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## HR ANALYTICS: WHY IT MATTERS

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### Abstract

In today's data driven world, HRM strategies are changing in terms of HR metrics and HR analytics being used in the organization for better decision making. This digitalization will help the organization to become more reliable towards data driven decision making rather than intuition. Which can assist organizations to take up present strategic and operational data and turn it into an effective approach to the HR problems of tomorrow. HR analytics has become a significant instrument for achieving success; taking advantage of present data to anticipate future ROI as a source of strategic advantage. The current study is an attempt to give an overview of developments in HR analytics at present by briefly focusing to identify the shift in the HR roles in different perspective. This paper also discusses the importance of understanding the implications of HRA. In addition, article also highlighted the future need for HR analytics, befitting for today's world of business industry.

**Keywords:** HR Analytics, HR Metrics, Human Resource Management, Strategic Management

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### 1. Introduction

Human Resource Management (HRM) has been seen in the past as an administrative function where decisions were generally based on previous knowledge, emotions, or intuition. A survey done by The Economist Intelligence Unit (EIU) in the year 2014 also confirms that decisions related to all functions whether in marketing, finances, sales or human resource in organization are dependent on their personal experience and intuition. Still many organization are lagging behind to adopt human resource analytics (Fernandez, & Gallardo-Gallardo, 2020; Vargas et.al, 2018; Marler& Boudreau, 2017) despite of availability access of information. Human resource analytics is data driven (Mohammed, & Quddus ,2019) and when it comes to mind its related only to statistical analysis i.e. is incorrect(Anjani & Nithya, 2018; Vargas et.al , 2018) ;as according to Jac Fitz-Enz, (2010) said "Analytics is a mental framework, first a logical progression and second a set of statistical tools ." Implementing it to

today's business organization gives better result in various function like talent management, better ROI, decision making etc.(Wandhe, 2020 ; Mohammed, & Quddus ,2019; Marler and Boudreau, 2017).Nevertheless, the corporate world now recognizes the significance of talent-related information and is starting to fully adopt the information revolution in the field of human resource management.

Analytics becoming involved in more and more organizations to the workforce as a way to better manage their human capital and shape future business strategy. The HR specialist are trying to develop the capacity to make vibrant choices as a consequence of adopt new technology, that enhance the organizational success. HR analytics plays a vital role in current globalization scenario. Today's company challenge the HR department and HRM system require more than just higher efficiency (Ahuja, I.S ,2014; Dwivedi, P. and Sahu, G.P.,2014). Rather, they involve enhanced effectiveness obtained through a thorough knowledge of variables that drive the overall workplace performance (Singh, T et.al, 2015). Organization, in order to maximize their return on human capital, must know the complicated relationship between staff levels, competence, compensation structures, the profile of the workers and other factors (Maria, 2019; Hussain & Murthy, 2013). To understand completely how the factors of workforce impact enterprise, a timely and integrated insight into the correct measures from all of the company's HR and operational systems is required (Akhmetova, S. G., & Nevskaya, L. V, 2020; Hussain & Murthy, 2013 )

HR analytics and metrics are being used frequently for better decision making and to change the HRM strategies in organisation. Human resource is leading toward the data driven analysis and functioning large data sets (Madhavi Lakshmi & Siva Pratap, 2016). This new form of advancement will help the organisation to balance the benefits and cost decision. Which help in predictive analytics of staff sentiment, talent acquisition, capacity planning, and risk management of attrition (Mohammed, & Quddus, 2019; Madhavi Lakshmi & Siva Pratap, 2016). Effective approaches to utilizing HR analytics and measuring their effect on organizational procedures will empower utilization of human resources (HR) more efficiently. This measurement is achieved by concentrating on HR analytics growth and promoting it that satisfy the requirements of decision-makers in the organization

Human resource analytics (HRA) can assist organizations take up present strategic and operational data and turn it into an effective approach to addressing HR problems of tomorrow. HR analytics has become a significant instrument for achieving success; taking advantage of present data to anticipate future ROI as a source of strategic advantage (Bindu, 2016). The current study is an attempt to give an overview of developments in human resource analytics at present. This paper also briefs about the reasons for growing dependency on the HR analytics and its practical implementation in the business organizations. In addition, also shows the role of predictive analytics and future need of human resource analytics for organization.

