

The People Analytics journey of Merck

Leveraging People Analytics for new way of working

An innovative use of data-driven people analytics has created new strategic value for the Germany-based science & technology company Merck, enabling them to support its people strategy with more accurate, fact-based insights and decisions. Merck is using consistent data as a foundation for people analytics to transform HR into a more strategic partner, enabling leaders to make data-driven decisions and generating value for the Merck business sectors Life Science, Healthcare, and Electronics.

But to Dietmar Eidens, Chief Human Resources Officer, and Alexis Saussinan, Head of People Data & Technology, the biggest achievement of this new approach to people data is that it allows HR to act as a leading enabler of Merck's digital transformation, within an organisation embracing new ways of working – an ambition that is being leveraged in the pandemic. Eidens: "Traditionally, other data-rich support functions, such as IT and Finance, are the frontrunners within comparable global organisations in complex processes such as these."

Saussinan: "With us, it's the other way around. We set an example and inspire other support functions to follow. This has a positive effect on all value streams. Plus, it gives us the credibility to claim a position as strategic people consultants at the top end of all pillars of our global businesses. Now that the pandemic is rewriting our people agenda, this is becoming more and more important."

Driving science and technology every day as a force for good

Merck is an innovative, multinational science and technology company. Over the past 352 years, Merck has managed to constantly reinvent itself into today's vibrant and profitable organisation of 58,000 employees in 66 countries. The company is known for the curiosity of its people, making discoveries and achieving breakthroughs that can change the landscape of entire industries.

For a variety of reasons, Merck is being confronted with significantly shorter life cycles and payback ratios in all its markets. This also applies to return on human capital, expressed in the need for continuous development of capabilities and skills and in the ability to attract, develop and retain talent. Adding to these insights, a successful people strategy is enabling Merck to reinvent human resources and drive decisions with best-in-class data and analytics while also securing its future in business.

Merck is "in the business of enhancing and enriching our human capital" as Dietmar Eidens explains online from Merck headquarters in Darmstadt, so this enrichment process was the starting point for what is likely to be a continuous journey.

An ongoing transformative journey into the art of what is possible

Eidens: "We started a strategic reorientation in 2017 to strengthen the group's position as global leader in science and technology in the digital age. Today's strategic framework is based on three pillars: to excel in business performance, technology and people. This gave us, as an HR function, a very focused mandate. This can best be expressed as shaping the people dimension of Merck to achieve our strategic objectives. It is this context that creates the significance of data and technology in general for HR. Our use of People Analytics is the best example of that."

Saussinan, head of the People Data & Technology team responsible for accelerating Merck's HR digital transformation, adds: "People Analytics is basically about translating our people data into relevant and actionable insights for better people decision-making. To fully take this information into account, people data must be made just as reliable and accessible as the other indicators on our business strategic dashboards."



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Dietmar Eidens

Milestones

Since the introduction of people analytics, Merck has reached several milestones. In 2016, the launch of a global HR data analytics platform was announced, based on uniform global infrastructure and architecture. Today, there are several million data points accessible to more than 4,000 users – both HR professionals and business leaders. Considering the legacy of different systems and technologies used, Alexis Saussinan considers this a critical achievement.

“For this, it’s essential to obtain the leaders’ support first. We did. As well as support from HR leadership, you need executive champions on the business side as well. You need to convince business leaders that the success of their business plans also depends on the success of their people plans, and that data should be “at the center” of people decisions! There must be an implicit understanding of this in all business pillars and on all levels, together with lasting attention and focus.”

Saussinan: “You need to invest your money for the future wisely. Today, a significant part of our entire HR budget is spent on data and tech. We constantly need to prioritize our data and technology investments to focus on specific “must-wins” for Merck.”



Did you know?

The next step on Merck’s roadmap was to demonstrate the added value of existing people data. To increase engagement and convince the organisation that adopting People Analytics was in their best interest, Merck HR made a few bold moves.

One example of this was a large-scale campaign launched using “Did You Know?” as a tagline, proactively pushing new, actionable insights on the impact of people decisions through data, for example differentiating performance and rewards to drive employee engagement. The data presented provided a new perspective on this sensitive subject.

Eidens: “To show that people data create value in every environment, you need to choose accessible communication strategies, conveying how an impact is created by taking action based on the interpretation of data.”

Full democratisation of data

Merck's also makes all people aggregated (not individual) data and insights available to all leaders across the organization. Full democratisation of data is considered a key success factor within Merck.

