

Building HR Analytics Function

This case is written by Dana Minbaeva solely to provide materials to class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. Please don't distribute without the author's permission.

Pete Jaworski, Director of Workforce Analytics, was driving through the busy streets of Copenhagen. This morning he was invited to deliver a keynote at the Strategic HR Summit organized by Copenhagen Business School for its corporate partners. "As Novo Nordisk is one of the leading companies in the area of HR analytics in the Nordics, we would like you to tell the story of your journey of building HR analytics function. We hope that your story would inspire HR practitioners to leverage HR data for better evidence-based decisions and demonstrate the value of HR in their organization," said in the invitation.

Stacked at the red light on H.C. Andersen Boulevard, Pete was going through his presentation in his head and remembered how far his team had come since he took the job of the very first manager of HR analytics function at Novo Nordisk.

Novo Nordisk

The global healthcare company, Novo Nordisk, manufactures and markets pharmaceutical products and services. The company's main product areas are diabetes care, haemophilia, obesity and growth hormone therapy. Novo Nordisk has been at the forefront in the treatment of diabetes since the company was founded in 1923.

Today's multinational pharmaceutical company Novo Nordisk was officially created in 1989 when the two Danish firms Nordisk Insulinlaboratorium and Novo Terapeutisk Laboratorium merged to work together in developing products to fight diabetes¹. Joining forces resulted in a rapid global expansion. While the company's headquarter remains in Denmark, almost 99% of its sales occurred outside of Denmark. Selling its products in around 170 countries made Novo Nordisk today's world market leader in diabetes care with a global market share of nearly 30%. However, Novo Nordisk is not only selling its products worldwide, but is a truly global organization; it currently employs above 40,400 employees in 77 different countries, has R&D facilities on three and production sites on five different continents.

In addition to the focus on achieving outstanding financial performance, Novo Nordisk places great emphasis on the entire Triple Bottom Line, consisting of being financially as well as socially and environmentally responsible (see Exhibit 1). This principle is anchored in the Novo Nordisk Way, a set of guiding principles which remain the foundation of the company's vision, strategy and way of doing business and through which it shows responsibility to patients, employees, communities and investors² (see Exhibit 2). The employer promise, or the employee value proposition of Novo Nordisk is 'life-changing careers' (see Exhibit 3). It was created in 2008, because at that time the company did not have a strong

¹ <http://www.novonordisk.com/about-novo-nordisk/novo-nordisk-history.html>

² Novo Nordisk Annual Report 2016, p. 18

employer brand globally yet. It has four pillars or employee value proposition themes: 'a responsible culture', 'making a difference', 'my opportunities' and 'a successful company'.

In November 2016, the *Harvard Business Review* elected Lars Sørensen, then CEO of Novo Nordisk, as the world's top-performing CEO for the second time in two consecutive years. In his interview with *Harvard Business Review*, he explained his take on managing employees: "People like to do exciting things. They like to be part of the journey in which we're saving people's lives. So we bring patients in to see employees. We illuminate the big difference we're making. Without our medication, 24 million people would suffer. There is nothing more motivating for people than to go to work and save people's lives."³

The beginning of the journey

Pete Jaworski first joined Novo Nordisk in the US as an HR intern in 2000, and soon thereafter landed a permanent role. He moved to Denmark in 2005 and had several appointments in the areas of mobility and rewards in Denmark and Switzerland through 2012. At that time, Novo Nordisk already implemented SAP Business Warehouse, a web-based self-service tool. With that came a focus on people metrics, KPIs and data reporting. Clearly, Reporting & Analytics was a big area of opportunity at Novo Nordisk, but there were few internal capabilities to lift it. In January 2013, as more and more companies were getting interested in doing more with their HR data, the opportunity to invest more into this and to develop a specific function for HR data reporting and analytics within the corporate HR function at Novo Nordisk finally revealed itself. Novo Nordisk announced its first job of a Director of HR Reporting and Analytics. "I approached my boss and volunteered for this job", recalled Pete.

Proof of Value Phase

Despite of a long history of operational reporting and standards, at the beginning of 2013 the Reporting & Analytics function still needed a buy-in from the organization and HR analytics was not high on the executives' agenda. Some line managers and even HR Business Partners never really saw the purpose and never really understood the value of analytics. It was clear for Pete that if he is looking to make headway with people analytics, he needed some kind of executive sponsorship. And the opportunity came.

Future Bond Project

In 10 years leading up to 2014, Novo Nordisk had doubled in size and looking ahead another 10 years the company planned to add another 20,000. Thus, Novo Nordisk had long transformed itself from a small- to medium-sized pharma company to a very large knowledge-intensive multinational organization. In the period of such active growth, the focus on corporate culture and "The Novo Nordisk Way" was very high on Sørensen agenda. "What are our core values? We have a lot of values, but which ones are the absolute fundamental and create a true bond between the company and its employees?", questioned Sorensen. Knowing the core values was crucial as such knowledge could guide the company in the onboarding of the new employees, integrating newly acquired businesses and creating a tighter cultural alignment with the business strategy.

