Original Article

HR ANALYTICS - A STRATEGIC APPROACH TO HR EFFECTIVENESS

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ABSTRACT

HR analytics is playing major role in today's business changing environment with increased business requirements towards organizational efficiency. It enables better decision making about workforce using employee data. HR analytics supports organizations for mapping HR metrics with strategic business goals. It majorly focus on acquiring talent to assessing future HR needs by improving employee morale and satisfaction.

HR analytics supports data interpretation to recognize trends and take corrective measures for profitable functioning of business. organizations strive for more innovative business practices to improve efficiency and HR analytics has the highest impact on organizational success. The paper highlights how the business analytics provides a multi – dimensional approach towards building an effective HR strategies.

KEYWORDS: HR Analytics, Workforce Planning, Strategic Workforce, Human Capital Management

INTRODUCTION

Strategic planning become more complex for business units and subsequently for the Human resource function with recent advances in data driven analytics and the resultant improved capabilities in working with huge data sets. Most business units have already adopted predictive analytics to guide their decision-making and strategy development processes. Predictive analytics offered new opportunities which are applicable to all core human resource processes such as employee sentiment analysis, talent acquisition, capacity planning & attrition risk management.
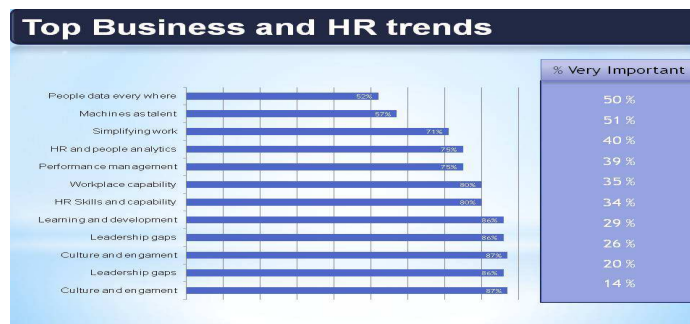

Figure 1

The effective approaches to the measurement of HR analytics and the impact of people on organization processes will enable utilization of human resources more effectively. This measurement is accomplished by focusing on the development of HR analytics and supporting HR metrics that meet the needs of organization decision makers.

HRM strategies are changing in terms of HR metrics and hr analytics being used in the organization for better decision making. These advances will help the organization balance the costs & benefits of decisions. Human resource analytics can help organizations take current operational and strategic data and convert it into an active approach to tomorrow's HR issues. HR analytics has become an important tool for success; leveraging current data to anticipate future ROI that serves as a source of competitive advantage.
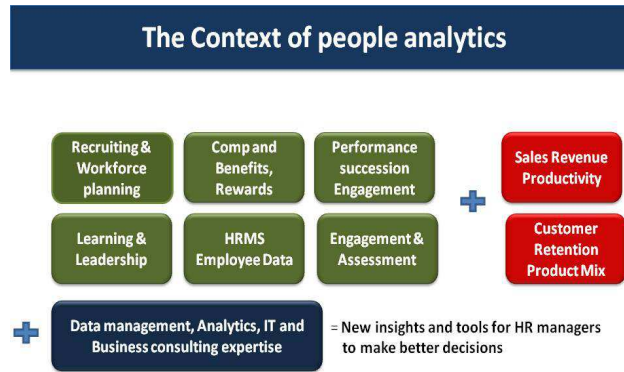

Figure 2

HR analytics solutions can help

- Prioritize and target applicants who are most qualified for a specific position.

- Forecast workforce requirements and determine how to best fill open positions.

- Link workforce utilization to strategic and financial goals for improved business performance.

- Identify the factors that lead to greater employee satisfaction and productivity.

- Discover the underlying reasons for employee attrition and identify high-value employees at risk of leaving.

- Establish effective training and career development initiatives.