Saussinan: "All decision-makers within Merck now have direct access to aggregated people trends to support their business cases. A colleague in the US can look at data from a Merck subsidiary in China – and vice versa, and across all data points. This was a bold and unprecedented move that paid off, encouraged by input from our managers."

Meaningful use of sensitive data

As more sensitive personal data is produced and analyzed, the requirements for data privacy, ethical use and broad-based access become more complex and demanding. Merck decided to approach the topic of data privacy in close partnership with its works councils, data privacy and legal departments.

Eidens: "We have a full transparency approach with our works councils, privacy and legal departments. At any point in time, we ensure that we comply with what the local ecosystem requires and stay aligned with our own moral compass and ethical code. At the same time, we need to ensure that our standards are well adapted to different contexts worldwide. Finding the right balance is critical for the success of global implementation."

Saussinan: "The various approaches to privacy and digital security around the globe require a sophisticated system of governance and compliance. But we managed, developing it in a fully transparent way together with business management, works councils, and – for the legal part – with our general legal council and ethics specialists. I believe that in doing so, we have leveraged our advantage in this field considerably and learned valuable lessons for our next steps in this sensitive area."



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Alexis Saussinan

A natural understanding of the business

Naturally, the alignment between HR and the various businesses and their requirements was (and still is) vital to gaining acceptance of People Analytics.

Eidens: “We are – and always will be – a value-centred HR function. Over time, we have strengthened our strategic partnership with the business. Adding people plans to business plans is vital for creating a competitive edge. By choosing the right people at the right time, we are generating considerable value to the business. To keep pace with this, you need specific value contributions. Upscaling People Analytics is one of them.”

Building the team

Another critical success factor is the composition of the global HR data and technology team. Leveraging the right diversity of skillsets is a recurring challenge. This is already important today and will become even more so in the future.

Saussinan: “It’s an ongoing journey. Most organisations start by hiring data scientists. We didn’t. We started by hiring curious people, with the right balance between business understanding, HR knowledge and passion for new innovative developments.

We chose them for their ability to see through trends and for their perception of how data and technology can deliver impact for business and people decisions. This approach gave us traction – and still does.

Saussinan: “When the demand for people insights grew, we went searching for different capabilities. Only then we started hiring data scientists. At this stage of development, our priority was to go one step further and show the additional value that people analytics can bring.”

“As a result, we’re hiring people with HR, data and technology knowledge. But also people with business backgrounds. This is critical for us. A disadvantage? Not in our view as we want them to discover and translate the functions offered by data and technology platforms to our HR function and show us what is possible. They challenge us to take the next bold step, with a fresh and unbiased mindset from outside a traditional HR function.”



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Selecting tomorrow's tech

To keep track with the increasingly rapid pace of development of new technologies, Merck's HR and Data Tech team is constantly learning from other segments in the business network to stay ahead of the curve on innovation. One important lesson learned: don't adopt trends just because they are trends.

Eidens: "The tech world is moving at the speed of light. In our own business, we see this in the electronics segment in particular. An average technology life cycle of six to nine months is normal nowadays. The other extreme is healthcare: product lifecycles have been reduced to 8 years max, down from 15 years plus. We have to cover those two extremes with our HR data.

"This requires a market screening exercise and making sustainable choices that last. You don't want to bet on a technology that turns out to be a trend which doesn't last."

Saussinan: "Adding something new is not always the best choice. We already use so many technologies that we must first try to get the best out of them. Take machine learning, for instance. Are our existing technologies learning the right things and delivering maximum business impact? That's more interesting to us than adding brand new tools every day"

"Artificial Intelligence (AI) is adding a new dimension to all aspects of what we do and how we work today and tomorrow. We're today primarily focusing on how AI can help us improve the user experience. Merck employees want the user experience that they've grown accustomed to in their private lives."

Eidens: "Dare to be frank about failures. Recently, we killed a solution to share data on mobile devices. Simply because it was not used enough and didn't fulfil our requirements for ease of use. We are now looking for a better solution that truly enhance our employees' user experience."



Employees want the user experience that they've grown accustomed to in their private lives."

Alexis Saussinan

New HR

As a result, Merck's HR department has evolved from a classic support function to a strategic, proactive in-house people consultancy, an enabler for the business transformation agenda – for example, predicting who is at risk of leaving, and using different workforce planning scenarios to show what the expected impact of different interventions will be. By putting the evolution of the demand for future specific skills at the center of its business planning discussions, Merck has added a new credibility to its Strategic Workforce Planning exercises.

