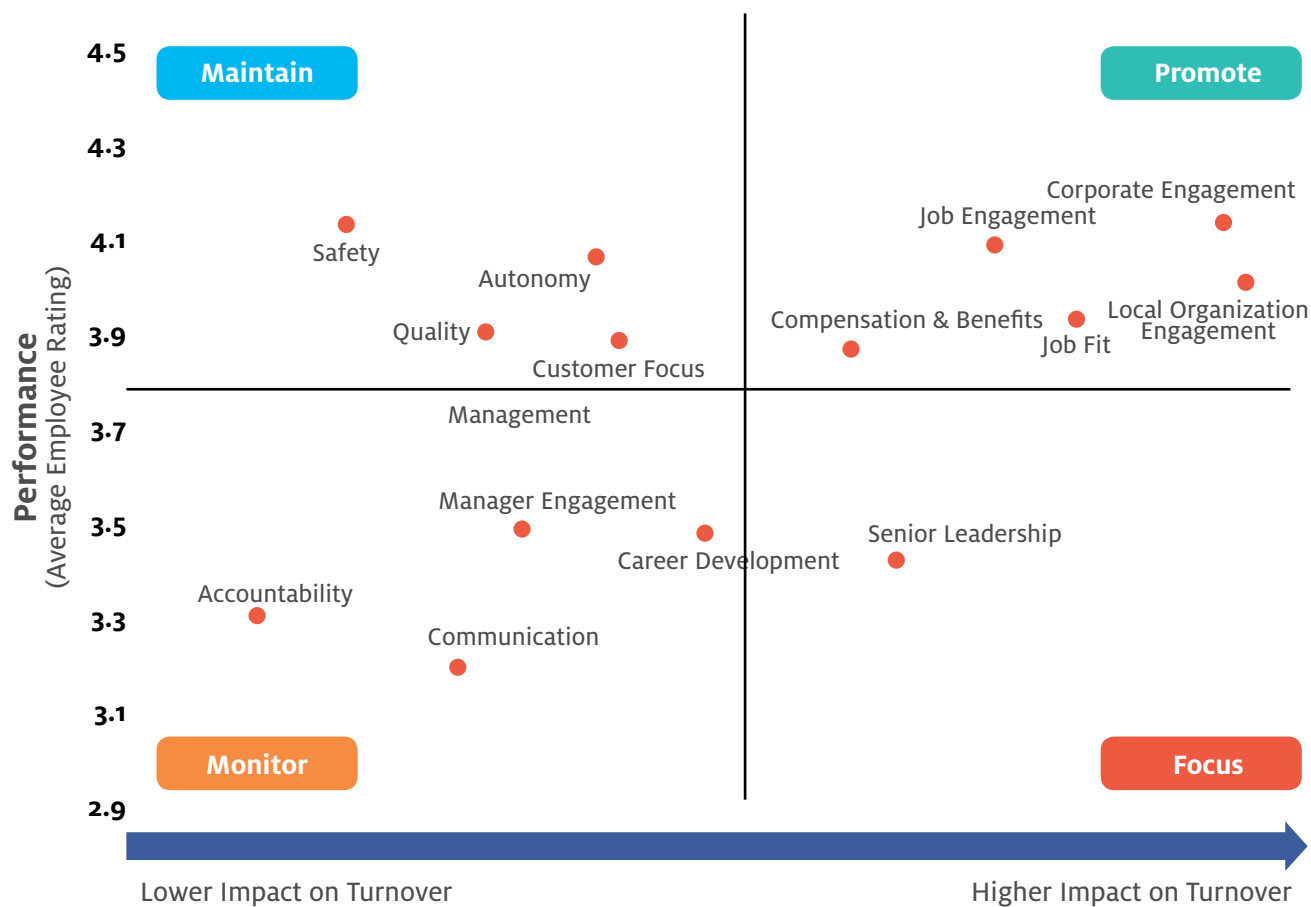Culture Impact: **Year 3 Lowest Turnover Rates**

A Case Study in Finding Focus with Leader Analytics

The experiences of RPM, a global holding company specializing in building and construction manufacturing, show the potential of predictive analytics.

Although markets for one of RPM's reporting segments, Specialty Products Group, were rapidly expanding, retention issues, skills deficiencies, and a shrinking labor pool left the group unable to make the most of available opportunities. As a first step towards producing better results, focus groups and interviews were conducted with leaders at all levels to produce alignment on strategic priorities, including revenue growth, more effective business planning, and employee retention. Assessment experts then designed and administered a company wide survey to collect people data and analyze the links between employee experience and employee retention.

Using quantitative data, a "heat map" was generated illustrating important people factors impacting employee retention as shown on the following page. **The heat map told RPM exactly where to focus, taking the guesswork out of action planning.** The map's vertical axis shows the average score on each employee survey category. The horizontal axis shows the level of impact that each category was having on employee turnover. Senior leadership appears in the Focus quadrant and was most important to improve immediately because it scored below the organizational average and was a significant driver of turnover. Thus, it needed to be taken care of first.