Figure 3

LITERATURE REVIEW

Table 1

S. No	Author	Title	Key Focus & Findings
1	Marten et.al (2013)	A Framework for Business Analytics in Performance Management	The paper suggests that with the adequate use of data and analytical methods business dynamics can be controlled. These are called Performance Analytics. In this way
2	Dulebohn &Johnson (2013)	Human Resource Metrics and Decision Support: A Classification Framework	This study highlights, the issue is that although HR managers have developed a greater number of metrics, a lack of guidance is still lurking around with respect to where to apply those metrics, and to incorporate them into Distributed Support Systems(DSS) and Business Intelligence tools, eventually adding value to the HR. Hence, a framework is provided along with some guidance to researchers and managers. In addition to the framework, the type of metrics to be considered and DSS fit HR activities in alignment to the level of organizational functional details and decision support hierarchy involved is also given in detail
3	Hota & Ghosh (2013)	Workforce Analytics Approach: An Emerging trend of Workforce Management	In this paper, the author explains the workforce analytics as the new corporate mindset. Also reveals that adopting non aligned analytics strategy is increasing, which results the future of the firms in doldrums. Having an end to end range of analytics capabilities supported by an integrated analytics strategy, organizations are advised to enlarge, or cut short, the distance between themselves and competitors to their own competitive advantage.
4	Kapoor & Sherif (2012)	Human Resources in an Enriched Environment of Business Intelligence	The paper signifies one of the most vital problems of educating multinational companies to align their HR processes and practices to the altering global labor market conditions. By adding BI and Data analytics in the DNA of HRM protocols and database strategies they can very well attract develop and retain their top talent and be a fore runner in the global business competition.
5	Jon Ingham (2011)	Using a Human Capital Scorecard as a Framework for Analytical Discovery	The author suggests that the best way to tie up the entities of analytics and strategy is through a human capital scorecard. The scorecard is derived from a strategy map like the original balanced scorecard, which connects inputs, human resource activities and human capital outputs together and also depicts how these are linked to HR"s impacts to the bottom line growth

Key Goals of HR Analytics and Tools

- To identify opportunities for HR impact

- To support organizational strategic planning

- To prioritize HR investments and actions

- To demonstrate the bottom line impact of HR practices and programs

- To enable managers make better decisions regarding workforce management

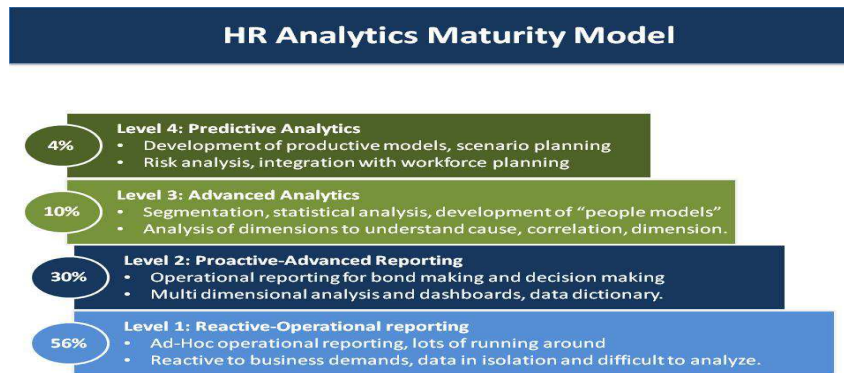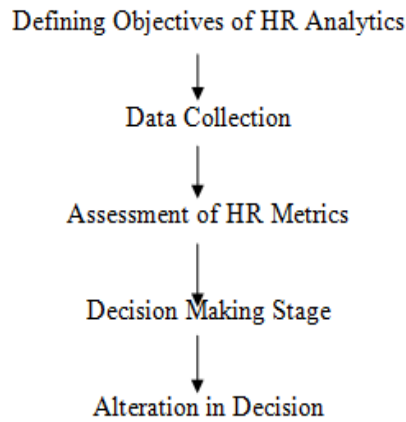- To better align HR strategy with corporate strategy

Steps in HR Analytics

Figure 4

The Future of HR Analytics

HR analytics is an evidence-based approach for improving individual and organizational performance by making better decisions on the people side of the business. HR analytics can certainly enhance the credibility of the HR function by improving the effectiveness of HR policies and practices and contributing to the competitive advantage of organizations that develop it as a core competency. As such, HR professionals develop new skills and capabilities so that they can effectively partner with and lead IT and finance on HR analytics initiatives. Along the way, HR professionals will need to address ethical dilemmas.

