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Conceptualizing HR Analytics Practices for Healthier Organizational Performance –A Framework Based Analysis

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Abstract: In today's multifaceted business environment, HR analytics field is growing in acceptance and prominence. It is playing a significant role as a decision-making resource for managers managing large companies. Moreover, in the present scenario of knowledge economy, an organization's employees' are its most significant asset in addition to its great investments. There is a huge challenge in front of almost all the organizations' to manage the employees' knowledge, skill and experience in the competitive world as today, organizations always thrive to expand its performance whilst managing costs effectively. Having said this, many organizations are struggling hard to understand how effectively their human capital is managed in terms of analytical insights related to various kinds of investments made in various forms to enhance human capital performance in their organization. Non-existence of clear metrics and insight into various forms of data on human capital, organizations' are not able to formulate the required right kind of strategies to gain access in to business intelligence pertaining to their human capital working in the organization which in turn will lead to better business performance. In today's extremely competitive environment, it is imperative that organizations in order to succeed, an unified data driven approach to be followed with regard to human capital management to enhance efficiency and also to take valid human capital decisions to impact the overall strategy of an organization.

Keywords: HR Analytics, Human Capital Management, Business Intelligence, Healthier Organizational Performance.

I. Introduction

In Today's hyper competitive world, every organization faces the challenge of human capital management. As we all know that human capital is considered as one of the most critical asset to gain competitive edge over one organization to another, most of the organization's today are not able to practice data driven human capital management. If human capital management is done with the use of data related to human capital, then it can certainly help key executives to take better people decisions based on evidence rather than acting upon instincts. Those organizations which take people decisions based on data driven approach will definitely be able to optimize the efficiency on strategic human capital decisions subsequently will gain a sustainable competitive advantage. In order to make human capital management a competitive advantage, organizations need to bring together their financial statements, HR databases, various surveys and other related data to a common platform in order to apply analytic methods which will in turn enable key executives to find solutions to critical problems existing in the organization.

II. What is HR Analytics?

According to KPMG (2013), "Human capital measurement. Big data. Talent analytics. Strategic workforce analytics. HR analytics. These terms all refer to the synthesis of qualitative and quantitative data and information to bring predictive insight and decision making support to the management of people in organizations.

To put it another way, HR analytics can be seen as the application of statistical techniques (for example, factor analysis, regression and correlation) and the synthesis of multiple sources to create meaningful insights – for example, employee retention in office X is driven by factors Y and Z".

Importance of HR Analytics

Many a time's organizations find it difficult to appreciate how to use their multifaceted and capable workforce in an efficient manner. Providentially, at present it is feasible for

organizations to find out right kind of answers scientifically with regard to human capital utilizing the HR analytics. With the help of HR analytics, it becomes easier to identify necessary steps to be taken with regard to strengthening the training programmes or formulating an optimal compensation and benefit plans or strengthening talent pools for critical jobs. With the availability of performance metrics and along with the data related to competencies and skills desirable for the future critical jobs, organizations can thoughtfully manage their human capital by formulating and implementing appropriate development and retention programs thus conveniently meeting future performance targets.

Table – 1: What they Tell about HR Analytics?

According to a 2010 HBR article, leading-edge companies are all the time more using sophisticated techniques to evaluate their employees and develop their competitive advantage.

Source: What is the Return on Investment for Having Resources Dedicated to Workforce Analytics? Meghana Komati, Pin Zhou, Cornell University, <http://digitalcommons.ilr.cornell.edu/student>

According to IBM survey, 60% of organizations that do not possess workforce analytics applications in place, intends to build such capabilities in the next 1 to 5 years.

Source: Getting Smart about your workplace: Why Analytics Matter. IBM Global Business Service.

A 2012 MIT study has revealed that out of 179 large, publicly traded companies, that companies which uses data-driven decision-making have 5-6% higher productivity and output than what would be expected given other investments.

Source: Brynjolfsson, E., Hitt, L., & Kim, H. (2011). Strength in numbers: How does data-driven decision-making affect firm performance? Available at SSRN 1819486

III. Effective Workforce Analytics Requirements

An effective workforce analytics should meet the following requirements:

- A dependable source of workforce information and analytic competences that empowers fact-based decision making to achieve organizational business goals
- The capability to constantly monitor and measure and also to examine workforce activities along with the return on HR initiatives across organization
- The ability to interpret business goals and to align them with workforce metrics consistently and then to opt for the suitable analytic tools to monitor and quantify them in a meaningful manner

HR Analytics Practices

Various HR Analytics practices for healthier organizational performance are explained in ensuing paragraphs with the help of conceptual framework along with challenges to successful implementation of HR Analytics practices.

