

Harnessing Knowledge Through HR Analytics: Strategic Alignment, Performance And Competitiveness

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Abstract

'*Knowledge is power*', the quote very well suits in the context of present knowledge intensive era where all the core business functions related to prominent operational arenas depends on how effectively knowledge practices are being managed and utilized? Present study deals with this research question and aims to explore the linkages of HR strategic alignment, performance and competitiveness through HR analytics in the context of present highly knowledge intensive organizations. Existing literature has been extracted through web sources/online databases and reviewed using systematic review method to substantiate the aforesaid linkages. Further, research findings, managerial and practical implications were discussed for the purpose of accelerating growth and sustained competitive capabilities in organizational development. Future research areas have been discussed in the later section of the study.

Keywords: HR analytics, HR Measurement, Competitiveness, Performance, HR metrics

Introduction

The term '*Human Capital*' and '*Human Asset*' has been coined for present millennial and dynamic workforce due to their key role and importance in various levels of organizational pyramid. Organizational are continuously striving to derive value from the job roles assigned to their employee in the terms of their performance and contribution so that maximum return can be achieved on investment made for developing and nurturing the human resources. There is a need to continuously develop and innovate human resource practices to remain competitive in the industry and align individual goals with the organizational goals as well. The synchronization of human resources and HR practices for organizational development is pivotal. The major challenge lies in quantifying and to assess the exact extent to which these practices are contributing in achieving organizational objectives. Past research (Schuler and MacMillan, 1984; Jayaram, Droge and Vickery, 1999; Noe, Hollenbeck, Gerhart and Wright, 2006; Andreeva and Kianto, 2012) explored that the outcome of HR measurement can be important towards retaining employees and enhancing organizational performance. At present, every business must seek to improve the quality of its workforce. To get the best human resource, an efficient and well planned strategy is required at the workplace. Hence, measuring HR dimensions is crucial to know the value organization is receiving from human resources as well as to bridge the gap between expected and actual outcomes, if any. In present

context, the key driver of change in organizations is 'knowledge revolution', a new way to exchange information more efficiently and to larger audiences than ever before. Today, HR professional has to respond to the increased competition for globally digitalized transformation and rapid advances in HR technology. It offers an opportunity for HR professionals to play a key role in building the organization's capability in the face of ongoing change. Indeed, HR has the potential to build organizational capabilities, such as the ability to innovate, improve customer relationships, move swiftly to market changes, which will lead to sustainable value. For the HR function, this is the most challenging opportunity, trying to manage the complexities of change and transformation. HR today, is playing a lead role along with business functions in creating the necessary momentum and internal capabilities for organizations. According to Indermun et al. (2014), the responsibility of HR manager is nowadays evolving with the change in the competitive market environment and the realization that human resource management (HRM) must play a more strategic function in the success of an organization. But in order to do so, HR has had to embark on a journey of self-reinvention which can be done using HR analytics as a tool. This paper aims to bridge the previous research gap by exploring the linkages of strategic alignment, performance and competitiveness through HR analytics. Significance of managing knowledge has also been discussed for maximum utilization and benefit of HR measurement in the context of business and HR functions particularly.

The key objectives of this study are:

- To study the role of HR analytics for enhancing organizational performance
- To explore the linkage of strategic alignment, performance and competitiveness for HR outcomes

The second section of the study reviews existing literature on role of knowledge practices, HR analytics, benefits, metrics and how it contributes to enhance performance and competitiveness. Third section presents the methodology used to extract and review the relevant literature on the proposed linkages. Fourth section depicts the study findings and subsequently a discussion with theoretical and practical implications has been presented. Further, limitations and future research suggestion has been discussed.

Literature Review

Knowledge: Value and Outcomes using HR Analytics

Society is changing and is becoming techno-oriented where knowledge and information are essential. In general terms, ideas, processes, knowledge and information are growing share of trade in the knowledge economy (Nomani and Rahman, 2011). Several researchers (Kluge, Stein and Licht, 2001; Edler, 2003; Andreeva and Kianto; 2012) found a positive relationship between managing knowledge, organizational performance and sustainable development. Regardless of industry or market, organizations must embrace measurement approaches in order to sustain their businesses and keep pace with rapid innovation.

