HR METRICS AND THEIR IMPACT ON BUSINESS

Abstract   Human resource information systems and analytics have transformed the delivery of HR services and the role of HR within organizations. HR analytics processes the raw data and then tries to point out the various troubled metrics of HR and highlights the critical area to work upon which helps in making important strategic decisions for the top management. For organizations to have a competitive edge, aligning core business objectives with Human capital strategy is a need of the hour. This study analyses the different types of HR metrics that can be used to measure the health of the organization.

Keywords : HR Metrics Talent Acquisition, employee engagement, employee turnover

Introduction

Human Resource (HR) metrics are dimensions used to regulate the value and usefulness of HR programmes, typically surrounding such areas as turnover, training, return on human capital, costs of labor, and expenses per employee. HR's challenge is to stipulate business leaders with data that helps them make judgments about investments, marketing strategies and new products. HR metrics are a crucial way to quantify the cost and the impress of employee programs and HR processes and calculate the success or dissatisfaction of HR creativities. It is how organizations determines the value of the time and money spent on HR initiatives in their organization.

Measuring HR enhances value by descriptive evidence obligatory to make good choices about talent. Metrics report present, ongoing and year-over-year numbers for common areas of HR such as turnover, employee engagement and functioning, and many organizations base enticements on management's performance to HR metrics. HR metrics that are associated with corporate and business strategy add value and drive organizational usefulness.

Types of HR Metrics

Metrics can be used in diverse functions of Human Resource like talent acquisition, learning and development, retention, commitment, etc. HR metrics can also be related to revenue and software. Some of such metrics are-

Talent Acquisition

1. Time to Fill

It is the average time it takes for the HR to fill a specific situation. It can also be distinct as the total number of days an open job goes empty. The normal Time to Fill is intended by taking the total days the locations are open and dividing them by the number of positions filled.

Average Time to Fill = Total Number of Days of Open Jobs / Total Number of Jobs Open

2. Offer Acceptance Rate

 It is the ratio of applicants who receive proposals and Take. This recruitment metric tracks just how many of the proposals you prolong to candidates are accepted.

Offer acceptance rates rarely hit 100%. Offer Acceptance Rate (%) = (Number of Acceptances / Number of Offers) x 100

3. Cost Per Hire - It is the regular cost gained with a new hire. The cost per hire recruitment metric adds up all the expenditures that go towards engagement a new employee. Cost per hire is a great way to quantity the economic value of your recruitment resources. This metric can help find and eradicate unnecessary costs, or move possessions in more efficient ways.

Cost per Hire = [Total External Costs] + [Total Internal Costs] / Total Number of Hires

4. Rate of Absenteeism- Unscheduled absence rate is a key HR metrics to measure absenteeism. It tracks the percentage of workers who are absent during a given period.

> Absenteeism Rate = (total no of unauthorized leave X 100) / (avg. no of employees X no of workdays) Other HR Metrics under talent acquisition include Cost of absenteeism, Turnover Rate, Employee Productivity Index, etc.

Uses of HR Metrics

There is a important discrepancy between HR metrics and workforce analytics. Metrics are data (numbers) that reflect some descriptive detail about given processes or outcomes, for example, achievement in recruiting new employees. The analytics that an organization needs, differ on the problems and chances that its managers. This path precedent to the metrics that the organization needs in order to calculate these analyses. A number of crucial HR activities fall within HR metrics and workforce analytics. Several of the most common are described briefly below-

1. **Dashboards Dashboards**

are an higher element of reporting. Dashboards reflect efforts to align real-time analysis of organizational and HR processes as well as an increased capacity to aggregate organizational data. Dashboards also contain business unit analysis that permit managers to examine metrics on several levels within the organization.

2. Benchmarking

HR Benchmarking is a method of accumulating data on many aspects of HRM systems from either highly competitive firms or large numbers of firms worldwide, using the data to measure the growth of your own firm, and thereby recognises areas that need upgradation. Benchmarking can be done by taking into account many aspects like employee productivity, employee attitudes, and

goals that are met to measure employee skills.

