

# HR Metrics & Analytics

## MSB21T2001

## Topics to be discussed

- Types of HR Analytics
- Predictive HR Analytics
- Benefits of Predictive Analytics
- HR Analytics and Changing Role of HR Managers
- Context discussion -Acquiring Critical Talent often an Intuitive Decision than Analytics based

# RECAP: SESSION 14

- CHALLENGES TO MAKING ANALYTICS WORK
- CRITICAL HR DECISION-MAKING AND HR ANALYTICS

## Types of HR Analytics

Process Analytics	Integrated Analysis
Recruitment and selection	Talent management
Onboarding	Human resource planning
Performance management	Succession planning
Work-life balancing	HR strategy framing

## CRITICAL HR DECISION-MAKING AND HR ANALYTICS

- From organizational point of view, we see two types of HR analytics, i.e., process analytics and integrated analytics.
- Process analytics are those which are process or HR function specific, and more stand alone in nature. Integrated analytics, however, are more holistic and encompassing.
- Recruitment and selection, onboarding, performance management, work-life balancing and so on are some of the examples of process analytics.
- On the other hand, talent management, workforce planning, succession planning, HR strategy framing and so on are some the examples of integrated analytics.

## CRITICAL HR DECISION-MAKING AND HR ANALYTICS

- Because of undisputed importance of HR analytics for an effective HR decision-making process, organizations today look for HR managers who possess strong business sense to translate business goals to KPIs and understand how employees' performances can benefit organizations in achieving the business goals.
- Also, HR managers should have demonstrated capabilities to design research and frame hypothesis, statistical analysis, data analysis and evaluation of results.
- Again, all these would be meaningless unless preceded by the holistic knowledge of HRM functions.

## PREDICTIVE HR ANALYTICS

- At the outset, let us understand how predictive HR analytics works.
- Predictive HR analytics blends data to develop algorithm, based on which HR managers can pre-assess the future events, as consequences of current HR decisions.
- It can even help in understanding the behavioural changes of employees.
- For example, organizations can pre-assess the likely behavioural changes in individual talent when they enforce the culture of collective innovation.
- Therefore, predictive analytics can add value to HR decision-making.
- However, organizations worldwide still believe that sole dependency on predictive HR analytics for HR decision-making may not warrant the quality HR decisions.
- Managerial intuition, instinct or judgement can also play an important role.
- Hence, blending predictive HR analytics with the gut feeling of the managers can add better value to HR decision-making.

## PREDICTIVE HR ANALYTICS

- Predictive HR analytics: It blends data to develop algorithm, based on which HR managers can pre-assess the future events, as consequences of current HR decisions. It can even help in understanding the behavioural changes of employees.
- Successful implementation of predictive HR analytics requires organizational adherence to certain well-defined steps as follows:
- Introduce predictive HR analytics in a phased manner but not simultaneously in all areas. For example, we can first think of introducing it in one small area of HR activity, say implementing it to facilitate workforce planning decisions.
- List out the actions required for using it, e.g., simple step-by-step guidelines, process of measuring HR decisions, process of optimizing HR decisions and so on.
- Continue the pursuit of implementation. Difficulty in any stage must not deter implementation. Initial mistakes or failure are quite likely. But relentless effort in implementation is required.



## PREDICTIVE HR ANALYTICS

- The use of predictive analytics for HR decision-making in organizations is still very limited.
- Wherever it is used, its use gets restricted to some HR activities only. For example, talent analytics is used for effective talent management in many organizations.
- Similarly, workforce analytics is used for workforce planning.
- Predictive decision-making algorithms help in modelling the future behaviour of employees, and with the effect of present HR decisions, its use is likely to increase day by day.
- Again predictive analytics, through the process of value addition in HR decision-making, also help in legitimizing the strategic role of human resources.
- With strategic focus, human resources is becoming more important in predicting the future resource requirement, optimizing costs, provisioning for organizational and employees' capability development and aligning with organizational goals and objectives.
- In true sense with predictive-analytics-based HR decisions, organizations can get holistic insights and sustain and grow in the long run.

## PREDICTIVE HR ANALYTICS

- Predictive analytics have become more important in holistic HR decision-making process with deep insights, as the nature of data both within and outside the organizations has significantly changed. Today's employees are connected through social networks.
- With whom they network, on what topics they post in social media, how frequent they are in social networks and so on are some of the information that may merit consideration while recruiting them, thinking on investing on their development, assessing their probability to stick to a job, their likely performance, their knowledge base, their potentiality and even their likes and dislikes.
- Although we have many vendors for predictive analytics, more holistic solutions are available from IBM and Oracle.

## PREDICTIVE HR ANALYTICS

- Many organizations still continue their decision-making process using age-old descriptive analysis tools, such as scorecards, reports, ratios and metrics.
- But such decisions cannot have a futuristic view. It cannot help us in framing strategies for the future.
- With predictive analytics, however, we can model our future performance strategies, talent retention strategies and succession plan strategies of an organization.
- Predictive analytics can also help in resource optimization, can support business strategies or the organizations and so also help human resources to align their decision with the goals and objectives of the organizations.

## Benefits of Predictive Analytics

- Benefits of predictive analytics are not different per se from HR analytics, barring the benefit of predictive modelling and designing a decisional algorithm to facilitate HR decisions with a futuristic outlook.
- Some of the exclusive benefits of predictive analytics can be listed as follows:
  - It can help in recognizing the strengths and weaknesses of the human resources, which facilitates in identifying talent for future leadership roles.
  - Can help in identifying future competency gap and decide strategies to overcome the same.
  - Can help organizations to become future ready building the capabilities of people with critical skill sets, pacing with the change in technology and process.
  - Can help organizations in assessing the attrition rate and can frame strategies in overcoming the same.

