sage

BECOMING A PEOPLE COMPANY:
THE WAY TO UNLOCK FAST TRACK GROWTH

Research report

Preface

In our latest survey report, we explore the growth challenges facing businesses and HR leaders in a rapidly changing landscape.

We surveyed over 500 HR leaders in leading organizations to explore their views around these challenges, and to find out how they are supporting people and leveraging people data to help them achieve their growth goals.

Here's what the survey revealed:

- It's the war for talent, again. The greatest challenges for growing companies are winning the war for talent, growing productivity and improving workforce visibility.

- Fast growth companies share common traits in the way they manage and engage their people—we call this being a People Company.

- There's a disconnect between managers and employees in terms of what being a People Company means.

- Becoming a People Company is a journey, with many organizations far away from embracing all aspects.

- People Science is a thing: There's an appetite to leverage people data and analytics, but there are blockers in the way.

Read our report to learn more and discover what you can do to become a People Company.

As you read the findings, there's just one question to ask yourself:

*are you ready to become a People Company?*

Contents

Introduction
The challenges with people

The workplace is changing, and the demands of the workforce are evolving. Technology, markets, demand and business models keep changing, disrupting established ways of running a business. Combined with the ever-increasing skills-related challenges, businesses must work harder than ever to attract, engage and retain the best people.

It's the war for talent, again

For the first time in the workplace, businesses have had to deal with five distinct generations of workers, embrace new digital technologies, and compete on an increasingly global scale—all while trying to maintain a competitive edge and market share.

Employers report the highest talent shortage in 10 years

36% EMEA talent shortage   **45%** US talent shortage
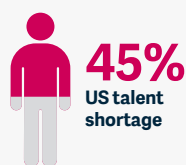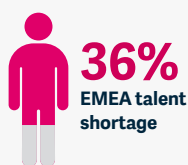
On top of this, it's becoming harder for companies to find and hire the best talent as demand for key skills grows. In-demand workers have more choice about how, where and when they work, forming the notions of the contingent workforce and the gig economy. Furthermore, employees now have different expectations of employers and no longer need to tolerate things like out-dated HR management practices. As a result, and with countries nearing full employment, the the way organizations now manage their workforce is being challenged and needs to change.

Skills shortage is the constraining factor

The skills shortage is worsening worldwide, with employers reporting the highest talent shortage in 10 years. 45% of US employers are experiencing difficulties, while 36% of EMEA employers are facing talent shortages.[1] A survey of 90,000 UK companies by the Financial Times highlighted that one in four vacancies are proving hard to fill, which is the highest proportion in a decade.[2]

People are not fully productive or engaged

Another related challenge is the need to boost productivity and engagement, neither of which have improved in decades. The average global engagement score is just 29%, which means that just one in three employees is fully engaged at work to do their best. And, despite wave after wave of technological advances, productivity growth has remained flat over the last several decades. In fact, on the global scale, productivity has declined, which is a worrying reality that organizations must face and address.
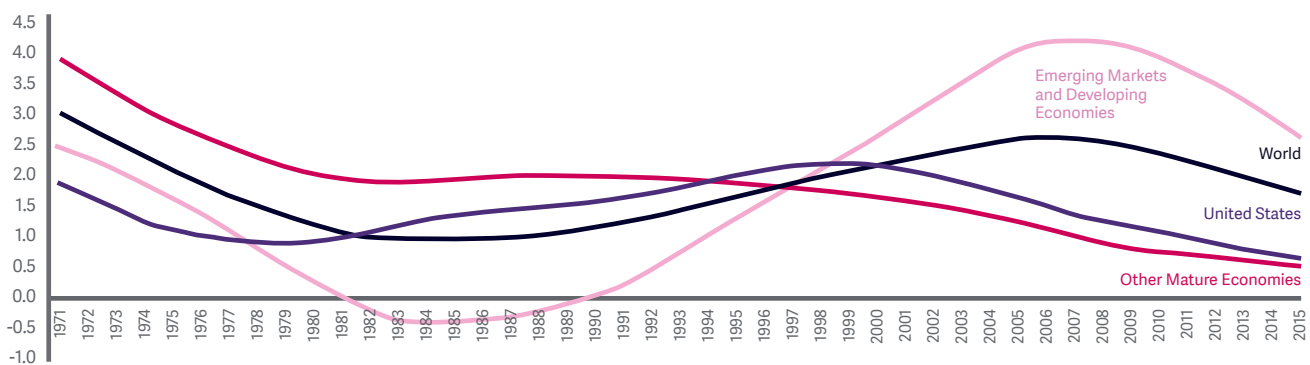
29% Global average engagement score

