

DELIVERY DAY

UK firms are at last starting to make better use of their HR technology. PMP Research delves into our new survey results.

The ‘war for talent’ which has ebbed to and fro over the last few years has opened up a new front. Now demographics are the enemy – as employers battle it out to attract the skills they need from a workforce which is slowly but surely diminishing in size as the pool of available younger people shrinks. Recruiting, retaining and utilising that talent effectively – a concept which has been dubbed ‘total resourcing’ – has become a key consideration for organisations who want to get the best people onboard and make sure they get the most out of them.

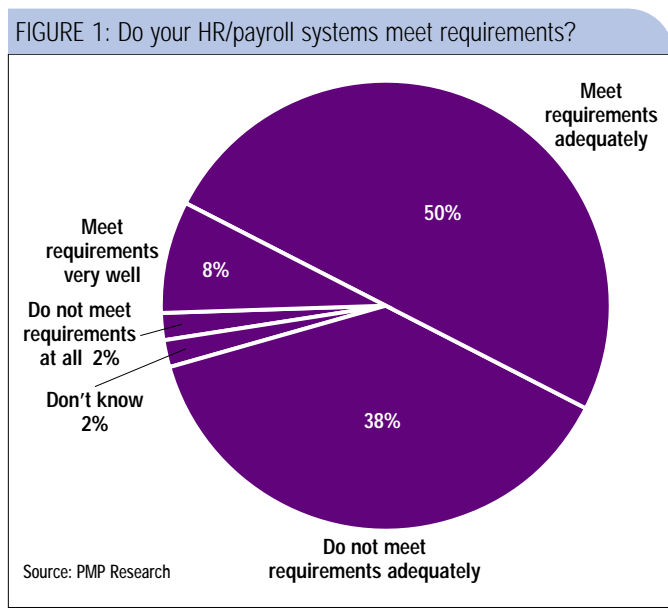
Technology obviously has a part to play in this. Companies are seeking to streamline the application process, thus cutting the costs of bringing in new staff, while also using new internet-based applications to train employees and inform them of the opportunities on offer around the organisation.

Results

But as this year’s Pmp Research survey underlines, there is some way to go before companies are completely comfortable with the performance of their supporting HR systems. Just 8%, for example, report that their existing HR and payroll applications meet their current requirements ‘very well’ (see Figure 1). However, there are signs of some improvement during the past 12 months. Whereas 42% believed their HR systems met requirements ‘adequately’ last time we posed this question in our 2004 survey, that proportion has now risen to 50%.

Over the same period, the proportion of those who feel their HR and payroll technology has fallen short of what is required has declined from 46% to 38%. And companies do not seem complacent about their existing systems, with 46% indicating that they plan to replace some or all of their HR and payroll applications. Two-thirds (63%) also plan to upgrade some aspect of their HR systems portfolio.

Significantly, given the current economic climate, the most popular choice of upgrade activity is unlocking existing functionality not currently being used – cited by nearly a quarter of the sample (24%). Improving integration (22%) is another key goal, along with data cleansing (18%) and developing a web front end to existing applications (14%). There is no doubt that many HR departments have invested in large-scale ERP-style implementations, and have so far only scratched the surface of what the software can do. Indeed, when asked to identify the factors which will influence their future choice of systems, the respondents choose functionality, mentioned by 88%, over cost (84%).

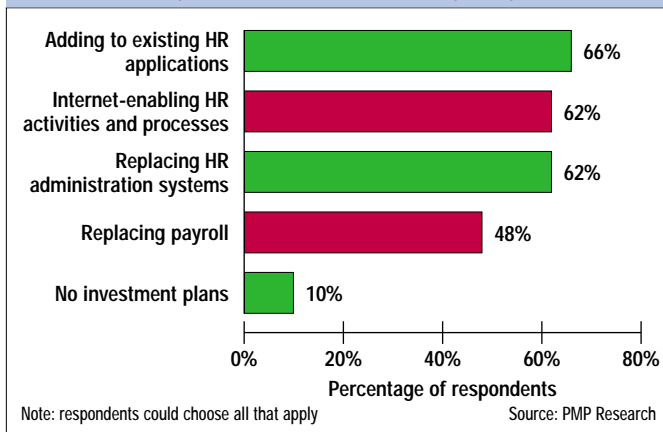


And while flexibility (80%), integration (78%) and ease of use (76%) remain important considerations, companies are paying much less attention to technical issues such as scalability (52%), platforms (48%) and standards (44%). Confirmation that organisations are more influenced by how users will react to the software than any other factor comes with the finding that just 16% are worried about choosing state-of-the-art technology. Several public sector respondents, for instance, highlight the need to find packages which can support their specialist pay scheme requirements.