The Promote quadrant includes a number of areas (i.e., corporate engagement, local organization engagement) where RPM's reporting segment was doing very well. This segment needed to ensure it continued doing these things well because they were also significant drivers of turnover. While the areas in the Monitor box were not significant turnover drivers, they were still important to consider when deciding action plans. The Maintain quadrant represents categories where the organization should just keep doing what it is already doing.

Performance (Average Employee Rating)

4.5 — **Maintain** **Promote**
4.3
4.1 — Safety
3.9 — Quality / Autonomy / Customer Focus
3.7 — Management
3.5 — Manager Engagement / Career Development / Senior Leadership
3.3 — Accountability
3.1 — Communication
2.9 — **Monitor** **Focus**

Corporate Engagement
Job Engagement
Local Organization Engagement
Compensation & Benefits
Job Fit

Lower Impact on Turnover — Higher Impact on Turnover

Executives used what they learned from these results to make a series of impactful moves to improve employee retention among other business outcomes. Examples include:

- **New talent development initiatives** to engage, retain, and promote younger workers and to develop skills the organization needs to take its business to new levels.

- **Workshops and action-planning tools** to achieve shared direction, alignment, and commitment and to drive higher levels of engagement.

- **Senior leadership communication plans** to create meaningful dialog with frontline employees—articulating strategic plans, promoting transparency, and building both confidence and support.

"Leadership development is a driving force behind our success at RPM," says Steve Knoop, interim COO at RPM. "Predictive analytics have helped us manage and evaluate our leadership journey and move our businesses forward. We are now implementing leadership initiatives we expect to pay off in coming years."

Conclusion

Analytics can enhance the impact of leadership development on business outcomes.

When researchers conducted a meta-analysis of more than 335 independent studies published over 6 decades by the *Journal of Applied Psychology*, they found leadership training makes a big difference in mindsets, beliefs, and behaviors that drive better organizational results. They also determined that training initiatives produced even greater returns when they were preceded by a needs assessment to determine the precise capabilities producing the greatest bottom-line impact (Lacerenza, Reyes, Marlow, Joseph, & Salas, 2017).

CCL's experience reflects similar findings. **When analytics are used to set leadership development priorities, the odds increase that you will produce a transformational impact on your most important business strategies.** You can equip leaders with the skillset needed to understand how their behavior and practices affect others. They can learn to set direction and to communicate what your organization is trying to achieve. They can learn how to align and integrate the various aspects of the work their team performs in service of a broader, shared direction. And they can learn how to inspire and encourage everyone to go beyond their personal interests and commit to the success of the entire organization.

Visit CCL Fusion to discover how we're bringing together experts in predictive analytics, leadership development, and assessments to help organizations find their focus and produce results that matter. CCL Fusion can help businesses make the most of employee experience and engagement surveys, culture surveys, and 360-degree feedback by mapping people data with critical organizational metrics. And we can help you clearly identify the specific leader behaviors and practices needed not only to drive your strategies, but to motivate and align your workforce to support them. With CCL Fusion, you can monitor progress, evaluate impact, make informed course corrections, and holds leaders at all levels accountable for results. See ccl.org/fusion to learn more.

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Fusing leadership actions to drive business outcomes.

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Stephen Young, PhD, has extensive experience in the areas of predictive analytics and leadership development. He has worked in a variety of industries, including Fortune 100 companies and US defense and government agencies. As a senior research scientist at the Center for Creative Leadership (CCL®), Stephen uses leadership analytics to accelerate return on investment in leadership development. His research in leadership assessment, employee engagement, and performance management has been published in the *Journal of Occupational and Organizational Psychology*, *The Leadership Quarterly*, *International Journal of Human Resource Management* as well as CNBC.com, *Chief Executive Magazine*, *Talent Economy*, ATD's *TD Magazine*, and *Training Industry Magazine*. He holds a PhD in industrial/organizational psychology from Florida Institute of Technology.

Heather Champion, PhD, has conducted research and evaluation with a focus on leadership development. As CCL's manager of Client Evaluation Services, she has worked to support the advancement of predictive analytics to drive greater impact of leadership development initiatives and more effectively measure and connect investments in leadership development to business outcomes. Heather's global clients represent numerous industries including manufacturing, healthcare, technology, consumer goods, energy, nonprofits, and government agencies. Author of numerous peer-reviewed articles, book chapters, and technical reports, she belongs to the American Evaluation Association, the American Public Health Association, and the Association for Psychological Science. Heather earned a PhD in developmental psychology from North Carolina State University.

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Scott Mondore, PhD, is a turnaround CEO, technology innovator, and best-selling author and speaker with over 20 years' experience in HR technology, analytics, strategy, talent management, measurement, sales, and customer experience. Scott is managing partner of Strategic Management Decisions (SMD)—an HR technology company with the only patented assessments that link data to business outcomes with customized action-planning tools. Scott coauthored three best-sellers: *Investing in What Matters: Linking Employees to Business Outcomes* (SHRM, 2009), *Business-Focused HR: 11 Processes to Drive Results* (SHRM, 2011) and *Predicting Business Success: Using Smarter Analytics to Drive Outcomes* (SHRM, 2018). Scott holds a master's degree and doctorate in industrial/organizational psychology from The University of Georgia.

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