Source: *Effectory International 2016*

Trend growth of labor productivity (output per person) using HP filter, major regions, 1971–2015

Source: *The Conference Board Total Economy Database, May 2016, https://www.conference-board.org/data/economydatabase/*

Everybody cares about people, HR not so much

HR is playing catch up when it comes to data. Sales, marketing and operations are all using data to plan and measure objectives, as well as using the insights to better understand and engage with their customers. This means that they can demonstrate the value of their contributions to the business and its bottom line. HR, on the other hand, has still not fully grasped this. In a world where HR is constantly being challenged to add strategic value, it's essential that companies use data and analytics to better understand their people.

"With different generations working alongside each other, businesses must ensure they have the right tools and strategies to manage their teams effectively. And as the workforce continues to evolve, success will be contingent upon having full visibility of all employees, their skills and where they need additional support. This is especially true with multigenerational workforces, where factors such as digital skills and the need to build effective leadership pipelines further complicate the talent management process." **Paul Burrin,** *VP, Sage Business Cloud People*

Our research

How are these challenges affecting leading businesses today? What are business leaders doing to meet them?

To find out, we conducted a survey of over 500 HR leaders in mid-sized, fast growing companies. We asked them their views on barriers to growth, the role of their people in driving growth, how they use (and plan to use) people data and analytics to inform business decisions, and how they are changing the way they manage and engage their people in this new world.

Our paper shares the headline findings and explores what lies behind them. It gives us actionable, contextualized insights into why and how you should focus on becoming a People Company for maximum impact on business growth, by getting the best out of your people and enabling them to do their best work.
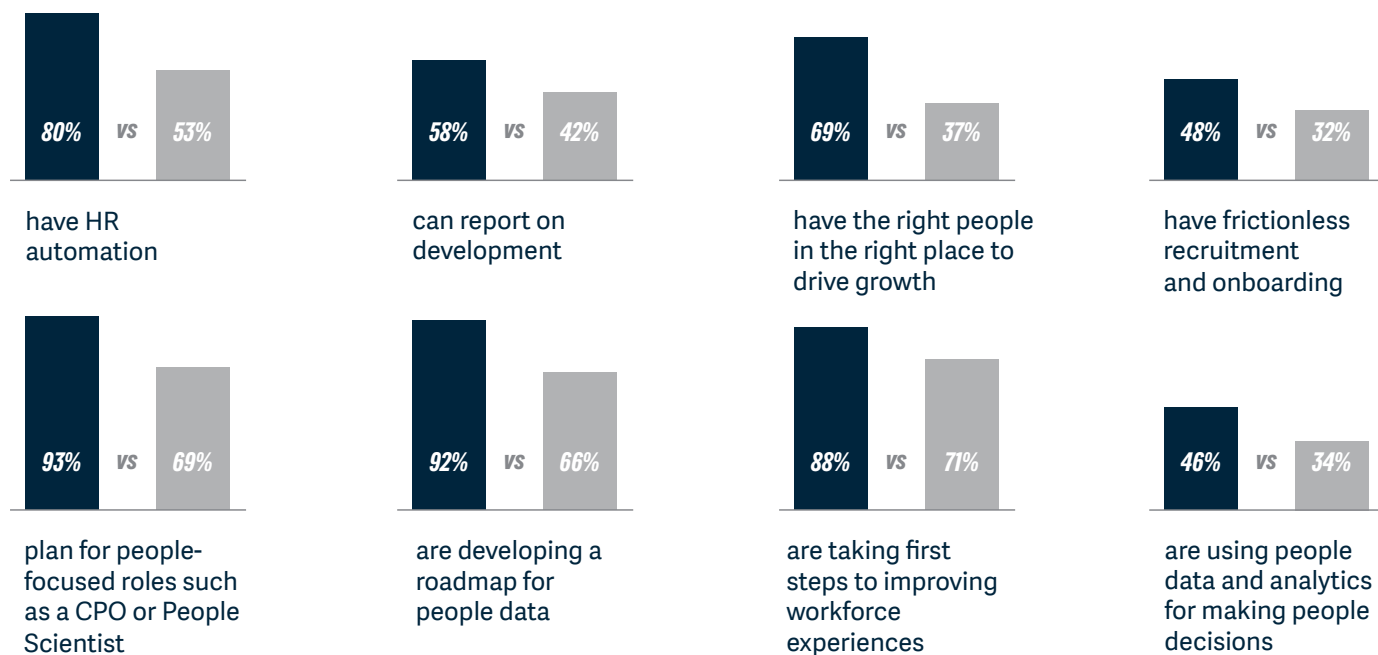
Research findings
Fast growth companies share common people traits

