



# REVIEW OF APPLICATION OF HR METRICS IN ORGANIZATIONAL PERFORMANCE MANAGEMENT

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## Abstract:

This study tries to explore various aspects of HR Metrics and how it impacts the functioning and performance of an organization. A systematic review of available literature has been done to investigate into various facets of HR Metrics. The exploratory research design was used in this research. Software R was used for qualitative analysis of literature. The analysis of literature has led towards that how frequently HR Metrics is used for enhancing the performance of an organization. Though with the help of available literature it is not clear that whether HR Metrics help in organizational performance or not. Clear decision cannot be made on the basis of previous literature. The analysis of this literature has explored the consistency of HR Metrics with regard to organizational performance

**Key Words:** HR Metrics, Organization, Business Metrics, Decision making, Data Metrics

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9380

## INTRODUCTION

Human resource Metrics is a concurrent phenomenon now days. The organizations are trying to improve the accuracy of decisions through data Metrics. To improve the effectiveness and efficiency in the organization, there is a need to have farsightedness for future course of actions. Data related to every aspect of employees in the organization should be well assessed, evaluated and analyzed to make appropriate decisions regarding employee's issues. Metrics orientation will give an edge to an organization on their counterparts and will add value to it. The organization failing to assess previous data related to people have possibility of making wrong decisions on workers' affairs.

Organization is to combine all organs associated with this and all have specific functions. Each function contributes to attain the objective of organization. It is an essential part of human life for accomplishment of established goals (Hargrove, 1915). The organon the ancient Greek word is the originator of term organization. This is a purposeful, open system which has both formal and informal structure. This is defined as a set of activities done in order to accomplish set objectives (CRIEPI Report, 2006).

According to Barnard, "a formal organization is that kind of cooperation among men that is conscious, deliberate and purposeful". According to March & Simon, "organisations are assemblages of interacting human beings". On the other hand, Etzioni views "an organization



as a social unit to seek specific goals” (Dzimhiri, 2009:11). According to Pareek (1997), evaluation of human resource development functions is not being done; the related component and practices of this are left. The internal working of an organization and its impact on performance of organization is hardly assessed.

Singh (2000), has explored that organizations working in India did not believe that investment made in human resources processes have to do with performances. But it was also found a positive correlation between Human resource practices and organizational performances. It shows if human resources will be considered important dimensions definitely it will help in organizational performance. HR Metrics add value to the functions of HR department and improve the effectiveness and efficiency of every associated aspects of it. To add value in the organization Metrics is a powerful tool that impacts HR practices and policies and improve HR functions.

Metrics has interaction with much discipline like computer, engineering, science etc. (Angrave et al. 2016). HR Metrics can be defined as to understand relationship between performance of organization and HR practices. In case of effective HR practices it leads to employee satisfaction and provides strong foundation where decisions regarding human capital and business strategy can be performed. Metrics enabled organization bring precision in decision making. It is possible with the use of statistical techniques and experimental approach (Lawler et al. 2004). HR Metrics is: “a methodology for understanding and evaluating the causal relationship between HR practices and organizational performance outcomes (such as customer satisfaction, sales or profit), and for providing legitimate and reliable foundations for human capital decisions for the purpose of influencing the business strategy and performance, by applying statistical techniques and experimental approaches based on metrics

of efficiency, effectiveness and impact” (Dooren, 2012).

Objective is to highlight the importance of efficient tracking and interpretation mechanism. What kind of planning is required and how it could be implemented and how it can be incorporated. This is the main concern for the top management in the organization. It is an integrated approach. It tries to pull multiple HR processes to handle strategic issues. Planning, evaluation and analysis of various HR functions for the employees is to improve effectiveness and efficiency etc. (Sannahet al. 2014). HR Metrics makes an organization enable to use the wealth of their employees and that will lead to the better decisions which automatically improve the organizational performance, HR Metrics empower an organization to streamline strategic business goals with Human resource metrics. The function of HR Metrics to provide inform an organization with valid point which helps in managing people and helping to achieve business goals efficiently.

