ROYAL BANK OF CANADA: USING PEOPLE STRATEGY AND ANALYTICS TO DRIVE EMPLOYEE PERFORMANCE (A)

INTRO

In 2015, the Royal Bank of Canada's Vice President of Human Resources, Per Scott, was driving forward his new agenda: collecting and analyzing huge volumes of data about RBC employees and customers to help the company achieve its strategic goals. Scott spearheaded this agenda in 2012 when he brought on Robert Carlyle, Senior Director of Workforce Management, to build a People Analytics team, and Ivy Chiu, Director of People Strategy, to bring her deep knowledge of corporate strategy to the human resources (HR) department. Chiu was in charge of building bridges where gaps might exist between RBC's business strategies and HR initiatives. RBC collected data from a number of sources, such as sales figures, branch performance metrics, customer evaluations, employee evaluations and employee opinion surveys. The team also used data about employees, such as tenure and performance. Scott, Carlyle and Chiu's initial goals were to use the data to improve operational and employee performance, determine and improve managerial effectiveness, and select the right individuals to promote or hire.

As a large and prominent bank in Canada, RBC had five business segments: Personal & Commercial Banking, Wealth Management, Insurance, Investor & Treasury Services and Capital Markets. The largest financial institution in Canada, RBC had almost 80,000 employees and 16 million clients worldwide. Revenue for FY2017 was C$38.4 billion, with net income of C$10 billion. RBC had received many accolades in the previous few years: Global Retail Bank of the year in 2015 and 2014 (*Retail Banker International*), best bank in Canada (*Global Finance*), most trusted investment bank globally (the *Economist*), and fourth strongest bank in the world (Bloomberg's *Markets Magazine*).

Debra Schifrin and Professor Kathryn Shaw prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Human Resources departments across industries had long talked about using data analysis to help companies improve performance, but the advent of big data created a step change in the ability to make that happen. As data storage became cheaper over time, companies realized they could measure and analyze much more data (by orders of magnitude), and create a competitive advantage if they used the data effectively. These new capabilities also allowed companies to innovate around the acquisition of data.

With the abundance of data available, and many potential ways to use it, RBC chose projects that had the greatest potential ROI. For a project to have value, business units needed to collaborate with the People Analytics team to develop empirical insights that drove tangible change in business practices. They would begin by identifying ways in which businesses could act on the data analytics, and make those actions appealing to managers so they would implement changes.

CONNECTING HR TO STRATEGY

After attending Stanford Graduate School of Business and working at management consulting firm Bain & Company, Chiu came to RBC to build out the strategic thinking capability of HR. Scott and Chiu recognized that if RBC were going to develop a performance strategy around a business unit or function (such as sales or operations), the company needed to build an HR strategy to facilitate and achieve it. "We knew analytics can provide opportunity-specific benefits, but for a systemic and sustained stream of value, we had to elevate and integrate strategic planning and analytics together," said Scott. Chiu said the issues that People Strategy examined included workforce planning, employee engagement, recruitment, and culture:

> People implications arise from any business strategy we ultimately decide to pursue. If we find areas where potential gaps exist to derail us from achieving our business strategy, we work with stakeholders in business segments and in HR to conduct the necessary analyses, mitigate risks, and build plans to bridge these gaps. For example, the banking industry is facing a changing competitive landscape due to disruption in technology and shifts in demographics that affect how clients engage with their bank. Business leaders at RBC work with the People Strategy and Analytics teams to ensure the enterprise has the right capabilities to achieve long-term success.

BUILDING THE PEOPLE ANALYTICS TEAM

The People Analytics team "deconstructed backwards" early on, looking at where the business decisions in the corporate process were located, and where people decisions could have an impact. The team asked themselves the following questions: 1) What are the management routines that need to be put into place or adapted so that we consistently make better decisions using data? 2) What are the analytics and reporting that need to be put into place to support those specific decision points in those processes? and 3) What is the data and technology that needs to underpin all of that?

To be able to answer these questions, Carlyle built the team not as a research group, but as a group that could support ongoing movement to improve business practices and decisions, whether they were tied into budgets, sales planning, or other ad hoc issues that arose. The team

consisted of scientists, programmers, data analysts, an actuary, and others with varied HR experience. Carlyle has a doctoral degree in strategic planning and spent his career prior to RBC in consulting.

The work of People Analytics included forecasting: using simulations and system dynamic models to build forecasts of the workforce. This enabled the team to know the likely impact of any intervention the business made in terms of the flow of talent through the organization or the shortages or surpluses that RBC might have.

INNOVATIONS IN THE ACQUISITION OF DATA

RBC collected and analyzed classic HR data, such as employee demographics, work history, performance evaluations, the Employee Opinion Survey (EOS) asking employees annually about their views of RBC and of their managers, and employee attrition figures. The People Analytics team integrated that data with business outcome data, such as sales figures, customer evaluations of services, and customer loyalty measured by "Net Promoter Scores" (assessing how often a customer would recommend RBC to others). Carlyle wanted to ensure that RBC could specifically identify what was driving business outcomes, as opposed to just having interesting or anomalous findings:

> Actually saying that we know something drives a business outcome has made a big difference. We are starting to see the transformation: If we find we can improve sales through better managers, increased employee diversity, and early career coaching to get people into jobs where they can thrive – then leaders see that their sales or performance strategy has HR elements in it. This would be a sales performance strategy rather than an HR strategy. That recognition is already happening among some business leaders, and they are taking action based on it.

The goal is to make People Analytics, housed within HR, add clear business value as business units rely on it to increase their performance.

USING PEOPLE ANALYTICS TO ACHIEVE PERFORMANCE GAINS

The data analysis process that RBC followed was for all the analytics to be done by a central team in People Analytics in collaboration with teams in the business units, such as the Client Experience Design and Insights Group that focuses on better serving clients. The first step was to create an insight, which was achieved by using data analytics aimed at addressing a customer-related improvement or question. The two groups then worked with HR business partners, who were the HR professionals in the business units, to shape the analysis for the business unit. The insight ideally would lead to action, and HR business partners would collaborate with non-HR business leaders to develop action plans. Ultimately, business leaders would choose the action plans for the projects that use People Analytics insights to improve business performance. Business leaders had complete discretion over what actions, if any, they would implement.

The first step in adding value through People Analytics was to structure and get to know the RBC data, determine what insights they might already have that they could pass on, or what new projects they should recommend for extensive work with the business units. The team