People decisions – *The X-factor*

Should computers make decisions for people? About people?

No matter how evolved the Artificial Intelligence, we shudder at the thought of machines controlling humans. Yet, slowly but surely we seem to be moving in that direction.

Clearly machines do a lot better at logical, repetitive tasks and have been consistently outperforming humans at these – improving efficiencies and driving down costs significantly.

With the advent big data, further significant advances in artificial intelligence (AI) have come. The philosophy of AI has shifted fundamentally from one of being highly intelligent in the human sense, to one of making decisions by eschewing vast amounts of data and recognizing patterns. The results of this approach are astounding – be it in natural language processing, or in self-driving cars.

This very significant step has brought AI back on the center-stage. We are now looking for other natural applications of harnessing this computing power. What about lateral thinking, emotions or feelings? Can computers incorporate this into their decision making process given enough data?

On the very important question about making decisions for people, about people - how far can computers go? How far should we let them go?

At i-Cube, we are discovering that advanced analytics can uncover deep insights about people and their behaviors in an organization. Using machine learning, we are able to answer powerful people related questions and drive significant efficiencies in recruitment, staffing, performance management and turnover. Not only this, predictive algorithms provide early warning signs of employee disengagement, identify factors influencing an individual's motivation and performance, and predict his or her future in an organization.

Have we gone too far? What are the moral and ethical issues to be considered when running analyses on people?

This is where the indispensable role of the experts comes in. Not only do we have to consider moral and ethical issues, but also realize that analytic outcomes, without the right context and framing can lead to erroneous and often dangerous decisions. For example, a predictive algorithm might predict that an employee is likely to perform poorly in the coming year. If followed blindly, this could lead to inherent biases against this employee by his or her supervisor. This could in turn demotivate him or her further, and start a vicious cycle of destruction. However, this outcome would look dramatically different if we add experience and expert intuition into the mix. Experts might suggest digging deeper to uncover subtle issues, and supporting the employee to help him or her ride through the rough times. Eventually, this employee may become a true believer in the organization… and maybe the next company rockstar.

Two very different outcomes, with the latter one clearly leading to vastly superior outcomes!

 We call this the **X-factor** – the crossing of analytics and expert intuition.

Take the case of our recent research on Fortune's Global 500 Banks in developed countries.

Using analytics, we tried to prove the hypothesis that employee shareholding has a positive impact on a company's performance. The analysis however, was inconclusive as shown below:
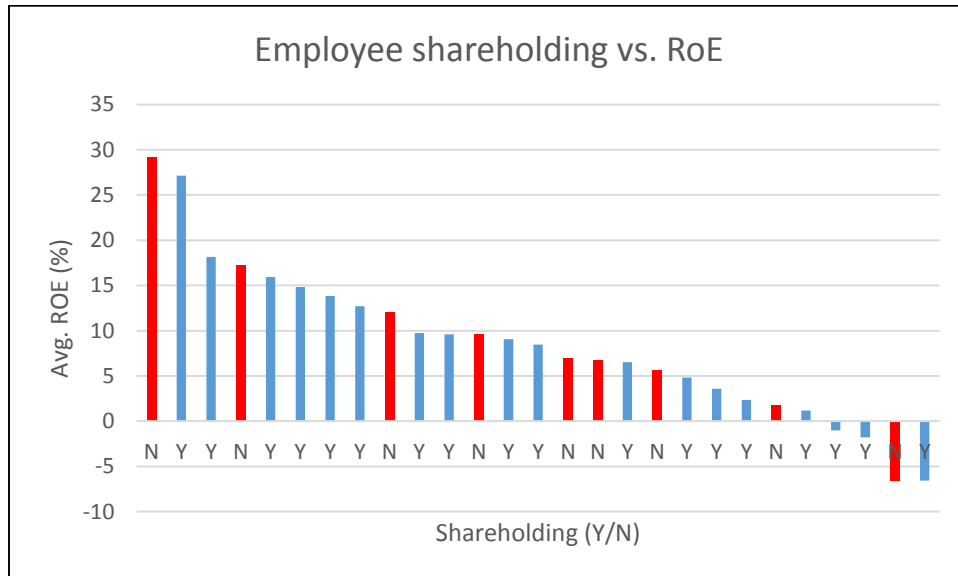

