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A ROADMAP TO EMPLOYING HR ANALYTICS AS A STRATEGIC TOOL

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ABSTRACT

The function of Human Resource Management has struggled for long to gain recognition and importance as a strategic partner in business. Research says that an average HR manager spends only 26.8% of his time playing a strategic role. If this time can be stretched, the HR leader would be playing a stronger role, which effectively translates into improved functional effectiveness and thereby better organizational performance. However, this time is instead consumed by mundane activities like regular data management and cumbersome analysis, which only result in more data. HR, taking a cue from other functions, has adopted of 'HR Analytics' or 'People Analytics' to deliver in these demanding times.

In this research paper, an attempt has been made to analyze how HR Analytics can be potentially used as a strategic tool by the HR function. The paper lists out the critical pointers for HR to move progressively on the analytics path and create value for the business. As organizations enhance their advanced analytics capabilities, they improve their business performance. There are some challenges on this path though, which this paper aims to understand and to suggest possible resolutions. This can help organizations in the initial phases of analytics adoption to overcome these hurdles that are commonly faced in adopting HR analytics. Eventually, they can become a valuable strategic partner in the organization.

Keywords: Analytics Maturity, HR Analytics, People Analytics, Predictive Analytics, Strategic Partner, Talent Management.

INTRODUCTION

In the world of business, every organization, big and small is trying to understand and estimate the impact of digital networking and data analytics on its business and its different functions. Data Analytics has indeed come as a boon for the HR function which always strived for its rightful place in the organization but never got it. HR, equipped with the right tools, can now speak the language of numbers and statistics that every other function in the organization does. The focus has been shifted from numbers reflecting HR performance to numbers reflecting the 'impact' of HR performance on the business. As a result, HR has started speaking the language of the line functions at the table and is therefore garnering recognition for its contribution. HR is no longer confined to mere cost-cutting but is formulating new strategies to add value to the business. It is in the process, transforming itself into a value creator.

Despite all the benefits and advantages to the organization, it has been noted that there are only a few organizations that have taken actively to employing HR Analytics. According to a TJinsite survey, 90% of the Indian companies surveyed believed that predictive analytics would be the most relevant tool for the future but only 7% are using it³. What could be the reasons behind such a wide gap and how can HR bridge this gap?

METHODOLOGY

Literature on HR Analytics is relatively recent and limited as far as the research is concerned. Over the last few years, there has been quite a buzz in the HR circles on the effectiveness of analytics in creating value for the organization and in the process, enhancing the strategic contribution of HR. The researcher has relied on the literature published by pioneers in the field of HR metrics and analytics. Survey-based reports of renowned sources like Harvard Business Review and Bersin have been referred to, to understand the recent trends and developments in the field of HR Analytics. These reports have also helped to identify and comprehend the ground-level problems faced by organizations and their HR in implementing analytics. This paper is based solely on secondary research and attempts to propose steps to implement HR analytics as a tool that helps organizations make evidence-based strategic decisions. Though there has been research on the benefits of HR analytics and the factors hindering its adoption, there is no

3 Timesjobs.com Survey (2015), Predictive talent analytics the future of HR in India: TJinsite survey;

http://articles.economictimes.indiatimes.com/2015-08-25/news/65847735_1_data-analytics-tjinsite-survey-cent-companies



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comprehensive model that connects both. There is no clear understanding of how each of the challenges be addressed for effective implementation and achievement of strategic goals. This research paper is an attempt to do it.

LITERATURE REVIEW

Lawler et al (2004), in their publication for Centre for Effective Organizations, discussed how organizations effectively used metrics and analytics for addressing critical HR and business issues. The application of metrics and enhancing the analytical capabilities of HR can help the function take up the role of a strategic business partner in an organization (**Boudreau and Ramstad, 2004**).

The concepts of HR analytics like behavioural modelling, impact analysis and Return on Investment (ROI) are not revolutionary, but the challenge lies for HR in understanding how to effectively apply them in different scenarios (**Levenson, 2005**). There is a strong need to build analytics capabilities among HR leaders and functional experts for effective application of analytics as application of analytics has become a necessity for large businesses (**Davenport, 2006**). Revisited the concept of competing on analytics, with a focus on talent (**Davenport et al. 2010**) and talked about companies like Google and Sysco gaining competitive advantage by employing analytics for managing their human resources.

The advantages of HR analytics can be optimized by integrating data, analyses, and processes throughout the organization (**Harris et al. 2011**). As organizations make a transition from one level of analytic capability to another, their frequency of applying analytics for decision making increases (**La Valle et al., 2011**).

