HR Metrics & Analytics
MSB21T2001

Topics to be discussed

- History of HR Analytics

- Concept and Definitions of Analytics

- Importance and Significance of Human Resource Analytics

RECAP: SESSION 11

- DESCRIPTIVE HR DECISION-MAKING

- DESCRIPTIVE VS PREDICTIVE

- PREDICTIVE HR DECISION-MAKING

History of HR Analytics

- The practice of human resources analytics dates as far back as 1984 when Jac Fitzend, author and president of HR services organization Saratoga Institute, published How to Measure Human Resources Management, a seminal tome outlining the metrics that can be used to effectively measure employee performance.

- Since then, HR analytics has evolved from an experimental approach to managing human capital to a musthave set of strategic tools for improving employee satisfaction, boosting retention rates, calculating compensation, forecasting workforce deficiencies and flagging star performers for special attention.

- HR analytics works by gathering workforce data, from work history to employee satisfaction scores, and feeding this information into advanced computer models.

- Using sophisticated algorithms, these models churn out insights that HR leaders can use to make critical decisions, such as whether to tweak commission structures to drive sales or invest more heavily in training to curb high attrition rates.

History of HR Analytics

- No longer are senior managers responsible for making workforce changes based on hunches and past history. Rather, HR leaders can analyze data to inform hiring strategies, highlight business opportunities and forge the best career paths for top performers.

- Technology providers are eager to help, too. In August 2012, IBM bought talent management software provider Kenexa for a whopping $1.3 billion. SAP (with SuccessFactors) and Oracle (with Taleo) also made acquisitions to enter this field while smaller players like Visier and Evolv gain ground with highly scalable, cloudbased tools.

- Taken as a whole, HR analytics is an expanding field: Researchers from Bersin & Associates project that the global market for integrated talent management technologies will grow

CONCEPT AND DEFINITIONS OF ANALYTICS

- Often we confuse analytics with metrics. It is wrong. Analytics can give better decisional insights than metrics.

- Analytics can enhance the power of the data and encompass all managerial functions and decision-making processes.

- Powered by analytics, HR managers can manipulate their decisions which can benefit both the organizations and the employees.

- For example, HR decision to enhance performance can benefit both the organizations, in terms of increased performance results, and the employees, in terms of higher earnings (performance incentives).

- Analytics can enable us to integrate our knowledge with the data, and thereby, direct us to appropriate actions. It can also help us in making predictions.

CONCEPT AND DEFINITIONS OF ANALYTICS

- With metrics we can only assess the trend of past functions and accordingly we can hypothesize what would be our future actions.

- Analytics can make predictions about the future.

- Many organizations currently use metrics to report how different business entities are functioning.

- For example, a recruiting function may examine metrics such as recruiting cycle time or cost to recruit, benchmarking them against past performances as well as other organizations.

- These metrics help the organization understand how its recruiting processes performed.

- Analytics, on the other hand, can help a recruiting function realize what factors make recruiting cycle time and costs higher or lower.

CONCEPT AND DEFINITIONS OF ANALYTICS

- For example, having recruiters focus on sourcing fewer positions may lead to shorter cycle times for hiring new candidates.

- Analytics is used to gain understanding on why something happened or what will happen; while metrics are reactive, analytics are predictive.

- Often we confuse big data with analytics. But big data per se is not analytics.

- Big data indicate high volume, variety and velocity of data.

- In many organizations, big data remain unutilized, as managers fail to connect these with their business decisions.

CONCEPT AND DEFINITIONS OF ANALYTICS

- But when these are used as inputs to analytics, they become meaningful, as these can facilitate more accurate and holistic decision-making, predictive modelling of decisions and so on.

- In some organizations, unstructured and untapped portion of big data are called as dark data.

- But, dark data also can facilitate in predictive modelling of the decisions.

- For example, Procter & Gamble's disparate move to make their products future ready, mapping the changing expectations of the future customers, makes use of dark data also.

- Dark data are data which organizations collect in course of their regular data collection but fail to make use of the same for any meaningful analysis.

CONCEPT AND DEFINITIONS OF ANALYTICS

- Similarly, compensation and benefit expectations of generation Z can be mapped from their present consumption pattern, health index and education level.

- Organizational propensities to make their decision-making processes powered by analytics eventually emerges from their urge to align human resources with their business goals and strategies, realizing people can only give sustainable competitive advantages.

- Globally, organizations which are now using HR analytics believe their performance and productivity have significantly increased, for the enhancement of the quality of their decision-making processes.