3. Data Mining

Data mining refers to attempts to identify arrangements that exist within data and that may identify unrecognized causal dealings that can be used to enrich decision making. To identify these causal process, data mining uses correlation and multiple regression methods to identify patterns of relationships in extremely large datasets. For e.g., identification of a correlation between employee job satisfaction and employee turnover.

4. Predictive Analysis

Predictive analysis is the objective of many metrics and analytics efforts. Predictive analysis includes efforts to develop models of organizational systems that can be used to predict future outcomes and understand the consequences of hypothetical changes in organizations. For e.g. if an organization discovered a correlation between employee job satisfaction and turnover, HR could use this data to suggest modifications to the employees' work situation or their benefits.

HR Metrics and its Impact

Metrics are a fundamental part of HR Analytics. It offers useful input for strategic decision making. These key HR metrics provide an outline of HR effectiveness and efficiency and can be used as Key Performance Indicators (KPIs). Some of these HR metrics and their impact on the company or organization are given below-

Table 1

HR Metric	Description	Impact on the Organization
Absenteeism Rate	Measures absenteeism	On Production
Cost per Hire	Cost involve with a new Hire	productivity
Time to fill	Measures the efficiency is your hiring process	productivity
Retention rate per Manager	Identifies ineffective managers	productivity
Employee Happiness	Employee's level of satisfaction and happiness	productivity

Percentage of Employee Trained	The number of employees receiving training as a percentage of total employee headcount	Increasing Efficiency
Training Expense Per Employee	Measures the development costs.	Productivity
Turn Over Rate (Annual)	This measures the rate for which employees leave a company	Cost of Hiring

HR Metrics and Workforce Analysis

Workforce analysis is a process through which organizations review staffing data and trends to determine their current and future hiring needs, allowing them to prepare a better succession plan. HR Metrics and Workforce analysis is a useful strategic tool for HR which shares information and evidences about the functioning of the entire system by relying on facts and figures. Such analysis can inform managers about the current or changing state of human capital in an organization in ways that impact thein decisions. Interest in mining human capital data has been on the rise since the implementation of integrated HRIS and digitized HRM process. When it comes to human resources and HR organizations, Big Data helps make decisions that affect recruiting, creating bigger benefits for the company.

Data can actually make a big difference if used wisely. However, not all HR departments can do so, with many still trying to learn what can they do with this massive amount of data, how they can process and interpret it.

While it might seem challenging, learning how to manage Big Data is crucial for any HR department that wants to develop and advance. By learning the latest Big Data trends, HR

organizations can leverage them in the market. They can also learn how to better distribute their resources and find employees with better skill sets. Big Data also has an effect on existing staff. For example, by learning what increases and decreases productivity, work processes can be adjusted. The main purpose of HR Metrics and workforce analysis is to link HR objectives to strategic business activities. It enables the accessibility of information for proper managerial decision. The development of useful and effective workforce analytics is likely to be viewed in the future as a significant source of competitive advantage.

Scope of the project

This study analyses the different types of HR metrics that can be used to measure the health of the organization. These HR Metrics are used by the management to take important decisions to reduce the impact of bad practices on the company. Because of the fact that HR metrics quantify results, it becomes easy for management to see how much of an impact HR has made towards business success.

HR metrics are important for organizations in following ways:

- Clearly highlight the contribution of HR as a function towards achievement of organizations Vision & Mission.
- Indicate by how much and in what way an organizations workforce is adding value to it
- Which areas of HR the organization should focus on in different situations Alignment of HR strategy with the overall organizational strategy
- Act as motivational tool for employees by ensuring fair performance appraisals, increment in pay in sync with performance etc.

Review of Literature

Nita Chhinzer and Gurdeep Ghatehorde (2009), in their study 'Challenging Relationships: HR Metrics and Organizational Financial Performance', try to analyze the relationship between HR metrics (e.g. headcount, salaries, recruitment) and organizational financial performance (e.g. revenue, costs, profit). It highlights the main obstacles in the interpretation and use of HR metrics linking to the organizational financial performance and gives recommendations for the same. The obstacles in developing such link between HR metrics and OFP are reviewed. The study recommends that prior to changing human resources as a reaction to poor financial performance, corporations should look to other measures such as business strategy, operations, or customer demand and develop an action plan accordingly. Therefore, organizations assuming a change in HR metrics will change the financial performance of the company.