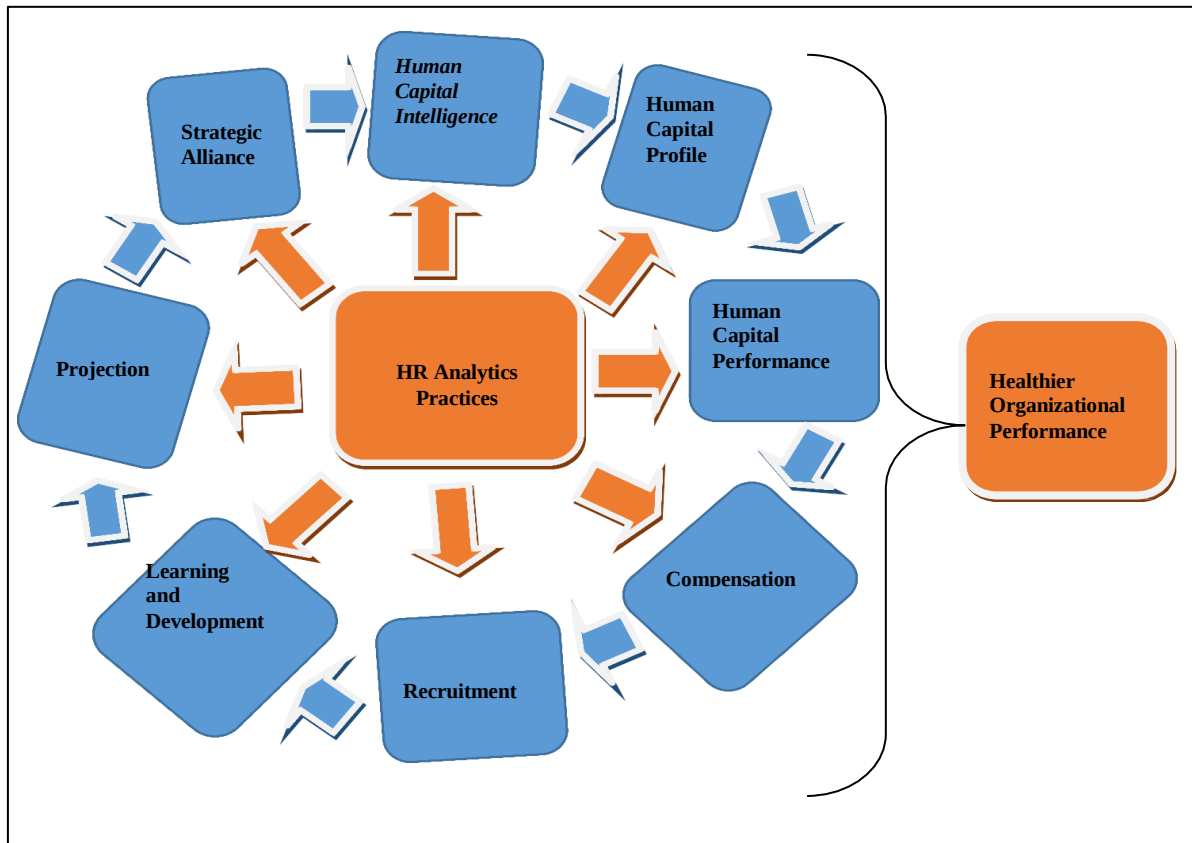
Human Capital Intelligence

When there exists critical evaluations and relevant data in place in the organization, HR leaders can analyze this critical information in an informed manner so that they will be able to quickly align organization's strategy with flawless execution. When data driven approach becomes the norm of the organization, HR leaders can utilize various relevant technology systems and analytics to ultimately develop "Human Capital Intelligence" which will provide insights into various HR related areas like human resource planning, performance appraisal, compensation and benefits management, talent acquisition and retention. Developing "Human Capital Intelligence" in the organization will provide in-depth information which can be swiftly analyzed in various dimensions to first understand and then to address challenges on decisive issues. Organizations can examine their data using HR Analytics to determine the top performers, average performers and low performers and chalk out appropriate plans by analyzing which of the employees possess right kind of competencies required for today and tomorrow to practice better human capital management.

Human Capital Profile

Line managers and HR personnel can analyze the trends in human capital movement, reporting relationships and level of employee turnover to acquire a realistic view about the human capital using Human capital profile dashboard. This dashboard will help the key officials in the organization to view different departmental employees with in the hierarchy of organization along with recruitment life cycle, effectiveness of staffing practices, relationship with diversity and performance, identifying top performers and so on which will help the HR department to build credibility with finance department.

Fig. 1: Conceptualizing HR Analytics Practices for Healthier Organizational Performance – A Framework Based Analysis



Whenever operational managers need to understand and analyze the strategic contributions of HR related to human capital, HR Performance dashboard can be utilized to correlate financial measures with key human capital metrics. For instance, HR performance dashboard can provide the details related to degree of correlation with regard to employee productivity per employee and return on human capital which in turn can identify probable turnover levels. Likewise, it can also reveal the trends related to various employee expenses like overtime costs of employees and costs of employees on contract agreements, if applicable in an organization. With this information, HR can analyze whether full-time employee can be appointed at lower salary level to reduce such overtime costs or contractual costs incurred in the organization.

