BUILDING BLOCKS OF A WINNING HR ANALYTICS STRATEGY

Abstract

Organizations, now more than ever before, need to leverage smarter strategies to win the battle for talent, contain costs, and increase overall profitability. This is compelling the human resources (HR) function to move from a reactive to proactive business model. Business executives are recognizing how outcomes like absenteeism, turnover, and productivity are inter-related and that HR analytics plays a central role in driving strategic business decisions.

Analytics is typically defined as 'the systematic computational analysis of data or statistics'. However, in the context of HR, analytics is both art and science. HR analytics goes beyond simple number crunching or statistical analysis of data. It requires the skill to recognize trends meaningful to the business and to accordingly make improvements or changes. HR analytics establishes a cohesive and actionable framework for analyzing data from multiple sources/business functions and providing actionable interventions.

There is growing interest in the use of HR analytics for creating a data-driven culture and strategy in the organization. This paper describes the key components of a model HR analytics strategy, touching on areas of strategy, expertise, infrastructure, and data management.

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Introduction

Finance and Marketing have adopted business intelligence tools such as data mining and statistics to make predictions and improve business performance. These tools were seldom applied to HR. Now there is an imminent shift in how HR data can be managed and translated into meaningful information to aid organizations in making data-driven and objective decisions.

A robust HR data analytics strategy is critical for HR leaders. Organization's worldwide want to know how their employees are coping with the Covid-19 pandemic and to make appropriate decisions to manage this time of great change and risk. Data analysis not just helps create new guidelines and processes but also serves as an important aide in the development of HR strategy to

shape the future of work.

The latest research from Frost and Sullivan predicts that the global big data analytics market will grow from US $14.85 billion in 2019 to US $68.09 billion by 2025 [1]. The future is going to be an era of analytics, where analyzing and understanding data will be a key success lever for organizations.

Key Components of a Model HR Analytics Strategy

HR leaders should formulate HR analytics strategies that address HR concerns and leverage HR data, business data, and external benchmarking data as necessary. A winning HR analytics strategy:

Aligns with company strategy

The HR analytics roadmap should be designed in line with the company strategy. Analytics should be used to ask the right questions to address the key organizational pain points, problems, and challenges around people management, costs, and capabilities. Analytics should also be used to determine the business and HR metrics that will move the company towards enhanced productivity.

Reliability can be demonstrated if the HR analytics solution can provide actionable insights and decision-making support that resonate with the key expectations of business stakeholders across functions.

Defines meaningful human capital metrics

Standardized metrics for human capital measures is the first step towards building HR analytics. With this, performance can be analyzed more precisely compared to using anecdotal commentaries. Metrics should be clear, practical and relevant to the business goals. Both backward-looking/lagging indicators such as efficiencies, process cycle times, costs, etc., and forward-looking/leading indicators such as leadership survey score, engagement survey score, readiness

rate, etc., can help the management act upon the information provided by the HR team. Following are some key elements to note:

- Take a user-centric approach – The design thinking process should follow business reality. Key interviews with all levels of staff right up to senior leaders will help unearth HR issues, wish-lists, and time-consuming tasks such as the top 5 to 10 activities that take up 80% of staff time. Through these interviews, key themes can be identified for the strategy such as using data to better understand, anticipate, and service employee queries and design better policies. It can also be leveraged to gain cross-functional data views and improve self-service options via dashboards and reports, which also serve as actionable insights.

- Choose the most appropriate metrics – Define objectives and prioritize capabilities based on the goals, i.e., strategic, value-adding, or operational. The identified objectives should be able to show direct impact on the business process and tangible improvements. For example, determine the best time to hire based on the metric of cost or improving HR service delivery using metrics such as effort spent, cost efficiencies, cycle time, and error rates.

- Design the metrics based on human and cultural aspects – It is critical to bring the human aspect into metrics. The language, culture, experiences, and perceptions of reality influence what we value. For example, diversity measures such as leadership or staffing breakdown by gender and ethnicity vary according

to countries and influence the scores of these metrics.

- Plan for use the metrics – The ultimate goal of metrics management is to build predictive analytics. Once the metrics to be monitored are chosen, it is important to have a plan in place to determine how the data will be used. The steps to collect this data can utilize other statistical techniques like quantitative methods, qualitative or case-study based methods, or a special task or research group.

Benchmark against industry trends

Being armed with credible and tangible benchmarking information enables HR leadership to justify any move towards defining HR metrics/KPIs, validate existing practices, and ensure continuous improvement where goals and targets are based on industry standards. Benchmarks refer to various dimensions such as region, industry, location, and employee size or growth rate.

