

HR ANALYTICS-A TRANSFORMATIONAL TOOL FOR MANAGING HR DECISIONS

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Abstract:

Decision making is an integral part for the success of any organization. In today's era managers depends substantially on data to make valuable decisions in all the functional areas of management including HR. Talent management is the pillar that acts as a powerful way for attaining the HR goal of any organization. In this regard, HR Analytics helps HR leaders to manage the talent efficiently and effectively in the organization. Every organization uses tailor-made HR metrics to implement HR Analytics based decision-making.

In this paper, the researcher has made an attempt to understand the concept of HR Analytics, how HR Analytics help in decision-making, the role of HR Analytics in managing talent effectively and efficiently, and the reasons for the transformation of talent management through analytics. This paper also focuses on how the decision-making process has transformed with the advent of data. This paper is descriptive in nature and based on secondary data. This paper signifies the role of HR Analytics in talent management through the enhancement of various HR functions such as selection, performance management, training and development, employee engagement and retention by utilizing employee data.

Key words: HR Analytics, Decision Making, HR functions.

Introduction

Decision-making is the key function of managers. Every managerial decision is affected by extrinsic and intrinsic factors. These factors can be thoroughly analyzed with the help of data and analytics. Employees are the greatest intrinsic asset to any organization as each one will have their talent that needs to be recognized, nurtured, and utilized to sustain in the dynamic global business. HR Analytics and data aid HR managers to concentrate on making wise decisions for managing and retaining a talented workforce.

Human resource data is key to the success of an organization. HR analytics tool supports strategic decisions in organizations by providing insightful information from employee data. It converts the employee data like age, performance, pay, training cost, selection cost, experience, and tenure into meaningful information like return on investment per employee, performance-linked pay, checkpoints for low performers, employee engagement, and chances of an employee leaving the organization. These aspects are crucial for HR managers to take timely and accurate decisions in talent management.

Studies on HR Analytics evaluates the decision taken by HR managers by identifying the key drivers of talent management. Evidence-based decision-making is the prime objective of HR Analytics. HR Analytics is a fact-based approach. Modern organizations require a robust algorithm that should be capable of quantifying numerous HR metrics(Jain, P. 2020). Talented employees must have skills, wills, and purposes; they must be capable, committed, and contributing. HR leaders can engage their general managers to identify and improve each of these three dimensions to increase individual ability and gain productivity(Ragimol et. al. 2021)

Research on HR Analytics revealed the usage of analytics, HR professionals get a deeper insight into present conditions and predict the future to move forward with productivity. There is a skill shortage and rising demand for effective workforce planning. The ultimate task of human resource managers has always been to groove the competencies and skills of employee(Ulrich, D., & Dulebohn, J.H. 2015). Predictive analytics is applied to make forecasts about unknown events using statistical data

analysis, modeling, machine learning, data mining, and AI (Artificial Intelligence) to analyze historical and current data to predict future data. Predictive analysis in HR is a rapidly growing and demanded area. HR predictive analytics is being used by HR managers in organizations to predict human behavior and optimize performances and produce a better return on investment for organizations through decision-making based on predictive analysis tools(Mohammed, D. 2019). The researcher attempted to study HR Analytics as a transformational tool for managing HR decisions.

Objectives:

- To understand the concept of HR Analytics
- To study the impact of HR Analytics on key HR functions.
- To analyze the role of HR Analytics in managing and retaining talent effectively and efficiently.
- To identify the challenges for the transformation of talent management through HR Analytics.

Research Methodology:

Data required for the study is collected through secondary sources. The study is confined only to secondary data.

Human Resource:

Human resource is an inherent part of any organization. Traditionally optimal utilization of employees' talent, skill, and knowledge was deficient due to the lack of data for the HR managers to streamline the talent. HR managers were concentrating more on recruitment, selection, performance appraisal, motivation, training, and development to attain the goal of the organization rather than addressing employee requirements. Technological advancements like SAP, ERP, AI, Cloud computing, and HR analytics impart strategic advantage to HR managers to take significant decisions.

