**HR ANALYTICS: WHY IT MATTERS.**

**Introduction**

Human Resource Management (HRM) has been seen in the past as an administrative function where decisions were generally based on previous knowledge, emotions, or intuition. A survey done by The Economist Intelligence Unit (EIU) in the year 2014 also confirms that the decisions in all functions of an organization, whether in finance, marketing, sales or human resources (HR) are dependent on either their own intuition or experience or on the advice and experience of others internally, rather than on data and analysis. Despite having access to more information and analytical power than ever, many organizations still do not rely on either to create substantial choices. Nevertheless, the corporate world now recognizes the significance of talent-related information and is starting to fully adopt the information revolution in the field of human resource management. More and more organizations are becoming involved in analytics of the workforce as a way to better manage their human capital and shape future business strategy. The HR specialist are trying to develop the capacity to make vibrant choices as a consequence of fresh technology, worldwide markets, and quickly changing company requirements. HR analytics are given due importance in organizational decision making because it measures the turnover, the hiring costs of fresh staff and the efficiency of compensation programs in enhancing the efficiency of staff (Hussain & Murthy, 2013).

Globalization and changing dynamics are currently stepping up HR and line management challenges on how best to develop and deploy agile and highly qualified employees while retaining cost-effectiveness. Today's company challenges in the HR department and HRM system require more than just higher efficiency. Rather, they involve enhanced effectiveness obtained through a thorough knowledge of variables that drive the overall workplace performance. Organization, in order to maximize their return on human capital, must know the complicated relationship between staff levels, competence, compensation structures, the profile of the workers and other factors (Hussain & Murthy, 2013). To understand completely how the factors of workforce impact enterprise, a timely and integrated insight into the correct measures from all of the company's HR and operational systems is required (Hussain & Murthy, 2013)

Strategic planning for company units and consequently for human resources is becoming more complicated due to latest developments in data-driven analysis and the resulting improvements in the functioning of large data sets (Madhavi Lakshmi & Siva Pratap, 2016). Most company units have already embraced predictive analytics to guide their procedures of decision-making and strategic growth. Predictive analytics provides fresh opportunities relevant to all key human resource procedures such as an assessment of staff sentiment, talent acquisition, capacity planning, and risk management of attrition (Madhavi Lakshmi & Siva Pratap, 2016). Effective approaches to utilizing HR analytics and measuring their effect on organizational procedures will enable utilization of human resources more effectively. This measurement is achieved by concentrating on HR analytics growth and promoting HR metrics that satisfy the requirements of decision-makers in the organization.

HRM strategies are changing in terms of HR metrics and HR analytics being used in the organization for better decision making. These advances will help the organization balance the costs & benefits of decisions. Human resource analytics can assist organizations take up present strategic and operational data and turn it into an effective approach to addressing HR problems of tomorrow. HR analytics has become a significant instrument for achieving success; taking advantage of present data to anticipate future ROI as a source of strategic advantage (Bindu, 2016).

The current study is an attempt to give an overview of developments in HR analytics at present. This paper also briefs about the reasons for growing dependency on the HR analytics and its practical implementation in the business organizations.

**Literature Review**

A vast range of scholarly literature, acknowledging the potential effect of workforce strategy on organizational performance and proposing practical methods of measuring and managing HR assets, just like the finance function tracks returns on investment (ROI). Mark Huselid's (1995) research on high-performance HR systems provided proof that managing human resources could actually enhance operational efficiency and play a significant part in fulfilling the organizational strategy. A research by Brian Becker et al. (2001) helped put together these thoughts in the HR scorecard, highlighting how aligning HR operations with corporate strategy and activity improves organizational results. Professor of workforce analytics Mark Huselid (1995) claims that the competitive advantage of an organization is based on what he calls a differentiated workforce, which is the place that receives the most investment from its products and services, and creates the most value in their employment.

The issue of how to measure the costs and benefits of HR assets has also been given a lot of attention by academics. The reliability of this metric underpins the analysis of the HR analytics. However, the search for standardized HR measurement is still a work in progress, despite scholarly studies dating back several decades. To date, few organizations have been able to explicitly show the economic value of their human capital assets, quantify their future value, or evaluate their accurate effect on organizational performance.

**The Development and Implementation of HR Analytics**

Many of the findings were closely clustered, with few HR fields believed to have very high advantages or very limited advantages, on the other side. This again indicates that the field of HR analytics continues to evolve and that businesses are still at the experimental phase. “Attrition and retention are major areas of interest in many companies,” tells Mr Ferrar, an expert of HR analytics working in IBM Smarter Workforce. According to him “analytics is expanding to new areas, such as conducting risk analysis of labor relations, compensation optimization, social media analysis, recruitment analytics and corporate employee engagement” (quoted from SHRM Foundation, 2016).

Many organizations have already benefitted from the implementation of HR analytics especially in the retention front, thus increasing its early acceptability among the business organizations. Companies like McGraw Hill Financial and IBM are practicing these analytics successfully which enables them to predict instantly as to which employees are going to quit the job in the near future (SHRM Foundation, 2016). Using parameters like gender, age, department, education history, specialization and other relevant details, companies are trying to manage their workforce.

