

HR Analytics: Boon or Bane-From A Layman's Perspective

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Abstract:

The progress of every country is interdependent upon the growth of all three sectors: primary, secondary, and tertiary. The growth of these sectors is directly linked to the progress of the nation. Due to the dynamic and complex nature of the business environment, organizations are being forced to adapt to the changes by embracing technology.

In the current volatile business environment, technology has penetrated into every phase of human life and upended its functioning. Consequently, organizations are upgrading their businesses by harnessing technology. One such technology-driven decision-making practise in the workplace is HR analytics.

It is a buzz word and a recently emerged one, which expands the role of strategic human resource management rather than operational human resource management. The current paper is conceptual in nature as it discusses the various recent literature on HR analytics.

The literature reviews highlight the various definitions, characteristics, advantages, and disadvantages and have concluded that HR analytics will mostly serve as a boon for the growth of organizations by leaving a traceable number of negative impacts.

This study has implications for both practitioners and academicians. While the former can use it to implement HR analytics, the latter can use it as a foundational paper to understand the importance of HR analytics and teach it to the students.

Keywords:

HR, HR Analytics, Technology, Types of HR analytics, Boon or Bane, HR analytics in India.

1 Introduction:

Human resources are considered the most important resource in any organization as they are required for its long-term successful functioning. Organizations are utilising big data to address previously untapped opportunities as a result of the rapid growth of information technology. With departments moving toward a more technologically advanced HR department, this is not an exception for HR. The process of gathering and evaluating human resource data plays a significant part in understanding the contribution of human resources towards the development of the business (McCartney & Fu, 2022; Gohain & Saikia, 2021). In the current volatile business environment, numbers are thought to be the primary language of any business (Opatha, 2020). Data-driven information helps human resources to take effective decisions (Gohain & Saikia, 2021). Data analytics is currently becoming a contentious topic. The strategic goal of any organization is achieved mainly because of predictive data processing. Strategic decision-making in human resources is influenced by data (Wirges & Neyer, 2022). Talent analytics, people analytics, and workforce analytics are the few terms that are interchangeably used for Human Resource Analytics (HRA). HRA is an evidence based HRM concept that relies on big data. One of the main tools in the hands of HR towards a sustainable organization is HRA, as it equally balances the social, environmental, and economic factors from the short-term and long-term perspectives (Opatha, 2020). It has the possibility of adding positive value to the functions of the HR department and improving the effectiveness and efficiency of every associated aspect of it through logical and numerical explanations.

Additionally, HR departments now have the ability to gather, manage, and analyse vast amounts of employee data because to the enormous expansion of access to HR technology, including human resource information systems (HRISs), cloud platforms, and applications (Kim, Wang & Boon, 2021; Marler & Boudreau, 2017; Bondarouk & Brewster, 2016).

The adoption of HR analytics among HR departments has expanded as a result of this transition. For instance, Google's HR analytics team has created an evidence-based strategy to enhance its recruitment and selection process by identifying several components of high performance that could foretell a candidate's likelihood of success. This was done by using cutting-edge HR technology to collect and analyse candidate and employee data. Similar to this, HR analytics gives businesses the capacity to handle a variety of other HR issues, such as employee engagement, diversity and inclusion, and turnover (Harris, Craig & Light, 2011; Shrivastava, Nagdev & Rajesh, 2018)

2.Literature Review:

2.1 HR Analytics in India:

A communication tool known as HR Analytics gathers data about employees from a variety of sources, including surveys and records of their current conditions, to help with future prediction (Fitz-Enz & John, 2014). Predictive analytics and cloud-based data solutions have experienced tremendous growth in the retail, telecommunications, information technology, and healthcare sectors. India is currently one of the top 10 global markets for

big data analytics (NASSCOM, 2016). By 2025, India will account for 32% of the global market. Only 7% of Indian businesses use big data analytics to identify job-fit candidates, yet 90% of those businesses prefer data-based decisions to gut instincts, according to the TJ insite survey from timesjob.com across industries (times jobs, 2015). Predictive analytics may prove to be a "Game Changer" in the dynamic path of massive amounts of big data and escalating expansion and competitiveness among business partners (Forbes, 2018). The Indian IT industry has recognised the need of HR analytics in general for recruitment and selection tactics. More than 80% of these commercial organisations claimed to have a full-fledged analytical process and framework in place. India is the world's top destination for sourcing for the information technology (IT) industry with a market size of US\$ 124–130 billion and ten million employees (IBEF, 2017). IBM employed big data analytics for talent management and acquisition, whereas TCS used it to analyse the impact of talent management on overall business results. The majority of businesses only use analytics for headcount, payroll, and salary metrics; they do not use it for data that is integrated and related to organisational success (Higginbottom, 2014). In order to move forward, it is necessary to investigate the Indian IT sector's involvement in HR analytics, including its potential, challenges, and difficulties in using HR analytics, as well as the advantages it offers.