Eidens: "In order to predict our future needs for capabilities and high-end talent, it is crucial that we think ahead on business issues, such as the latest developments in market segmentation and customer needs. For example for innovation, we learn from our business R&D units and organised ourselves in a very similar manner."

Saussinan: "Today, we think and act based on an understanding of the return on investment of what we do and propose. Instead of asking for a larger budget, we present the business case based on the assumption that any investment must deliver more value than previous investments. We manage our data as an asset that delivers value to the rest of the organisation, and we tell everyone why, how and where."

Eidens: "Our data-driven approach allows us to have other types of discussions, based on facts and presenting correlations and relationships between trends that we didn't know about or hadn't expected. Data intelligence changes HR from within, giving us more power and enhancing our strategic role in the business."



We organize ourselves in HR like in the business."

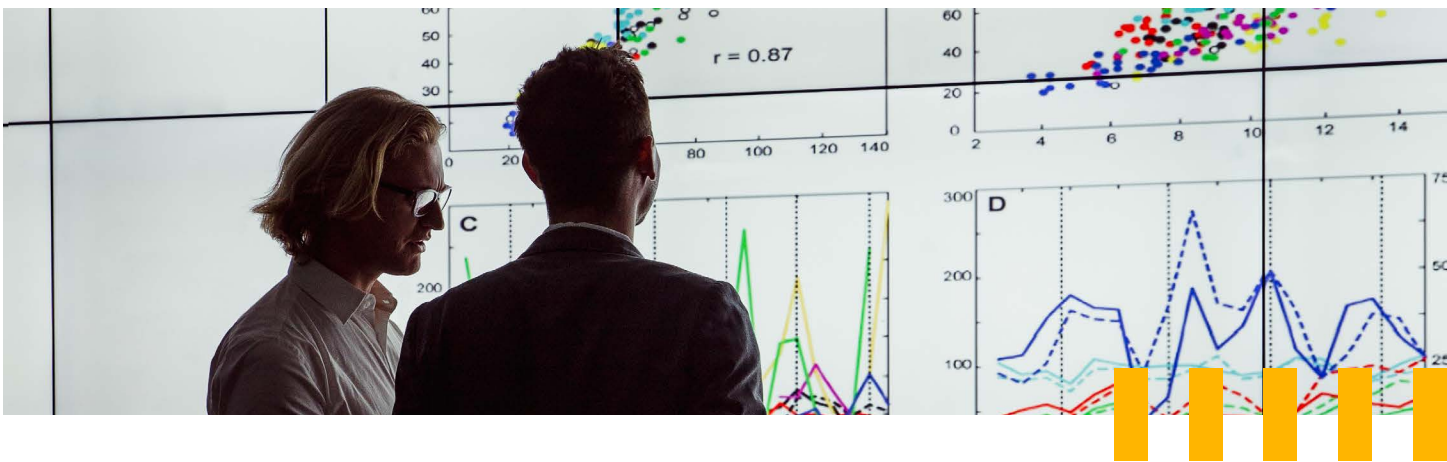
Alexis Saussinan

Tangible and intangible results

So far, the introduction of a data-driven HR services portfolio has delivered promising results for Merck to embrace data technology and for HR to claim the role of a people strategist. Alongside the intangible results – such as the adoption of data-based people policies, the democratisation of access to data, a global approach to privacy issues, and ethical use of personal data – the introduction of People Analytics has also delivered tangible results.

Saussinan: “For instance, as well as warning about talent scarcity, we can also predict when and where it will occur and come up with practical solutions. Based on our data research, we can identify untapped potential in our current staff, and we know where to find the ideal candidate to fill a gap. In some cases, we are talking about only a hundred SMEs or so worldwide. By further zooming in on them, we can attract them with a much higher certainty.

Bringing this intelligence to business leaders is a totally different service experience than what they were used to from HR in the past. The same can be said for reducing the flight risk of certain critical capabilities and key talent.”



Reducing high-end flight risk

Eidens: “Nowadays, we carry out flight risk analysis for key positions and critical business areas in the company. What are the key potential drivers of attrition for these positions and how to proactively act on them?

We found out that once people are certain about what is expected from them and they have more freedom to realise their objectives, flight risk reduces significantly. Some of these factors are not new to us, but because we are able to present these insights with data-backed evidence, decision-makers now value them more. What do we see? If objectives are not fully comprehensible to people with a high flight risk and we warn their leaders, those leaders alter the objectives immediately and are open to discussion for further alterations. This considerably reduces flight risk.”