Without a doubt, mastering the art and science of HR analytics takes effort. But it can result in an elevation of the status of the hr practitioners by helping them to guide their organizations in finding the intersection between more profitable and more enlightened management and development of people. Mastering this effort would represent a win-win for employers and employees, and ultimately the society in which we live and work.
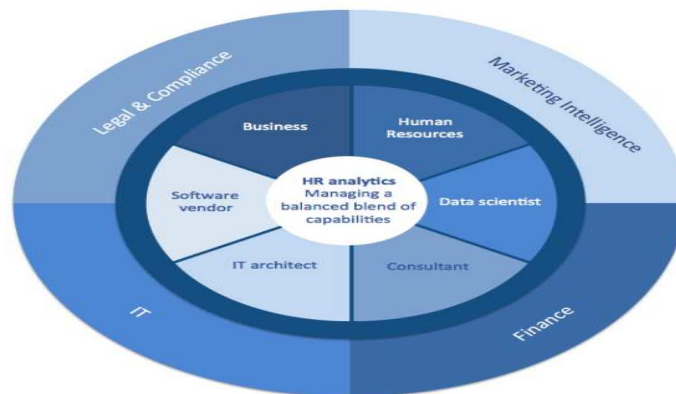
Figure 5

Effectiveness of HR Metrics and Analytics

- HR Practices to Performance

- Identify High-Impact talent

- Assess Possible HR Programs

- Identify Poor HR Programs

- New Business Strategies

- Evaluating HR Practices

- HR Measures Available in Organizations

- Impact of HR Programs on Workforce

- Benchmark Data

Sample Data Source Types for Analytics Use

- Electronic (on-line application, résumé)

- Social Media: e.g., a LinkedIn application

- Mobile voice information

- Mobile or video assessment capture

- Video interview retention

- Virtual on-boarding/e-learning data

- Social interaction, "go to" data

Assessment of HR Metrics

It is necessary to determine the HR metrics that an organisation will use for decision analysis process, but several measurement characteristics of each objective owners of data.

Table 2

| Employment	Training and Development	Remuneration
• External Hire Rate • Net Hire Ratio • Rehire Rate • Referral Rate • Average Interviews per Hire	• Penetration Rate • Staff Ratio • Expense Rate • Average Class Size • E-Learning Abandonment Rate Chanel Delivery Mix	• Average Hourly Rate • Bonus Actual to Potential Rate • Compensation Satisfaction • Index Overtime Rate • Bonus Eligibility Rate
Performance Appraisal	**Talent Management**	**Separation**
• Average Rating • Peer Review Rate • Self-Appraisal Rate • Performance-based • Pay Differential • Upward Review Rate	• Manager Instability Rate • Manager Quality Index • Successor Pool Coverage • Successor Pool Growth Rate	• Involuntary Termination Rate • Voluntary Termination Rate • Average Termination Value
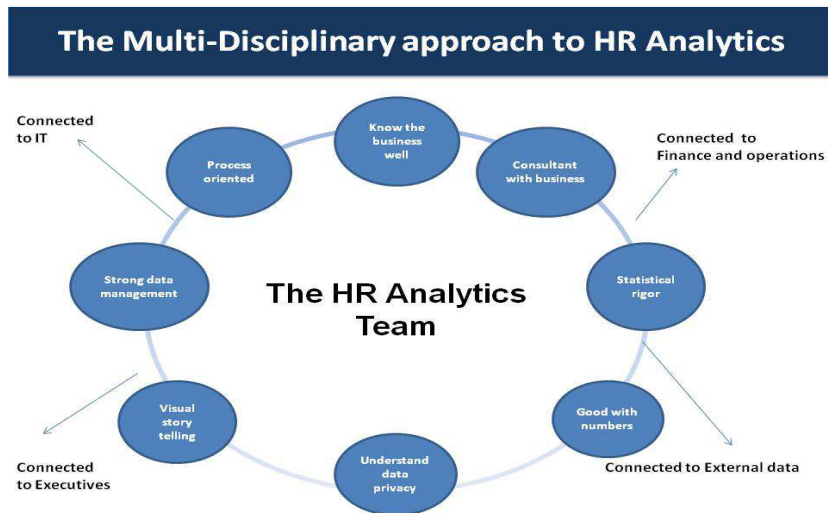
Figure 6

