

Review on HR analytics: An emerging scale for evaluation of human assets

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Abstract

HR analytics is most sought after word in the business world, though the practice of human resources analytics dates as far back as 1984. It is evidence based approach and it improves individual and organisational performance by making better decisions on the people side of the business. It enhances effectiveness of HR policies and practices of the organisation, helps in identifying where efforts, resources and budgets are not producing their intended impacts. It is a frame work that concerns data inputs about the employee and his/her role in the organisation to a set of outcomes or metrics that the organisation is interested in. In this study researchers tried to figure out the significance of HR analytics in People Management.

Keywords: HR analytics, People Management, Decisions, Performance and Metrics.

1. Introduction

As we are living in VUCA world, Organisations have become constant victim of uncertainty and volatility in their functionalities. In order to ensure that the decisions regarding human resources are in time with the strategic objectives, HR analytics is an upcoming tool for the purpose. In terms of making decisions at the workplace human resources management is facing challenges. HR analytics is about linking HR decisions to business outcomes and supporting people related decisions. It does not focus exclusively on HR functional data rather it involves integrating data from different internal and external functions of the firm. It involves usage of information technology to collect, manipulate, and report data. Some of the statistical tools used by HR analyst are Factor analysis, correlation and regression etc. to estimate meaningful insights. HR collects data on employee's personal information, compensation, benefits, retirements, attrition, performance and succession from time to time, so it is important to use it properly to interpret the outcome and spot the trends. It correlates people data and business data and establishes a connection between them. It helps managers, leaders to understand meaningful data patterns and to improve the process.

There are very high costs associated with poor hiring, inappropriate trainings or wrong compensation strategies. These may put organisations at risk and leads to inconsistent business outcomes. Way back HR managers are required to collect and track employees personal and professional details, but now they are expected to carefully analyse HR data to make well informed timely decisions. HR analytics dashboards and data are used to measure employee engagement, and identify employees with the required skills to meet company goals. HR managers can easily interpret data, identify issues or trends and take suitable steps to streamline organisational people related

processes. As HR needs to play an active role in planning and meeting organisational goals, HR analytics allows them to do it effectively. It is also used to prepare cost and investment on their talent pool like cost per hire, cost per participation on training, revenue and expense per employee. It provides opportunity for defining strategy for retention and hire plan. It can also give complete picture of organisation head counts based on demographics. Organisations take all this information and works with immediate effect to understand the reason behind the findings with an aim for betterment and growth, they stand to outperform their naysayer competition significantly.

2. Types of HR analytics

HR analytics is a broad area, it can mean a lot of thing to lot of people. Analytics can be used in many ways such as predicting employee metrics, decision making etc. There are many analytics options in HR, among them a few are very popular.

- Talent analytics
- Workforce analytics
- Predictive analytics

2.1. Talent analytics:

It is more qualitative and is basically for processes from talent management like personal development, recruitment, succession planning, retention etc. It can help organizations to better analyze turnover, identifying top performers, identifying the gaps and develop the proper training for them. It can also find out reasons for attrition and provide options to take strategic decision for retention as well.

2.2. Workforce analytics:

It is another common one which is more quantitative; it helps leaders to develop recruiting methods and specific hiring decisions, optimizing organization structure, identify quantify factors for job satisfaction; determine the need of new departments and positions. It also helps the organization to identify, motivate and prepare its future leaders. Align and motivate workforce and continuously improve the way of work.

2.3. Predictive analytics:

It is based on statistics, data and becoming more attractive. It HR professionals to take more strategic decisions based on the facts. Data presented in graphic, statistical reports, dashboards enables leaders to understand easily. It is based on statistics, data and becoming more attractive. Predictive analytics helps psychographic of employees, behavioral qualities of applicants and many more.

3. Strategic role of HR analytics in people management

HR analytics is the application of considerable data mining and business analytics techniques to human resources data. HR analytics provides insights to HR professionals for effectively managing employees. It stores the employee data and uses it as if needed. It comes very handy in managerial decision making process.

