HR Metrics & Analytics
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Session 18-Topics to be discussed

- WHAT DOES METRICS HR ANALYTICS MEASURE?
- INTRODUCTION TO HR ANALYTICS
- CONCEPTS AND DEFINITIONS
- FRAMEWORK OF HR ANALYTICS
- ALIGNING HUMAN RESOURCES TO BUSINESS THROUGH HR ANALYTICS

RECAP: SESSION 17

- **METRICS RELATED TO**
  - **RETENTION**
  - **EMPLOYEE DEVELOPMENT**
  - **IMPACT OF ENGAGEMENT**
  - **COMPENSATION AND INCENTIVE PROGRAMS**

What Does Metrics HR Analytics Measure?

Common metrics measured by HR analytics

- Several HR metrics contribute to business value, but the key question when measuring these metrics is this: what does the business need?

- Based on the key performance indicators (KPI) of the organization, HR can then propose the metrics that can influence these KPIs.

What Does Metrics HR Analytics Measure?

Here are some common metrics tracked by HR analytics:

- **1. Revenue per employee:** Obtained by dividing a company's revenue by the total number of employees in the company. This indicates the average revenue each employee generates. It is a measure of how efficient an organization is at enabling revenue generation through employees.

- **2. Offer acceptance rate:** The number of accepted formal job offers (not verbal) divided by the total number of job offers given in a certain period. A higher rate (above 85%) indicates a good ratio. If it is lower, this data can be used to redefine the company's talent acquisition strategy.

What Does Metrics HR Analytics Measure?

- **3. Training expenses per employee:** Obtained by dividing the total training expense by the total number of employees who received training. The value of this expense can be determined from measuring the training efficiency. Poor efficiency may lead you to re-evaluate the training expense per employee.

- **4. Training efficiency:** Obtained from the analysis of multiple data points, such as performance improvement, test scores, and upward transition in employees' roles in the organization

- after training. Measuring training efficiency can be crucial to evaluate the effectiveness of a training program.

- **5. Voluntary turnover rate:** Voluntary turnover occurs when employees voluntarily choose to leave their jobs. It is calculated by dividing the number of employees who left voluntarily by the total number of employees in the organization. This metric can lead to the identification of gaps in the **employee experience** that are leading to voluntary **attrition**.

What Does Metrics HR Analytics Measure?

6. Iit is termed "involuntary." The rate is calculated by dividing the number of employees who left involuntarily by the total number of employees in the organization. This metric can **nvoluntary turnover rate:** When an employee is terminated from their position, be tied back to the recruitment strategy and used to develop a plan to improve the quality of hires to avoid involuntary turnover.

7. Time to fill: The number of days between advertising a job opening and hiring someone to fill that position. By measuring the time to fill, recruiters can alter their recruitment strategy to identify areas where the most time is being spent.

8. Time to hire: The number of days between approaching a candidate and the candidate's acceptance of the job offer. Just like time to fill, data-driven analysis of time to hire can benefit recruiters and help them improve the **candidate experience** to reduce this time.

What Does Metrics HR Analytics Measure?

- **9. Absenteeism:** Absenteeism is a productivity metric, which is measured by dividing the number of days missed by the total number of scheduled workdays. Absenteeism can offer insights into overall employee health and can also serve as an indicator of employee happiness.

- **10. Human capital risk:** This may include employee-related risks, such as the absence of a specific skill to fill a new type of job, the lack of qualified employees to fill leadership positions, the potential of an employee to leave the job based on several factors, such as relationship with managers, compensation, and absence of a clear succession plan. HR analytics can be used to measure all these metrics.

INTRODUCTION TO HR ANALYTICS

- Sullivan (2000) has appropriately differentiated between a metric and a predictive metric. While a metric tells us about a problem, a predictive metric tells us what should be our action plan for the same.

- The effective use of predictive analytics can be seen in the case of Google, who could develop its own algorithms for predicting the likely performance of an employee throughout his/her work-life cycle.

- Likewise, Google could develop a series of algorithms for a critical HR decision-making process, which have direct bearing with their success.

- Predictive analytics: It helps organizations in measuring the future outcomes of a decision, hence can provide the opportunity to bring desired change in the decision for reducing adverse effect on an organization.