2.2 The Evolution of HR Analytics:

HR analytics evolved with the tireless and consistent efforts of Dr. Jac Fitz-Enz; many people consider him the father of HR metrics. Since 1978, he has been the one who has spread the idea of effective decision-making through metrics rather than subjective calls, which assists both organisations and employees in effectively carrying out their responsibilities. Since five years, there has been tremendous growth among academics and corporations in accepting and implementing the potential role of metrics in various HR domains. This is a positive signal that has manifold benefits for the organizations. Fitz-Enz has been campaigning tenaciously for three decades to advance HR measurement and to assist senior executives and HR professionals in comprehending its importance.

Creating definitions for fundamental HR KPIs, including pay, staffing, hiring, and retention, was the first step in these initiatives. This work created the framework for compiling similar data from several organisations, which made it possible to benchmark HR measures. The benchmarking of HR metrics has been developed over the years by a number of academicians and practitioners to take into account investments in employee training and development as well as a wide range of other HR policies and practises. Now it is possible to respond more quickly and reasonably accurately to questions that previously needed laborious, manual calculations. Examples include determining the characteristics of job prospects who are most likely to accept an offer, the likelihood **that** a particular employee would depart, and the qualities of high-performing employees. Although some linkage analysis has gotten simpler, others have remained difficult, particularly the analysis that pinpoints the factors that influence people's behaviour in the workplace.

This is partially a result of fundamental methodological problems; links are simpler to find in larger samples of individual employees than in smaller samples of the groups that are accountable for organisational outcomes. And some of the myths and constrictive viewpoints that have inhibited advancement are partly to blame. In conclusion, whereas it

has gotten far simpler to respond to inquiries regarding the factors that influence individual-level outcomes, there has been less advancement in responding to significant inquiries about the factors that influence organizational-level outcomes. Too frequently, suppliers attempt to fill this gap by mistaking the factors that affect individual success for those that affect organisational performance. According to a study that was conducted **by Bersin Deloitte**, only 17 **percent of HR** departments have utilised the HR analytics function. Although the number seems to be less attractive, it is a great sign that the companies are reacting to the proactive HR techniques that are available in the market.

2.4 Major Outcomes of HRA:

1. HRA can assist HR managers in masticating previously unnoticed data and navigating revolutions in strategic workforce planning.
2. HRA can transform transactional data into a powerful response model that can drive a variety of changes in workforce planning. The HRA increases the likelihood of employee withholding.
3. The insights created by HRA help employers to learn about their employees' strengths and weaknesses and help in finding out what blocks them from reaching their fullest potential.
4. From the perspective of employers, HRA identifies the beneficial compensation package that is worth spending on. It plays a vital role in ensuring optimum performance and productivity and reducing turnover rates and recruitment spending.
5. HRA is completely different from the conventional approach, and with the data analytical technique, human bias can be eliminated. It will enable employers to better understand what drives their employees' performance.
6. HRA enables intended change in the corporate culture, results in employee engagement, and improves employee development.
7. The financial outcomes of HRA result in improving production efficiency, product or service quality, and thereby attaining a competitive advantage.
8. HRA helps in practising evidence-based HR. No longer does it rely on the gut feeling of the HR professionals, but it is supported by evidence from internal data.
9. HRA software identifies skills and knowledge gaps in the current team. This means that HR doesn't need to recruit elsewhere; instead, they can look internally to fill talent and skill gaps. This ultimately reduces recruitment costs by utilising the current workforce, improves turnover rates, and builds a strong corporate culture.
10. With the safety incidental data, the company can prevent future workplace injuries and create a safer work environment for their employees.
11. HRA uses machine learning to spot patterns that the human eye easily misses. Patterns related to employee behaviour, performance, commute times, and recruitment source quality can be observed and reflected on.
12. Through continual insights, feedback, and analysis of results, organizations can be proactive in their approach rather than reactive. It helps them stay ahead, anticipate and prevent future problems.
13. HRA is becoming an indispensable tool for organizations to make better decisions. That's why every HR professional must have a good level of data literacy to help their organizations reap the benefits of HR analytics.

2.5 Types of HRA:

HR metrics and analytics are currently one of the trendiest developments in the industry. Knowledge performance indicators (KPIs) based on metrics are required as HR becomes more strategic, and business aligned. But without analytics, metrics are useless. It can be simpler for HR to advance and to argue for better HR data if they are aware of the many sorts of HR analytics.

