A Case Study in Leveraging Compensation Market Data: Re–Defining Your HR Function

The HR function plays a critical role in the future of financial services firms. HR helps ensure that organizations can effectively and efficiently attract, retain, develop, deploy, motivate, and compensate the talent that will help them reach their goals. We're guessing that the average reader of this article is an HR or compensation professional, so they will already know and appreciate the breadth of these responsibilities. In order to fully achieve this vital role at time when there is a dramatic increase in the quantity of data available, HR needs access to data and to hire or develop individuals who can turn that data into powerful analytics to help answer business questions and inform talent strategies.

To be in a position to address the business issues, a growing number of HR departments are building dedicated people or talent analytics teams, while at the same time looking to increase the technical and analytical capabilities of the entire HR function. In some ways, this evolution is no different than the evolution that other parts of the organization are undergoing.

Whether it is creating a new area within HR or looking to transform the broader HR function it is important to define what you want the function to achieve, then identify the requisite talent, as well as, determine the appropriate compensation for these individuals. This is especially true as recruiting for people or talent analytics professionals becomes more competitive. This case study utilizes HR Analytics as the example but it applies to other Analytics teams and organization more broadly.

Framework for Re-Defining Your HR Team

Step 1: Start with Your Business Goals to Define Your New, Analytically-Driven HR Function

HR has the opportunity to drive a data-driven approach to people strategy. With the right skills in place, HR can use big data and analytics to uncover valuable insights to help maximize the people resources across the organization. In a world of finite resources, it is important to hone in on the types of questions that need to be answered to ensure that you are hiring the right HR talent to meet the analytical needs of your firm. Some questions that our clients are asking include:

- What questions are being asked or could be asked of HR?
- Does HR have the talent and data to help answer these questions?

- I believe that we are behind the competition on a people analytics strategy for my business…where do I start?
- I have problems with attracting and retaining talent into the roles I need for success today…what data can help me?
- I am reading about issues with gender pay equity and new regulations that limit what I can ask candidates about pay history… what can I do to address these issues?
- How agile or not agile do we want your workforce to be? Do we need HR professionals that understand how to deploy such a workforce?
- Is the amount of our current turnover a positive or negative indicator? Can we predict where it will happen and how to prevent it?
- How can we better link reward and performance together?

The point here is that the talent and job level that you hire will vary based on the types of questions being asked and the role that HR will play in addressing them.

Step 2: Find the Right Talent

How do you find the right talent and ensure that you are choosing the right candidate to join your firm's evolving HR team? While the labor market is not big for people analytics professionals or HR professionals with deep analytics capabilities, it is expanding, but again, still limited. It is therefore valuable to look at both natural competitor organizations and expand your search more broadly. Dig below job titles, university degrees, and years of experience to understand the required skills sets.