## **2. Literature Review**

A vast range of scholarly literature gives evidence how human resource analytics is growing its importance in business organization. According to Boakye, A., & Lamptey, Y. A. (2020) the potential effect of workforce strategy on organizational performance and proposing practical methods of measuring and managing HR assets, same like the finance function tracks returns on investment (ROI)(Zeidan,S.,& Itani,N,2020; Wandhe, 2020). A research by Andersen, M. K. (2017) helped put together these thoughts by highlighting how aligning HR operations with corporate strategy and activity improves organizational results. Studies have also found that high performance HR systems provided proof that managing human resources can actually enhance operational efficiency and play a significant part in fulfilling the organizational strategy (Zeidan,S.,&Itani,N,2020; Telu, M. S. ,2019 ;Singh,T et.al, 2016) that receives the most investment from its products and services, and creates the most value in their employment.

Technology upgradation and implication impact the organizational performance (Ahuja, 2014) leading to the digitalization of the HR technology (Naik, Y.N. and Bisht, M , 2016). The digitalization of the human resource analytics in HR department (Dalbom et.al, 2019) impact organizational effectiveness impacting the workplace leading to employee attitudes, behaviors, trust etc. (Fabbri et.al, 2019).

Human resource analytics is being used by HR professional to get data driven decision (Mohammed, & Quddus, 2019) rather than intuition or gut feeling which is more reliable for decision making. Various other functions like talent management, ROI etc (Wandhe, 2020; Mohammed, & Quddus, 2019) gives better result to the organization by the use of analytics to measure the costs and benefits of HR assets. However, the search for standardized HR measurement is still a work in progress, despite scholarly studies dating back several decades. To date, few organizations have been able to explicitly show the economic value of their human capital assets, quantify their future value, or evaluate their accurate effect on organizational performance.

## **3. Development of HR Analytics**

Many of the findings were closely clustered, with few HR fields believed to have very high advantages or very limited advantages, on the other side. This again indicates that the field of HR analytics continues to evolve and that businesses are still at the experimental phase. “Attrition and retention are major areas of interest in many companies,” tells Mr Ferrar, an expert of HR analytics working in IBM Smarter Workforce. According to him “analytics is expanding to new areas, such as conducting risk analysis of labor relations, compensation optimization, social media analysis, recruitment analytics and corporate employee engagement” (quoted from SHRM Foundation, 2016).

Many organizations have already benefitted from the implementation of HR analytics especially in the retention front, thus increasing its early acceptability among the business organizations. Companies like McGraw Hill Financial and IBM are practicing these analytics successfully which enables them to predict instantly as to which employees are going to quit the job in the near future (SHRM Foundation, 2016). Using parameters like gender, age, department, education history, specialization and other relevant details, companies are trying to manage their workforce.

However, it may be too early to define any absolute trends in HR investment. A study conducted by Harvard Business Review Analytics Services and Visier in 2015 revealed that “more than two out of three organizations had not yet assigned an HR budget for analytics solutions and software (SHRM Foundation, 2016)”. From the research a general conclusion can be drawn that only few companies who are advanced in thinking and implementation are allotting funds for HR investment. Increasing research by academicians and business practitioner in the field of HR analytics is giving confidence to the companies to gradually adopt this analytical tool and allocate funds in such investments.

#### **4. Role of Analytics in HR**

Analytics in all functions in organisation is becoming trend. Although there has been much talk in human resource, not many managers are applying to their workforce. Analytics is based on the learning from the past data or existing data to forecast individual behaviour and making it very precise. Analytics is practical in nature and can be a significant benefit for human resource (HR) department.

HR department own a big quality of people data. Department will becomes more successful in the organisation, if HR manager start using and rely upon the data driven model or proven model rather than gut feelings and soft sciences. Here predictive analytics can provide many benefits to organisation, especially to human resource department when used in the right way and consistently. Few benefits can be retention of top talent, better HR decision- making, forecasting capacity and recruitment requirements within organization, boosting of productivity and HR performance, managing employee attrition and measuring loyalty, up skilling the workforce, and fostering deeper employee engagement and so on.

