

# HR Metrics & Analytics

## MSB21T2001

# Topics to be discussed

**BENEFITS OF HR ANALYTICS**

**STEPS TO IMPLEMENT HR ANALYTICS**

# RECAP: SESSION 12

- History of HR Analytics
- Concept and Definitions of Analytics
- Importance and Significance of Human Resource Analytics

## **BENEFITS OF HR ANALYTICS**

- Therefore, the other significant characteristic of HR analytics is that it is time consuming, as connecting people data with business may not yield quick results.
- HR analytics require cross-functional knowledge.
- Today's HR managers need to understand that interpreting people data in silos take them nowhere.
- Rather, people data require interpretation in alignment with other functional areas of organizations.
- With HR analytics, it is also possible to fix responsibilities and make people accountable for their work.
- HR managers earlier limited their information requirements to certain basic areas, analysing what they could understand in terms of measurement of the trend of HRM practices in organizations.

## **BENEFITS OF HR ANALYTICS**

- The complexities of business and the growing importance of human resources on organizational long-term sustainable nature of human resource information are now changing.
- Hence, with HR metrics what was earlier possible, i.e., gauging the rate of absenteeism, attrition, cost of compensation and so on, cannot just satisfy the HR decision-making process.
- Today, we require our HR managers to assess employee engagement, predict the requirement of future talent in organizations and relate employee satisfaction with customer relationships management (CRM) practices and other alike.
- With HR analytics, HR managers can predict the trend, which helps them to take wise decisions, evaluating different decisional alternatives, based on the big data set.
- For example, with a holistic approach to data analysis, HR managers can assess which employees are going to continue with the organization and which not.

## BENEFITS OF HR ANALYTICS

- Hence, while drawing a succession plan, and while investing on building the future leadership skill, organizations can make a strategic choice.
- HR analytics also benefit in scenario planning, i.e., envisioning the future changes and drawing the future strategic interventions to correct such situations.
- For example, making effective use of HR analytics, HR managers can assess when they will be facing leadership crisis and who are the possible employees available in the organizations to take up future leadership roles.
- Similarly, HR managers can also make out how their performance management systems help in identifying the employees' potentiality for their proper development and in what way PRP can benefit the organization to get increased state of performance from the employees.
- With interpretive skills, HR managers can even take data-driven information across the functional boundaries.

## **BENEFITS OF HR ANALYTICS**

- For example with high performance incentives, how the cost of compensation of the organization gets affected.
- Does it reduces organizational competitiveness or enhances it, can be assessed with interpretive skills.
- With increased understanding of the business goals of the organizations, HR managers can align their HR decisions which facilitate achieving the business results.
- Similarly, mapping organizational strategies, HR managers can adopt their HR plans and programmes which can help in achieving the strategic intents and so on.
- We have a number of vendors for HR analytics. Top leaders in HR analytics are: Oracle, SAP, IBM and so on.
- These apart, we have a number of small vendors also.
- Depending on the functional requirements, an organization can choose an appropriate vendor to customize HR analytics solutions.



## BENEFITS OF HR ANALYTICS

- Making the most of HR analytics requires connecting HR data with a company's strategic objectives.
- Today's HR leaders "face pressure to demonstrate the ROI" of an HR analytics system, according to Wendy Hirsh, a principal at the HR consulting firm Mercer.
- Fortunately, Hirsch says, "analyzing data so that it helps the company make the right business decisions" is a step in the right direction.
- The right direction depends on the enterprise's specific circumstances.
- For example, a Silicon Valley start-up that's having a tough time retaining tech-savvy talent may use HR analytics to better anticipate employee turnover and provide incentives to curb attrition.
- A sales-driven agency, on the other hand, is more likely to examine their data to differentiate a high sales performer from an under-achiever.



## BENEFITS OF HR ANALYTICS

- HR leaders that successfully match data elements to their human capital needs in a way that can impact decision making can expect a number of key benefits:
- **Reduce attrition.** By identifying top employees that are about to leave the company in the nick of time, or sweetening the compensation pot for Baby Boomers considering early retirement, an HR analytics application, effectively deployed, can save a company millions of dollars in lost talent.
- Factors such as location, pay scale and personality type can all be fed into an HR analytics system to preserve the best people in a talent pool.
- Consider, for example, The Results Companies based in Dania Beach, Fla. Using Evolv's workforce-analytics solution, the business-process-outsourcing company has been able to improve its hiring practices, thereby reducing attrition rates by nearly 35 percent in less than two years.
- That's a savings of hundreds of dollars per employee.

## **BENEFITS OF HR ANALYTICS**

- **Anticipate performance.**
- Unfortunately, no amount of glowing references or impressive credentials can truly predict a candidate's on-the-job performance.
- HR analytics can address this gap by identifying workers with strong leadership qualities and flagging those that are unlikely to mesh with a company's corporate culture. By better matching job applicants to the right positions,
- The Results Companies enhanced performance rates by 20 percent and boosted revenue per agent by 4 percent.