There are three broad skill sets to look for when hiring for analytics-driven professionals: (1) business acumen and consulting skills, (2) modeling and data science skills, and (3) data manipulation and technology skills. There are few "unicorns" out there in the market that have all of these so it is valuable to think about building a team with a diverse set of backgrounds and roles to maximize the impact of the HR function and people analytics have. Our clients pursue candidates with backgrounds as diverse as human resources, machine learning, statistics, engineering, psychology, and other financial services roles, front and back office alike.
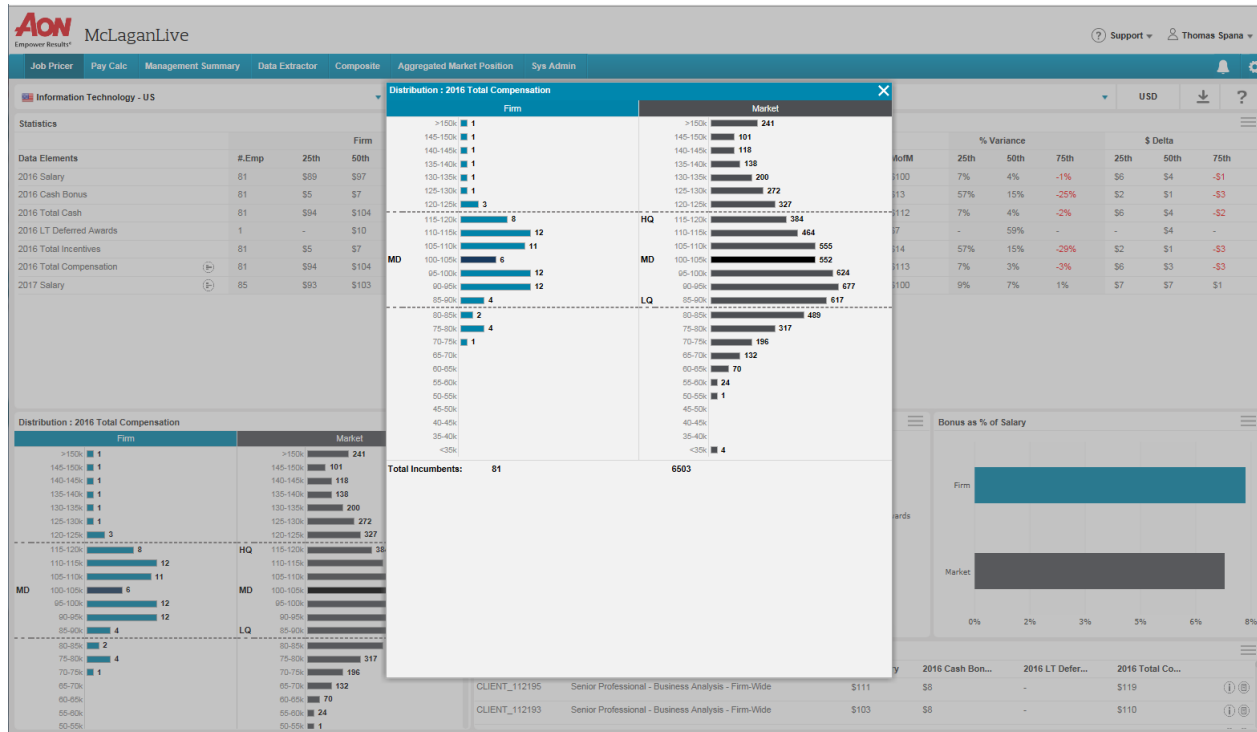
Once you've identified your candidates, we recommend leveraging candidate assessments in order to ensure that there will be a match for your organization.

Step 3: Use Reliable Market Data to Determine Appropriate Pay

Once you've identified the right candidate with the desired skills, experience, and fit for the role, you'll want to create a competitive compensation package. We recommend analyzing available data and integrating it into the decision-making process. It is important that your firm have a strong grasp on what industry peers are paying and how it compares to internal pay levels.

We work with clients within McLaganLive, a web-based platform that pulls in compensation market data and allows them to see how pay levels compare both internally and to the market, understanding both internal consistency and external competiveness. While some organizations may gravitate to the market median, for talent in hard to fill positions it is valuable to understand the broader pay context for the role as well as the pay for the entire job family.

McLaganLive Job Pricer App

What's Next?

Given the growing influence of technology and the increased need for analytically driven business decisions, financial services firms are faced with how to find the right talent that will support these needs. With increasing access to data and resulting strategic capabilities, there is no doubt that many more functions will need to be re-examined, which requires firms to either hire new talent to build out their teams or train their existing talent to support these new needs. First take a step back to define your goals, then find the talent that will help you reach those goals, and finally design the right reward packages.

To learn more about to leverage advanced HR platforms like McLaganLive and other HR analytics to support the transformation of your workforce, please contact our team.

Author Contact Information

Ephraim Edelman
Partner, McLagan
Aon
1.203.602.1247
eedelman@mclagan.com

About McLagan

McLagan provides tailored talent, rewards, and performance expertise to financial services firms across the globe. Since 1966, we have partnered with the largest and smallest financial services firms to help them make data-driven decisions to hire, retain, and engage the top talent for keeping the global economy running. Our compensation surveys are the most comprehensive, in-depth source of rewards data covering over 150 countries from more than 2,500 clients. Our consultants work with hundreds of firms annually to design total rewards programs and benchmark financial performance for boards of directors, executives, employees, and sales professionals. McLagan is a part of Aon plc (NYSE: AON). For more information, please visit mclagan.aon.com.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit http://aon.mediaroom.com.