Benchmarks can be used to view the broad trends across industries or regions. 'HCM capability maturity models' may also be useful to determine the overall HR process maturity level in areas such as talent management, HR strategy alignment, HR shared services, and HR enablers (policies, technology, reporting, analytics, and SLAs). It will also help design a roadmap to attain the highest maturity level. These benchmarks serve to assess the organization's capabilities relative to its industry. They also identify the investment gap required depending on the criticality of the HR focus area.

Provides a cross-functional view

HR analytics tends to be largely based on employee data – their performance, careers, and development – that reside within HR systems. A successful strategy must integrate the HR, customer, financial, and operational data in the organization. Meaningful conversations should be planned at the operating level among sales, finance, operations, IT, and HR to understand common issues, how these affect operations, and how they can be improved. Some of these datasets involve sales manager performance, sales attrition cost and impact, comparison of performance of multiple operation centers, and absenteeism of field customer service field technicians.

Forges a strong team of generalists and specialists

A strong data analytics team should combine knowledge and expertise from three disciplines, namely, HR experts, data experts, and consulting experts. Data experts include technical experts, statisticians, and IT system/infrastructure experts. Consulting experts are those who understand the business, consult with key stakeholders, and possess strong change management and human psychology skills.

A successful HR analytics strategy combines the statistical and IT skills of data experts and the acumen of HR experts with the knowledge of advisory and practical solutions by business/HR consulting experts. Such a team is well-equipped to devise an actionable plan of interventions to tackle HR/business issues based on quantifiable assessments. It offers the most appropriate solution or recommendations to help organizations improve their business performance in terms of operations, profitability, management, structure, and strategy.

Informs the decision of buy versus build technology

The decision to 'buy or build' technology is daunting for organizations as the chosen solution must integrate with the existing landscape. Before buying a best-of-breed analytics solution, organizations should determine whether the solution encompasses critical functionalities such as simulations, what-if analysis, usability/extensibility, integration capabilities, a unified user experience, data privacy, dashboards and scorecards, and full analytics coverage across process, social, behavioural, and cross-functional metrics.

Creating or building a custom data warehouse and BI tools is often considered as the best approach. Initiative on Data Lake & Refineries unify the HR data, ensure real-time data, enable mash-ups, connect other enterprise data sources on a common platform, and ensure timely availability and completeness of data for quick answers and decision-making. Before choosing the custom data warehouse tool, organizations should also evaluate the robustness of the overall enterprise data management strategy and existing BI capabilities. This includes factors such as platform infrastructure (networks, servers, and cloud), data stores (enterprise data warehouse and data marts), data integration, data mining (predictive, ad hoc, and real-time), and visual tools (dashboards, scorecards, mobile apps, and self-service portals).

Ensures data quality for accurate predictability

Data quality and integrity are the foundation for accurate reporting and analytics. While HR may own its data, it is not directly responsible for the management of data. Another challenge is that data sources are often managed by third parties or a different business function such as finance, sales, operations, etc. In some cases, data may reside in the

cloud system or on disparate on-premises systems. All these data sources should be connected and the data unified for easy access.

Delivers data-driven predictability

Metrics alone cannot help make effective decisions. Statistical and predictive analysis is an important step. To make sense of the data captured for analysis and to gain meaningful insights out of it, the HR analytics strategy should make the following provisions:

- All data variables needed for analysis must be available. Statisticians should determine the right techniques and obtain valid and actionable results.

- The data should be easy to consume through heat maps, charts, dashboards, benchmark goals, and detailed reports. These visualizations should reveal convincing messages and offer reliable predictions.

- Data analytics concepts must be applied from CRM tools such as social monitoring and sentiment analysis. Data should be mined from HR helpdesk, social forums, and internal social network to improve policies.

Apart from the above components, organizations should also drive awareness into HR analytics. They must popularize and constantly improvise analytics through various initiatives such as video-based trainings, publicize data and insights through organization-wide forums, and conduct user surveys on the user-friendliness of dashboards/UI.

An HR analytics strategy that combines all of the above can power a data-driven organizational culture. However, all HR decisions cannot be machine-driven. As Adeyemi Ajao, Vice President of Technology Products, Workday, puts it: "Analytics are a tool to drive better business outcomes with HR at the core of those decisions. Analytics augment human judgment and intuition – they don't replace it" [2].

Conclusion

HR data analytics has to be a continuous process. It must keep pace with advances in new technologies, focus on business goals to meet changing demands in today's dynamic economic scenario, constantly work to connect high-value data across sales, variable compensation, CRM, benefits, payroll, etc., and be tuned for refinement.
A model HR analytics strategy must enhance decision-making by enabling cross-functional views, data quality and integrity. It should also leverage multi-skilled teams, industry benchmarks, and human capital-based KPIs to help organizations become agile and identify opportunities for improvement and growth.

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