

PRESSURE POINT

Many HR departments are re-developing their technology in response to constant demands to deliver more to the business, according to our latest survey. Cliff Mills has the details.

The pressure is on the HR department to spend less time on administrative activities and more on 'transformational' work. To address this problem, a number of structural changes in the way that HR services are delivered have been implemented in the form of shared service centres, outsourcing and electronic delivery in order to standardise policies and procedures.

This change is clearly reflected in the amount of re-organisation that has occurred within HR. In the past year alone, according to our latest survey (see 'Survey Statistics' box, page 4), 35% of HR departments have undergone a significant restructure, with a further 17% re-organising during the last 12-24 months.

Respondents cite a range of reasons for the evolving structure of their HR department (see Figure 1). The key drivers are the need to improve the services offered to the organisation (54%); enabling HR to become a more strategic contributor (50%); and repositioning the HR function to fit the wider organisational model (46%).

Somewhat lower down the scale, but nonetheless significant, are the need to reduce costs (26%), provide more responsive customer service (25%) and increase business focus (24%).

Technology fit

While most respondents feel their HR and payroll systems are either meeting their requirements very well (31%), or at least adequately (40%), nearly a quarter (24%) admit that they do not meet all of their needs.

Against this background it is not surprising that a third of companies (33%) are planning to replace their HR system and 21% are looking to change their payroll application. In addition, enhancements to HR and payroll systems are being planned by 29% and 21% of companies respectively.

So when it comes investment in HR systems, which areas are most companies seeking to enhance?

It is clear that HR systems can no longer be islands of information – and improving the integration with other core

applications is a priority for half the respondents. This allows key information to be shared and therefore offer added value to the business.

Similarly, making HR activities and processes more widely available via the internet is a major requirement for 49% of the companies, as this can provide a route for reducing the administrative burden on HR.

Many companies are also planning to invest in adding extra functions, a priority for 49% of respondents: learning management (14%), workforce management (13%), recruitment (11%), employee absence management (11%) and succession planning (10%) are the main options mentioned.

However, a significant number of companies (42%) have yet to use all the functionality of their existing systems; unlocking this capability is a key goal for

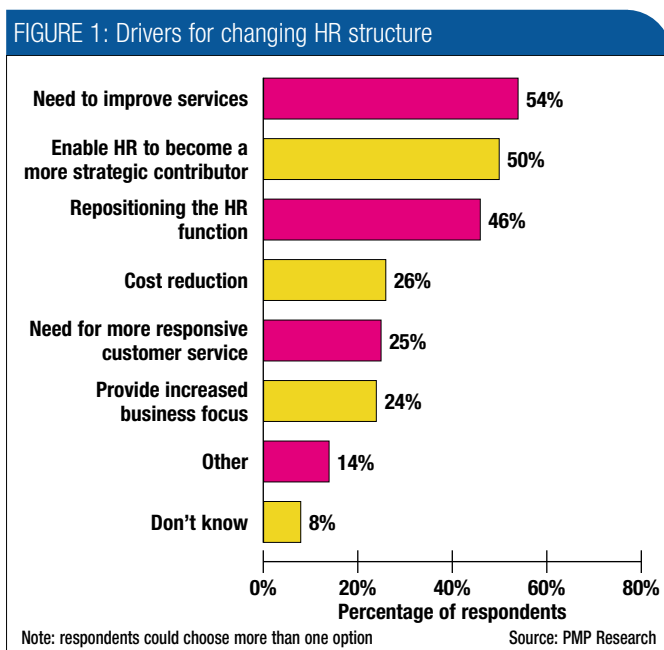
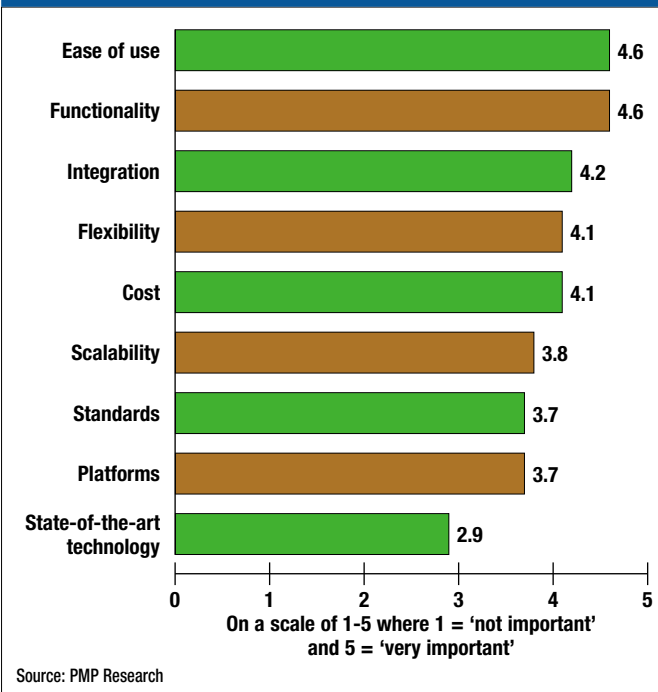


