HR ANALYTICS – AN EFFECTIVE STRATEGIC APPROACH TO HRM?

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Abstract

In today's world managing Human Resources has become the utmost important thing for an organization's growth and success. Treating employees as resources and aligning the Human resources objectives with core business goals, companies can achieve success in the competitive market. And HR Analytics helps in this alignment and developing strategies which lead the organizations to achieve an upper hand over the competitors. There have been many developments in the field of Human Resource management in last few years so this paper aims to study these developments with special reference to HR analytics. Also, this paper studies the effect of this new technology development on the HRM field. Further, this paper examines how this technology is improving the performance of the individuals working for the organization and also studying its effect on the organization taken as a whole. The paper provides strategic insights and practical thinking into the HR Analytics field which will further improve the employee performance in the right direction thus leading to achievement of organizational goals.

Keywords: HR Analytics, HRM

Introduction

For any organization, Human Resource Management (HRM) is a function that plays a very crucial part in its growth and success. HRM is a function in any organization specifically planned to get profit from employee's performance to achieve organization's strategic goals. With consideration of prevailing economy conditions in the world, the Human Resource managers are being forced to stress their attention on the organization's workforce performance so as to generate higher returns for the business. Due to the rapid changes in the business environment, corporate leaders have started to worry and hence their attention has now turned to different tools and techniques that can help their companies to survive in unfavorable conditions also. Competition among the companies is intensifying and growing with a very fast rate in today's world. "To be ahead of the rest of the competitors, organizations must align their HR strategy with their overall business strategy". Organizations comprise of various functional area and all these areas in a company cannot work without human resources. Hence human resources deeply affect organization's strategies. Every company is in existence because of its people or the workforce. So, HR department of the company should ensure that the employees are satisfied and their productivity is profitable to the organization.

Today, the fast changing world economy is forcing the HR departments in various organizations to very quickly adapt to the changes, which leads to retention of good talent in the organization more difficult and the main concern for the managers. Engaging and retaining the workforce in the organization has become the top most priority of the top management of the organization. Nowadays, the HR managers' main focus has been shifted to execution of strategies, for e.g. implementation of downsizing strategies and restructuring strategies. So if a company wants to expand and grow in today's rapidly changing environment, it has to build such HR practices that are improving employee commitment and satisfaction. The workforce of a company helps it to survive in the fast growing and changing environment by identifying opportunities and challenges. "Hence humans are crucially important and provide a strategic advantage in the fierce competitive market."

HR Analytics is an area of analytics in which an organization's workforce is analyzed and analytical processes are applied to the organizations human capital so as to improve employee performance and retention. In HR Analytics, the data related to employees performance is not

collected rather its sole aim is to provide better understanding of the human resource processes, gather related data and then analyzing and using this data to make better informed decisions, so as to improve the said processes.

Literature Review

"In an increasingly competitive business world, organizations need to invest in workforce Analytics wisely in order to build and sustain their competitive advantage (Becker, Huselid& Beatty, 2009). Human capital analytics is a most powerful tool which helps to determine and validate decisions that illustrate the driving forces behind individuals" and groups" behaviors and performance."

"As Boudreau and Ramstad (2006) point out, that Analytics need to be embedded within logic. Framework that is linked to the business and a (change) process is needed so they are used in a way that ensures maximum impact. The logic framework ensures that the Analytics are focused on the right issues and are set up to maximize the discovery of data and analysis results that are actionable towards organization objectives. The process for using the results of the HR Analytics ensures the data is turned into action of making evidence based decision in HR department decision making process."

"It is important to recognize that many organizations use metrics to measure or audit their HR programs and activities. Historically, the use of such audit metrics to measure the effectiveness of HR was identified by Cascio (1987) and Fitz-enz and Davidson (2002). The Society for Human Resource Management has identified a number of metrics that organizations can use to measure their HR effectiveness (SHRM, 2010)."

Research Objectives

1. To study the concept of HR Analytics.
2. To study how HR Analytics is transforming Human Resource Management practices.

Research Methodology

The research design used in this paper was exploratory research, so to form further knowledge into the HR Analytics field. Therefore, a qualitative research design was employed. While the

earlier research in HR Analytics were the guide, this subjective research gathers rich information about the field so as to inductively produce new bits of knowledge