#### **5. Implementation of HR Analytics by Organizations**

HR analytics is a diversified set of data analytics applications to uncover distinctive ideas about individuals in organizations that make company decision-making quicker, more precise and more confident. The potential of these new capabilities to improve HR effectiveness is bringing HR analytics to the forefront of HR executives' minds. The companies today especially IT industries are acknowledging the prominence of HR analytics professionals that helps in explosion of data and better

ways of managing and analysing it. For example, Infosys, Wipro, IBM, HCL have already implanted HR analytics practice for various purposes such as: identifying attrition risk, forecasting recruitment needs, selection and segmentation of employee profile and setting market benchmarking for mapping employees in the organization.

#### ***5.1 Identifying Attrition Risk:***

The various predictive models can help in identifying the attrition risk score of high performers across multiple units. It can be done by using the various datasets like compensation, performance, market survey, demographic data, engagement scores of employees etc. Managers can find out the key reasons for attrition and can act to reduce the occurrence.

#### ***5.2 Forecasting recruitment needs:***

Predicting resource requirement helps in effective resource utilization and in turn results in cost revenue balance. Future requirement can be analysed based on attrition rate, sales forecast, departmental growth prospects, project pipelines, current employees, seasonal need for a specific skillset, retirement data etc.

#### ***5.3 Selection and Segmentation of Employee Profile:***

Use of Analytics leads to an effective talent management by segmentation and profiling. Employee data like location, department, and education can be combined with responsibilities to identify the specific set. This analysis can be used to identify the employees with specific skillset, training needs, program enrolment, diversity etc. Such Talent forecasting aids in the allocating the best fit resources as per the available opportunities

#### ***5.4 Setting of Market Benchmarking for Mapping Employees:***

One of the primary causes of attrition is the incorrect mapping of Employee and their role thereby making it essential that employee is mapped to a position based on the skillset and past performance. A more effective employee-role mapping can be accomplished by correlating the employee variables with profile variables like education, experience, skills and performance. The analysis output helps HR managers to identify the suitable profile leading to higher productivity and customer satisfaction.

### **6. Future of HR Analytics**

HR analytics is a data-based approach to enhancing employees performance and organizational efficiency through healthier decision-making on the company side of individuals. HR analytics can definitely boost the HR function credibility by enhancing the HR policies and procedures and contributing to gain the competitive benefit of organizations developing it as a crucial capability. As such, HR experts are developing fresh talents and capacities to enable them to partner efficiently with HR analytics projects and to lead IT and finance. In addition, HR experts are addressing the issue of ethical dilemmas that come along the way.

Undoubtedly, learning HR analytics requires more effort as it leads to an boost of

HR practitioners status by assisting them guide their organizations in discovering the intersection between more profitable and enlightened people's leadership and growth. Thus, practicing this endeavor would be a win - win for employers and staff, and eventually the community we live and operate in.

## **7. Conclusion**

Companies across the globe are experiencing digital transformation affecting all business functions and HR is one among them. Organizations should understand the need of HR analytics for growing relevance in business organization to gain competitive advantage. Decision making of an organization related to employee and organization should be based on human resource analytics that improve the organization and individual performance. Although knowing the benefits and advantages of HR analytics, still many organizations use the traditional practice.

However, the application of HR analytics is in its initial phase and it is a great challenge for the organizations to incorporate it into their businesses. Although some organizations have already begun to use this tool, some are still lagging behind to implement it, but the trend is obvious that the application of workforce analytics is going to be essential for all organizations in the near future.

HR analytics helps to improve various HR role like attrition and it causes, hiring practice, retention, workforce planning, talent management, performance management, HR performance, help in predicting analytics to improve business performance and transforms the role of HR into a strategic partner. Analytics creates data transparency, by which it benefits employees to view their performance data and fill the skill gaps. Due to logical or cultural constraints the progress can be slowed down but it can't be stalled outright in a world where data is abundantly available and accessible for advanced assessment. At this stage, HR has to be responsible for developing the abilities needed, recognizing organizational requirements, and learning how to effectively approach HR analytics. This would enhance the system of any organization by creating a win win situation which in turn would enhance the overall effectiveness of the organization in all areas. It is therefore concluded that organizations should adopt and execute HR analytics and gain competitive advantage over others.

HR Analytics is an emerging area hence a theoretical paper of this kind helps to create awareness about the scope, relevance and the future prospects of the subject. This paper will add value to the existing literature on the subject which is in its infancy and is fast growing. The future scope includes conducting exploratory studies on issues and challenges of adoption of HR analytics in organizations, studying the usage of analytics in various HR functions such as talent management, performance management, Diversity and Inclusion.

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