The reason why organizations are investing in HR metrics and analytics are:

- **HR Measurement**

“What gets measured, gets managed; what get managed, gets executed”. Peter Drucker

Measurement of HR practices is crucial for knowing the outcome of ongoing activities in organization. How successful the organizations are in facilitating training to the employees, developing their skills, recruiting the right candidate and aligning their personal goals with the organizational goals? It also offers an insight to the outcome organization is receiving as return on investment (ROI) by facilitating congruent culture and benefits to the employees.

- **Return on Investment:**

“The business demands on HR are increasingly going to be on analysis just because people are so expensive”.

- David Foster

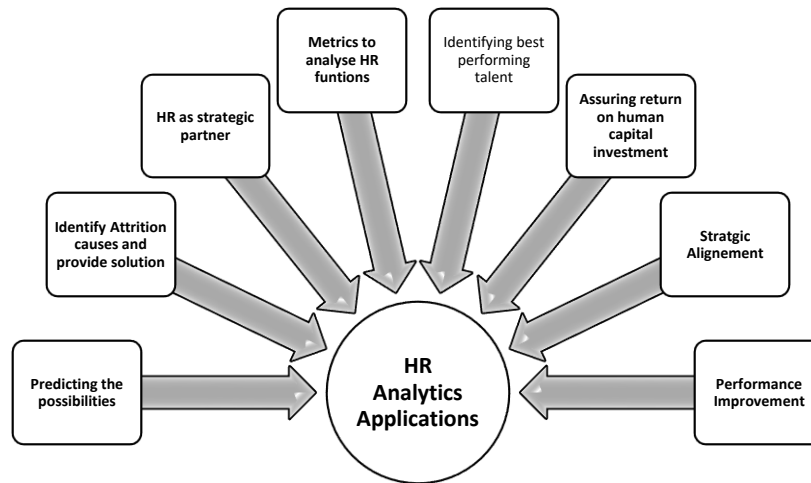
It is important to measure what organizations are getting in return to what they are offering their employees for facilitating their job role as well as nurturing their skill for the overall development. Knowing ROI is important to formulate further strategies for business improvement, employee satisfaction and achieving the present goals. HR analytics provides measures to analyze the HR functions outcome by assessing the core business practices through various available tools.

- **Strategic Alignment:**

“To clearly demonstrate the interaction of business objectives and workforce strategies to determine a full picture of likely outcomes”.

HR Dashboards- SAP

Most of the organizational effort fails due to lack of proper synchronization between organizational and individual goals. Organizational development is most likely to occur in the presence of proper alignment between the above connecting links. People will contribute more to organizational outcomes if they assured toward fulfillment of their personal goals by doing so vice versa for the organizations also which cannot formulate more employee oriented policies and will lack development in absence of employee contribution. Therefore, there is a complementary relationship between the individual and organizational goals which needs to be properly aligned to each other.

Figure 1: HR Analytics Applications

Source: Author

- **Performance improvement:**

“Global organizations with workforce analytics and planning outperforms all other organizations by 30 percent more sales per employee”.

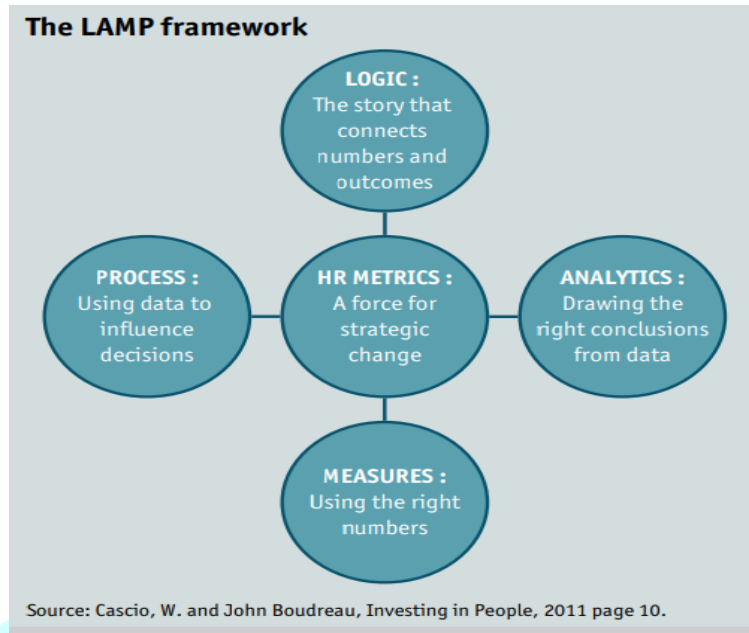
- Cedar Crestone

It is imperative for enhancing the organizational performance to apply appropriate tools and techniques for HR measurement and to ensure the application of accurate results for organizational decision making. Any HR analytics tool does not guarantee for accurate outcome it depends only on the quality of input data and information about organizational functions. HR analytics offer appropriate tools to facilitates measurement of various dimensions related to human resource domain. The key application of HR analytics has been depicted below (*see Figure 1*).