INTRODUCTION TO HR ANALYTICS

- The HR decision-making process today is moving from reactive to predictive.

- Reactive decision-making denotes decisions based on historical inputs and actual crises situations.

- HR decisions based on dashboards are reactive in nature, while a predictive decision-making process indicates decisions based on future outcomes.

- Predictive HR analytics establish statistical relationships between proposed HR decisions and organizational success or failure.

INTRODUCTION TO HR ANALYTICS

- Some of the important challenges before the HR functions today are: cost optimization, achievement of operational efficiency, supporting organizations to improve top (sales revenue) and bottom line (profit), building organizational and individual employees' capabilities to respond to changes, lending support in mergers and acquisitions, lending support for new product or new service development and so on.

- And all these actions require the availability of agile and competent manpower, and linking of human resources with the strategies and business goals of the organizations.

CONCEPTS AND DEFINITIONS

- Critical HR decisions such as retention, potential talent, motivation, performance improvement, employees' capability and so on when backed by HR analytics, organizations can substantially reduce the risk of wrong decisions, and in the process, can improve the quality and process of HR decisions.

- Moreover, HR analytics can help organizational HR decision-making more strategic and business aligned.

- HR analytics includes the use of statistics, developing queries and research design, fitting data (big data) to research designs, evaluating the results and then translating them into meaningful decisions.

Framework of HR Analytics

Let us understand this from Figure However, this framework is not exhaustive, and it changes with the goals and objectives of an organization.

Individual factors—skills, competencies, motivation, job alignment, career aspirations, number of years working with the organizations

Group factors – interpersonal relations, leadership, group cohesiveness, collaboration

HR Actions—training, team building, compensation and rewards, career development, talent management, performance management.

HR process improvements in terms of cost, quality, cycle time improvement, innovation and productivity.

Strategic results in terms of improved market share, market growth, successful new product launch, brand awareness, customer satisfaction and retention

Financial results in terms of market capitalization, profit, return on assets and equity, EVA and improved cash flow

CONCEPTS AND DEFINITIONS

- Thus, effective HR analytics require modelling of data for measuring and assessing data, which can drive the performance of an organization.

- It helps in defining HR issues in organizational business and strategies and accordingly can provide successful solutions from HR perspective that can help in realizing organizational business goals and strategic intents.

- With cross-functional inputs, HR analytics can transform the HR decision-making process into one more holistic and scientific, addressing the issues pertaining to decisional errors.

ALIGNING HUMAN RESOURCES TO BUSINESS THROUGH HR ANALYTICS

- For example, with HR analytics it is possible to track not only the costs of recruitment but also important details which may have significant bearing with the business and strategies of organizations, such as cycle time to hire, attrition rate in new hire, costs of training and onboarding, diversity inclusivity through recruitment, culture-fit of new hire, performance trend of new hire and so on.

- With predictive ability, HR analytics can facilitate in reinforcing recruitment functions through appropriate interventions before organizations experience recruitment failure and consequent adverse effect on their business goals and strategies.

ALIGNING HUMAN RESOURCES TO BUSINESS THROUGH HR ANALYTICS

- Simple cause and effect relationships between HR functions and business goals substantially reduce the risk of bad investments in HR initiatives and focus on those HR initiatives which can have significant positive impact on business results.

- For example, human resources can avoid investment in training that has poor training transferability, or when post-training performance of employees does not show any incremental change.

- Similarly, implementing an incentive scheme which has significant drag on a company's compensation and benefits budget without, however, any positive effect on employees' motivation and performance, can be avoided when such decisions are reinforced by HR analytics.

ALIGNING HUMAN RESOURCES TO BUSINESS THROUGH HR ANALYTICS

- In many organizations that are set for new technology in future, such a predictive model of manpower forecasting helps in making their available manpower future-ready through appropriate training and development.

- Public-sector steel manufacturing units under the Steel Authority of India Limited (SAIL) significantly invested in training and development to build their employees' capabilities for future jobs, which are significantly different than what they are doing at present, because of new technology.

- Similarly, Hindustan Unilever Limited (HUL), and so also many large manufacturing and service organizations that have their global presence, invest in building future leaders and glopats (global patriates, i.e., employees' who will move around the world, wherever organizations have their business presence, both on short-term and long-term assignments), based on such predictive manpower forecasting model.

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Thank You