³ <https://hbr.org/2015/11/novo-nordisk-ceo-on-what-propelled-him-to-the-top>

Pete saw this as a very unique opportunity to get senior management attention to HR analytics and to obtain the necessary momentum of close interaction with business, both needed for moving beyond operational reporting and advancing more meaningful analytics projects that can add value to the business. Pete and his team (consisting then of a couple of business analysts and one graduate intern) kicked off their first analytics project, labelled as “Future Bond Project”. The mission of the Future Bond Project was to “enable a qualified stakeholder dialogue about the future bond and what Novo Nordisk must do to embrace future workforce expectations while at the same time stay true to our values and who we are”⁴. The overarching research question for the project was “Given the continued global growth, the increase in global compliance requirements, the increased pressure for performance and changing future workforce expectations, how do we ensure the healthy growth of Novo Nordisk while protecting our strong one-company culture?”⁵. The project identified four questions:

1. What constitutes the current bond in Novo Nordisk?
2. How will the future workforce change?
3. How will future workforce changes impact the components of the bond?
4. What must we do in order to safeguard our strong bond?

Throughout the 2014, Pete’s team pulled together a lot of internal and external data. They engaged into very detailed review of the research of leading human capital consultancy houses (Corporate Leadership Council/CEB, Deloitte, PwC, McKinsey, etc.) to understand global megatrends, global workforce preferences, both inside and outside of Novo Nordisk. They also used input from the Novo Nordisk ‘Max1 Survey’ - an internal investigation among high profile employees with a maximum of one year seniority. They also received input from all senior HR people in Novo Nordisk and conducted in-depth interviews with key executives. Through this work, they identified 14 components that they felt constitute the Bond between Novo Nordisk and its employees. Nine of them were related to what the employer offers and five of them were behaviors that the employees are expected to demonstrate (see Exhibit 4). Each component was further investigated through the focus group interviews, unfolded and explained in detail.

However, the question asked by the CEO remained unanswered: of those 14 components, which ones are the core? Which ones should be most nurtured, safeguarded and strengthened? Pete decided to utilize the existing HR data to answer those questions quantitatively.

At that moment, Pete’s team didn’t have required analytics capabilities to design and perform quantitative analyses. Pete connected with the Human Capital Analytics (HCA) Group at Copenhagen Business School to form a formal research partnership. As Pete reflected later, “working directly with the researchers gave us an opportunity to take a deep dive into the research insights, learn right methodologies, and explore our data. But the idea of the research partnership was much broader than

⁴ Corporate presentation

⁵ Corporate presentation

collaborating on the Future Bond project. The ultimate goal was to grow the in-house analytics capabilities”.

The quantitative analyses was set up to answer three questions:

- a) Which components matter the most? Which are “core”?
- b) Is there an impact of a strong Bond on organisational and team performance?
- c) Is the Bond affected by manager or team characteristics?

Researchers operationalized the 14 components using the existing employee engagement survey (available for multiple years). Using the research insights, for each component minimum 2 survey questions were chosen. The operationalization was confirmed by using the confirmatory factor analyses and other reliability tests. To identify the Future Bond, researchers looked for highest correlations between the 14 components and team performance, across regions, divisions, functions, demographic groups, etc. Five components were identified:

- Work-life Fit
- Living the Novo Nordisk Way
- High Engagement
- Ethical Behaviour
- Successful Company

The next step was to see if the stronger Future Bond could predict organizational performance. Initially, the researchers considered financial and market performance for affiliates as the measures of organizational performance. Unfortunately, affiliate-level aggregation did not contain enough variation to reveal any statistically significant differences. Instead, team-level performance was used as dependent variable. Researchers found that the five items comprising the Bond indeed predicted the future team performance to varying degrees: Successful Company had highest predictive power, followed by Ethical Behaviour, High Engagement and Living the Novo Nordisk Way, with Work-Life Fit having the least influence (all positive and statistically significant). Finally, researchers considered whether the Future Bond could be affected by the team diversity, while controlling for the manager’s characteristics. Applying econometric analyses, researchers identified what kinds of team diversity were most relevant for strengthening the Bond in the future. Following the request from the company, researchers have separately examined whether “Competitive rewards”, one of the 14 items identified through initial analysis, was relevant for future team performance. The results showed that this component didn’t constitute the core and when examined together with five Future Bond components it was not significant. Finally, an ad hoc analyses were conducted on the influence of five components of Future Bond on voluntary employee turnover. Team scoring high on “Successful Company” in combination with “Work-Life Fit” were teams with low unwanted turnover index (measured as resignation rate/dismissal rate).