COVID leverage

Meanwhile, the outbreak of Covid-19 has given highlighted the importance of Merck's data-driven HR department. In most organisations, many changes are being made in working relations. Many employees are now working online – for a couple of days a week, at least. As a result, new ways of working need to be introduced and working arrangements altered. This was already on Merck's agenda, but the pandemic has increased the urgency of these changes in a way no-one could have predicted.

Saussinan: "Since the Covid-19 pandemic began, we have substantially accelerated our efforts to drive Future ways of working. And with it, the need has increased for the HR function to come up with data-driven solutions and initiate approaches that help solve the crisis in the short term and are robust enough to build sustainable new ways of working."

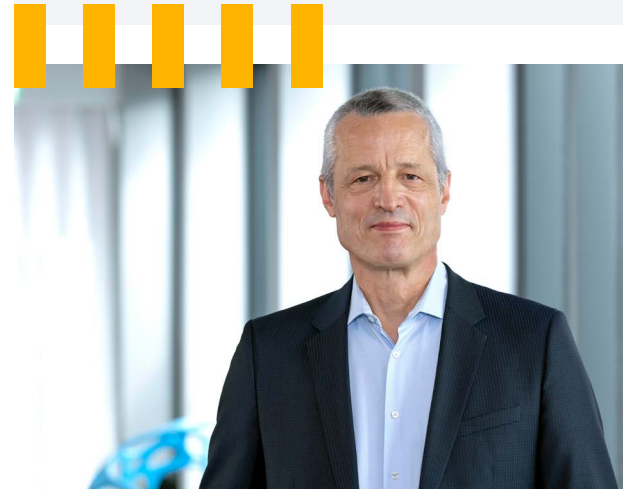
Eidens: "For instance, we showed the business, based on data evidence, that for most types of jobs there has not been any decline in productivity due to remote working. However, we also discovered that online interaction will never be an adequate substitute for human interaction, especially to foster true innovation. Physical distance does create social distance – with a negative effect on innovation. Our challenge is to find a suitable balance and strengthen the foundations of how work will be done in the future based on these insights."

Eidens concludes: "By delivering this evidence, we have been able to redirect the discussion. There were still some doubts on the productivity of people working remotely. We now have clarity on that: people are very productive, if not more productive. Without the support of data, this new insight would never have been revealed so quickly and new ways of working would still be an ambition for the future."



We can show, based on data evidence, that for most types of jobs there has not been any decline in productivity due to remote working."

Dietmar Eidens



Think big, start small

Given the promise of People Analytics, it is remarkable that research from various sources shows that only a limited number (8–12% at best) of HR support functions in large and medium-sized organisations are fully embracing technology.

According to Merck, this is due to the fact that HR professionals generally want to over-engineer. Dietmar Eidens, himself an IT engineer who accidentally ended up in HR after a career in retail and owning a consultancy firm, says: “When it comes to HR data insights, traditional HR professionals often fall into the trap of spending years enriching core HR data with all other potentially relevant data sources and making sure those fields are all consistent and of perfect quality.

However, in my opinion you shouldn't wait until your data is perfect: instead, you should be generating insights along the way. As long as you are aware of the uncertainty of these insights given the underlying input data quality issues, it doesn't matter. It will speed up both the data-driven mindset and decision-making transformation of your HR function, and it will also support you in improving your data quality. Two birds with one stone. We are perfectionists that love to over-engineer, to be 120% sure of what we are doing. But this requires a pioneering spirit in largely unknown waters.”

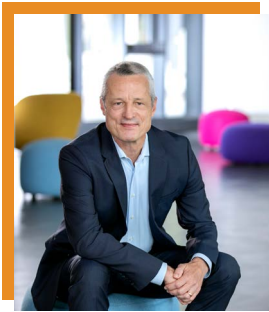
What about PwC Strategy&?

Why did PwC Strategy& stay on board?

Dietmar Eidens: “PwC Strategy& have proven that they are able to deliver in the two dimensions that matter most to us. They understand that we need a partner on an eye-to-eye level who we can trust and who

is able to support us in our pioneering role. They focus on improving what we already have and are not aggressively creating add-on business for themselves.”

Interview with



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People Analytics is not -or not only- about HR and HR metrics, but rather about creating insights into how the business strategy can be supported from a people angle.”

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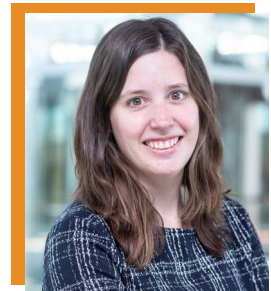
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