

Performance analytics and why it matters for every organisation

Author: Benjamin Sombi . January 2021

HR analytics technology is changing the human capital development landscape. Global benchmarking trends reveal a gap between what executives in different organisations expect from HR professionals and what they can deliver. Performance Analytics help HR professionals to diagnose the current and projected strengths and vulnerabilities of their workforce. It provides real-time evidence that enables performance improvement solutions that optimize human and organizational performance.

Collecting data on employees' performance is an important part of HR practice. According to research, in the past performance has been approached from a between-person perspective in which levels of performance between employees or teams were compared. For example, you can compare the KPIs of different employees to determine who is performing better or worse than others. This approach is often used to determine work incentives and bonuses, as well as identify which employees need additional training and development.

According to McCormick et al (2018), the between-person approach is useful to know what general tendencies of your employees are, such as who tends to be a high performer but it does not give us a full picture.

Many factors influence performance such as; how the person feels physically and mentally on a given day, the environment and situations the person encounters, people around, or what kind of tasks and responsibilities they have. In other words, performance is determined by more than just employees' skills and knowledge. Using HR analytics to identify factors and situations that trigger changes in performance can help to create an environment where employees and companies thrive.

Most organizations have realized that conventional performance review systems are outdated, do not capture real-time performance, and fail to provide timely feedback and improvement opportunities to employees. According to the Randstad India HR Game Changers 2016 Survey, 28% of HR leaders feel employee performance methods need to undergo a significant structural change and evolve into something more transparent. A PwC report highlights that 52 per cent of organizations have made or are planning to make changes to employee performance in the near future.

For example, India's leading IT services companies, Tata Consultancy Services and Infosys, have shifted to a continuous performance review system. By doing so, these two organizations believe that they will be able to monitor employee performance at regular intervals and predict their behaviour, which could affect their engagement levels.

With the help of analytics, HR can also identify engagement activities which have the maximum and minimum impact on employee performance. This exercise has two-fold advantages. One, an organization can direct their investment towards initiatives that generate the highest interest in the

engagement levels. Two, an organization can define measurable metrics that co-relate engagement and performance.

Since organizations usually review employee performance annually, it leaves little time for HR to act on possible flight risks. However, performance analytics gives real-time information to take timely decisions. HR can recognize red flags of performance and predict which employees fall in the highest flight risk category. It can then either discuss the matter directly with the employees or implement tailor-made retention programs to re-engage them. When HR can gauge employee performance from analytics, succession planning also becomes easier. It can anticipate promotions, transfers and firing in advance. Accordingly, it can forecast workforce requirements and work towards filling the open positions.

HR is discovering the advantages of analytics in predicting employee performance and improving quality of hiring during recruitment. Analytics can mine data on the candidate's personality, behavioural traits and skills to throw useful insights into whether he or she would be the right fit for the organization. In a TJinsite Survey from TimesJobs.com, 90 percent of companies agree that predictive analytics is a promising hiring tool and could be the future of talent hunting. However, only seven percent of companies are using it for performance assessment during hiring.

Schneider Electric uses predictive analytics. Also, they used psychometric assessments, behavioural event interviews, PAPI (Personality and Preference Inventory) and Hogan assessments to avoid gut-based recruitment. Analytics helps it to prioritize and target only those candidates who are most qualified for a specific role or position. One of the company's executives said, "The use of data and predictive analytics can impact the manner in which companies interact with customers, besides transforming how they search for, discover and retain promising talent."

In a nutshell, employees' performance goes beyond an average level that can be compared between people. To better understand when and why employees thrive, it is essential to look at their patterns of performance and the reasons behind changes in these patterns. In this article, we gave a summary of how analytics can help in performance management and enhancement.

Benjamin Sombi is a Data Scientist, Entrepreneur, & Business Analytics Manager at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm.

References;

1. <https://centerforgov.gitbooks.io/performance-management-getting-started/content/PA.html>

<https://thehumancapitalhub.com/articles/Performance-Analytics-And-Why-It-Matters-For-Every-Organisation>