By lowering the costs associated with inadequate labour planning, HR analytics can immediately benefit the firm. A high performing organization will be created using the proper type of analytics. There are three types of analytics namely: descriptive, predictive, and prescriptive. Each offers a unique viewpoint on the facts that pertains to your business. Both have advantages and disadvantages, yet they complement one another.

2.5.1 Descriptive Analytics:

Numbers are very important, but mere numbers cannot produce any desirable outcomes. Descriptive analytics is the most fundamental type of analytics, and any organisation is likely to use it in their day-to-day operations. Some of the examples of descriptive analytics are employee count, demographic details of the employees, details about their salary, turnover rates, etc.

The ultimate aim of descriptive analytics is to understand the past and justify its occurrence through the application of data. Simply put, it answers the question, "What happened? Netflix, an American subscription streaming service and production company, recently adopted descriptive analytics to understand the nature of customers and thereby enhance their financial performance.

2.5.2 Predictive Analytics:

The major difference between descriptive and predictive analytics is that the former takes a backward approach while the latter takes a forward approach. The ultimate aim of predictive analytics is to proactively understand the various needs of the organization. For example, predictive analytics helps the HR personnel to find out the person-organization fit and also helps them to know the retention level of the employees before they can be hired. Simply put, it answers the question, "What might happen in the near future? Some of the examples are using social networking platforms (facebook, linkedin, etc.) for making effective hiring decisions, to reduce employee turnover, reduce employee absenteeism, etc. Globally, It was observed that 52% of the companies employ predictive analytics in their business (MicroStrategy, 2020).

According to the research, 54 percent of firms cited skill shortages, and in 36 of 44 nations, it was harder for employers to find qualified talent than it was in 2018. Employers in the US (69%) reported the most severe shortages, followed by those in Mexico (52%), Italy (47%), and Spain (41%). Therefore, it is the need of the hour and a wakeup call to every business to embrace the analytics into HR domains especially recruitment to attract the best talent.

2.5.3 Prescriptive Analytics:

Emergen Research estimates that the global predictive and prescriptive analytics market has a market value of USD 10.47 billion in 2020 and is projected to grow to USD 64.58 billion in 2028 at a revenue CAGR of 25.4 % (<https://www.emergenresearch.com/blog/top-10-companies-in-the-world-offering-predictive-and-prescriptive-analytics-solutions>, accessed on 20.10.2022).

Prescriptive analytics gives businesses recommendations for accomplishing objectives like profit, customer satisfaction, and cost reductions. Prescriptive analytics systems use optimization technologies to address complex problems with millions of restrictions, tradeoffs, and decision factors. Companies from a variety of industries employ prescriptive analytics for a range of tasks, including tactical, operational, and strategic planning. Some of the companies namely Microsoft corporation, Oracle corporation, Pegasystems Inc, Tableau Software Inc, International business machines corporation and so on. Prescriptive analytics aims to address the question “What should be done to achieve?”.

3.HR Analytics- Boon:

According to Durham University Business school, 27 % of European firms have employees HR analytics for their organizational performance (<https://www.durham.ac.uk/news-events/latest-news/2022/07/27-of-european-companies-are-actively-using-hr-analytics-for-performance-manage/>, accessed on 20.10.2022). The researchers discovered that businesses that use HR analytics to track and manage employee performance are also the ones that heavily employ financial incentives. As a result, there seems to be a favourable correlation between the usage of HR analytics and the impact that financial incentives have on employee performance.

Additionally, the researchers found that larger organisations were more likely to invest in HR analytics for monitoring. Researchers also found that businesses that claim to compete in highly competitive marketplace are generally more likely to use HR analytics than businesses that work in a non-competitive environment. Also, it is evidenced that as an organization’s hierarchy rises, so does its use of HR analytics.

Monitoring HR analytics were also more common in businesses where teamwork was valued, such as those where employees worked in multiple teams. Businesses without managers were marginally less likely to use analytics than businesses with managers.

This study observed unequivocally that a significant determinant of whether or not companies employ HR analytics for performance management is their structural and managerial competence. But as businesses and the economy get more digitalized and big data becomes more accessible, using analytics is becoming more and more crucial as a way to efficiently manage and monitor the performance of their staff.

Finally, analytics makes it easier for practitioners and executives to learn how to use technical solutions that reduce a lot of guesswork and enable the development of people management (Qureshi & Sajjad, 2014).