However, it may be too early to define any absolute trends in HR investment. A study conducted by Harvard Business Review Analytics Services and Visier in 2015 revealed that more than two out of three organizations had not yet assigned an HR budget for analytics solutions and software (SHRM Foundation, 2016). From the research a general conclusion can be drawn that only few companies who are advanced in thinking and implementation are allotting funds for HR investment. Increasing research by academicians and business practitioner in the field of HR analytics is giving confidence to the companies to gradually adopt this analytical tool and allocate funds in such investments.

**Role of Predictive Analytics in HR**

Predictive analytics is becoming a trend in human resources. Although there has been much talk about predictive analytics, not many human resource managers are applying it to their workforce. However, predictive analytics can be a significant benefit for HR departments. Predictive analytics is practically everywhere, and this technology learns from existing data to forecast individual behavior, making it very specific.

HR departments possess a large quantity of people data. If HR managers can rely more on data- driven and proven models and processes rather than soft science and gut feelings, it will become one of the more successful departments in any organization. Predictive analytics can bring several benefits to human resource departments and organizations when used consistently and in the right way. Few benefits can be retention of top talent, better HR decision-making, forecasting capacity and recruitment requirements within organization, boosting of productivity and HR performance, managing employee attrition and measuring loyalty, up skilling the workforce, and fostering deeper employee engagement and so on.

**Implementation of HR Analytics by Organizations**

Workforce analytics is a diversified set of data analytics applications to uncover distinctive ideas about individuals in organizations that make company decision-making quicker, more precise and more confident. The potential of these new capabilities to improve HR eﬀectiveness is bringing workforce analytics to the forefront of HR executives’ minds. The companies today especially IT industries are acknowledging the prominence of HR analytics professionals that helps in explosion of data and better ways of managing and analyzing it. For example, Infosys, Wipro, IBM, HCL have already implanted HR analytics practice for various purposes such as: identifying attrition risk, forecasting recruitment needs, selection and segmentation of employee profile and setting market benchmarking for mapping employees in the organization.

**❖Identifying Attrition Risk:**

The various predictive models can help in identifying the attrition risk score of high performers across multiple units. It can be done by using the various datasets like compensation, performance, market survey, demographic data, engagement scores of employees etc. Managers can find out the key reasons for attrition and can act to reduce the occurrence.

**❖Forecasting recruitment needs:**

Predicting resource requirement helps in effective resource utilization and in turn results in cost revenue balance. Future requirement can be analysed based on attrition rate, sales forecast, departmental growth prospects, project pipelines, current employees, seasonal need for a specific skillset, retirement data etc.

**❖Selection and Segmentation of Employee Profile:**

Use of Analytics leads to an effective talent management by segmentation & profiling. Employee data like location, department, and education can be combined with responsibilities to identify the specific set. This analysis can be used to identify the employees with specific skillset, training needs, program enrolment, diversity etc. Such Talent forecasting aids in the allocating the best fit resources as per the available opportunities

**❖Setting of Market Benchmarking for Mapping Employees:**

One of the primary causes of attrition is the incorrect mapping of Employee and their role thereby making it essential that employee is mapped to a position based on the skillset and past performance. A more effective employee-role mapping can be accomplished by correlating the employee variables with profile variables like education, experience, skills and performance. The analysis output helps HR managers to identify the suitable profile leading to higher productivity and customer satisfaction.

**The Future of HR Analytics**

HR analytics is a data-based approach to enhancing employees and organizational efficiency through better decision-making on the company side of individuals. HR analytics can definitely boost the credibility of the HR function by enhancing the effectiveness of HR policies and procedures and contributing to the competitive benefit of organizations developing it as a key competency. As such, HR experts are developing fresh talents and capacities to enable them to partner efficiently with HR analytics projects and to lead IT and finance. In addition, HR experts are addressing the issue of ethical dilemmas that come along the way.

Undoubtedly, learning the art and science of HR analytics requires more effort as it leads to an elevation of HR practitioners ' status by assisting them guide their organizations in discovering the intersection between more profitable and enlightened people's leadership and growth. Thus, practicing this endeavor would be a win - win for employers and staff, and eventually the community we live and operate in.

**Conclusion**

Companies across the globe are experiencing digital transformation affecting all business functions and HR is one among them. However, the application of HR analytics is in its initial phase and it is a great challenge for the organizations to incorporate it into their businesses. Although some organizations have already begun to use this tool, some are still lagging behind to implement it, but the trend is obvious that the application of workforce analytics is going to be essential for all organizations in the near future. Due to logical or cultural constraints the progress can be slowed down but it can’t be stalled outright in a world where data is abundantly available and accessible for advanced assessment. At this stage, HR has to be responsible for developing the abilities needed, recognizing organizational requirements, and learning how to effectively approach workforce analytics.

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