Some high-performing organizations are achieving growth and continued success at a significantly faster rate than others. These are known as gazelles (see overleaf for explanation), and they are typically performing better than other organizations in people-related areas.

GAZELLE VS NON-GAZELLE

80% VS **53%**
have HR automation

58% VS **42%**
can report on development

69% VS **37%**
have the right people in the right place to drive growth

48% VS **32%**
have frictionless recruitment and onboarding

93% VS **69%**
plan for people-focused roles such as a CPO or People Scientist

92% VS **66%**
are developing a roadmap for people data

88% VS **71%**
are taking first steps to improving workforce experiences

46% VS **34%**
are using people data and analytics for making people decisions

These findings show a clear pattern around how fast growth companies enable and harness the power of their people; we call this "being a People Company."

People Companies achieve higher levels of growth and success

While all our respondents are focused on achieving year-on-year revenue growth, some companies are experiencing much higher rates of growth. We call them "gazelles". They're companies that are growing revenue by more than 20% annually (for at least 4 years running) from $1 million, doubling their revenue in a short space of time. Our survey shows that these companies are highly likely to be evolving People Companies.

Typically, "gazelles" show good progress across the board of key indicators in their transition to becoming true People Companies.

What is a People Company?

Welcome to the new world of people management. A People Company is an organization where people are the most valuable asset and where company success is dependent on its workforce or people being successful. People Companies proactively engage their workforce so that people can do their best work and be their most productive. A People Company is able to attract and retain its workforce during a skills crisis. In a People Company, the HR function is evolving quickly to embrace new skills and roles, such as people scientists, business psychologists, designers, and marketing and communications specialists—all led by a Chief People Officer

The new economy challenge: becoming a "People Company"

We call companies that are making this transition "People Companies".

Leaders of People Companies know their success depends on their people's individual, as well as corporate, success.

In People Companies, employees are not treated as resources or capital—on the contrary, the diversity and individual uniqueness of each person is valued and managed as such. People decisions are always data-informed and considered as important as finance, customer or operational decisions.

People Company leaders focus on delivering a great workforce experience for their people, actively communicating with and engaging them so they are willing and able to do their best work and be fully productive.

Research findings
The people gap looks smaller from the boardroom

There is a disconnect between business leaders and employees

While business leaders may consider their organizations to be People Companies, employees don't often share this perception.

As we can see, there is a clear disconnect in how people view the company and its people-focused activities. Why is this the case?

One of the reasons might be down to the way in which a company communicates (or doesn't communicate) with its employees. Another reason might be how much (or little) attention companies pay to the feedback they get from their employees.

Perception of being a People Company

Senior management
55%

Current employees
29%

Prospective employees
34%

Understand your people and empower them to do their best

The global engagement score is just 29%, which means just one in three employees is fully engaged in the workplace. Therefore, companies must make it a priority to know what motivates and drives their people, and create an environment where they are empowered to do their best.

Give your people purpose

It's not as simple as improving your communication methods and techniques. Employees who feel truly engaged will have a strong sense of both individual and collective purpose, so that they know precisely what role and value they have within the context of the organization.

Two-way communication is critical

Go beyond "old world" employee communication methods, such as monthly newsletters. Effective communication needs to be frequent, informative and most importantly, a two-way process, so that employees feel involved and valued. Traditional techniques, like annual engagement surveys, are often time consuming and arduous. Furthermore, the infrequent nature of such methods means that the results are out-of-date by the time leaders are ready to do anything about the feedback. Regular opportunities for honest, risk-free feedback stop leaders from becoming disconnected from what their employees are really thinking.