Next steps

“There were a lot of interesting findings. Firstly, and most importantly, we answered the CEO’s quest. Knowledge of the Future Bond was needed as Novo Nordisk was facing a huge growth, among others, by acquisitions. As a global company, with the strongest growth outside of Denmark, having a strong focus on the key elements of the bond between employees and the company was crucial”, recalls Pete. In the next steps, his team closely examined every core Bond component considering global workforce trends relevant for Novo Nordisk in order to zoom in on the trends impacting the Future Bond (see Exhibit 5). Using this in-depth analyses, Pete and his team were able to formulate very precise managerial implications for how to strengthen the Future Bond and safeguard it from the potential disruptions brought by the global megatrends.

Most interesting results were around the influences of team diversity characteristics on Future Bond and team performance in general. In fact, because of numerous findings that were relevant for the ongoing debates on Diversity & Inclusion agenda, the company decided to initiate a next analytics project solely devoted to understanding the managing team diversity.

“This project also helped us to lift the need for the new tools for measuring employee engagement higher on the senior management agenda. We showed what we are capable of doing even with the minimum resources and mediocre data quality. Since “High Engagement” is the only Future Bond component on the employee side, we need to start actively measuring, monitoring and managing engagement with accuracy. We also needed a better foundation for quantitative HR analytics – especially to capture employee behaviour/attitudes; to ensure “teams” in surveys match organisational data; to create more stable measures for team performance and summarize them in the dashboards, etc. With the results of the Future Bond project in our hands our demands were heard and received much better at the senior level”, said Pete.

Challenges ahead

At the Strategic HR Summit, Pete scanned the audience. The story of his team’s analytics journey captured attention. “Are there any questions so far?”, asked he. A hand went up: “So, where is the Future Bond project today?” “Well, we used a narrative of Future Bond for a while. But my focus was on the few follow up projects that emerged from the Future Bond analyses. While it is a little hard to say how things are being embraced within concrete initiatives, these projects at least started to form the discussion. Most importantly, it helped me to get a “license to operate” and continue building and developing our workforce analytics function, investing in new organizational capabilities and start thinking about larger analytics projects,” explained Pete.

“We have a similar situation”, noted a female participant from the front row. “We are drowning in ad hoc request for operational reporting and basic management information. “Should we be more choosy in our services? Should we do less ad hoc service delivery?”

Pete nodded. “HR analytics in Novo Nordisk is still emerging. We have long history of delivering operational reporting and standard reporting services. However, I believe it is time to really push users towards our newer self-service model & tools. We have too many low value-added requests and we have never really said ‘no’, we never filtered requests. The immediate result of this was a huge ad hoc reporting burden on the team”, said Pete.

“Moving to the self-service model would be possible only if you have HR Business Partners capable of acting as consumers of analytics. Our HR Business Partners are great, but they are first and foremost generalists. Most were never trained in statistics, they have zero or very little experience with HRIS systems and data”, commented another senior HR executive. Pete agreed and clicked on his last slide summarizing the challenges ahead. “Upskilling HR Business Partners” and “Enabling buy-in from the organization” were on the top of his list.

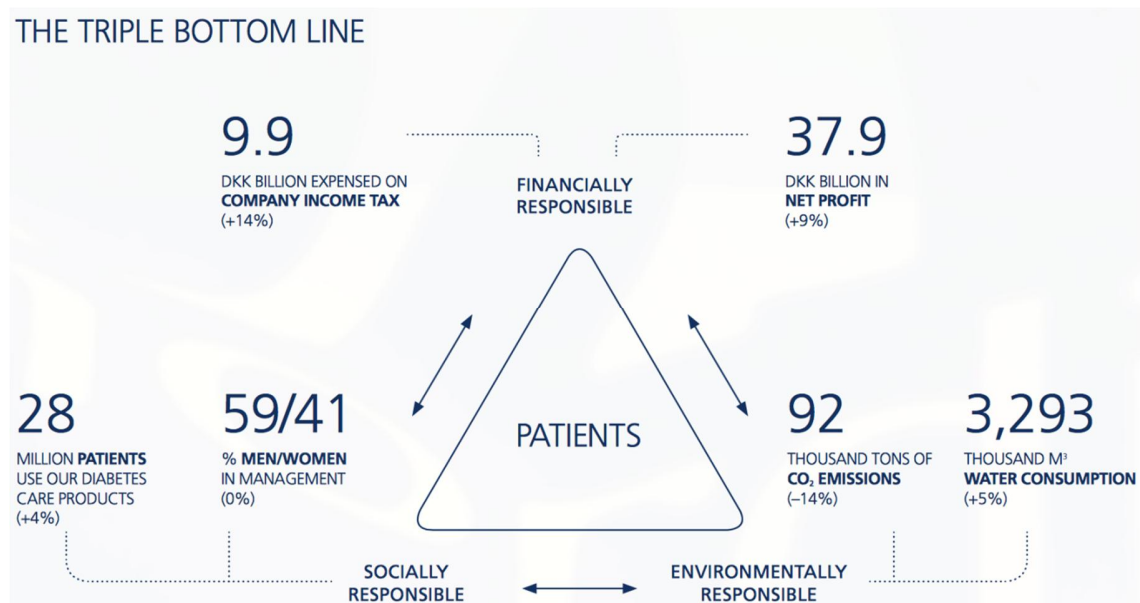
As many large companies Novo Nordisk operated with the HR Business Partner (HRBP) structure. That is, every business unit had own HRBP, who would work with senior managers in order to closely support the HR needs of that business unit. “Our immediate goal is to Increase HRBPs comfort working with HR data. But most importantly we want to communicate the message that HR analytics could help broaden HRBP’s skill-sets and will help HRBPs to translate HR issues into business issues, hence bolster credibility and trust from business”, explained Pete.