Compensation

Financial analysts and compensation specialists' will be able to track various costs like overtime costs, variable costs and costs related to payroll. Compensation specialists' will be able to measure different type of pay levels across designations and either compare these different salary packages within the organization or with external competitors' pay levels using ratios. HR can then be able to link performance with pay and subsequently design various variance pay levels depending upon job designations. With this, they will be able to identify top performers and potential employees in order to tweak rewards strategy to ensure top performers are retained in the organization while optimally managing costs.

Recruitment

The Recruitment dashboards and pre-designed analytical workflows can deliver a comprehensive set of recruiting metrics which will help the organization to evaluate the efficiency of the complete recruitment life cycle from pre-hire to post-hire employment. It will help to optimize the process of sourcing prospective candidates, assessment of the process of hire to retire effectiveness, evaluation of top performers and their source of hire, analysis of talent pipe line etc., By observing these efficiency metrics, an organization can modify its recruitment strategy, optimizing various costs related to recruitment, formulate and implement appropriate retention strategies for top performers. Moreover, recruitment specialists will be able to analyze voluntary turnover of top performers and can find out the reasons for their leaving. They can initiate proper

corrective measures to address the retention issue of top performers in the organization using workflow metrics.

Learning and Development

Using learning management metrics, specialists can analyze the impact of learning courses on employee performance. They will be able to assess the effectiveness of various learning courses offered with its related costs involved to deliver it by analyzing various delivery options. They can also examine which learning course has got more demand through top enrollments and subsequently they can tweak the overall learning programme by adding more learning programmes in line with top enrollments and For example, users gain insight into learning demand through top enrollments and by disregarding those learning programmes which are not well attended.

Human Capital Projection

Apart from knowing what has happened in HR in the past, HR analytics can be used more to get to know what will happen in future too. Therefore, it is made possible to prevent the wrong outcome from happening with the help of metrics and HR analytics. For example, if the HR department is able to prevent three high valued employees working in the organization, it can save the organization a huge amount related to the cost associated with voluntary turnover. But in order to identify who will leave, algorithms using historical data will enable the HR department about likelihood of resignation by some employee so that bonus agreements or career progression and learning opportunities can be provided to prevent voluntary turnover in the organization.

Strategic Alliance

The most effective way to collaborate workforce analytics with organisational objectives is to involve the business leadership in the planning, design and implementation of the work being done. HR Metrics will help CEOs and Board of Directors to assess compensation metrics to realize how compensation is being utilized to recognize performance and to drive future performance without harming the overall profitability of the organization. They can also pay careful attention to how effectively talent is being managed in the organization to ensure whether right people are placed in right place to drive the business results and how effective is the succession planning or leadership talent pipe-line in order to fulfil the critical manpower immediately whenever need arises. It is utmost important for the HR department to obtain the support of C-suite executives to workforce analytics in order to align the business strategy with people strategy and to make them realize how right kind of human capital can make a huge difference in the overall of growth of an organization.

Challenges to successful implementation of HR Analytics

Successful implementation of any HR Analytics will surely depend on the organizations' capability to hire the right people, formulating effective business processes aligning to the goals of the organization.

Finding Right Talent

The foremost challenge is to identify the right kind of people who has got both the HR knowledge and Analytics as well. It is very difficult to find this kind of blend in a person and there is a great demand for people who possess these two skills together and are really scarce to find in the job market. As a result, HR managers, when hiring data scientists do not clearly understand what exactly they do and it becomes a big challenge to manage the human resources in the organization. Though several HR managers are prepared to supervise an analytics system, it requires specific skills to understand how various tools in reality work in the areas like, computer science, mathematics, statistics and data modeling.

Top Management Support

HR will find it difficult to convince the top management to invest in one more additional HR system. It is a well-known fact that for many years HR managers are surrounded with attendance systems, ERP systems, performance management tools etc., Therefore, HR managers need to initiate proactive steps to gather and analyse critical employee related data like employees' personalities, career aspirations, motivations, cultural fit and morale as these collected data need to be incorporated in the analytics system, in turn can pave way to greater return on investment

on employees. Only then, HR managers can build a buy-in from the top management and build a strong business case for HR analytics.

Data Quality

As it is the requirement of HR department to store gigantic data representing the whole organization, there is every possibility that crucial data/information may be lost along the way or it may just get unnoticed. Furthermore, chances are more that outdated records of employees from different departments may get mixed along with the updated data thereby restricting markedly the ability of HR analysts to produce better outcomes.

IV. Conclusion

In ever changing economic and political conditions, business leaders need to be vigilant in making decisions related to their workforce. Fortunately, presence of workforce metrics and analytics will surely help the top management to take informed decisions related to issues of workforce and to optimize the workforce efficiency. Workforce analytics facilitates in the organization not only to provide workforce insights today but also to get meaningful insights about talent management ensuing enhanced performance in future too. Workforce analytics will certainly help an organization to drive extraordinary business performance by designing, developing and delivering various initiatives that create a competitive advantage through the effective use of workforce analytics.

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