3.1. Efficiency Improvement

As companies rely on higher return in short span of time and less cost, there are many tools which have supported in the efficient performance of employees. Significant improvement in the quality of work and results can be achieved by using HR analytics.

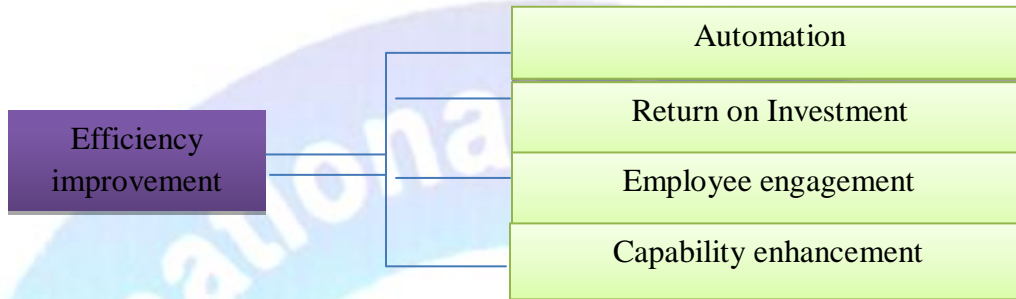


Figure 1. Organisational efficiency improvement

3.1.1. Automation:

As analytics becomes very important area, it can be automated to fetch significant results solve business problems. Automating data collection, storage, retrieval, analysis, and action can work quite well in specific contexts. However, automation falls short for solving most important business issues, which tend to have unique and idiosyncratic goals, processes, and contexts.

3.1.2. Return on Investment:

The complex interaction between staffing levels, competencies, compensation structures and workforce profile will improve Return on investment. Strategic decisions which are taken by using HR analytics will help organisation, in order to get the expected results.

3.1.3. Employee engagement:

Measuring engagement using performance data isn't enough. The human side is essential to truly understand the underlying dynamics in the workplace. This is where employee surveys can help. Surveys can be done by using HR analytics dashboards. Collection of data and analysis are very easy on this platform.

3.1.4. Capability enhancement:

Analytics takes all metrics in to account which associate with employees to assess and evaluate, it enhances the capabilities of employees through effective feedback. No matter how much talent organisations have, if they don't build capability they are not able to strengthen the analytics effort.

3.2. Value creation

In order to create value in an organisation with long term approach, one has to focus and keep abreast of the current happenings and predictions for the future. This pro activeness and analytics based on the trends of the past leads to better value creation.

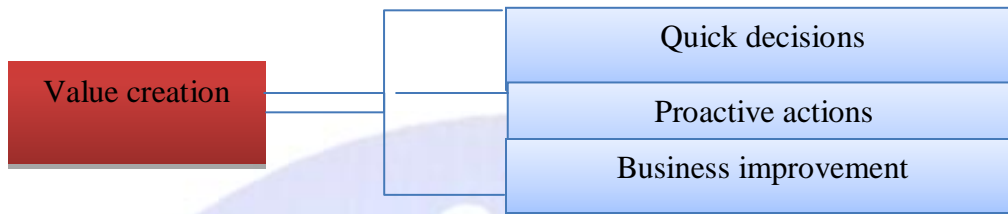


Figure 2. Organisational value creation

3.2.1. Quick decisions:

HR Analytics is one such tool which helps the organization as a whole, to have a look at the stats, charts and numbers. This tool also proves pivotal to making the right and quick decisions pertaining to your organization as a whole and human resource management in particular.

3.2.2. Proactive actions:

HR analytics allows you to analyze trends in your historical data and identify what lies ahead for your organization. Fundamental Insights take it one step further and provide tools to recommend changes and visualize the impact of those changes. Proactive approach helps in recruiting people who would be the star performers of the future. You can get ahead of issues before they become a problem.