The Deloitte report on 'Enabling business results with HR "Measures that matter"' study highlights how the HR function in successful companies has moved from administrative and transactional to operational and strategic function. The HR metrics that are vital to support broader business goals, objectives, and decisions are to be measured are analyzed. HR employees are

increasingly having more and more analytical skills to the job than ever before. The report highlights that HR function now has the analytical competencies which are used for measuring key HR Metrics. The Key metrics measured through data analytics are Customer metrics, Process Metrics, Talent Metrics and Financial Metrics. Customer Metrics quantifies customer satisfaction, Process Metrics measure the output and efficiency of HR processes, Talent Metrics help to identify competency gaps in a company's workforce and Financial Metrics quantify the cost and impact of HR processes and programs and include information such as the cost of turnover, training spend per employee, return on investment of an HR initiative, and the realization of business case savings from an HR Transformation project. The report analyses how the use of HR Metrics and associated analytics use HR Function from Transition from conventional personnel department to operational HR, then to integrated talent management and finally to highly impact HR.

S A Hussain, Dr. O Narayana Murthy (2013) in their research paper 'HR Metrics: A Benchmarking Towards Excellency', have explained HR metrics as a vital way to quantify the cost of HR and the impact of employee programs and HR processes and measure the success or failure of HR initiatives. They enable a company to track year-to-year trends and changes in these critical variables. It is how organizations measure the value of the time and money spent on HR activities in their organizations. Metrics provide a number of factors that can be measured to show how HR contributes to the business. Some important Measures such as absence rate, health cost per employee, and HR expense factors show that HR has a sense of the importance of human capital measurement in supporting our business objectives.

Methodology

Objectives and design

- ✓ To find the different types of HR Metrics
- ✓   To find the impact of HR Metrics on business productivity and efficiency.

Data Collection

 For this project, data and information have been derived from Secondary Sources. The secondary data for this report is collected from websites, published articles from various journals and books, literature and study papers, etc. No primary data was collected for achieving the objective of this project.

Methodology and Sourcing

'HR METRICS AND ITS IMPACT ON BUSINESS' project is based on qualitative analysis since the data for the project is derived from secondary sources.

Limitations

  HR metrics involve lot of calculations which is especially time consuming. So organisations do not find such time investment profitable. Some metrics include the risk of inaccuracy, making them especially dangerous to use when there is money on the line or doubt about the results. This is the case with business metrics that rely on forecasts or estimates. HR Metrics should drive action. If HR metrics don't actually change behavior, then it would not impact the business profitability and efficiency in any way. It could actually be a waste of time.

Conclusion

Over the past 25 years, much has been written by practitioners, consultants, academics and gurus calling for the HR profession to step up and install better ways to measure not only the efficiency but also the effectiveness of the various HR functions. Even more important is a call for the measures that will show the impact that HR is having on the organization as a whole. The theory is that this would lead to more enlightened strategies for managing human capital and give HR the long-lost respect that the profession deserves. 2 decades ago, 'people management' was considered more as an administrative task rather than an added-valued activity. Nowadays, we have a common understanding that human capital drives a large part (if not the most) of business success. Being able to gain insights about people, and about what and how they are performing, could be the key to increase future business

performance. While a few organizations are making good progress in implementing HR metrics and benefitting from them, the vast majority are not.

 The results of i4cp's 2009 survey on the topic showed that while almost three-quarters of the respondents said that they had HR measurements in place, most were measuring only the efficiency of various HR functions and programs. Less than a quarter were attempting to develop effectiveness metrics, and very few were measuring the impact on the organization. Except for Turnover, the average use of metrics per HR driver is 50% or below, leaving us to conclude that while HR metrics and measurement are being utilized, there is room for expansion. While the practice of metrics and KPIs is often regarded as less advanced and less complex than its analytics counterpart, the reality is that without proper measuring, reporting and analysis of data, organisations impede their own capability to efficiently

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