Results & Discussion

Key Problems Faced by Human Resource Department that Lead to HR Analytics

Rapid globalization is leading to various challenges related to Human resources that the HR department of an organization has to face which further leads to delay in decision making. "Few of the challenges that a HR department faces nowadays are high turnover rate, low performance, absenteeism, recruitment of the right candidates, workforce forecasting and many more." First challenge that is the most difficult challenge to handle is high turnover rate. If this factor can be projected with some percentage of accuracy then it will definitely improve coming workforce planning. HR managers of the company will be able to develop better pay packages for employees which will reduce their turnover. In an organization variables related to HR are all interlinked and determining the cause and effect of one of them can help device solutions for all the others. Employee personality, learning way, perception, attitude and many other such factors are very vital to an individual to perform its duty but are also non quantifiable. Ignoring or avoiding analysis of these factors can destroy a company. But as it is not easy to quantify these factors it becomes a huge challenge for the organization. The organizations HR department knows if these factors could not be quantified then it will become difficult to control the organization. "Hence quantifying, measuring and controlling these aspects holds the key to a better workforce performance. With the emergence of new IT based technologies like HR analytics, quantifying the HR aspect is now possible. HR Analytics has helped organizations to mine the previously unquantifiable HR data to derive a gold mine of HR intelligence which can be used to optimize the key performance indicators hence driving performance."

HR Analytics Concept

Change is only the constant thing in the world and so as the change in business environment is. Rapid change in the business world due to globalization has increased the tasks of HR department and the management of the organization. "The major task being to know how to improve and use an agile and highly-competency workforce mean while upholding the cost efficiency". The major challenges related to human resources that the top management of a

company faces for example are: to determine how is their employee turnover rate, to know which employees will leave their organization in the coming few years and what percentage of employee turnover should be treated as loss. While answering the first question is relatively easy but finding the answer of the other two is very difficult, especially if you don't have the appropriate data for it. These challenges require that the HR department gives more than it requires. Instead, this makes comprehensive understanding of the factors related to employee performance more necessary. HR analytics helps the organizations to make better workforce decisions by using data driven approach to managing people at work. It revolves around analyzing the problems faced by the employees in the organization by using data to answer the critical questions about the organization they are working in. This tool or techniques also empowers he HR managers of the company to do predictive analysis to a great extent of accuracy which further helps in determining the future of the organization. HR Analytics gives the power of making better capital decisions to the HR managers which impacts the business results. HR analytics is a tool that gives the HR the ability to get insights of the market which are very much important to make better strategies for the organization. This tool basically is transforming the manual HR department into a department that uses more automation to increase the organization's effectiveness and efficiency. The raw data that has been collected over the years by the HR department is used to get insightful information which further is converted into great innovative ideas. This tools is letting the companies move forward and stay ahead of all the competitors by efficiently using the insights acquired with the help of HR analytics. "HR analytics builds competitive gain by producing actionable business intelligence on the "people side" of the business." "HR analytics is assisting the organizations to renovate the Human resources from being tactical support function into a strategic partner" (Smith. T, 2013).

HR Analytics Transforming Human Resource Management

HR analytics software is being used all over the world by many organizations so as to improve the performance of their employees. The data that the HR department collects is the source that would provide the HR managers with an ability to understand the employees working for them and would also help them to better understand the business strengths, weaknesses, opportunities and threats. Also, if the companies capture the right data at the right time and use the right analysis techniques, the company could increase its revenues by cutting costs and targeting the

right customer. Through HR Analytics the managers in HR department are able to analyze huge amount of data that could be in any form (i.e. structured or unstructured) and could give answers to many critical questions. This tool also helps the managers to identify problems in employee productivity, gaps in training needs of employees, factors leading to high turnover and potential leaders of the organization. As the competition is increasing in the market, every organization now tends to face a lot of threats. And these threats can now be overcome by this new technology called HR Analytics. This new age technology is basically helping the HR managers to take decisions on the basis of data that has been captured over the years about their organization's workforce, rather than basing their decision purely on their instincts as was the case in early times. The decisions are more fact based rather than instinct based. Managers now can justify their decisions and investment on human resources through facts and proofs collected by this new technology. Also, HR analytics let you predict future outcomes related to the workforce of the company like which employee will leave the organization around which time, letting the organization prepare for this change before in advance. Hence HR analytics is the dawn of the new era for Human resource Management for overcoming its crucial issues and challenges.

Conclusion

Today the organizations all around the world are focusing on optimum utilization of the very limited resources that are available to them. And the main focus is on utilizing the Human Resource as optimally as possible, because this resource is the most primed valued source of any organization. For this, it is important that companies integrate HR analytics into their organization so as to reap maximum benefits of this new age technology. HR Analytics is not only driving best HR decisions with accurate information, but also provoking organizations to maintain adequate quality data for justifying their investments in Human Resources. HR analytics has helped the employees of the organizations to improve their performance by creating a network in which they work more as a strategic partner in the organization rather than mere employees. Thus HR analytics is transforming the HRM and is becoming a key in achieving organizational goals. Also, there needs to be an updated and inclusive IT infrastructure for

centralized data storing so as to take maximum benefits of this new technology, i.e. HR Analytics.

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