## Benefits of Predictive Analytics

- Can integrate HR decisions with strategies and business goals of the organization.
- Can minimize the risk of error in HR decision-making for a holistic view.
- Can factor external data for quality HR decisions.
- Can help in effective scenario planning.
- Can reinforce organizational capability with contingency plans.
- Can develop a robust decision model for HR decision-making.
- Reviewing all the earlier listed benefits, it is clear that predictive HR analytics can not only improve the HR decision-making process by adding value, for its obvious deeper insights, but can also help organizations to sustain and grow.

## Benefits of Predictive Analytics

- Reviewing organizations, it is evident that predictive analytics for HR decision-making is more evident in talent management functions, in workforce planning, in managing learning and development activities and so on.
- In talent management, predictive analytics can help in identifying potentiality, assessing the possible rate of success of such potential employees in their future job roles, predicting the requirements of changing nature of competencies and strengthening the succession planning processes.
- For its obvious capability of ramification of HR decisions from different perspectives, predictive HR analytics is no longer a choice but a necessity for HR managers, else they will fail in extending their professional support for the overall improvement of organizations.
- It is forward looking, based on historical data, including data from outside of the organization.
- It helps in framing ad hoc questions and answers, perform retrospective and predictive analysis and develop decision-making algorithms.

## HR ANALYTICS AND CHANGING ROLE OF HR MANAGERS

- Characteristically, human resources today widely vary from the past. Today's human resources are diverse, young and look for more challenging workplaces. The changing pattern of human resources obviously redefined the role of HR managers in organizations.
- For HR managers, additionally the critical challenge is managing talent.
- Attracting, developing and retaining talent are not only challenging for HR managers, the requirements, along with other strategic issues, today literally changed the dynamics of HRM functions in organizations.
- For effective talent management alone, getting answers to questions such as why people leave an organization within a short time, who will be the top performers, what training will be required and who will benefit from training and so on is very important.

## HR ANALYTICS AND CHANGING ROLE OF HR MANAGERS

- To get answers to these questions requires HR managers to first develop critical insights and then analyse the data and information using HR analytics.
- HR decisions being more strategic, with HR analytics, HR managers today can predict the trend on critical HR issues and accordingly can design their interventions to avoid any catastrophe.
- Hence, today's HR functions are no longer transactional; rather these are more data driven and involve detailed business analysis for better HR insights and predictive HR decisions for strategic HR outcome.



## HR ANALYTICS AND CHANGING ROLE OF HR MANAGERS

- Today's HR managers, therefore, are required to understand which data can give them better HR insights.
- HR managers also need to understand the availability of such data inside and outside organizations, the integration of such data for developing actionable insights and then making use of these data for strategic and predictive HR decision-making process.
- With HR analytics, HR managers can take operational HR decisions at the highest level of accuracy and precision.
- Also, HR managers can create his/her dashboards for better analytical, predictive and strategic decision-making.
- Depending on the level of IT knowledge, HR managers can create simple dashboards such as bar charts, pie charts, frequency tables and so on or more complex dashboards like scatter plots.
- Whether simple or complex, dashboards when linked with organizational processes and performances can give better insights into decision-making.

## HR ANALYTICS AND CHANGING ROLE OF HR MANAGERS

- The nature and extent of HR decision-making process that can be facilitated by HR analytics depend on HR managers.
- However, common HR decision-making processes which can be facilitated by HR analytics are: HRP, performance management, training and development, compensation and benefits programme design and management, talent acquisition, retention, development, mobility of human resources and so on.
- A typical job description of HR managers today even includes performing employee-related research, developing models to serve business needs and also focusing on human resources.
- The collection and analysis of HR data for actionable analysis and reporting to managers and executives are more important part of HR managers' functions in today's organizations.
- Hence, the responsibilities of HR managers today are: building HR intelligence function, talent acquisition, development and retention with talent analytics, evaluating the effectiveness of any form of HR investment, functioning as HR business partners, providing coaching and training support and so on.
- However, such responsibilities may change from time to time, depending on the nature of the organization and the scope of HR activities.

## Context discussion -Acquiring Critical Talent Often an Intuitive Decision than Analytics Based

- HR managers still believe in intuition-based decision-making, inviting problems for their organization.
- To ensure HR decisions are more dynamic and encompassing, today intuition-based or metrics-based HR decision-making processes need to be discarded.
- Instead, HR decisions need to make use of predictive models, so that decisional outcomes can be understood beforehand and appropriate corrective actions can be taken.
- Wrongdoing in HR decisions is now a luxury, which organizations cannot afford.
- However, for Apple hiring the top brass of the company is more a relational than analytics-based decision.
- At least we could see this when Tim Cook of Apple could afford to wait for 18 months to hire Angela Ahrendts. Tim Cook could successfully persuade

## Context discussion -Acquiring Critical Talent Often an Intuitive Decision than Analytics Based

- Angela to leave her job of a CEO at Burberry and join Apple at a non-CEO position to run Apple's online and offline retailing.
- Angela's predecessor John Browett was asked to leave Apple, as John said in a conference that he did not fit with the way the company runs its business.
- At the CEO level, one often takes critical HR decisions without data analysis. The experience often senses better than data.
- Such intuitive decision-making process in human resources often can put the organizations in deep trouble.
- The CEO of Fab.com, Jason Goldberg, reduced his \$900-million e-commerce company to a \$15-million company when it was up for sale.
- Such a catastrophic situation in Fab.com is attributable to an intuitive decision-making style, particularly in HR-related processes.
- Lehman Brothers' collapse is again another lesson for us.
- Therefore, organizations need to make use of HR analytics for HR decisions, and with predictive models would try to assess the future implications of present decisions for bringing appropriate changes in the decisions or to minimize the risk of wrong decisions.

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Thank You