9381

## RESEARCH METHODOLOGY

The research design of this study is exploratory in nature. The existing literature has been derived from various online sources such as Elsevier Products, Emerald eJournals, Indian Journals, JSTOR, Sage Online Journals, Springer, Taylor & Francis Online, Wiley Online Library, Google scholar etc. The literature was searched with the help of various related key words like, business Metrics, data Metrics, HR Metrics, people Metrics etc. This is an interdisciplinary aspect which is also closely related to the business and IT. The data Metrics is studied in IT also. Most of the articles have derived from Elsevier Products related to HR Metrics. These papers were published in different journals of management. Eighty research studies from various double blind peer reviewed journals were found appropriate for this article.

## LITERATURE REVIEW



HR Metrics literature has reviewed in this section and status of HR Metrics checked in context of organization performance. The literature depicts that HR Metrics has mixed impact or reaction to the organizational performance. This has been elaborated in this section of the paper. Current business Metrics field are identified that are the issues of machine learning, data mining, social media and cloud which was found by Jalali and Park (2017). In the BA domain it has been visualized that a network analysis of the flow of collaborations among countries exists.

Davenport, Harris, and Shapiro (2010), has explored that almost every company values employee engagement. In today's era the purpose of using Metrics in companies is to hold itself accountable for the various things which are associated with its staff as they know happier and healthier employees create better-satisfied guests. Also if they want to perform better and expect better performance from their top management which is their greatest asset and largest expense. They probably do well to favor Metrics over their gut instincts. This is also stated by Muscula and Serban (2017) that it has become a necessity to align HR and organizational strategies for competitive advantage, more and more organizations considering the HR department a value-added business partner.

As argued by Levenson (2010), that Metrics in the HR function on to this point has been treated as unusual competency, which has to be applied often by various specialists residing in center of excellence than the large mass of generalists who do the bulk of the day-to-day work in HR. Aral, Brynjolfsson and Wu (2012) explored that various practices are mutually correlated such as HCM, Performance pay and HR Metrics. HR Metrics and performance pay as a set of organizational practices that complements HCM.

It was elaborated by Momin & Mishra (2015), that to have competitive edge on the competitors, organizations must use the HR Metrics for the accuracy in the data and the real time information. Work force planning can be done easily and also helps in analyzing every aspect of the HR matrices by using HR Metrics. It is also found that there is a consensus in regards to the importance for HR Metrics in organizations and that the HR analytical skills challenge is the main hindrance to implementation. It is required that HR transforms itself while ensuring that the required skills from higher education sector must be attracted and also capacitate HR practitioners in numeracy and metrics, so that the concept of HR Metrics can be fully incorporate in the all levels of the HR process.

Molefe, 2013 very well said that the future of the HR Metrics is that this field will continue to grow within organizations. The process of HR Metrics is very straight forward and the purpose to use it to gain competitive advantage in the Industry. It is the peak time for HR managers to start focusing on business outcomes and must focus to improve employee engagement score or increase participation rates on their initiatives. According to Mondore et al. 2011, to make HR a strategic function in any organization proper implementation is the key initiative.

According to Manuja & Ghosh (2014), the requirement of human resources was viewed as a strategic collaborative partner affecting outcome of the business. Metrics of raw data to useful information is covered under Metrics which also covers the data generation, storage and conversions. It is however critical that HR Metrics has an Integrated Approach. It implies pulling in multiple HR processes to tackle strategic issues, e.g. in succession planning using HR Metrics, the components of performance evaluation, analysis of input and output from trainings, engagement of the employee in terms of contribution, efficiency, effectiveness etc. should all be factored in a



clinical and systematic manner. It has been argued that how Metrics can operate in a data driven way but it has the advantage that it can be learned from what marketing went through those early years.

It is never be a simple step for some or many HR functions, a data driven approach for decision making has potential for HR to add, which further add more value to business (Fairhurst, 2014). To survive in the long run, Industries need to possess predictive Metrics from Human Resource management. The usefulness of predictive Metrics is wider and hence application in all related areas of HRM is essential. HRPA helps organizations in optimizing business performance as well as employee engagement and satisfaction. HRPA is a growing and very fast changing technology which has 100% accuracy in decision making for HR (Mishra et al. 2016).

