

HR Analytics – Importance and Challenges

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Abstract:

Businesses are growing rapidly in this gig economy. Businesses produce a tonne of data about their clients, rivals, suppliers, employees, etc. This data aids businesses in reaching new heights when handled appropriately and judiciously to get business insights. In recent decades, human resources have grown to be a significant asset and are now treated as a crucial corporate partner. Analytics may help HR professionals connect expertise to data and direct the company towards the right course of action. This conceptual research paper examines the benefits of the developing field of HR analytics and the challenges of the HR decision-making process that is driven by data.

Introduction:

Companies have started giving importance to the Human Resource function lately. With this realization, HR Professionals have started acting as Strategic partners and started contributing as key players and not just as a support function. The role of Human Resource Management has evolved drastically due to the digital revolution in the last few years. Today technology is not restricted to only helping in the right decision making, but with the right inclination, Human Resource managers can anchorage the technological concepts to provide a couth of Novus (Sharma et al., 2021). HR analytics is the process of reaching out to the best possible solutions based on all relevant data pertaining to Human Resource Processes in the organization. HR analytics is a tool to make evidence-based decisions specifically related to the people function of the organization(Ansho, 2021). Data helps to make better and more accurate insights. HR analytics is a proactive and systematic process for ethically gathering, analyzing, communicating, and using evidence-based HR research and analytical insights to help organizations achieve their strategic objectives(Falletta & Combs, 2021). HR analytics is an Evidence-based decision-making system that supports powerful decision-making with accuracy and logic. In simple words, HR analytics encourage the usage of technology in making well-informed decisions about the HR processes and procedures.

Best performing talent plays a vital role in the success of any organization. Talent Management which includes identifying, attracting, training & developing, and retaining the top talent is crucial for the growth of an organization. As experts(Al Ariss et al., 2014) describe talent management as the development and posting of employees or jobs who are critical to the success of the company – the exclusive approach or the strengths-based approach. The analytical approach plays a vital role in Talent Management. For example, Analytics can help in evaluating the hiring process using descriptive analytics, and using predictive models can prepare the right strategy to target the right candidates.

Importance of HR Analytics

To improve individual and organizational performance. Organizations can measure the efficiency of workforce activities and processes by overall organizational performance. Using analytics can help in putting forward valuable insights about the process and can help in evaluating the performance of an individual and organization as a whole. And as Peter Drucker said, “What gets measured, gets managed; what gets managed, executed.” The existing data and results help in getting better future decisions which in turn helps in improving better future decisions.

More precise and relevant decision making. Pursuing the data-driven analytical approach leads to added value to HR as a department (Zeidan & Itani, 2020). Intuition based decision making may not always lead to the right decision as it doesn't have supported information. For example, If an HR professional assumes, the organization will receive few resignations after announcing the salary increment. It is not accurate information. At the same time, if HR Professional evaluates the past attrition trends, analyze the reason for leaving, co-relates the information. It may provide more accurate attrition data.

To provide the best employee experience. HR professionals evaluate the information and data related to employee experience. As happy employees are more engaged and attached with the organization and engaged employees are more productive and stays with the organization for a longer period. HR professionals can evaluate attendance data, engagement metrics, productivity rates and satisfaction survey results to describe the greater sense of employee experience. This can help the organization in upgrading and updating policies related to compensation, benefits, leaves and attendance, learning and development. Employees should be shown through examples what benefits the usage of data can bring (Lanu & Study, 2020)

In nutshell, HR analytic can help to predict the future and guide organization and the decision makers to take right and appropriate actions for the future. As metioned above, it helps individual and organization to take the right decision at right time. The Figure 1(MOHAMMED, 2019), presents the a visual representation of how analytical based interventions can be used for predictive decision making about various parameters that are pivotal to organizational operations.