With the right technology enablers, companies can leverage pulse surveys and online polls to get feedback from their people. These methods provide real-time visibility and insights, which organizations can use to find out what their people are thinking and make changes to improve engagement, productivity and retention far more quickly than traditional methods.

HR is out–People is in

In order for HR leaders to drive this type of change, the company must recognize the emerging shift from transactional HR processes (like annual surveys) to people-focused activities (including continuous two-way conversations). It's only with recognition and investment by the business that this change will happen, and a company will make progress in its journey toward being a People Company, which is what we explore next.

Research findings
Becoming a people company is a journey

Becoming a People Company is a significant journey

Even high performing, future-focused organizations are struggling to embrace all the traits that make a true People Company. Even in this modern era of digital transformation and millennial workers, few companies offer employee self-service, integrate their recruitment and onboarding experiences, or use data to inform people decisions. It's almost absurd that companies know so little about their employees, when they wouldn't dream of having a poor CRM that would give so little insight into their customers.

In many cases, less than half of organizations have embraced People Company traits

37% have HR self-service for employees on multiple devices

39% are focused on designing great workforce experiences for staff

43% have continuous performance management processes

37% have seamlessly integrated recruitment and on-boarding experience

36% monitor employee engagement regularly (e.g., pulse)

37% use data and analytics in HR for making people decisions

It's never too late to do the right thing

Become a People Company by embracing these practical steps

The leaders of a People Company know that nurturing their people is critical to growth. And they let their people know how valued and important they are to success, in actions as well as in words. Fostering a culture of team and personal recognition and reward is just one element of being a People Company.

Below are some of the key traits of any successful People Company:

Automation

Focus on people, not HR. Ensure the HR team and business leaders are focused on people programs not administration, by automating HR transactional processes.

On-demand use

Forms are rarely used on apps like LinkedIn and Salesforce, so employees shouldn't expect them for HR. Give your people self-service and on-demand access, so they have autonomy to manage their own tasks and details, wherever and whenever it suits them.

Augmented intelligence

Leverage cutting-edge smart technologies to enhance the experience for your people, so they can do things like use voice recognition to request personal time off.
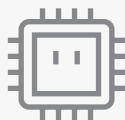
Continuous conversations

Establish regular two-way communication and feedback with your people to improve performance, engagement and productivity in a more iterative fashion.

People Science

Just as customer success teams have data scientists, HR should have People Scientists.

Designing great workforce experiences

Put employee needs at the forefront of decisions, and focus on the different ways in which your employees interact with the company. Great experiences will improve employee engagement, productivity and ultimately company performance.

People Marketing and candidate experiences

Apply the principles of customer marketing to your recruitment and selection process, and provide positive candidate experiences, to attract the best talent.

People-focused roles

Build a team of people that will help you become a People Company, such as Chief People Officers, Business Psychologists and People Scientists.

People science is a thing

People decisions are still not data-driven, even though leaders recognize this should be the case.

92% of companies are struggling to get the strategic insight they need

83% of HR leaders agree that all people decisions should be based on data and analytics

37% are actually using data and analytics in this way

The biggest hurdles in leveraging people analytics are:

data shortcomings

resistance from senior management

system shortcomings

Many companies still struggle to solve the fundamental challenge of providing basic people metrics readily and quickly. Apart from a basic headcount report, fewer than 50% can deliver same-day metrics for all other commonly requested people reports, such as:

- Time to hire.
- Top and bottom performers.
- High potential employees.
- Skills gaps.
- Attrition levels (aka overall churn).
- Flight risk.

The era of People Science

HR leaders must be able to help the company demonstrate how people activities have linked to any changes in performance, productivity or engagement. They can do this by improving how they capture, store and analyze their people data, to develop stronger insights and evidence-based decisions. We call this People Science.

WHAT IS PEOPLE SCIENCE?

With People Science, organizations can finally use people data to understand how and why the workforce behaves the way it does. Once organizations have an insight into how their people interact with their environment and how that affects systems and performance, they can go about making better people decisions.

Data science is transforming work across organizations, from product development to marketing and sales. Within HR, new technologies are enabling organizations to bring data science to people data. The new field of People Science is emerging as organizations are finally able to go beyond HR metrics and reporting to apply data science to people data.

