

## An Understanding into the Pertinent Aspects of Human Resource Analytics

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### Abstract

Today's HR is a lot different from the past in terms of the challenges it faces to take a globally competitive edge in terms of hiring, developing and retaining the most scarce resource of the world, i.e., talented people. Therefore, the HR managers today are bound to think in line with the economists. HR leaders today are faced with various challenges which probably did not exist before and the main focus was only on managing "personnel", in contrast they are now focused on business results in terms of attuning the investment they are able to make to enable their workforces more responsive to the current and future needs of their organizations.

HR is a direct contributor for business results in terms of its contribution to the overall productivity, growth, success and sustainability and is responding to some of the core business issues like, the skill and competency required to have a successful M&A, knowledge management, global competitive standards, etc. For responding to the above questions it is imperative for HR leaders to respond to new data and new thinking.

It is the human Resource which is the base behind all the tangible results though it itself is intangible. Human resource drives the value and the use of Analytics will drive better results. Big Data and Predictive analytics are coming to the people side of the Business. Therefore, HR is becoming the most important source for organizational competence and to leverage it, analytics is required.

The current paper explores the major issues and challenges faced by HR leaders for maximizing the returns through Human Resource Analytics.

**Key Words:** Human Resource Analytics, Data, Workforce

### Introduction

HR leaders today are faced with various challenges which probably did not exist before and the main focus was only

on managing “personnel”, in contrast they are now focused on business results in terms of attuning the investment they are able to make to enable their workforces more responsive to the current and future needs of their organizations. HR is a direct contributor for business results in terms of its contribution to the overall productivity, growth, success and sustainability and is responding to some of the core business issues like, the skill and competency required to have a successful M&A, knowledge management, global competitive standards, etc. For responding to the above questions it is imperative for HR leaders to respond to new data and new thinking.

Human capital is not the same as the other capital resources of the organization as one cannot bound or retain them, with time their value appreciates; they cannot be copied and even cannot be completely replaced. Therefore, companies sometimes may be reluctant in investing in human capital as it is difficult to quantify and see the visible results of people contribution in the overall business performance. This poses the major challenge for human resource analytics in terms of, which data is relevant, how it can be captured so as to use it for taking the optimal decisions for maximum return on human capital investment. The aim of human capital analytics is to mainly providing valuable insights to the business to manage, engage and retain the employees so that business goals can be reached quickly and efficiently. HR has to take decisions that has a major impact on cost, performance and productivity, like, who to hire, whom to retain to enhance performance, whom to groom for succession planning, what compensation packages to be offered that gives the business a competitive edge etc., to answer all these questions, human resource analytics plays an important role. Gene Pease, Boyce Byerly, and Jac Fitz-enz, *Human Capital Analytics* provides essential action steps for implementation of advanced analytics on human capital.

The current paper explores the need, major issues and challenges faced by HR leaders for maximizing the returns through Human Resource Analytics.

### **The Methodology**

The entire exposition has been prepared on the basis of deductive reasoning. The exposition mainly addresses the issues like the current scenario of HR analytics, its need and the various challenges faced by HR leaders to manage, use and disseminate data for better business results. Through this exposition, the author expects the future researchers to undertake researches in the empirical setting of the society for their practical feasibility and fair success. In a way, the exposition is based on exploratory work but it is theoretical in a sense that its issues have not been studied in the empirical setting.

### **Conceptual Framework and Review of Literature for HR Analytics**

Informs, Institute for Operations Research and Management Sciences Institute, defines analytics as the scientific process of transforming data into insights for the purpose of making better decisions. According to Davenport and Harries, 2006, Analytics is the extensive use of data, statistical and quantitative analytics, explanatory and predictive models and fact based management to drive decisions and actions.

A comprehensive definition as given by Lavenson, Boudreau and Lawler, 2005, HR analytics transforms data and measures into rigorous and relevant insights. It includes

statistics and research design, but it goes beyond them to include, identifying and articulating meaningful questions, gathering and using appropriate data from within and outside the HR function, setting the appropriate standards for rigor and relevance, and enhancing the analytical competencies of HR throughout the organization. According to Bassi, 2011, HR analytics may include identifying potential candidates most likely to succeed in a role, the probability of termination and attributes of high performing employees. Human Resource Analytics is known by many different names like workforce Analytics, Hoffmann, Lesser and Ringo, 2012, HR Analytics, Mondore, Douthitt, Carson, 2011. Talent Intelligence, Shell, 2011, Talent Analytics, Davenport, Harris, Shapiro, 2010.