Tools and metrics of HR analytics can be applied to manage all the key functions of HR including recruitment, selection, performance appraisal, career planning, training and development, succession planning and compensation policy formulation etc.

Strategic Alignment with HR functions

Cascio and Boudreau (2011) in their work, *‘Investing in People’* mentioned The LAMP framework which depicts the linkages of HR metrics with Logic, Analytics, Measures and Process (LAMP) and integrated the key indicators as an integrated framework (*See Figure 2*).

Figure 2: The LAMP Framework

This framework describes the uses of HR metrics as a driving force for strategic change which includes logic to establish connection among the factors, process to analyze, analytical tools to draw conclusion and finally measure the outcome to predict the future trends or possibilities for planning and implementing the policies. **Table 1** shows the assessment areas pertaining to HR domain and key metrics employed to assess the performance outcomes using HR analytics.

<i>Assessment Areas</i>	<i>Key Metrics</i>	<i>Referred by Author (s)</i>
Recruitment and selection	No. of vacancies, Internal recruitment, external recruitment, total no. of employees recruited, permanent jobs, temporary positions, Interviewed External hire rate (executive, management, other) Cost per hire breakdown (advertising, agency, referral bonus, travel, relocation, internal)	Aldrich (2008), Bassi (2011), Bassi and McMurrer (2005), Boudreau and Jesuthasan (2011), Center for Talent Reporting (2016), CIPD (2011), Deutsche Bank (2013), FitzEnz (2002),
Retention and separation	Staff turnover (compared with market benchmark) Turnover of high-performers Length of service/tenure breakdown Average length of service (by region/division).	Bassi and McMurrer (2005), Center for Talent Reporting (2016), CIPD (2011), Creelman (2007), Deutsche Bank (2013), Douthit and Mondore (2014),

Human Capital	Turnover rate, revenue per FTE, HR-expense-to-operating-expense ratio, HR-to-employee ratio, succession plan, direct reports	Likierman (2005, 2007), Lim et al (2010), Meredith et al (2005), Rasmussen and Ulrich (2015), Stiles and Kulvisaechana (2003)
Employee Benefit	Telecommuting, wellness program, paid time off for volunteering, domestic partner benefits, educational assistance, vacation, sick, personal, parental and bereavement leave, holidays, sabbatical	Huus (2015), Lawler et al (2004), Meredith et al (2005), Mouritsen et al (2004),
Healthcare	Monthly premiums, stop loss coverage, employee participation rate, number of plans offered, deductible and co-pay amounts.	Edwards and Edwards (2016), Fitz-Enz (2002), Holbeche (2014), HRMA (2014), Huus (2015), Lawler et al (2004),
Talent Acquisition	Time-to-fill, cost-per-hire, tools to source candidates, requisitions per recruiter, selection assessment techniques, quality of hire.	Center for Talent Reporting (2016), CIPD (2011), Hoffman et al (2012), LengnickHall and Lengnick Hall (2003), Mouritsen et al (2004), Ulrich and Smallwood (2004)
Learning and development (L&D)	Annual training hours per employee Spend per employee on L&D Percentage of employees with a development plan, Per capita annual cost of training programs	Algorta and Zeballos (2011), Bassi and McMurrer (2005),
Remuneration	Remuneration costs Labour costs Labour costs per FTE Labour cost as percentage of revenue Labour cost as percentage of operating costs Benefits as percentage of total compensation.	Holbeche (2014), HRMA (2014), Boudreau and Jesuthasan (2011),
Performance/capability management	Performance distribution, Average time to promotion, Total promotions/total transfers Competency levels (including	O'Donnell et al (2009), Royal and O'Donnell (2008), Stiles and Kulvisaechana (2003)

	speed) Skills inventory New-hire performance.	
Workforce planning and optimization	Innovation skills, Staff Overtime hours per headcount Maximization and utilization of staff capacity Number or percentage of full time, contract or temporary staff Workforce stability	Huus (2015), Lawler (2009), Lim et al (2010), O'Donnell et al (2009)
Knowledge management (KM)	Evidence of collaboration, sharing of impactful ideas, Extent of interpersonal knowledge sharing, knowledge creation, New patents per employee, Quantity of innovative ideas Number of employees on job rotation	Bassi and McMurrer (2005), Fitz-Enz (2002), Hoffman et al (2012), Mouritsen et al (2004),
Source: Author (Based on CIPD report, 2018)		