According to Bassi (2011), Elevating the status of the HR profession and it is a source of competitive advantage for organizations that put it to good use which is held by HR Metrics. There are various reasons for HR Metrics is to improve individual and organizational performance not to prove the worth of HR. Sharma, Mithas and Kankanhalli (2014), it is also found that the business Metrics can help on improve quality of decisions. However, it is not clear if business Metrics can be used to improve the acceptance of decision in any way. The insight generation and decision making processes associated with the use of business Metrics which is suggested by anecdotal research which often do not involve key stakeholders from functional areas who all will be responsible for implementing those decisions.

It was found that it is never being accepted in the organizations on acceptance of HR Metrics. To have that acceptant top management need to convince effectively to all in the organization. Ramanathan, Philpott, Duan and

Cao (2017) attempted to explain that on the basis of their analysis, they have Tornatzky and Fleischer (TOE) elements in the context of BA that have significant influence on BA adoption. They have come up with these findings that BA Adoption will help and influence environmental performance positively, level of adoption of BA moderates the link between BA adoption and performance, level of integration between IT and business strategies moderates the link between BA adoption and performance, trust in BA systems moderates the link between BA adoption and performance. The major factor accepting HR Metrics in the organization includes in the Analytical skill of an individual. HR Metrics was applied majorly big organizations and training and top management support was the few factors which led to the acceptance of HR Metrics.

According to George and Kamalanabhan, 2016 the acceptance of HR Metrics will be more if the technology adopted for Metrics is user friendly. Gardner, McGranahan, and Wolf (2011), in their article have argued that HR Metrics increases the value of organization. When human-resources and business leaders work together to address the root causes of problems and to pilot new ways of solving them, HR Metrics succeeds at the same moment. The development of an intelligent business Metrics platform is helpful to organisation. The main purpose of the platform was to create such software environment where the latest algorithms and architecture developed within industrial or academic research can be incorporated efficiently into real business applications. Two applications were implemented such as ITEMS (Intelligent Travel Time Estimation and Management System) and DecTOP (Decision Table Optimization).

There are two related terms HR matrix and HR Metrics (Azvine, et al. 2003). Lawler, Levenson and Boudreau (2004) have distinguished 'HR Metrics' as separate from 'HR metrics'. HR metrics are measures of key HRM outcomes,



classified as efficiency, effectiveness or impact while HR Metrics are not measures but rather represent statistical techniques and experimental approaches that can be used to show the impact of HR activities. Research shows that top performing companies are three times more likely to be advanced users of workforce Metrics than lower-performing companies. This indicates that the power of workforce Metrics is the core driver of an organisations success (LaValle, et al. 2011). It has been discussed in current scenario that the latest emerging fads is a paradox in itself which is HR Metrics. It is predicted that HR Metrics will definitely be failed initially but later will definitely add the value to the organization because there is lack of Metrics in the HR departments. The theory based academics started their human capital work with a theory they were testing not with a deep understanding of business challenges. Chief human resource officers with a clear business focus are still few and far-between. A journalistic approach to HR Metrics will not be able to add value. Remember the “human” in human resources is more important than anything. There must be training to HR people to have an analytical mindset to achieve goals by using HR Metrics. There are probable results of HR Metrics if it will not have executed effectively and with proper planning and implementation (Rasmussen & Ulrich, 2015).

Pape (2016) in his article have concluded that the popularity of business analytic solutions is expected to continue to grow in industry and academia over the next years. A more systematic understanding of the benefits and costs associated with creating new data items for business Metrics is likely to play a role in this development.

**Sousa (2018)** in his study concluded that, Metrics to support and help HRM, the organization should reach certain level of systematic maturity to permit Metrics to achieve the preferred human resource

management goals and overall strategy. Additionally, Marler and Boudreau (2017) dealt with a different factor for HR Metrics to be successful is politically based. To get access to the cross functional details, HR professionals performed their analyses and for that managers from other functions must provide access and to be involved in the procedure because resistance to change by management have a high impact on deserting the results derived by such analysts.