Therefore, Human capital analytics, also known as human resources analytics or talent analytics, is the application of sophisticated data mining and business analytics techniques to human resources data. *Human Capital Analytics* provides an in-depth look at the science of human capital analytics, giving practical examples from case studies of companies applying analytics to their people decisions and providing a framework for using predictive analytics to optimize human capital investments.

### **Human Resource Analytics: A Must Approach**

Lavalle et. Al., 2010 very clearly confirmed that top performing companies are three times more likely to be advanced users of workforce analytics as compare to the lower performing companies. The main focus of workforce analytics is to identify how the investment made in human capital can contribute to the ultimate business results and can provide a competitive edge to the business. Despite the fact that the investment in talent management actually lead to an enhanced performance in terms of all the business improvement indicators, companies fail to demonstrate the visible impact in terms of data. HR analytics can justify the investment made in people and thus predict the future outcome. How HR analytics can transform, Narney, 2014, clearly explain that how the ability to capture data and analyzing them actually helped the business to increase revenue and understanding the customer, cutting cost and improved business results.

HR Analytics thus have a huge role in terms of quantifying the previously unquantifiable data to give a comprehensive meaning to HR drive in optimizing the performance indicators and competitive advantage through HR initiatives. Most important aspect is how to use the data that is available for decision making, as there is massive data available, sometimes non actionable in terms of unidentified source and data just for the sake of reporting. In the current competitive scenario, the HR managers are faced with various challenges like increased absenteeism, turnover, recruitment of highly skilled staff, competitive compensation packages, low performance etc. HR analytics will help the managers in taking better decisions in terms of reduced cost, driving effective strategies, identifying the risk areas etc. Visier Inc, 2012, suggested that with the help of workforce analytics, the Human Resource Professionals can play an important role in their organizations and can help the senior managers and the hiring managers in bridging the gap between their companies overall performance and the investment made in human assets.

## The Need

1. Decisions made on the basis of data are more reliable, factual and less risky, big data provides that opportunity.
2. To assemble the bits and pieces of data relevant for decision making, to understand how it will work or it won't.
3. Better data will through a broader insight because data is only relevant when it can give some insight for better decisions.
4. Human Resource Analytics can provide a comprehensive view for talent management and therefore a contributor in strategic planning and forecasting for better results.

## The Challenge

Institute for Corporate Productivity, 2012, conducted a research on the analytical practices and capabilities of HR, which suggests that most organizations are still miserably unprepared to deal with its rapidly rising ocean of data. Very few businesses have the ability to measure the outcomes or the ability to identify the factors that most affect results. Substantiating this point a report by IBM, 2009 also suggests that HR professionals like other business functions needs a consistent analytical point of reference to make decisions that impact positively on business results. It is time for HR to shift its focus from what it does to the quality of talent decisions it supports, Harnis, Craig and Light, 2010. What Fitz-Enz, 2010, calls a model of predictive management for HR has also been supported by The Cornell University, 2010, study, and admits that many companies are slowly evolving their HR analytics in to predictive management.

But the challenge lies in the fact that HR's current approach to analytics remains fixed in the past and present situations focusing upon the employee turnover, promotion, employees' welfare and engagement etc. rather than what's going to happen tomorrow, what next!

## Pertinent Future Questions

With the aforementioned exposition, the author would like to pose some puzzling questions to be studied by the researchers in the future in the empirical setting.

1. The challenge of human resources analytics is to identify what data should be captured and how to use the data to model and predict capabilities, so the organization gets an optimal return on investment on its human capital. So it is important to know how to maintain data consistency, system integration, information accessibility and analytic capability
2. How analytics and HR analytics fit in the overall strategic HR vision of the organization?
3. How HR analytics will get rid of the hindrances of both the technical and skill related issues associated with its implementation?
4. How to assess and measure the relationship between the use of metrics and the degree of HR as a strategic business partner?

5. How to synergize the technology, skill, deployment and implementation of workforce analytics.

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