Investors

Looking in general at where companies plan to make their primary investments in HR and payroll systems, it is encouraging to note that only 10% claim to have no investment plans at all. Two-thirds (66%) intend to add

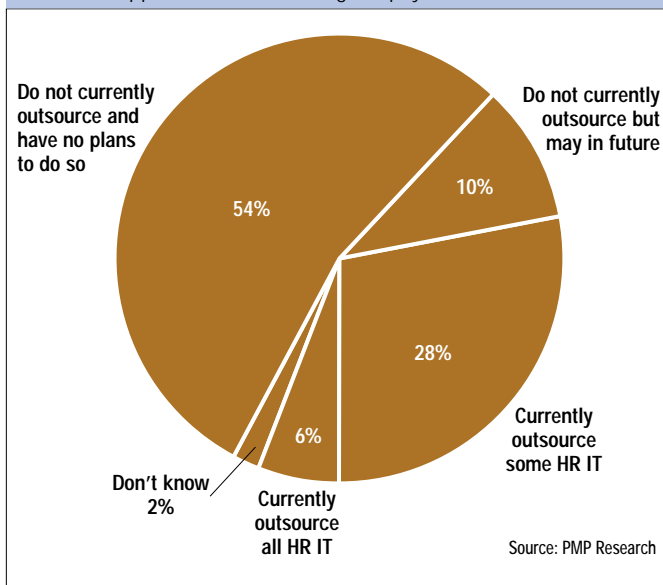
FIGURE 2: Primary investment areas for HR/payroll systems



new HR applications – such as recruitment, performance measurement, benefits administration and learning management – to their existing portfolio, while 62% plan to replace some of their HR administration systems (see Figure 2). Around half (48%) intend to replace their payroll systems.

Analysing these buying intentions in more detail, it seems that one in five have specific plans in three of the key ‘total resourcing’ areas – with 22% intending to purchase employee absence management software, 22% looking for learning management packages and 20% opting for recruitment applications. Evidently, our respondents continue to see HR as an activity which is best kept inhouse and close to the heart of the business.

FIGURE 3: Approach to outsourcing HR/payroll IT functions



In line with last year’s survey, our findings suggest enthusiasm for outsourcing is muted, despite some high-profile multi-million pound deals in the past couple of years.

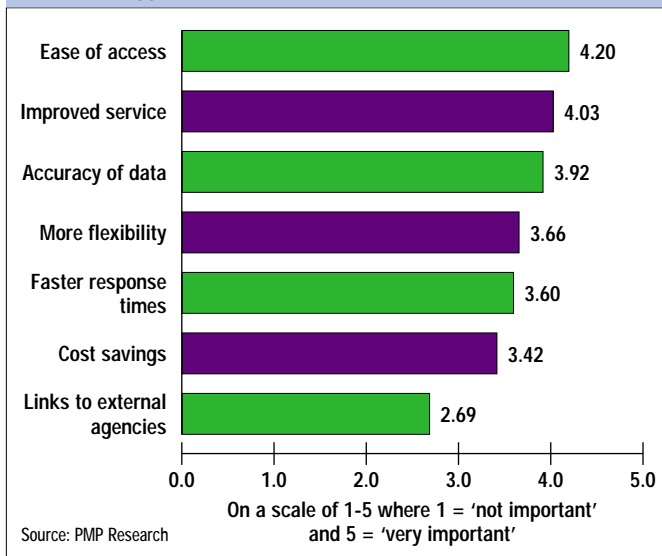
Two-thirds (64%) of those polled agree that outsourcing offers a way to reduce the cost of services, while half (46%) feel it frees the HR function to focus on more strategic issues rather than worrying about operational concerns. That said, over half our sample (54%) declare that they do not currently outsource their HR or payroll IT functions and have no plans to do so, while only 6% say they outsource all HR IT functions (see Figure 3). A further 28% outsource some HR IT functions while 10% concede they may move in this direction in the future.

