EMERALD POINTS

HUMAN RESOURCE MANAGEMENT

Rationalising Managerial Decisions

VIC BENUYENAH

HUMAN RESOURCE MANAGEMENT

Dr Vic Benuyenah's captivating exploration of HR management draws from diverse examples across the globe, including the GCC, Asia, Africa, Europe, and America. Vic's pragmatic approach employs rationality to tackle various HR challenges, making it an engaging read for both managers and students, regardless of their background in HR. This book offers valuable insights and practical solutions to navigate the complexities of HRM effectively.

—Assoc. Prof Mona Mustafa – *Programme Director, MSc HRM, University of Birmingham Dubai*

This book revolutionizes the approach to HRM by seamlessly integrating practical HR aspects, harnessing the power of data analytics, and expanding the horizons of traditional HR practices. Dr. Benuyenah skillfully presents a plethora of managerial takeaways, encouraging readers to delve deeper and think critically about the dynamic field of HR. A must-read for anyone seeking innovative insights into modern HR management.

—Professor Louise Patterson – *Thompson Rivers University, Canada*

"Human Resources Management: Rationalizing Managerial Decisions" by Prof. Vic Benuyenah offers invaluable insights into the complex world of HRM. With a blend of theory and practical applications, Benuyenah navigates readers through key HRM concepts, providing clear rationales behind strategic decisions. This book is a must-read for HR professionals seeking to enhance their understanding of HRM practices and make informed decisions that drive organizational success.

—Dr Hector Iweka – *Vice President of Academic and Workforce Education, NHTI, Concord's Community College, USA*

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CONTENTS

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LIST OF FIGURES AND TABLES

Figures

Tables

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PREFACE

Human capital is vital to the success of every organisation since people are often considered the most critical asset that holds other factors of production together. Managerial decisions are at the apogee of all productive endeavours and can sustainably promote organisational success. If decisions are made irrationally, they tend to produce suboptimal outcomes, and people and profit can suffer because of such erroneous choices. The Human Resource (HR) function supports managerial decisions and is vital to the organisation's survival. As a large part of the global economy is gradually becoming more knowledge-based, decisions regarding *hiring* the right people through to *releasing* them are increasingly crucial for all organisations seeking to succeed in the ever-changing business world.

In this book, a rational decision approach to Human Resource Management (HRM) is introduced. The book offers an opportunity to generate interdisciplinary discussion on critical issues pertinent to the day-to-day decisions made by the HR practitioner. The book revisits the most fundamental concepts in HRM by analysing their contemporary applications in modern organisations. A key feature of the book is the decision-making scenarios presented in the form of models and tables to help readers rationalise choices made by organisations and managers.

A considerably large part of the book is devoted to Chapters 1 and 2. The first chapter discusses trends in data analytics and how they apply to HR. Chapter 2 delves into the critical function of recruitment and selection and dedicates a considerable amount of the book's volume to it as it is the gatekeeper function of the HR journey and a critical element of any organisation seeking to attract and choose the best talents. Chapters 3–5 are comparatively shorter but equally crucial to discussing HRM decisions and outcomes. While traditional HRM theories are retained, Chapter 6 introduces the concept of retain–release decisions as a critical feature of HRM function that considers decisions about attrition, employee separation and retention.

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ABSTRACT

This book consists of six succinct chapters aimed at providing a comprehensive overview of human resources concepts and their practical implementation. The book approaches the field of HR by emphasising the importance of data in business decision-making and relating this to the crucial role of data analytics in HR strategy. It presents key concepts such as recruitment and selection, training, organisational learning, performance management, compensation and benefits in a clear and easily understandable format suitable for managers of all levels of experience across various industries and locations, as well as for students embarking on undergraduate (UG) and postgraduate (PG) HRM courses. A final chapter on 'Retain-Release Decisions' introduces the critical aspects of voluntary and involuntary employee separations, as well as the rationale behind retaining loyal employees. An integral feature of the book is the inclusion of 'managerial takeaways' at the end of each section, encouraging readers to engage with critical decisions and their underlying reasoning.

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1

RECENT TRENDS IN HUMAN RESOURCE (HR) ANALYTICS

Keywords: Data-driven organisations; HRM trends; HR analytics; data-driven decision-making; data-driven recruitment; talent acquisition metrics; benefits and compensation analytics

1. THE NATURE OF DATA-DRIVEN ORGANISATIONS

Both traditional brick-and-mortar and online businesses use data in their decision-making. These days, businesses survive on optimal decisions supported by quality data, yet the available data are either inadequate, unpredictable or scattered at different locations and, therefore, hard to obtain or utilise.

