A STUDY ON THE HR ANALYTICS COMPETITIVE ADVANTAGE FOR ORGANIZATION AS A HR STRATEGY

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ABSTRACT

In the new era, business dynamics is changing very fast due to globalization. As a result, there are increasing challenges for Managements to sustain and develop in this current scenario. Intense Competition is existing in how to attract and retain talented workforce, while maintaining the cost efficiency. Organizations are focusing towards expecting greater efficiency even from the HR department and HRM systems. For this Organizations require the timely inputs for decision making or to form a strategy. Organizations however suffer to get this timely and relevant information of the employees from databases, as it is fragmented across many systems and departments. Even systems which are existing to analyse these data, do not deliver the information. Organizations need to know the complexity between the staffing level, compensation and reward management profile of the workforce, competencies of employees and managers and many other related factors to help them to maximize their return on Human Capital. Hence, to overcome such difficulties, currently organizations are using HR analytics to derive the result and take quick and timely decisions. Big data and HR analytics is in need of the modern era. Our economy has expanded global level and hence needs to tackle global workforce issues; competitive market pressure it be considered it becomes important for organizations to measure factor of its success, i.e. people. HR analytics brings to the business heads, a level of visibility, insight and foresight. It allows the HR division to spread its branches across other divisions and understands what impacts the workforce, making them feel valued in the origination and in tune with the rest of the organization. Data and information becomes valuable until only if it is transformed into meaningful information for decision making, Businesses need the drivers that transform the data from information into analytics and finally the intelligence. In the same context, in case of human capital management, HR intelligence is derived from HR research and analytics practices.

KEYWORDS

HR Analytics, Technology, Workforce, Competition, Big Data.

INTRODUCTION

Our only security is our ability to change - John Lilly

Human Resource Management plays a critical role in any organization. Human resource management is a function focusing on the employee's performance to align with the organization's strategic goals. Today, with the global competition and technology development, focus is on the workforce for outstanding performance to increase the profit of the business, as there is high competition among the organizations, thus leading to a dynamic market. In order to achieve the overall objectives and sustain in the global market, organizations today are aligning their HR strategy with their overall business strategy, which makes human resource integral part of the organizations focusing towards the 'people' aspect (De Cenzo and Robbins, 1996).

Worldwide, the emerging issues and challenges which today's organizations are facing are: Hiring right candidates, High turnover rate, Performance issues, Absenteeism, etc. Day by day, it is becoming difficult to overcome these challenges, hence HR analytics has emerged as a new trend, to enable organizations to use their employee data to make better decisions about their workforces and thus improve operational performance. From attracting top talent to forecasting future, staffing needs, to improve employee satisfaction, HR analytics tools empower organizations to align HR metrics with strategic business goals.

HR analytics is an evidence based approach, which benefits organization to take better decision about the employees. Past research in this area has proved that, the companies which have used HR analytics have been business leaders in managing talent and able to engage the employees effectively. Hence, organizations who use the HR analytics believes that their workforce is a most important and valuable asset.

Organizations get insight for managing employees effectively with the help of the Human resources analytics and also to achieve their business goals fast and efficiently. Thus, the challenge of human resources analytics is to identify which data to be taken and secondly to correlate the data to a model and further to predict those capabilities of the organizations, so as to get optimal returns on their investment (ROI) for its human capital.

What is HR Analytics?

HR resources analytics, also called Talent analytics, is the application of sophisticated data mining and Business Analytics (BA) techniques to Human Resources (HR) data.

Analytics is divided into three levels

1. Descriptive Analytics, which uses data aggregation and data mining techniques to provide insight into the past and answer: "What has happened?"
2. Predictive Analytics, which uses statistical models and forecasts techniques to understand the future and answer: "What could happen?"
3. Prescriptive Analytics, which uses optimization and simulation algorithms to advice on possible outcomes and answer: "What should we do?"