Resistance to using ASP/hosting services for HR and payroll applications is just as marked, with three-quarters (74%) saying they do not use such services and have no plans to do so. While 14% are fans of this approach, only 8% plan to join them over the next 12 months.

Offshore outsourcing, a concept which has gained a lot of publicity recently, also has some way to go in this market with 71% ruling it out completely as an option. That pattern does not seem likely to change in the near future as while 6% currently use an offshore service, none of the respondents are currently considering doing so and just 17% report that they might evaluate this service at some point. Nor are companies overly keen to adopt a kind of internal outsourcing – by setting up a dedicated call centre or shared service centre to handle HR queries or specific administration activities such as recruitment.

In the retail sector, for example, there have been well-publicised instances of stores achieving substantial cost savings by channelling all recruitment processes through a single, centralised point. However, while 38% of our sample have made or are contemplating such a move, more than half (58%) display no interest. In contrast to the slow take-up of outsourcing services, companies are keen users of internet or web-based HR and payroll applications. In particular, the respondents highlight the way in which the internet has made it easier to access and deploy information (58%) and to communicate with employees (54%).

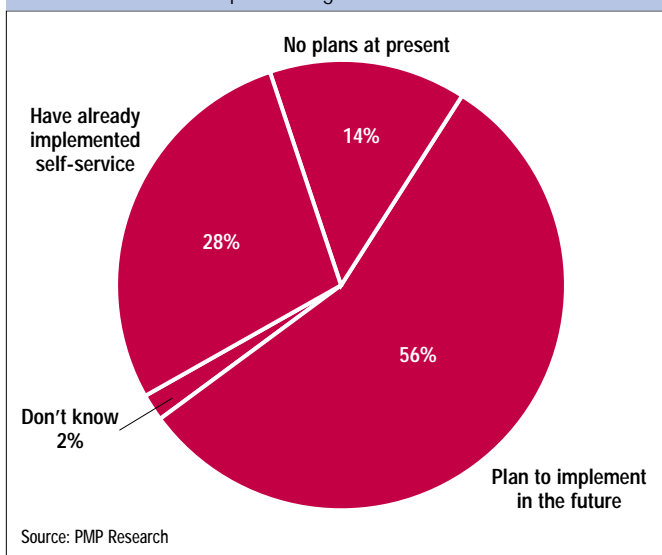
FIGURE 4: Biggest benefits of internet-based HR applications



One reason for this is certainly the all-pervasive nature of internet access, with half the companies surveyed (50%) reporting that anything from three-quarters to all of their employees have access to the web from their desktop. And a substantial majority (88%) also offer a company portal or intranet from which employees can access information.

Typically such portals provide company news like details of HR policies and procedures, cited by 86%, along with external information like stock prices (50%) and details such as performance measurement criteria or training requirements (40%). In a third of cases (36%), companies also offer employees self-service capabilities, such as the ability to change their address on HR records.

FIGURE 5: Plans for implementing HR self-service



We asked our sample to assess the benefits of developing internet-based applications by using a scale of 1 to 5, where 1 is 'not important' and 5 represents 'very important'. The aggregated results (see Figure 4) show that ease of access to data is the key advantage (4.20), along with improved service (4.03) and better data accuracy (3.92). Interestingly, better service seems to mean a more comprehensive and accurate response rather than a quicker one, since faster response times score only 3.60. And using the internet as a way to link to external agencies like recruitment consultancies is a low priority at 2.69, although at least one respondent points out that such applications offer useful support for a distributed workforce.