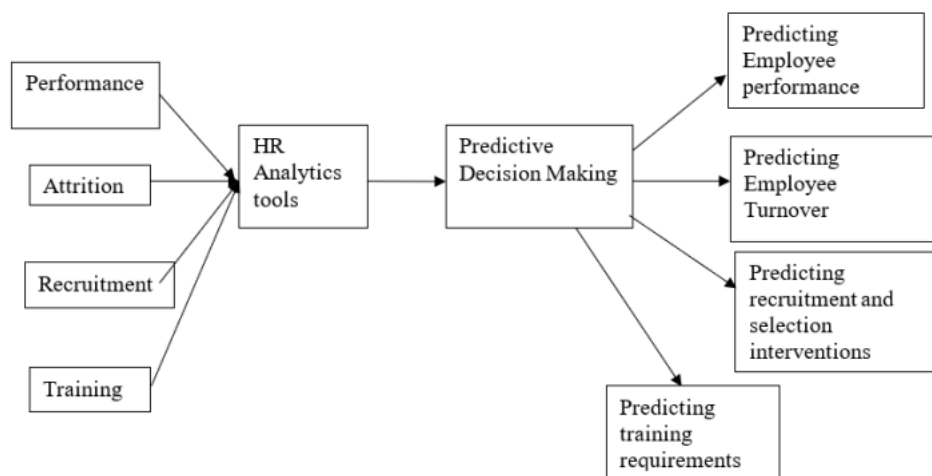


Figure 1 HR Analytics and Predictive Decision Making Model

Challenges in Implementation

Unavailability of skilled resources. HR analytics got its popularity in recent years only. Because of it, the availability of skilled resources is very limited as it needs technical skills related to different tools and programming. The professional must have expertise on HR activities, statistical analysis skills, and must have data interpretation capabilities. HR professionals need to develop the competencies for it. Besides developing data analytics capabilities, the HR departments also need to update themselves regarding the latest analytical methodologies (Yadav & Maheshwari, 2021).

Limited data availability. The base for implementing HR analytics is the availability of relevant and quality data. There may be reasons for the unavailability of data, like, HR personnel is not competent enough to create and maintain the employee related data or the company is not having HRMS software. The inconsistency of data formats and definitions across different systems can also pose challenges for HR analytics. The expert (Soundararajan & Singh, 2017) rightly quoted, there is nothing more damaging to an analytics team's reputation, especially at the early stage of building the analytical mind-set in HR, than poor data quality.

Lack of commitment from the management. HR analytics process attracts the investments like the qualified team, HRMS software, Business Intelligence tools, and technical support and so on. Unless the top management of an organization accepts in principle the need for HR analytics, Human resources cannot get it for their decision-making support (Bhattacharyya, 2017). If management is not keen and doesn't foresee the advantages of implementing HR analytics, an HR professional cannot move to evidence-based decision-making process.

Conclusion:

HR analytics can certainly enhance the credibility of the function and the profession by improving the effectiveness of HR policies and practices and contributing to the competitive advantage of organizations that develop it as a core competency (Bassi, 2012). HR analytics can provide the best employee experience by implementing data & evidence based decision making which ultimately support the individual and organization to improve the performance. There are three most important aspects of HR Analytics that have to be considered to ensure the effectiveness of HR Analytics, The raw data should be complete and accurate, the analyst should be well versed in using the right analytics models, and management should understand the future benefits of evidence based decision making system. If the data collection process has any breaches or data is not correct or incomplete, the result of analysis and analytics models will never be accurate. Implementing analytics require a strong visionary leader, with the right access to resources. Somehow, a change agent is required to a large extent (Zeidan & Itani, 2020). Also, the person who is using and implementing the Analytics models is not competent or logically weak, it may lead to irrelevant outcomes. The expert (Jain & Jain, 2020) has rightly said, It is evident that HR analytics is presently at an infancy stage however it is indeed a breakthrough in the field of evidence based decision making. Business leaders and senior HR leaders need to provide more weightage to the data driven decision making process in Human Resources processes which will be a big leap in making HR a real strategic partner in the organization.

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