Competitiveness and Performance

The quality of human resources in an organization depends on the success in procurement, training and development process largely. Burma (2014) emphasizes the importance of a talented workforce as “*in an era of competition the growth of any organization is proportional to the growth of its talent.*” Retaining and managing good employee is as important as selection and recruitment to support them to give of their best. Therefore, consistent reward system is interrelated to objective, defined and consistent performance appraisal systems. In order to stay competitive, organizations are repeatedly searching for ways to make quicker and more accurate decisions. in any organization with top and middle management, and the ways through which the HR strategy is linked with the organizational strategy (Ulrich, 1997). Organizations make efforts to align the goals through the perspective of strategic human resource management for organizational as well as individual benefit in the long term.

Research Methodology

Previous studies on HR analytics, strategic alignment, performance and competitiveness have been reviewed and an in-depth analysis of literature related to study constructs has been conducted following the procedure of systematic review. An information search was made on e-databases with the purpose of accessing study content related to study. The key words used for this search were ‘knowledge applications’, ‘HR measurement & analytics’, ‘strategic alignment’, ‘Performance outcomes’ and ‘organizational competitiveness’.

Articles and other study material were downloaded and sorted on the basis of well specified

subject i.e. role of HR analytics in enhancing organizational performance, benefits of measuring HR, Strategic alignment and competitiveness of business organizations.

Articles were classified into three categories, i.e. literature emphasizing linkages among:

- a) Significance of HR measurement for organizations,
- b) Managing knowledge for harnessing capabilities,
- c) Strategic alignment and competitiveness

Research and conceptual studies particularly related to HR measurement and its role in enhancing organizational performance were preferred. For emphasizing the concept, studies having “HR metrics”, “strategic alignment” and “competitiveness” keywords in the title and/or abstract have been taken.

Findings and Discussion

This study offers manifold benefits to the practitioners and attempts to present the conceptual delineation using review of existing literature to substantiate the proposed linkages. First, this study conceptualizes that the role of HR analytics is pivotal for enhancing organizational performance. Without measurement, HR outcomes cannot be assessed by HR personnel in organizations. The study emphasizes towards the best fit between HR strategic alignment, organizational performance and overall competitiveness by relating it to applications of appropriate HR tools in the HR domain as per the requirement and specification. The applications and analysis therefore, need an expertise to differentiate between the relevancy and validation of available metrics and HR tools for various HR functions.

At present numerous HR analytics tools such as Zoho people, IBM Kenexa, TrenData people analytics, Oracle HR analytics, PeopleInsight, Crunchr, Aurion analytics, Advance systems, Talentsoft analytics and BambooHR etc. are available with customized features to facilitate the benefits of HR analytics application. At present, emerging trends pertaining to the application of HR Analytics are listed here:

- Top managers push to use HR related data to solve critical business issues
- Availability and uses of HR software to facilitate and create insights into HR data
- Increased regulatory requirements and crisis management along with time constraints
- Better management of invested cost and returns for HR in volatile business context

These are the key approaches to consider for managing and reaping benefit of effective HR analytics optimization for the human resources as well as organizations.

Implications and Suggestions

The study offers insight in to the concept of HR analytics by linking it with organizational performance and competitiveness. Findings of the study might be helpful for HR practitioners to review the predictors and consequences of HR metrics applications before policy execution and also help to put a check on relevancy and

validation of input data related to HR for the better analytics outcomes. The simplest and most effective way to integrate workforce analytics with organizational objectives is to engage the business leadership in the design and assessment of the work being done. Alternatively, practitioners should make proper use of outcomes such as identify high potential talent and prevent high performers from leaving organization. Further research in this area can be extended by including the aspects of employee performance and business innovation performance.

Conclusion

Human resources are the assets for an organization which require proper attention to be managed and developed. On the other hand, significance of managing knowledge including explicit and tacit orientations cannot be ignored by business managers at any point of time; for the better outcomes and achievement of organizational goals. This study concludes with the insights that there is positive relationship between HR strategic alignment of individual and organizational goals with organizational performance which further leads to enhance long run business competitiveness using knowledge intensive environment as an enabling force for employing HR analytics and metrics.

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