With increases in online business propelled by the Internet revolution and, recently, the challenges of the COVID-19 pandemic, organisations, no matter how big or small, have to rely on data. Data are facts or information that can aid organisational decisions; however, data can be misleading, hard to find, easily distorted, fragmented and, in the developing world, almost non-existent. Today, one of the priorities of businesses is becoming data-driven as this can help them make accurate decisions in all aspects of their operations, including the vital area of human capital. Yet, there is confusion about what data actually is. The majority of the everyday use of the word may misrepresent what we mean by data, and different fields of study might perceive the term differently.

According to the Oxford Dictionary, data are facts or information, especially when examined and used to find things or to make decisions. While this definition captures the essence of what most organisations do in practice, a broader and

more up-to-date definition will be to define data as any qualitative or quantitative information that is credible, reliable and relevant such that it can be used to support a claim or a decision. This broader definition relates more directly to both everyday operations and more long-term strategic decisions made by managers. Recent accounts by researchers like Patil and Priya (2024) suggest that data are crucial in ensuring the success of business strategy:

> *By leveraging data and evidence-based approaches, HR can make better decisions that are in line with the overall business strategy and contribute to the success of the organisation. (p. 8)*

Despite the growing demand for data, traditional organisations continue to trail behind organisations such as Amazon, Tesla, and Google, a practice that can limit their effectiveness in competing effectively in their respective industries.

A major drawback of traditional organisations that has been increasingly highlighted is their inability to utilise available data to harness performance. Morrison (2015) posits that due to this ineffectiveness, the connection between employee performance and business performance is not well established, and crucial business decisions are often based on financial figures rather than the actual performance of people in the organisation. For example, although back-office employees in a bank (such as those who work in information technology [IT] or Legal and Compliance) ensure the organisation's smooth operation, their actual contribution may not be fully assessed compared to their front-office peers, who directly generate revenue. As the wrong indicators are often applied, this may lead to an over-valuation of some employees and the under-valuation of others.

Good quality data invariably help in making effective and timely decisions. As can be recalled, during the COVID-19 pandemic, government institutions, airlines and hospitals sought accurate data in an attempt to ensure the correct decisions were made. Similarly, human resource (HR) activities must be based on accurate information to ensure critical decisions are rational.

Having emphasised the need for data use in organisations, we can now turn to the question, 'What is a data-driven organisation'? Although most organisations frequently collect, store and analyse a large amount of data, they are not necessarily data-driven by definition. Anderson (2015) highlights the key differences between traditional and data-driven organisations in his book 'Creating a Data-Driven Organization: Practical Advice from the Trenches'. First, data-driven organisations collect the right data, which helps managers explain, predict and utilise the findings to make strategic decisions rather than basing decisions on past and present information of little relevance. Second, such

organisations can interpret the data correctly. Third, critical decisions of data-driven organisations are based on data; this may sound obvious, but in reality, managers may not seriously consider the findings from data in decision-making, as they may be relying on hearsay or intuition alone. Quite apparently, data-driven organisations must cultivate a 'culture' that permeates the whole organisation, from senior leaders to individuals working at the lower end of the organisational chart but, more importantly, those who work directly to obtain the data. It would be erroneous and naive to ignore a section of the organisation because they are considered inconsequential to the decision-making process. Employees at the bottom of the organisation will likely have a thorough understanding of organisational information and can provide valuable recommendations to the top decision-makers. For example, cleaners at a hospital might hold important information about infection control, whilst security guards are likely to be a relevant source of information in foiling a terrorist attack on government institutions.

Another vital question to ask when delving into the realm of data and organisations is how becoming a data-driven organisation can improve the practice of human resource management (HRM). According to Harris et al. (2011), six analytics tools that HR professionals can use to enhance performance include employee databases, talent segmentation, supply chains of talent, targeted investments, customisation of value proposition and planning for the long-term workforce. By utilising the vast amount of data accumulated for many years, organisations can achieve targeted results with lower expenditures and less time. For example, data analytics can assist HR managers in identifying which employees can provide the most value to the organisation, which recruitment channels they come from, the patterns of recruitment of different job positions and which benefits and compensation packages are most likely to retain top talent within the organisation. These are typical day-to-day questions but are not necessarily the ones considered through the lens of what might be described as accurate data.