According to a PwC study of CEOs (2012), they are determined to be more planned and more strategic in the way their workforce is managed today. They also intend to plan better for their future talent needs as talent has become tremendously important. 79% of the CEOs said that the CHRO (Chief Human Resources Officer) or equivalent report to them directly. Data from an HR study by Centre for Effective Organizations suggested that spending more amount of time on strategy is closely associated with greater success for HR and also bigger organizational success. An HR leader typically distributes his/her time among different responsibilities / workplace activities as follows (**Boudreau, 2012**) - Auditing/controlling: 12.5%, Maintaining records: 13.6%, Developing HR systems and practices: 16.7%, Acting as a strategic business partner: 26.8% and Providing human-resources services: 30.4%.

One of the largest empirical research in HR analytics was conducted by Organizational Intelligence Institute and Drexel University which showed that, though most leading companies were building analytics capabilities and gaining competitive advantage, they still had a long way to go to become an influential strategic partner (**Falletta, 2013**). CIPD, in partnership with **Oracle (2013)**, identified three important dimensions for building capabilities in big data and analytics for HR and, though the debate was centered on technologies, techniques and talents, it was concluded that silos, skills and smarts, and suspicion and skepticism are the most important dimensions that define analytics capabilities of HR.

Majority of practitioners in the field of analytics believed that there is a shortage of talent, which impacted further adoption of analytics in organizations (**Lavastorm Analytics, 2013**). The main challenges identified in were lack of skills, lack of funding/resources, inadequate executive support and disparate data from different sources. Hota and Ghosh (2013) also mentioned the challenges of integration of data from different sources and its analysis as they opined that the bigger challenges for HR analytics are cultural and managerial and not related to data and technology. Data analytics need not necessarily involve complex technologies like AI and simulation; even simple spread sheets would do (**Foreman, 2013**).

HR Analytics helps organizations derive HR intelligence that can be used to drive organizational performance optimally (**Choudhury and Barman, 2016**). Despite the rapidly increasing popularity, the problem with HR analytics in Indian organizations is the missing strategic contextualization (Narsimhan, 2016). Analytical culture, availability of resources, top management support, data availability and a vision for using analytics were identified as essentials for acceptance of HR analytics in organizations (**George and Kamalanabhan, 2016**).

HR Analytics helps in HR optimization through a holistic understanding of organizational strategies, structure, processes, skills and performance measures (**Bhattacharya, 2017**). Using robust data and analytical capabilities that are more mature, HR can shape its business decisions better as it generates more effective workforce insights (**Deloitte, 2017**). Business performance by application of HR analytics can be improved by ending the disconnect between people and business strategies, eliminating poor data and training HR professionals in basic quantitative skills (**Martin for Visier, 2018**). HR profession lacks the skills and confidence to undertake advanced levels of people analytics according to a survey of 3852 business professionals that included 1288 HR



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professionals (CIPD and Workday, 2018). It is suggested that companies should develop a culture that encourages data-driven insights and improve employee experiences across the organization (Russo, 2018). The role of HR as a strategic tool has been growing because of deployment of new technologies and increased awareness of evidence-based HRM (Bose and Jose, 2018).

Organizations need to build the IT capability that allows migration of data from the inherited systems, implement HR analytics and move up the analytics maturity ladder (Nocker and Sena, 2019). Building the right team and the right processes, employing the right tools and investing from a long-term perspective, can help organizations effectively utilize the power of people analytics according to Neeraj Tandon of Willis Towers Watson (Ahmed, 2019). The availability of in-house expertise and the vendor’s value proposition, along with the approach of the top leadership and the HR function, impact the adoption of HR analytics, among other factors (Atchyutuni and Kumar, 2019).

ANALYTICS AND STRATEGY – THE VITAL LINK

HR function has always strived to be recognized as a strategic business partner in the organization. The routine time-consuming activities of the HR department, which are basically administrative in nature, have prevented the HR from focusing more on strategy. This has also prevented the HR leaders from contributing. More time in a strategic role also results in greater effectiveness and improved organizational performance. Organizations today are looking at bridging the gap between HR and other organizational functions. They are seeking the aid of HR Analytics to drive their strategy and expect to integrate it with the human capital (Lawler, Levenson & Boudreau, 2004). Irrespective of the function, organizations have placed their trust in the capability of data analytics to provide solutions to most or all their problems. However, the adoption and usage of analytics has not picked pace at the expected rate. The reasons have been many, as can be seen from the literature. HR needs to work on these issues and resolve them using a strong action plan for impactful analytics use.



