The Future Talent Shortage Will Force Global Companies to Use HR Analytics to Help Manage and Predict Future Human Capital Needs

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ABSTRACT

During the recent recession the number of jobs lost has been widely publicized. However, lurking among this obvious and simple metric of how human capital is involved in the workforce, there is the need to analyze and predict future talent. As economic conditions are slow to improve, decisions to simply cut the traditional costs, benefits, compensation and headcount are no longer enough. Companies have already started using business intelligence (BI) to transform and maximize the potential of their human capital. The use of human capital based business intelligence (BI) has increasingly become one of the vital strategic components for world-class companies. This paper will focus on why companies should use analytics (a subset of Business Intelligence (BI)) to transform and maximize the potential of their human capital.

Keywords: Analytics, Business Intelligence, Data Warehouse, HR Analytics, Human Capital, Human Resources, Predictive Analytics, Talent Management

INTRODUCTION

Companies should use business intelligence (BI) to transform and maximize the potential of their human capital. The use of human capital based business intelligence (BI) has increasingly become one of the vital strategic components for world class companies. As competition for talented resources intensifies, many senior managers have turned to BI to monitor staffing levels, predict turnover and retain top talent. In the past most software projects focused on automation and other operational efficiencies ahead of BI. Automation projects dealt with process inefficiencies. The key ingredients for human resources based business intelligence have been available for some time now. With the emergence of easy-to-use tools, dashboards, scorecards and web portals BI is starting to offer a host of services. But is that enough? Other key components of an effective human resource based BI platform are a well-defined data
management strategy, highly trained business analysts and a single repository for all human resource (HR) data.

Human capital is an important company asset. Senior managers who struggle to get accurate information regarding their associates within a timely manner may miss strategic opportunities. BI allows managers to turn strategy into execution by focusing on elements of workforce success. The four key categories of a successful Human Resource Strategy are Workforce success, Workforce mind-set and culture, Workforce competencies and workforce behaviors (Huselid, Becker, & Beatty, 2005).

Challenges Facing Human Resources

Most if not all managers would agree that “people are our most important asset.” But even with this often used proclamation companies still struggle to connect workforce success with its strategic initiative. The current business environments are driven by increased competition and global expansion. A firm’s competitive advantage and growth is increasingly being driven by intangible assets such as workforce success not just missed opportunities. Edward Gordon, president of Imperial Consulting Corp. and author of “Winning the Global Talent Showdown”, predicts that by 2010 the U.S. labor market will be significantly out of balance with high-paid/high skill jobs accounting for 74% of the U.S. labor market and low-pay/low-skill jobs will account for 26% of the total available jobs. Mr. Gordon believes there will be 123 million people needed for the high-pay/high-skill job but only 50 million people will qualify. He also believes that 44 million people will be needed for low-pay/low skill job and 150 million people will be available (Gordon, 2009). The inability to recognize the above trends or capitalize on workforce success is in many cases a direct threat to the very existence of an organization.

Three of the most common challenges for managing human resources are:

- **Perspective** – Do all managers understand how human resource capabilities and behaviors drive strategy execution?
- **Metrics** – Have we identified and collected the right measures for human resource success, leadership and workforce behaviors; workforce competencies; and workforce culture and mind-set? (Huselid, Becker, & Beatty, 2005)
- **Execution** – Do our managers have access, capability, and motivation to use data to communicate strategic intent and monitor progress towards strategy execution?

The perspective challenge for human resources deals with management’s ability to adopt ideas on how the workforce can be a source of strategic value to the organization. Historically HR managers have put most of their focus on controlling labor cost. With payroll expenses representing 67.30% (Huselid, Becker, & Beatty, 2005) of operating expense, it is easy to understand why companies focus so much on controlling labor cost. Senior managers need to ask a different set of questions to help align human resource performance to the execution of the firm’s strategy. The fundamental distinction here is the ability to develop and understand how the workforce contributes versus concentrating on the cost of the workforce. Meeting this challenge would require a firm to think different and to move away from a “one size fits all” workforce strategy. In the same way marketing strategies have segments, HR and workforce management systems are able to differentiate by position and the people who provide a contribution and workforce performance must distinguish between “A” performers and “C” performers.

The metric challenge deals with valuing and measuring an intangible asset referred to as the workforce. For this discussion we are considering intangible assets to be employee skills. We also know that intangible assets are claims to future benefits that do not have a physical or financial embodiment. Developing workforce measures with strategic value is not...
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