

# Current and Future Trends in Human Resources Analytics Adoption

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## EXECUTIVE SUMMARY

*While many organizations use business intelligence and analytics in business functions including Supply Chain, Finance, Accounting and Marketing, they have taken little advantage of this in the Human Resources (HR) management area. Seeing tremendous opportunities in the use of analytics, businesses are taking big measures, such as creating a culture of making critical decisions validated by data driven approaches and hiring analytics professionals in areas that promises high rates of return. Experts continue to emphasize the importance of analytics for HR to transform itself into a more effective resource for the organization. In this paper the authors study the current and the near future states of analytics in Human Resources area. With information collected from leading job search engines, SimplyHired.com and Indeed.com, the authors have modeled trends in hiring analytics professionals in different functional areas of business. The authors compared the HR analytics trend with trends in hiring analytics professionals in Supply Chain, Finance, Accounting and Marketing functions. The extent to which companies are hiring analytics professionals now should be a good indication of analytics adoptions in the future.*

*Keywords: Analytics Maturity Model, Business Intelligence, Descriptive, HR Metrics, Human Capital, Predictive and Prescriptive Analytics, Return on Investment*

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## 1. INTRODUCTION

Human Resources (HR) analytics refers to the integration of relevant HR data from different sources, the performing of organizational and workforce analysis on this captured data, and ultimately the gleaning of insights from the findings to shape decisions for better organization performance. By incorporating analytics in the design of human resource processes organiza-

tions can maintain HR functions aligned with organizational goals and strategies. Used to its greatest advantage, HR analytics can prove to be a major differentiator for businesses, one that can transform HR in to a strategic business partner. With the help of predictive and prescriptive analytics applied to HR data, analysts are able to predict issues and opportunities concerning HR functions, helping businesses proactively make optimal decision making.

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A number of recent studies have shown a strong link between the extent and level to which they make use of analytics and their financial performance (Bersin, O'Leonard, & Wang-Audia, 2013; KPMG-International, 2012; Kiran & Shockley, 2011). It is evident from these studies that organizations substantially ahead of their peers in their use of data and analytics are likely to be substantially ahead in financial performance. And the reverse was true, too: organizations that were behind their peers in using data were more likely to be substantially behind their peers in financial performance. One study in particular (Bersin, et al., 2013) has shown that matured analytics organizations are more likely to improve their recruiting efforts, improve their leadership pipelines, to realise cost reduction/efficiency gains, and to improve talent mobility. 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, 2011)

Business Analytics has seen phenomenal growth in many lines of business, such as marketing, healthcare, financial services, supply chain management, and many others. However, in the area of human capital/human resource, advanced analytics is practiced by a relatively very small percentage of organizations (Bersin, O'Leonard, & Wang-Audia, 2013; KPMG-International, 2012; HCI, 2012). Organizations are collecting more human resource data than ever, but still reluctant to use this information productively and effectively to bring predictive insight and decision making support to the management of their workforce.

Given the importance of workforce in financial performance, many industry experts have predicted that HR analytics will be used by many more organizations in the coming years. The cost of data and HR management systems are becoming quite affordable by most large, medium and small organizations, making workforce analyses cheaper and more broadly available. However, in our view, before we

will see a wide spread use of sophisticated HR analytics, there has to be a significant shift in HR personnel, with a new breed of workforce knowledgeable in HR analytics. This new workforce will need to create a much needed culture of analytics in HR. In this paper, we will investigate the extent to which these new breed of graduates are being hired by organizations in HR and other functional areas.

This paper has been divided into six sections. In Section 2 (Analytics in Human Resources) will discuss the importance of Human Resources in any organization. We will define Business Analytics and explain its three major components: descriptive, predictive, and prescriptive analytics. In Section 3 (Role of HR analytics in creating business value), we will discuss the importance of HR analytics to an organization, and its role in transforming HR into a strategic business partner. In Section 4 (Use of HR analytics in US organizations), we will discuss state of the use of HR analytics based on recent surveys. In Section 5 (Projections of the future use of HR analytics), we will give our projections of the future use of HR analytics. We will present our findings based on the information collected from the leading job search engines - SimplyHired.com and Indeed.com. Summary and recommendations will be presented in Section 6.

## 2. ANALYTICS IN HUMAN RESOURCES

Human resources are vital organs for every organization in any industry. It should not be treated as a mere cog in the wheels of an organization; however it is the cog that keeps the businesses fully functional. Human capital is just not the people working in the organization, but is also a combination of their skills, cultural diversity, knowledge, experience, motivation to excel, which greatly affects the productivity of organizations. In today's age of competition and growth, it's become crucial to view people as assets rather than "costs" to the organization.

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