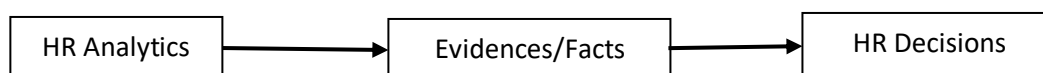


Figure 1: HR Analytics in Decision Making

HR Analytics:

Human Resource Management has endured a remarkable transformation with the advent of technology. From being a discretionary department in an organization to an inseparable asset. The HR department has taken a talent management transformation to attain the goal of the organization. HR Analytics is a tool that has helped HR managers to elevate talent acquisition, progression, and retention more strategically.

HR Analytics provides data-based evidence to quantify and measure the HR functions to take effective decisions harmonized with organizational decisions.

"HR analytics is a methodology for creating insights on how investments in human capital assets contribute to the success of four principal outcomes: (a) generating revenue, (b) minimizing expenses, (c) mitigating risks, and (d) executing strategic plans. This is done by applying statistical methods to integrated HR, talent management, financial, and operational data" (Collins, 2022).

"HR analytics is an integrated process that improves the individual and organizational performance by assisting to improve the quality of people-related decisions. HR analytics mostly depends on statistical tools and analyses and requires high-quality data, well-chosen targets, talented analysts, leadership, as well as a broad-based agreement that analytics is a legitimate and helpful way to improve performance" (Kirtane A, 2015).

"A methodology for understanding and evaluating the causal relationship between HR practices and organizational performance outcomes (such as customer satisfaction, sales or profit, etc.), and for providing legitimate and reliable foundations for human capital decisions for the purpose of influencing the business strategy and performance, by applying statistical techniques and experimental approaches based on metrics of efficiency, effectiveness, and impact" (Dooren, 2012). HR Analytics definitions unveil the facts that it is largely dependent on valid data, provides insights into individual employee performance, guides the managers in taking meaningful decisions to improve both employees as well as organizational performance and is dependent on statistical tools to gain meaningful information from raw data.

HR Analytics and Decision making:

HR has evolved as a strategic business partner. Traditionally HR department is used to feed the information related to employee and their operations to strategic leaders. The role of HR was limited only to supporting the business decision. Today HR managers can provide more meaningful dynamic data which helps them to be a part of organizational decision-making.

HR analytics decision-making process involves the following steps:

- Collect the data
- Analyze the data
- Take the decision
- Implement the decision

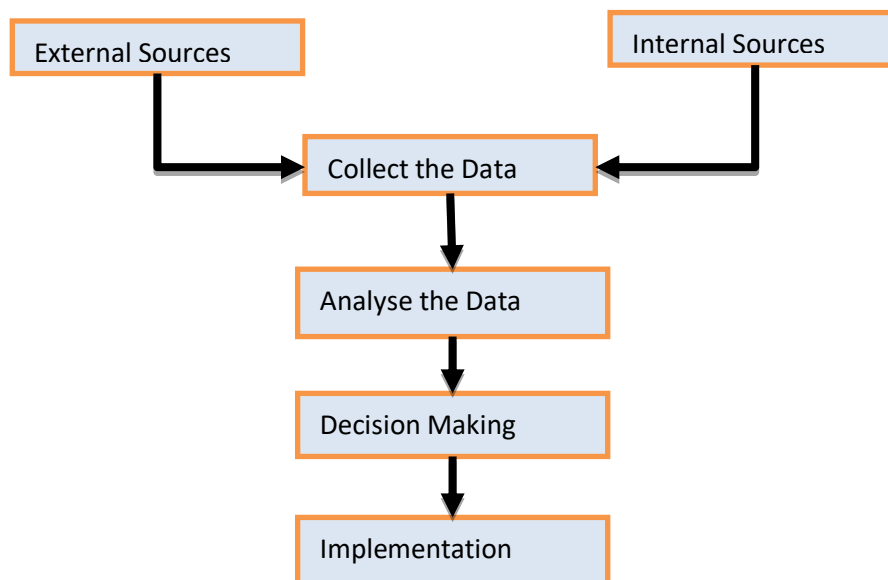


Figure 2: Decision-Making Process

Collect the data: The data needed for the HR department to take impactful decisions can be collected from both internal sources and external sources. Internal sources like employee databases, payroll, appraisal reports, social network data, and engagement data will provide information pertaining to demographics, experience, expertise, compensations, awards, performance level, and engagement. External sources such as the labor market, census, and job portals will provide information like prospective employees, qualifications, diversity, and talent portfolio.