People Science is the extraction of actionable knowledge directly from people data through a process of hypothesis formulation and hypothesis testing within the context of achieving an organization's business goals and strategy. It's a data-driven approach to understanding the interactions between people and their environment, their resulting behaviors, organizational systems, and performance—eso an organization can make better people decisions.

Embrace People Science in your organization

With People Science, organizations can use people data to develop stronger and predictive insights about their people and their motivations. These insights can then be used to make more informed and evidence-based people decisions. Furthermore, the data can be used for predictive purposes, so that managers can start to understand and make decisions based on people behaviors and motivations.

It's a prerequisite that companies have accurate, comprehensive and accessible people data to draw on. They can then provide basic people metrics upon request as well as analyzing the data for deeper strategic and experiential insights.

Conclusions and recommendations

Become a people company to drive growth

THREE KEY TAKEAWAYS

1.

Being a People Company drives growth

2.

Workforce experiences are critical to improving engagement and performance

3.

People Science is the foundation to building a People Company

1. Being a People Company drives growth

Welcome to the new world of people management. We all know it's the people who make or break a business, and 87% of HR leaders say their organization could be doing more to put employees at the heart of their business. A People Company recognizes the value of its people and sees them as more than just replaceable resources. It makes people decisions based on data and insight, and sees them as being just as important as finance, customer or operational decisions. Its focus is on creating a great workforce experience. By proactively engaging your workforce, people will do their best work and be at their most productive.

2. Workforce experiences are critical to improve engagement and performance

In the same way that organizations pride themselves in providing a great customer experience, they're now approaching the workforce experience with the same focus and dedication. Why? Because it's now recognized that the historical focus on employee satisfaction and employee engagement has failed to create meaningful increases in productivity. Engagement is the outcome of behaviors that are the result of different workforce experiences. Successful companies are now focusing the design and delivery of great workforce experiences to empower their people, leading to increased engagement, productivity and performance.

3. People Science is the foundation to building a People Company

People Science is not an end state but an ongoing journey. The journey starts with having accurate and accessible people data—a single source of truth. People data unlocks the insights your company needs for strategic planning when it comes to your people, and gives you more power to recruit, retain and harness the power of your people.

Get started today

Every company is at a different stage in its evolution towards being a People Company, so you need to focus on step-by-step changes that will deliver performance improvements along the journey.

If you don't have the right people in your business, take steps to enhance your employer brand and focus on attracting the right talent into your business through people marketing and creating great candidate experiences.

Once you've hired the right people for your business, help them realize their potential and achieve maximum productivity by having continuous conversations and regular performance appraisals.

Get your data in order and automate admin and reporting, so your team can do more of what matters to employees and the business.

With great data available, make better use of People Science to understand your employees' motivations and what they love doing, and align that insight with the most appropriate job for them. That way you'll get the right people in the right place, at the right time.

Then go all out on delivering the most amazing workforce experience possible for your people. Use technology as an enabler to facilitate the perfect, tailored experience, with automation, two-way communications, company-branded portals and on-demand self-service access.

People Companies are already outperforming in today's fast-changing commercial world. The opportunity is there to seize competitive advantage for your business by adopting People Company best practices.

Take the first steps towards becoming a People Company today:

www.sage.com/en-us/cp/people

Sage Business Cloud People

Sage Business Cloud People enables mid-size, multinational companies to manage modern workforces through its global cloud HRMS, transforming how organizations acquire, engage, manage and develop their people. Implemented quickly and simple to use, the award-winning system increases workforce visibility, HR productivity and provides better experiences across the entire workforce. Our customer portfolio includes Aveva, Armstrong, Klarna, Mitsubishi UFG, Paddy Power Betfair, Quest Software, Redflex, SiteMinder, Skyscanner, SolarWinds, Trainline, and Trustpilot.

With Sage Business Cloud People you can increase HR productivity while giving your workforce the experiences that they deserve, and you'll benefit in return. You'll create a more engaged, committed workforce with a better work/life balance. And that means you'll increase productivity and improve retention, as well as attracting more of the people you want at your company.

REFERENCES

Research conducted by Insight Avenue

[1] ManpowerGroup 2016/2017 Talent Shortage Survey
[2] https://www.ft.com/content/179134d4-7f41-11e6-bc52-0c7211ef3198