In order to achieve significant performance gains from big data (BD), it is crucial that each organisation possesses three key capabilities: the ability to utilise various sources of data, useful models that help managers predict and optimise results and the transformation of the organisation itself so that better decisions can be made (Barton & Court, 2013). The first capability involves fully understanding what already available data can offer to organisations, which managers might overlook, as well as identifying new data sources. For example, while traditional data such as sales reports play a crucial role in formulating business strategies, new sources of information ranging from the number of likes and shares on social media to the demographic structure of subscribers can offer new

insights into consumer trends. These new approaches require significant support from IT personnel to equip the organisation with IT infrastructure, methods and processes to reap the benefits of analytics. In addition to the sourcing ability, organisations must focus on the second capability: constructing or acquiring a suitable model. Good models are those that are closely linked to business objectives, with potential impact on improving organisational performance as well as the ones that can be measured. Second, organisations might consider practical models, which can be fairly understood and applied by the staff without draining valuable resources due to the complexity of the algorithms designed by statisticians. The third capability, arguably the most important, is that organisations can transform their existing culture to enable the effective use of data by most staff. Little success can be derived if employees complain that they cannot understand how to use analytics tools in their daily work, and managers cannot base decisions on the results provided by analytics. To avoid this situation, model designers should communicate with the staff to understand how they work and what they need. Extensive training should be provided for managers, and a change in the mindset and behaviours of everyone in the organisation should be promoted, as adopting a new data culture can take a considerably long time.

1.1 Data-Driven Organisations in Practice

In practice, many large organisations have applied some form of analytics in various aspects of their operations. Google, one of the leading technology companies, has implemented analytics so that decisions regarding their workforce are more objective and transparent (Shrivastava et al., 2018). For example, Google developed algorithms to predict potential retention problems, which allows managers to act early to address the issues. The fun and colourful workplace of Google results from data indicating that this type of working environment encourages employee collaboration (Sullivan, 2013). An interesting example of how data can be used in sports is the story of Houston Astros, a professional baseball team based in Houston, Texas, who decided to hire coaches who both know how to play baseball and work with computer programmes. These coaches were responsible for analysing the movements of baseball players and explaining to them the mechanisms of improving their performance (Díaz et al., 2018).

At Coca-Cola, data analytics played an important role in its strategy of strengthening its customer base. In 2015, the company built a digital-based loyalty programme, enabling the direct collection of data from customers. This strategy led to many positive impacts for Coca-Cola, one of them being a better

connection between the company and its customers thus, its advertising campaigns are harnessed to reach more people. As a result of acquiring new information, sales improved, and even the organisational structure of Coca-Cola was altered to reduce unnecessary costs (Tan, 2017). More available evidence suggests that the United Arab Emirates has implemented different initiatives on data management. Dubai Police and Immigration in particular have demonstrated how data can be used to foster security and ensure public safety.

However, challenges remain for the development of analytics in data-driven organisations. Despite the fact the HR analytics has become a popular idea, actual investment in this domain is still limited. According to a study by Tata Consultancy Services, HR accounted for only 5% of big-data investments (Boudreau, 2017). It is obvious that limitations in current HR practices may hinder the opportunities presented by BD(Angrave et al., 2016). What is being considered by researchers these days is the use of BD, and its different forms of development when making HR decisions and how data-related processes would be beneficial to the overall performance of the organisation's human capital and its ultimate productivity:

> *BD and its use in the decision-making process is a powerful tool that certainly could increase the effectiveness of HRM and firms' sustainable performance. (Gravili et al., 2023, p. 582)*

1.2 Challenges and Solutions

Although the trend is to move rapidly towards BD and analytics in general, there are potential challenges that can prevent organisations from achieving tangible results from analytics. One of the most pressing problems is the executive's lack of vision for advanced analytics tools. It is clear that although many organisations have implemented expensive artificial intelligence (AI) programmes, they fail to define which problems they aim to solve and thus resources are wasted while no practical business solutions are delivered. This is particularly true in many organisations where managers are accustomed to making decisions based on instinct, intuition and experience rather than consulting analysts. Another challenge, that is often overlooked, is the lack of 'translators' between data scientists and the executives who make decisions based on the data. Due to the differences in educational background and experience, misunderstanding can occur between groups, and as a consequence, mistrust and conflict may arise, impacting organisational targets. For example, managers may discover that reports submitted by data scientists are

too complicated as they feature unfamiliar technical terms. A solution that might be worth considering is hiring translators or internally training existing staff to ensure effective communication and data interpretation occurs among the team. Also, some organisations doubt the benefits of data since they often do not have a thorough set of metrics to connect business performance to investment in analytics (Fleming et al., 2018).

Besides the problems mentioned above, it is common to note that many organisations struggle to make strategic decisions not because they lack data but because they cannot exploit the existing data effectively (Gaskell, 2016). Therefore, it is crucial for organisations that attempt to be data-driven to prepare thoroughly for their transition to fully data-competent organisations. People responsible for data management should be able to identify the gaps between the organisational needs and what current data can provide. Without strategic data management, organisations may waste their resources by underutilising external information and information stored in HR departments when planning for promotions or actioning succession plans, for example.