Literature Review

Workforce Analytics is the ultimate tool for making a strategic workforce planning. HR Analytics today is targeting critical
workforce metric that links workforce strategy to business results that finally provides HR a seat at the table and the integrity to make business and workforce strategy decisions by identifying cost savings opportunities, improving the retention of key talent and increasing workforce productivity and efficiency (Higgins J, Cooper Stein G and Peterson M (2011)). HR analytics include identifying potential candidates most likely to succeed in a role, the probability of termination and attributes of high performing employees (Basis, 2011). According to Davenport, Harris and Shapiro (2010), high-performance companies use workforce analytics to align their business strategies with their human capital strategies. In their article they state that, “These companies have taken the guesswork out of employee management by leveraging analytics to improve their methods of attracting and retaining talent, connecting their employee data to business performance, differentiating themselves from competitors and more.” HR is a critical partner in these strategic efforts, providing the analytics these organizations need to enhance the overall value delivered by their workforce and to earn a solid financial return on their human capital investment.

In a 2009 study, IBM found that there was a strong consensus regarding the important role analytics plays in more effectively managing workforce performance and talent management. Three quarters of respondents said that the greatest benefit of HR analytics was a better capacity to manage their workforce, while two-thirds cited improved levels of productivity. A large majority considered workforce analytics important in driving a better return on investment for talent management (IBM, 2009).

Davenport and Harris (2006) define analytics as the extensive use of data, statistical and quantitative analysis, explanatory and predictive models and fact-based management to drive decisions and actions.

Levenson, Boudreau and Lawler (2005) offer the most comprehensive definition of HR analytics as- HR analytics transforms HR 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 Function, setting the appropriate standards for rigor and relevance and enhancing the analytical competencies of HR throughout the organization. (p. 2)

Evolution of HR Analytics

According to a 2004 Workforce Management (Formerly Personnel Journal) article, in 1978—in this publication Jack Fitz-enz proposed a radical, anti-establishment idea. Human resources activities and their impact on the bottom line could—and should—be measured. The reaction was “apathy, disagreement and disbelief” (Cauldron, 2004). For the past three decades, Fitz-enz has along with a growing band of kindred spirits, campaigned tirelessly to improve the state of HR measurement and to help both HR professionals and senior executives understand its importance.

Usage of HR Analytics

Boudreau and Ramstad (2005) define the three anchor points of Efficiency, Effectiveness and Impact as points that connect decisions about resources, such as money and people to organizational effectiveness.

Efficiency

Refers as productivity metrics, i.e. time required to fill a particular position, headcount ratios and cost metrics such as administrative cost per employee - the measures that Lawler, Levenson and Boudreau (2004).
Effectiveness

Refers to measure the effect on the people of programs and practices for which they have directed, for example - not measuring training participation, but to find out the impact of that intervention on organizational success.

Impact

Link between what HR does and its effects on the organization’s ability to gain competitive advantage, for example – To know HR programs and its practices which are applied to the talent pool of the organizations where they have the greatest effect on strategic and organizational effectiveness.

Human Resources Analytics Drives Better Business Results

Human Resources Analytics integrates data from HR, financial and other enterprise systems and transforms it into integrated, easy-to-use and actionable insight into how various factors impact workforce and business performance. This enables organizations to manage and improve business performance by increasing overall profitability through more effective workforce cost control. This will result in optimize staffing level, which will ensure high quality service to the customers. It will also provide integrated talent insight, to manage workforce performance. HR will be able to understand the impact of turnover, performance and can take corrective action for the retention.

Providing the capability to correlate workforce information with operational measures to better understand the causal effect of workforce investment on operational results. For example, service managers can understand the impact of staffing levels and compensation on contact center performance such as average handle time, cost per call and abandonment rates. They can also correlate this information with service delivery costs and customer satisfaction level.

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CONCLUSION

In today’s context using data and information has shifted dramatically. Leading organizations try to build strategic capabilities and competitive advantage through advanced HR analytics practices. Today, a shift has come as many organizations are performing a broad range of HR research and analytics, which is beyond metrics and scorecards. Hence, HR needs to be pro-active in implementation of analytics as a key initiative in a strategic function in any organization.

However, the profession has a long way to go, to be able to play an influential role in HR strategy development and decision making. This study has provided a simple roadmap to assist HR professionals in demonstrating their value and driving business performance through HR analytics.

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