Figure 1. Path to Effective Analytics

Traditionally, most data gathered and stacked up by HR departments has been to measure the performance of HR rather than its business impact. With data analytics, it would become possible to track the cause-effect relationship and do a more comprehensive analysis of the reasons behind the success or failure of an organizational process or initiative. For HR Analytics to become a potent strategic tool, HR needs to reorient itself and make some changes in its approach. Refer to Table 1 to understand the current challenges and what HR needs to do to make an impact. The points have been discussed in detail.

1. **HR should develop awareness** -The ingrained HR attitude prefers dealing with people based on intuition rather than on numbers. Therefore, HR traditionally did not believe in databased or evidence-based decisions. They continued to work as they did decades ago without gaining exposure to the new and capable technologies. HR is also infamously known to have limited knowledge of the business, the markets, and the competition. HR needs to build this knowledge and its reputation to be recognized as a strategic partner.
2. **HR should align its processes & metrics with those of the line functions** like operations and sales for an improved and inclusive role in the organization. This alignment makes it easier to capture the relevant data and then analyze it for measuring the impact of HR on the various organizational functions and thereby on business performance. HR should take care of assessing the functional impact of the numbers and the strategic interventions required to improve business performance.
3. **Focus on ‘impact of HR performance’**. Though there are some detractors, ROI does give an idea of the benefits being accrued to the organization by various processes and initiatives. Thus, the line functions and the top management too can be assured of the benefits being accrued to the organization by the HR functions and programs.

According to Gallup, high employee engagement can lead to up to a 20% rise in employee productivity and organizational profitability. Employee engagement levels can be measured on a regular basis using analytics tools like trackers, which help capture the information in a subtle manner. By performing the cost-benefit analysis, HR can convince the organizational leadership to trust and invest in HR analytics.

4. **Identify the performance areas that are critical to the organization’s business** and capture the data associated with them, for implementing analytics. Data must be relevant and reliable to render it useful. Data that is pertinent to critical performance areas and is reliable, can provide valuable insights to business. Analytics can help HR leaders create value in every process,



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starting with talent acquisition and leading up to talent retention. Choice of data sources and the metrics to be used is very important as organizations should know what to measure to assess the business performance effectively. HR traditionally uses the data collected and analyzed, to assess its past performance. The approach should be changed to be more futuristic and proactive by moving up the analytics ladder and adopting predictive analytics.

Table I – HR’s Action plan for effective analytics

| What is the current hindrance | What can HR do about it | What can be the impact |
|---|--|--|
| Lack of Awareness | Analyze the business requirements and the technology | Gain knowledge & confidence on both |
| Functions working in silos | Align and coordinate with other functions | Network and identify critical areas of performance |
| Return on Investment concerns of leadership | Conduct the cost-benefit analysis | Convince organizational leadership to invest |
| Unreliable data that is of no value | Build data management systems and move up the analytics ladder | Create value for business using reliable and relevant data |
| Employee data privacy issues | Build strong systems that are fool proof | Win employee trust |
| Lack technical and functional skills | Build the skill base | Strong HR branding |

- 5. Win the trust of employees** – Employees might have apprehensions about the safety of their personal data and their privacy being maintained. It is the responsibility of the top management to build a culture of trust in the organization. The employees should be given the confidence that their data is in safe hands and that it is being utilized for their own good. Investing in technologies and building strong systems that are fool-proof can convince the employees to trust HR with their data.
- 6. Develop skills and build a strong brand** - The HR fraternity feels that they are not equipped with the requisite technical skills to implement HR analytics. Analytics is multi-disciplinary in nature with a mix of technology, mathematical models, statistical analysis, algorithms and business principles. So, it is inevitable that experts from different streams contribute for the successful deployment of HR analytics. HR should overcome its apprehensions towards analytics and take the plunge with confidence.

CONCLUSION

HR should realize its immense potential as a value creator and a strategic contributor to business. HR should willingly take the small risks involved in adopting analytics to reap the big benefits involved. The HR fraternity should move out of its comfort zone, willing to take the plunge into the world of numbers and technology. HR should adopt a futuristic approach and move beyond mere analysis and reporting, towards predictive analytics. HR should rope in the services of experts from the fields of statistics, information systems and business to successfully implement analytics for a bigger role in the organization as a strategic partner.

IMPLICATIONS AND FUTURE SCOPE

Organizations have started gaining awareness and improving knowledge on application of analytics for improved business performance. While some of them have boldly taken the step of implementing analytics, some of them are still vary of the challenges involved and the returns. Research can help such organizations take the necessary steps to ensure smooth adoption of analytics for optimum effectiveness.

Study on organizations that have successfully adopted HR analytics and made a strategic impact on business can be a great contributor to research in the field of analytics. Research can also be taken up on medium and small companies implementing HR analytics, to establish the strategic advantages that have accrued to them owing to this initiative. This can also be extended to understand the practical hurdles faced by such companies.

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