To build a data culture that permeates organisations and allows them to thrive, managers might consider implementing a number of recommendations in their action plans. One essential piece of advice is to be aware that amassing data does not always result in better business performance, but clear objectives should be set so that analytics resources can be allocated to find practical solutions. The democratisation of data is also considered an essential factor in successful data-driven organisations. Ideally, all employees should be able to access data and see their performance improve because of the direct application of analytics in their day-to-day operations, thus creating more opportunities for innovation. Moreover, academic institutions and HR departments should provide more training for practitioners in order to promote HR analytics (Marler et al., 2017). Heuvel and Bondarouk (2017) predicts that by 2025, HR analytics will likely become an established discipline that positively impacts organisational performance and must be deeply integrated with other departments.

2. ANALYTICS AND RECRUITMENT

Analytics has become increasingly important for organisations seeking to attract new talent. Data analytics enables HR practitioners to quickly identify the most promising applicants, assess their strengths and weaknesses and

determine areas for improvement. According to Marr (2018), a data-driven HR function can play an important role in several tasks, such as identifying the most effective recruitment channels and evaluating applicants fairly. By using data, organisations can evaluate the success rates of different recruitment channels; thus, they can focus on the best method of attracting new talent. Equally, there are benefits in using data together with IT software to filter applicants based on their submitted CVs. The use of metrics and analytics can increase the efficiency of the process by scoring the attributes of the applicants and matching them with predefined criteria and desirable attitudes. This allows the HR to focus on more critical and strategic responsibilities consequently saving time and financial resources.

A prominent example of the application of analytics in recruitment is the digitised recruitment process used by Shell and several other organisations these days. As Shell receives a substantial number of applications every year, a more streamlined process is required to ensure the effective selection of high-quality candidates. Some writers have concluded that the digitised process, a result of cooperation between HR analytics and assessment specialists, can help analyse large quantities of assessment data, thereby enabling organisations to employ the best talent (Lam & Hawkes, 2017).

A relevant question often asked by industry experts is how can analytics contribute to a more effective and efficient recruitment process. Today, many businesses specialise in designing recruitment software that helps provide organisations with innovative features intended to streamline HR practices as a whole. These products, most of which are derived from AI can

- Produce reports that identify the source of the most qualified applicants, thus directing job advertising resources to the most effective channels.
- Evaluate the effectiveness of the career page and social media site used by organisations.
- Measure time to hire, allowing organisations to keep track of the hiring process and discover bottlenecks (inefficiencies that prevent candidates from moving to the next stage of the recruitment process).
- Display how productive the recruiting teams are by showcasing information, such as the number of calls, emails and interviews conducted by each member, in a visual report.
- Compare present and past recruitment, for example, the number of candidates applying for the same job between two different periods.

In addition, analytics tools also help increase the effectiveness and productivity of professional recruitment agencies, which aim to find more candidates that match job requirements in a shorter time. The agencies have developed analytics solutions that can scan all the factors in the job descriptions (such as qualification, experience and location) and use algorithms to rank the most suitable candidates for employers. Recruitment agencies often receive a large amount of data, including CVs and job descriptions of vacant positions. This vital resource can be analysed to provide valuable insights about the job market in different cities or regions. The agencies can identify the fastest-growing industries in a particular state or predict the seasonal fluctuation of job supply and demand in the labour market. Therefore, they can allocate more resources to the most dynamic sectors in the busiest time of the year, increasing the effectiveness of the recruitment process. Another consideration is the evaluation of industry-level wage rates and their dynamics which can help decision-makers adjust terms of job descriptions and, crucially, reward packages.

Sometimes, to analyse and match CVs with job descriptions, analytics tools use a technique called 'CV parsing' to identify the keywords. However, a common challenge for recruitment agencies is the differences in the CVs of each individual and job descriptions among different industries. For example, job descriptions may vary in length (the number of words used), or some job applicants might opt to include or exclude certain information. Analytics tools are designed to structure the data, reduce any possible distortion and enable swifter hiring decisions.

Despite the numerous benefits of data and analytics, a number of challenges continue to exist. Historically, many HR practitioners have ignored the enormous potential of analytics. Although evidence shows solid relationships between the use of HR analytics and organisational performance, the adoption rate is low (Marler & Boudreau, 2016). A large number of organisations still rely on conventional methods to recruit and select applicants even though HR analytics can provide promising results in several aspects, such as predictive analytics, which can enhance HR practitioners to devise better HR planning. As the demand for data analytics rises, a significant challenge is that most HR professionals do not possess a solid foundation in statistics and data analysis, which means that they may encounter difficulties when working with analytics tools (Maurer, 2018). The main reason for this issue is the lack of statistics in conventional HR majors at universities and colleges, in the past. As of 2024, postgraduate