We then turned to our experts to figure out why the results were counter-intuitive. With the help of their experience we started looking at additional human factors likely to be strong influencers in the performance of the business, such as attractiveness for recruitment, focus on training, promotion of entrepreneurship etc. We then rated these companies on these factors; their relative scores are shown below:
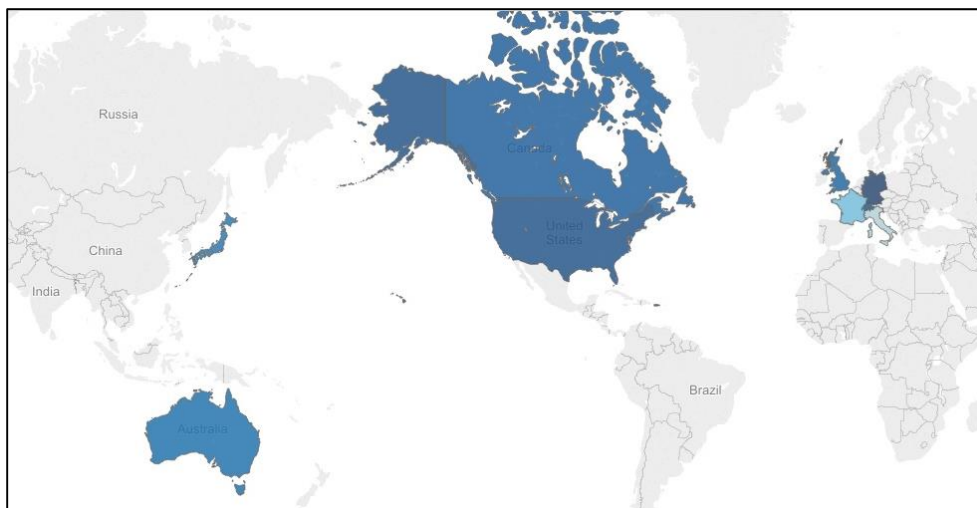
Note: Countries are shaded based on average scores of banks located here (a darker shade indicates a higher score).

If we now look at the performance based on these criteria – the results become a lot more conclusive:

ROE vs. Human factors
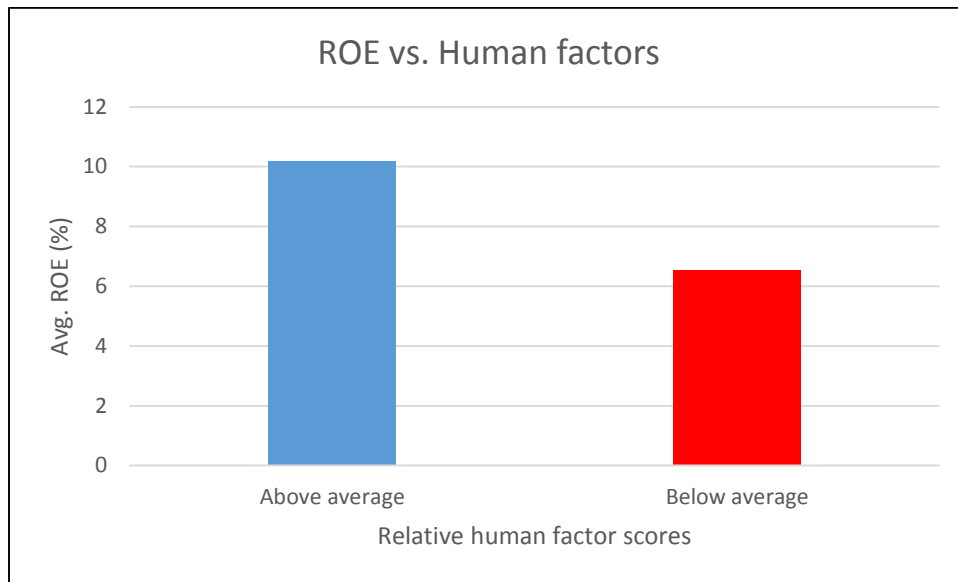
In fact, companies with higher than average scoring on these human factors performed over 50% better than their peers over the same time period. Again, the *X-factor* helped us uncover powerful insights.

As we continue our ground breaking research, and through our work with partners and experts, i-Cube is uncovering several such powerful insights and helping our clients manage their people better, as well as capture significant additional value in their business.

For more information, contact us at: info@i-cube.in