Unsurprisingly, the biggest risk in all this is widely seen as possible security lapses, which score 5.02 using the same scale. This is followed by worries

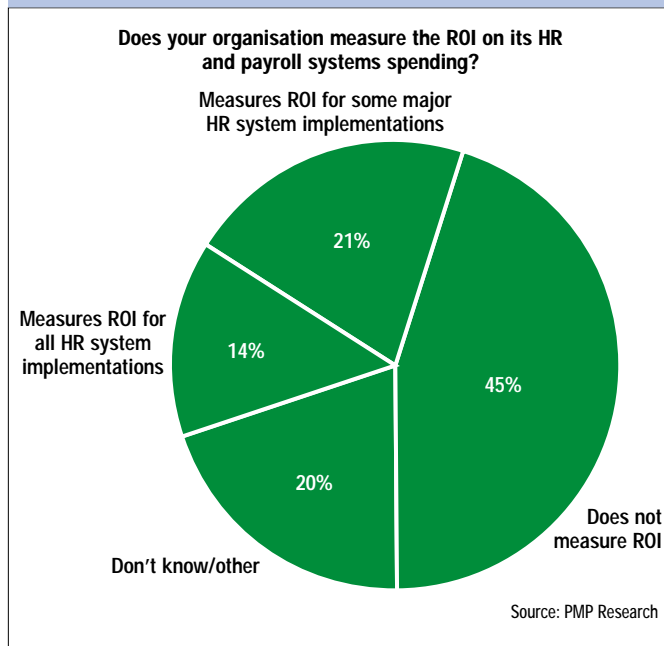
about the data protection issues raised (4.36) and concerns about control (3.84). The fact that online applications mean potentially less human contact is not seen as so significant (3.04). Certainly, self-service emerges as a popular option, with the majority (84%) indicating that they have either already implemented such applications (28%) or plan to do so (56%). In comparison, only 14% have no plans in this area at present with 2% undecided (as shown in Figure 5). The majority (72%) envisage offering such facilities to both employees and managers.

Using the 1 to 5 scoring system, the main advantage of self-service is deemed to be the way it puts responsibility back into the hands of the employee rather than the HR function. Empowerment of the individual scores highest (4.04), closely followed by improved data accuracy (4.02) – since each person has charge of entering their own personal details.

Factors of most direct interest to the HR department, such as cost reductions (3.84) or the ease of introducing new HR policies (3.40) come some way down the scale. Cost is, however, viewed as a problem when considering implementing self-service, as it tops the list of potential barriers (3.50).

This is followed by the difficulties of making a business case for the technology (3.47) and concerns over integration

FIGURE 6: Return on investment



requirements (3.08). Purely technical considerations such as a lack of standards for describing data (2.82) or standards in general (2.72) carry much less weight. Individual replies suggest some concerns about the cultural issues around self-service, with one respondent worried about managers' capacity to pick up additional administrative tasks and the possibility of inaccurate alterations by employees.

Getting on for two-thirds of respondents maintain it is either 'very important' (26%) or 'important' (34%) to personalise the information provided via self-service options to match employees' preferences or interests – and such an approach should make it easier to follow directions and reduce the likelihood of such errors occurring. Another respondent highlights the problems caused by the relative newness of this technology and says the enormous variety of products available means a lot of time has to be spent identifying a shortlist of suppliers.

Another major stumbling block regarding investment in HR and payroll systems in general, not just self-service applications, is the difficulty companies still have in establishing the ROI on such purchases. Although one in five (21%) claim to measure ROI for 'some' major HR system implementations, only 14% measure ROI on all such implementations (see Figure 6). More worryingly, nearly half (45%) admit they do not measure ROI on any HR system initiatives.

Given this background, it seems surprising that a third of the sample reckon that HR technology has been either 'very effective' (4%) or 'effective' (32%) at delivering ROI within their organisation, since it is not immediately clear what measurements they can be taking into account. Indeed, that proportion is identical to the 36% who concede that they 'don't know' if HR technology has been effective at delivering ROI. Of the remainder, 22% maintain HR technology has been 'ineffective' with 6% labelling it 'very ineffective'.

From these figures, it is clear that many organisations simply cannot establish ROI calculations clearly enough to convince the Board to spend money in this area. With a bigger war for talent looming, new applications emerging and a pressing need to streamline and improve most areas of HR activity, that is not a very comfortable situation to be in.

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