The time allocated for Pete’s session ended, but a lot of attendees stayed and continue discussing questions like “what is the best way to upskill HR Business Partners?”, “how to organize the HR analytics function?”, “how to deal with the lack of internal capabilities to carry out the large scale analytics projects – build, buy or borrow?”, “how to move from operational reporting to predictive analytics?”, and perhaps the most difficult one “how to derive the value from HR analytics and deliver it to business?”.

Associated Case Questions

1. Critically evaluate Pete’s decision to engage with external parties (HCA Group at CBS) to deliver the analytical part of the project. Consider advantages and disadvantages of such decision, both in short and long terms.
2. Given the success of the Proof of Concept stage, how should Pete organize his analytics function for future work?
3. How can Pete increase HRBPs comfort working with HR data and analytics?

Exhibit 1. Novo Nordisk's Triple Bottom Line



Source: Novo Nordisk Annual Report 2016

Exhibit 2. Novo Nordisk Way

NOVO NORDISK WAY

In 1923, our Danish founders began a journey to change diabetes. Today, we are thousands of employees across the world with the passion, the skills and the commitment to continue this journey to prevent, treat and ultimately cure diabetes.

- Our ambition is to strengthen our leadership in diabetes.
- We aspire to change possibilities in haemophilia and other serious chronic conditions where we can make a difference.
- Our key contribution is to discover and develop innovative biological medicines and make them accessible to patients throughout the world.
- Growing our business and delivering competitive financial results is what allows us to help patients live better lives, offer an attractive return to our shareholders and contribute to our communities.
- We never compromise on quality and business ethics.
- Our business philosophy is one of balancing financial, social and environmental considerations – we call it the Triple Bottom Line.
- We are open and honest, ambitious and accountable, and treat everyone with respect.
- We offer opportunities for our people to realise their potential.

Every day we must make difficult choices, always keeping in mind what is best for patients, our employees and our shareholders in the long run.

It's the Novo Nordisk Way.

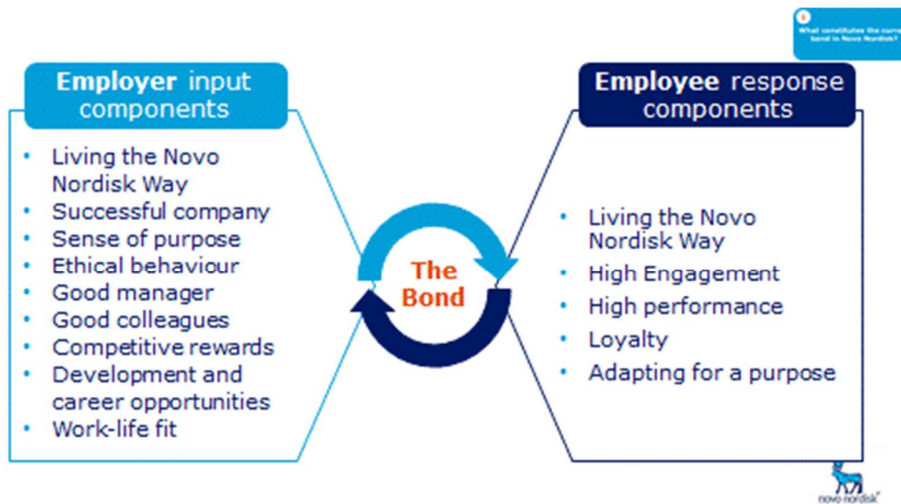
Source: Novo Nordisk Annual Report 2016

Exhibit 3. Life-changing careers



Source: corporate website

Exhibit 4. The Bond



Source: corporate presentation

Exhibit 5. Defining the trends impacting the Future Bond



Source: Corporate presentation