**Heuvel and Bondarouk (2017)** opined in what way the application, value, structure, and systems help HR Metrics in 2025 might look like. They contend that the key focus will be about nurturing decision making based on evidences and developing an analytical mindset openly around HR functions. They also stressed on the significance of shaping detailed HR drivers that influence the outcomes of business as many researchers have acknowledged a positive correlation between HR Metrics and outcomes of business without establishing the exact outcomes that affected directly and indirectly and to what extent.

**Weena Yancey et al (2016)** stated that the help of HR Metrics in HR management in resolving problems of work force. The study initially examined the data and determined the strategic moves for increasing productivity. In the study, three companies one from Japanese based pharma, European based construction company and one fortune 100 software company were considered for the analysis. Each organisation has its own set of varied HR problems. They confirm that Metrics would become a cutting edge tool to resolve many problems in the organisations. It helps to take better decisions which helped the firms to be competing in the competitive market.

**Rutger Johannik (2015)** adopted Delphi technique to find the factors effective application of HR Metrics. Factors like rational thinking of data analysis, organisational structure and outcome in decision making takes



predominant role in effective employment of HR Metrics. Similarly, quality of data, interest of the management and stage by stage execution helps in the implementation of HR Metrics was concluded with a study of 53 organisations from different sectors in Dutch (Joerik van Doonren et al., 2012).

**Alamelu (2015)** in her focuses on the exploration on individual level implementation of human resource Metrics by employees. The samples were collected from Bangalore based ITES small firms. 50 registered firms were selected. The findings based on regression revealed adoption to innovation are mainly due to perception from peers and not much usefulness of innovation. Also work environment, turn over costs, recruitment decision etc. would forecast the future requirement of the firm. It helps the firm to be sustainable with competitors.

Strategic move in organisations and the logical analytic thinking indicates the importance of Metrics in HR department of IT companies. This was observed by **L Ravikiran and VedantanK(2014)** by investigating 20 IT companies of South India covering large and mid-sized firms. They conclude that by wide usage of Metrics, ability of decision making improves there by increases the profit of the firm.

**In a study by Aral, Brynjolfsson and Wu (2012)** stated that several practices are interrelated such as Human Capital Management, Performance pay and HR Metrics. HR Metrics and performance pay together complements Human Capital Management. It was explained by Momin & Mishra (2015), that to have competitive advantage over competitors, organizations need to use the HR Metrics for data accuracy and also real time information. Work force forecasting and analysing every aspect of the HR metrics can be done by using HR Metrics. It is also found that there is an unanimity with regards to the

significance for HR Metrics in organizations and that the HR analytical skills challenge is the interruption of implementation of outcomes are affected and to what extent.

## CONCLUSION

HR Metrics is a new area to be explored in human resource management domain. Decision making is a crucial aspect in every organisation. It needed much investigative approach and critical observation of past events to make any decision. HR Metrics is a tool to improve the performance of decision making related to people in the organisation. This study has been done to understand the HR Metrics and does it has any relation with the performance of organisation. It revealed that there is a gap and inconsistency in existing literature related to HR Metrics. It helped to understand inconsistency in HR Metrics and with the help of this findings future course of action can be decided and model can be proposed to explore various dimensions of HR Metrics. The existing literature shows that Metrics is in consistency with data and business. Here further studies are required to explore HR Metrics and how it affects the performance of an organisation.

Studies suffer from limitations and conducting study on the basis of secondary sources has many limitations these are as follows:

- The data used for the purpose of the study may or may not be authentic or accurate.
- The data can be vague which cannot be used to draw any conclusion.
- It is not possible to decide that whether the sample used for the study purpose is appropriate or not.
- Author of the paper has lack of control over data quality used for this study

There are future opportunities for conducting research on HR Metrics in many other organisations such as IT, Telecom, Manufacturing, Banking, Hospitality so on. In these studies, the impact of HR Metrics can be assessed on performance of these organisations and how Metrics has changed HR policies across



the industries in India. Scale of the study may be big or small depends on nature of the study. Big sample size can be used in future studies so that findings of the study can be generalized.

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9387