To conclude, HR analytics can be a boon in various aspects of the business functioning as discussed above. It has innumerable benefits for the corporate world. It also witnesses some of the detrimental factors which would be discussed in the section titled “HR analytics- a bane”.

4.HR Analytics- A Bane:

Due to technological developments and the digitalization of business and management processes and operations, implementing HR analytics has become simple for all businesses. Researchers also observed that there are some organisational barriers to change and the adoption of new technology, as well as some legal restrictions that make it challenging for businesses to employ them. Employees and management at certain companies worry that these new technologies, which are seen as controlling, may have negative effects on employees' safety, health, and well-being. In spite of the promise of HR analytics to improve management fairness, there is still considerable resistance to change among employees.

Human resources are always associated with human variables, namely emotions, empathy, sympathy, and desire, etc., No technology or invention can supersede the role of human interaction. This can be lucidly explained by the below given scenario:

A brief phone chat with the applicant gives the recruiter a rudimentary understanding of his or her goals and areas of interest. It also helps to improve the company's reputation. The candidate learns about the job role, workplace culture, reporting hierarchies, etc. in the same way.

Although chatbots and robotic channels are useful inventions that aid recruiters and human resource professionals in streamlining operations so they can concentrate their time and efforts on other strategic initiatives, at the end of the day, we are dealing with human minds and a variety of characteristics that cannot be dealt with or authorised solely by a non-living entity or machine programme.

One of the major hurdles for the implementation of HR analytics is the skill gap. The required skills to do a task are the most important in any field of study (<https://www.aihr.com/blog/what-is-hr-analytics/>, accessed on 20.10.2022). It is evident that many budding organisations are battling to get skilful employees who can manage and implement analytics (Tomar & Gaur, 2020).

Moreover, only 10 % of senior executives have confidence in their companies' data. Adding to that, poor data quality is the major issue in implementing analytics in many organisations (AIHR, 2016). Most importantly, the dispersion of HR data across various HR systems serves as a potential threat to the implementation of HR analytics.

To conclude, monitoring and implementing HR analytics in any organisation is a herculean task with poor data quality. Therefore, there exist ample factors that serve as a bane for HR analytics implementation as discussed above. Organizations should come up with novel ideas to break the myths against HR analytics implementation and march towards efficiency without compromising ethical concerns.

5. Conclusion:

HR analytics has occupied the centre stage of the 21st century business environment. HR analytics should enable organisations to perform efficiently without compromising the ethical concerns associated with it. Accelerating analytics will bring maximum changes in the prevailing HR system that ensures organisational and employee performance.

According to a LinkedIn survey, the demand for specialised analytics professionals in HR has increased by 70% in the last five years in the Asia-Pacific region alone. HR analytics has recently become the most sought-after course among MBA graduates (<https://www.peoplesmatters.in/article/hr-analytics/analytics-has-moved-from-the-periphery-towards-the-centre-of-hr-david-green-22338>, accessed on 17.10.2022). As discussed above, it has numerous benefits as well as some grey areas that researchers and academicians should collaboratively address.

Organizations should contemplate whether they have a code of conduct for HR analytics. If the answer is yes, the follow up question is whether they are adhering to it. HR managers should also look into the available data for the implementation of HR analytics. The quality of data makes a huge difference among the competing organisations in the long run. Finally, the work environment is the key to the success of HR analytics. For the successful implementation of HR analytics, some environmental factors such as an efficient and skilled team for handling HR analytics, a conducive culture, effective technology, strong governance, and robust methodologies are required.

6. The Future of HR Analytics:

Making better decisions regarding the human resources department of the company can improve both individual and organisational performance. Although it is not the goal of analytics to establish the value of HR, by increasing the efficacy of HR policies and practises and boosting the competitive advantage of companies that develop it as a core competency, analytics can undoubtedly improve the credibility of the function and the profession. HR analytics also provide the added benefit of helping to identify areas where time, money, and resources are not having the desired effects, which lessens workload while enhancing HR performance.

As a result, HR units and professionals must learn new skills and capacities in order to collaborate and lead IT and finance on HR analytics efforts, or else run the danger of losing control of this increasingly crucial and strategic task. HR specialists will encounter moral conundrums along the way. Do this proactively by outlining the standards for choosing whether to use and when not to use HR analytics.

Undoubtedly, it takes work to become proficient in the art and science of HR analytics. But by assisting them in leading their companies to reach the sweet spot—the junction of more lucrative and enlightened management and the development of people—it can result in an improvement in the prestige of the profession and its practitioners. If this effort could be successfully completed, both businesses and employees would benefit, as well as the society in which we all live and work.

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