

Assessment & Evaluation

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The Power of Analytics in Human Capital Management

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Whether it's employee turnover, length of time to fill vacancies or cost per hire, virtually all of today's HR departments use some form of metrics to evaluate results. Most agree this is a good practice, but few of those metrics truly impact the organization.

HR dashboards are heavily focused on measuring the efficiency and effectiveness of HR programs and practices. Instead, HR leaders should focus on measuring, analyzing and sharing information with organizational leaders to make better talent and business decisions.

This approach extends the practice of measurement to one of greater insight and impact — analytics that ultimately can ensure HR leaders have a bigger say in overall strategic decision making and organizational direction.

Analytics has been defined as the extensive use of data, statistical and quantitative analysis, explanatory and predictive models and fact-based management to drive decisions and actions. This definition implies crunching millions of numbers to yield results. But as long as HR is evaluating the right numbers, it will be the quality of data, not the quantity, that creates opportunities to drive better decisions and actions.

In practical terms, analytics involves HR leaders strategically leveraging HR measurement and other business data to provide deeper insight. For example, instead of merely measuring turnover rates, an analytic approach would seek to capture additional data, such as the type of people who are leaving the organization, where they are going and which open positions are more important to fill faster. This information allows for a greater analysis of several different components of turnover and would help determine where reducing turnover could best improve business results and where to allocate scarce HR resources.

Collecting HR data metrics only is valuable when it improves decision making. In a business environment that produces ever-increasing amounts of data, that basic premise is easy to forget. If knowing the turnover rate itself doesn't impact any management decisions, the metric is useless. It's like hiking with a compass in your pocket. The compass only is helpful if you take it out and let the information it provides change your direction. HR leaders must consider which decisions they are trying to improve; which behaviors they are trying to change; and how the metrics they collect, analyze and report will influence these factors. Only then can they determine what to measure and what to do with the data they collect.

A thoughtful, logical approach to measurement and analytics also allows HR leaders to provide information and counsel on how better talent decisions result in greater business success. For instance, the most important decision in the hiring process is deciding to whom to offer the position. Yet, when you ask HR professionals what data they measure and report, it is rare to find metrics that track the quality of hiring decisions. Instead, many organizations keep metrics on the number of candidates applying for each position or how many job offers are accepted.