## **BENEFITS OF HR ANALYTICS**

- **Compensation efficiency.**
- Although most commonly a tool used by sales managers, HR leaders can also take advantage of today's sales analytics applications—software that can compare and select from a variety of sales compensation models before putting them into production.
- For example, a company may have a compensation structure that rewards the acquisition of new accounts by granting salespeople a 10 percent cut of the account's estimated worth.
- However, through analytics, it may be discovered that rewarding top performers with a predetermined annual bonus is a more cost-effective tactic for driving sales and stoking competition among sales reps.
- Such questions are important: according to a 2011 study from Compensation Analytics, 70 percent of respondents identified improving compensation design processes as a top priority.

## BENEFITS OF HR ANALYTICS

- **Enhance employee morale.**
- It can cost upwards of \$10,000 in recruiting and training costs to replace a single \$8 per hour employee, according to The Sasha Corporation, a Cincinnati-based consultancy.
- Analytics tools can gauge signs of dissatisfaction and point to ways for retaining individual workers, boosting employee morale.
- Careerdevelopment planning, connecting high performers with training programs, gathering information from employee surveys—they are all ways HR analytics tools can measure an employee's satisfaction and willingness to stay on board.

## STEPS TO IMPLEMENT HR ANALYTICS

- Organizations, across the globe, are now using HR analytics to take effective HR decisions in alignment with the business goals and strategies.
- In many organizations, however, the use of HR analytics, or analytics-mediated HR decision-making, gets restricted in some function(s) of HRM.
- For example, most of the organizations use HR analytics in managing their talent.
- In fact, such use is so extensive that we also see the use of the term 'talent analytics' to indicate HR analytics.
- The idea behind to sustain and grow organizations need to be talent driven and HR management needs to be more and more development focused. Hence, HRM integrates with talent management.

## STEPS TO IMPLEMENT HR ANALYTICS

- To implement HR analytics or talent analytics, based on industry practices, the following steps can be recommended:
- Clarity on HR analytics: HR managers are still not very clear about the meaning, concept and scope of HR analytics and how it can help in better HR decision-making processes in organizations.
- Some HR managers even misconstrue HR metrics and HR analytics as one and the same.
- For example, HR metrics can help us in measuring the rate of attrition, while HR analytics with big data can help us, even at the precision level, to predict who are going to stay or leave the organization.
- With reference to analogies and business cases, we have to clarify the differences between HR metrics and HR analytics, and help HR managers to take their informed decisions about choosing HR analytics to facilitate their future decision-making processes.



## STEPS TO IMPLEMENT HR ANALYTICS

- Top management acceptance: HR analytics require investment in terms of buying technology support, software solutions, training and so on.
- Unless the top management of an organization accepts in principle the need for HR analytics, human resources cannot get it for their decision-making support.
- Therefore, human resources has to first take the top management into confidence, so that resources can be committed for HR analytics.
- With a detailed mapping on requirement analysis, human resource needs to showcase how quality of HR decisions gets improved, when HR analytics are used.
- Also, how improved and predictive HR decisions can align with organizational business and strategies for long-term growth and sustainability.



## STEPS TO IMPLEMENT HR ANALYTICS

- Incremental approach in implementation of HR analytics: Many organizations invest in HR analytics expecting to bring total change in HR decision-making processes. But this is a wrong approach.
- Often, experiences may be negative. An incremental approach to implement HR analytics solutions, i.e., to start with choosing its implementation only in one or two HR functions to improve the HR decision-making process, is considered to be more appropriate.
- Moreover, such an approach helps HR decision-makers to get adjusted with technology-enabled decision-making processes.
- HR managers slowly transcend to tech-savvy, build their capabilities and make their informed choice about the usage of HR analytics.

## STEPS TO IMPLEMENT HR ANALYTICS

- Design common glossaries and definitions on HR analytics: We can call it the need for designing an HR analytics dictionary.
- This will ensure common understanding of the terms and clarity in the process encompassing HR analytics.
- The whole idea is to ensure consistency.

## STEPS TO IMPLEMENT HR ANALYTICS

- Develop cross-functional team: To implement HR analytics in organizations, it is always desirable to form a cross-functional team.
- When HR managers operate in silos, they fail to understand the implications of HR decisions on business goals and strategies of organizations.
- Also, they fail to relate HR decisions to other functional areas, such as operations, marketing and finance. Moreover, HR managers themselves may not always be confident and competent to comprehend statistics and mathematics to design predictive decisional models.
- With a cross-functional team, all these problems can be addressed.

## STEPS TO IMPLEMENT HR ANALYTICS

- Train the people: In addition to the vendor-supported training, ensure reinforced training for all those who will be using HR analytics. More training reinforcement ensures better clarity, and people can feel confident to use HR analytics for their decision-making processes.

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Thank You