Analyze the data: Collected data will be analyzed under various aspects of HR like performance enhancement, skill gaps, absenteeism management, goal attainment, and future requirement which helps the HR managers to have a macro insight about the required areas. These areas can be investigated to furnish evidence for decision-making. For example, in the recruitment process the data pertaining to the number of candidates attending the interview for a particular position, the number of profile that matches the job, the number of candidates who have been selected for the job,

the number of candidates who took up the job offer and time of the experts in selecting a candidate all these acts as input for measuring the efficiency of the recruitment process.

Take the decision: Depending on the analysis of the data, HR managers will provide a niche problem area that the organization should pay attention. With the help of these data, the business decision can be taken that will be more objective rather than subjective. For example, in a recruitment process if the number of candidates applying for the job is very high compared to the number of candidate profiles that suit the job specifications. HR executives can arrive at a decision that the job application screening process has to be done more objectively.

Implement the decision: Implementation of the decision based on data becomes more intuitive as the business leaders will have substantial evidence for taking these decisions. So, the chances of employees accepting these decisions will be higher.

For example, the recruitment of candidates can become more effective by streamlining the applicants' data through a structured process predetermined with the help of HR Analytics.

HR Analytics and Talent management:

HR Analytics predominantly proved its importance in the following key areas of HR:

Recruitment and Selection: Resources were wasted indefinitely in recruitment and selection. Now with the advent of HR Analytics, talent acquisition has been relieved with HR Metrics like Acceptance rate, Time to hire, Time to fill, New hire turnover, and Cost to hire. These metrics will help organizations to rework their processes and reduce bottlenecks. Time to hire will provide information about the time taken to hire a candidate. Time to fill gives the time required to fill a position in the organization. Cost to hire indicates the total cost incurred in filling a position in the organization by a deserving candidate.

Training and Development: Training and development are considered one of the tools for employee retention. Training and development must ensure the upgradation of employee performance and make them future-ready. In this regard, HR Analytics provides information like training cost per employee, training effectiveness, and remedies to overcome the hurdles in a training program.

Performance Management: Performance management is a vital function of HR. Traditionally performance appraisals were leader-centric, biased, inaccurate, and time-consuming HR Analytics has helped both managers and employees to overcome these hurdles through the continuous monitoring of the performance, providing instant feedback, and eliminating bias with the help of real-time data, managers can assess employee engagement.

Managers will be able to provide justifiable rewards to the talented employee. The important metrics used for performance management are goal tracking, revenue per employee, and company performance.

Employee engagement and retention: HR Analytics provides valuable data like employee turnover rate, retention rate, and employee satisfaction. These parameters will help the organization to know about the satisfaction level of employees, triggering points for employee attrition. These factors help the managers to streamline their efforts towards motivating the unsatisfied employees, find out the valid reasons for higher attrition in particular departments

HR Analytics directs the HR managers in taking valuable decisions with the help of evidence. This evidence helps the managers to employ their experience and expertise along with the data to manage, motivate and retain talent.

Conclusion:

HR Analytics sheds a spotlight on improving organizational performance by incorporating the right decisions at the right time. It persuades Quality decisions, more precise predictions, and accurate resource management. Thus, HR Analytics is a handy transformation tool that makes the work of

managers more productive and meaningful. Managers can concentrate on key strategic areas by automating the majority of routine HR functions. This removes the obstacles of bias, intuitions, and imagination. Managers will have quantifiable data for key HR functions that aid the prominent HR Decisions.

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