

HR Needs To Adopt Hypothesis Based Thinking And Approach

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One of the challenges for HR professionals is to prove their worth to the business in the form of tangible business results. It is not that all of them are not adding value. They do add value but they fail in the majority of cases to justify how their work contributes to the business. They fail to put facts and figures that show the impact of their interventions. This can be corrected with a shift in mindset. The key question they need to answer is; if it does not impact the business positively why do it?

Here is how HR can add value to the business by adopting a hypothesis-based approach. HR need to frame all their interventions in the form of a hypothesis. Once these hypotheses have been framed properly they need to be validated through data. There is a need to have clarity in terms of what each intervention is expected to bring to the business. So how is the validation done? The best way to validate this data is (a) look for relationships between HR data and business data through correlation and regression analysis and (b) collect business data before the HR invention e.g. training and after the training and check for significant changes through tests such as the t-test. I find these two approaches to be very good and they are statistically sound. Others have gone a step further and they are running proper experiments with a control group and an experimental group; e.g. train one group (randomly chosen) of salespeople and not another and compare their performance.

HR need hypothesis based thinking to add value. Below I share some examples of typical hypotheses that HR can work on as they do their work.

1. If we train our sales staff in modern sales methods we expect sales to go up by 13%.
2. If we go on a culture transformation program we expect our revenue to go up by 26% and market share by 3%.
3. If we introduce a performance incentive scheme for staff we expect our sales to go up by 18% in the first year and 26% in the second year.
4. If we use psychometric testing for hiring we expect the percentage of above-average performers to increase by 30% by the second year.
5. We expect the wellness program to reduce the number of unplanned absenteeism by 26% by the second year.
6. If we train our managers on handling disciplinary cases we will reduce the number of mishandled cases by 35%.
7. Customer service training does not reduce the number of customer complaints per branch { here you can have a control group and an experimental group }
8. We hire graduates from the National University of Science and Technology because they perform above average
9. If we introduce a performance management system, our sales will go up by 27% in the first year.
10. If we adjust salaries by 80%, overall business profitability will increase by 14% { operating profit }

11. If we introduce a process improvement program our cost of sales will go down by 33%
12. If we introduce executive coaching for all managers employee engagement will go up by 56%.
{As an example please note there is a very strong relationship between employee engagement and sales}
13. If we restructure our onboarding policy and procedures, turnover of new recruits will go down by 80% in the first 4 months of hiring.

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