Practical Road Map to Conducting HR Analytics

HR analytics moves beyond conducting analysis and creates an environment of executive buy-in, cross-functional interaction, targeted initiative-building and a discipline of measurement and re-focusing. It includes following steps:

Step 1: Determine Critical Outcomes

An organization must first determine the top two to three most critical outcomes on which to focus. For example, outcomes such as productivity, turnover and customer satisfaction are commonly desired outcomes—but those are not the end of the list. Financial indicators, costs and safety-related data are all outcomes that can be connected to employees. Key stakeholder interviews of the board, CEO, CFO or other business leaders are very helpful in the process—this is also a great chance to generate buy-in.

Step 2: Create Cross-Functional Data Team

Next, you will need to identify the various owners of the outcome data. These data owners become the key members of a cross-functional data team (CFDT) that needs to be organized. This team should consist of measurement

experts, key line-of-business leaders or metric owners, and HR leadership. The measurement experts are needed to determine data requirements, to scientifically link the necessary datasets, and to conduct the requisite statistical analyses.

Step 3: Assess Measures of Critical Outcomes

The next step is to determine how data are currently captured in the organization. This step gets into the details of the actual analysis process, but several measurement characteristics of each outcome measure must be assessed:

- Frequency of measurement (e.g., monthly, quarterly, annually).

- Level of measurement (e.g., by line of business, by work unit, by manager, at the store level, at the department/function level).

- Organizational owners of each of the outcome measures (e.g., the department or leader of the particular measurement).

Step 4: Conduct Objective Analysis of Key Data

This part of the process will require advanced statistical knowledge to link the data. Using structural equations modeling affords us the ability to determine, for example, whether employee attitudes about work-life balance are a cause-and-effect driver of increased customer satisfaction.

Step 5: Build the Program and Execute

Create interventions that will have the desired effect. At this action-planning stage you can focus activities at the systemic, organization wide, line of business or work-unit level. The big opportunity is that the investments focus on those employee processes/skills/attitudes/demographics, that have been shown to have a direct impact on the organization's desired business outcomes.

Step 6: Measure and Adjust/Re-prioritize

In the last step, re-measure to assess progress and calculate actual return-on-investment. Business leaders understand the importance of goal setting and measurement. They also understand the importance of creating a culture of measurement and accountability.

Golden Rules of HR Analytics

- Strategic workforce planning & analytics

- Combine HR analytics & intuition

- Make analytics relevant and actionable

- Involve legal compliance

- Devise the skills needed

- Realistic and simple

- Understand model and outcomes

CONCLUSIONS

To play a more relevant and strategic role in the organization, the HR function needs to move beyond mere reporting to accurate prediction. Instead of just generating reactive reports, it needs to embrace advanced analytics and predictive techniques that support strategic organizational goals. Application of predictive analytics in HR entails utilizing relevant data to solve specific business problems. The insights derived can help improve business performance as well as employee engagement and satisfaction.

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