3.2.3. Business improvement:

Though analytics won't solve every HR challenge, they can provide an understanding of business functions and help trained HR professionals develop plans that optimize talent investments while effectively monitoring recruiting, development, engagement, productivity, accountability, retention and many other workplace initiatives.

4. HR analytics challenges

The challenge of human resources analytics is to identify what data should be captured and how to use the data to model and predict capabilities so the organization gets an optimal return on investment on its human capital. This can be done by improving efficiency and value of the organisation.

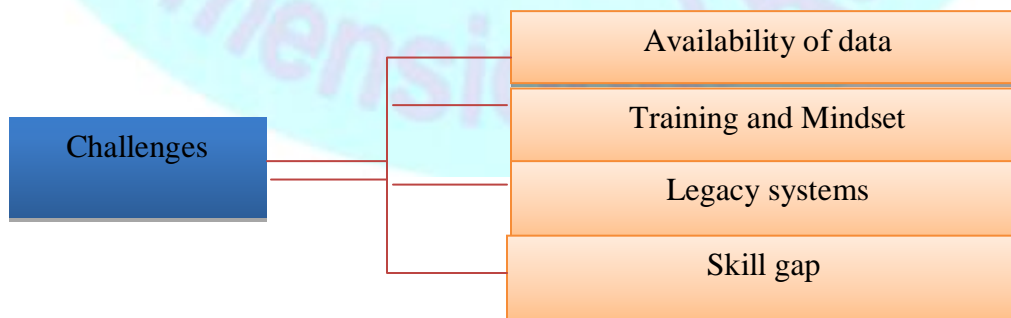


Figure 3. HR analytics challenges

4.1. Availability of data:

The systems where this data is stored largely seem to require input from a manager within the business, and at the point they're inputting this data it is likely that they are either just dealing with someone leaving the team or joining the team. The upshot is that the data you're then analyzing may not actually give you a true reflection of the fact. Again, it seems like the person inputting the data needs to understand the value to them of making sure that it is correct and I was not convinced any of the presenters had quite got this right in their business.

4.2. Training and Mindset:

HR in antiquity is expected to perform as a supporting department to others like Marketing, Operations, and Data Management and so on. As time passes it became a central department, here again lack of analytical training and opportunities are not sensitizing use of analytics in human resources management.

4.3. Legacy systems:

Legacy data is the historical data of the company, Till date many organisations have not focused on maintaining legacy data. HR analytics is all about analyzing the historical data and drawing conclusion on questions arising in decision making process.

4.4. Skill gap:

HR analytics is profoundly new. Unlike other HR developments, HR analytics has not evolved so much as exploded onto the scene. There are no predecessors to guide us, and few people know what's expected of them. Add the fact that HR analytics insists on blurring the lines between HR and myriad other disciplines and therefore the problems clear.

5. Discussion

Today companies need not depend on the senior management to spot HR problem or identify talent, they can rely on analytics which stores and analyses the data. Often when the question arises regarding employees performance, factors like best profile competency and high performers churn out the mind. Though many companies have started investing in analytical tools and techniques yet many are to realize the value of their investment in HR analytics. The different analytical tools used in HR analytics also provide a framework within which the identification of the potential employees can be done. This results in establishing benchmark for improvement in efficiency and value creation which helps in embedding them for better performance day by day. Though there are some issues like training and mindset, data availability and variety, fears and bias. Organisation needs to spearhead on the aspect of skill gap. This aspect leaves no stone unturned to reach the heights of performance. Companies like HCL Technologies applies an analytical tool which uses an intelligent neural network engine that leverages natural language processing and semantic analytics, it also helps in developing right training models. Analytics becomes imperative to cater to aspects of HR by adopting analytical tools, as they are the most vital assets for successful performance of an organisation.

6. Conclusion

HR analytics becomes must have option for the organizations. Analytics is all about decision making by using employees data. Right from recruitment to retirement, so many strategies will be performed by

HR professionals towards employees. Analytics predicts career aspirations of employees, high performers and even the attrition rate.

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