CONCEPT AND DEFINITIONS OF ANALYTICS

- Some organizations even concede that the use of HR analytics could enhance their competitive advantages.

- HR Decision-making Pattern Varies with the Organizations

- Example

- The pattern of HR decision-making process across organizations widely varies. Many organizations believe that giving employees the right to work flexibly can be a better reward than monetary effects.

- Royal Bank of Scotland (RBS), e.g., follows this approach.

- 3M, another globally known company, makes its people to strategically contribute to innovation.

- Recognizing the fact that risk and innovation complement each other, the company could successfully create a culture of innovation, which it feels is also a reward to its employees to feel more and more engaged with the organization.

CONCEPT AND DEFINITIONS OF ANALYTICS

- Microsoft believes human resources play a strategic role in its business performance.

- With an analytic approach to talent management and flexible work styles, the company embraced most innovative HR practices for creating a culture of collaboration and cooperation.

- This is also a perceived reward for the employees of Microsoft.

- Making workplace innovation 'business as usual', employees at Microsoft feel more engaged.

IMPORTANCE AND SIGNIFICANCE OF HUMAN RESOURCE ANALYTICS

- For organizations, HR analytics provide scientific facts to human resources.
- Reviewing the framework of HR analytics, introduced in several organizations, we find that it starts at the outset with the identification of key business concerns, focus on strategy and long-term sustainability issues.
- After this, we go forward with assessing the available knowledge and competencies' set in the organizations.
- Gaps, if any, need to be met through appropriate interventions before we proceed to the next step, i.e., the analysis of organizational data.
- At the end, results are communicated, examining which, HR managers decide for appropriate interventions, well in advance, to improve the decisional outcomes or to reduce the adverse effect of decisional outcomes.
- This is a working model of HR analytics.

IMPORTANCE AND SIGNIFICANCE OF HUMAN RESOURCE ANALYTICS

- For operational ease, in many organizations HR managers at the beginning start with descriptive analytics, i.e., the use of metrics, to understand the current syndrome.

- Gradually, HR managers start the use of statistics and research methodology for better analysis of decisional outcomes, and finally, HR managers use HR analytics to predict how HR decisions influence business results and align with the strategies of organizations. With prediction results, HR managers can alter or improve HR decisions.

- Although in the corporate world it is largely believed that HR analytics can significantly alter and improve HR decision-making, and bring holistic change in organizations, some HR managers still believe that such assumptions are more over pitched.

- With standalone use of HR analytics, HR managers believe they can influence the HR decision-making process, establishing a link between HR decisions and employees.

IMPORTANCE AND SIGNIFICANCE OF HUMAN RESOURCE ANALYTICS

- More appropriately, HR analytics help in diagnosing HR issues, which can facilitate in taking prevention actions through appropriate interventions.

- We can understand the importance and significance of HR analytics, once we create a business case, and then analyse how it can facilitate in holistic decision-making.

- Maersk, a Denmark-based large conglomerate, made use of HR analytics to study how its employee engagement programmes can enhance managerial commitment, improve training effectiveness and workplace safety. For Maersk, workplace safety is a business-critical issue.

- Why HR analytics is important for organizations?

- We do not have any simple answer to this question.

IMPORTANCE AND SIGNIFICANCE OF HUMAN RESOURCE ANALYTICS

- But reviewing organizational experiences, when we document the typical trends in HR decision-making process, we can truly understand the significance of HR analytics.

- Review indicates that in most of the organizations HR decisions are made in silos.

- When decisions on investments in people are made in silos, and even without any data, organizations may fail to understand the benefits of investments, like the ROI on training.

- However, all HR decisions are not measurable in terms of business outcome.

- A good example of this is employee engagement.

- Hence, if a company feels that its investment in employee engagement will enhance the sales revenue and expect HR analytics to provide such information, it would perhaps be more aspirational.

IMPORTANCE AND SIGNIFICANCE OF HUMAN RESOURCE ANALYTICS

- A better way to look into this, perhaps, is measuring the change in the attitude of the employees.

- It is like improved employee engagement can contribute to the development of positive employees' attitude, which leads to enhanced sales revenue as sales improve with improved customers' relationships.

- Hence, the significance or importance of HR analytics needs to be understood in terms of the analysis of its effects on the HR decision-making process.

- Again, the influence of HR decisions is very much culture specific.

- Hence, what could be seen in an organization need not be universalistic.

- Thus, if we feel what Google could do with HR analytics, we also can, it is certainly not logical and realistic.

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Thank You