FIGURE 2: Key factors in choosing an HR system



32% of respondents, as is replacing their HR administration. Only 8% of organisations have no plans to invest in their HR technology.

Buying drivers

When selecting a new HR system there are a number of elements that need to be carefully considered – and we asked our respondents to rate these using a scale of 1 to 5, where 1 equates to 'not important' and 5 equals 'very important'.

The two key attributes (see Figure 2) are that the software should be easy to use (4.6) and that the functionality (4.6) can meet all requirements. The next most important elements are that the package can integrate effectively with other systems (4.2) and has the flexibility to meet a range of differing requirements (4.1). Naturally, the cost of the software also has to be acceptable (4.1).

Lower down the requirements is the need for the system to be scalable (3.8), meet industry standards

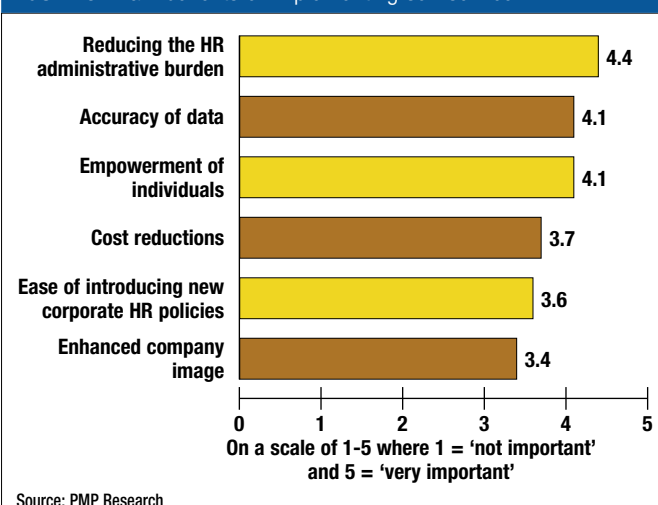
(3.7) and support a range of software platforms (3.7). Bottom of the list is the need for it to be state-of-the-art technology (2.9).

Self-service

The delivery of HR services is evolving, with technology providing new ways of interacting with employees. By moving more run-of-the-mill activities online, HR departments can free themselves from the burden of many administrative tasks while providing a more responsive service to employees. For instance, a company portal or intranet for employees to access HR information is now available in 79% of organisations.

The move to offer self-service facilities to employees is also gaining momentum, with 34% of companies having already implemented this capability and a further 48% planning to do so. Only 14% have no plans to offer this facility.

FIGURE 3: Main benefits of implementing self-service



There are many perceived benefits in introducing self-service, and we asked the respondents to rate these using the 1-5 scale, where 1 equates to 'not important' and 5 to 'very important'.

The primary advantage (see Figure 3) is reducing the HR administrative burden (4.4), thus freeing HR personnel to concentrate on other tasks. This is followed by increased accuracy of the data provided (4.1) and the empowerment of individuals (4.1). This means employees have much greater control over the data held on them and can easily access information online that would previously have required contacting HR to track down.

A little way behind, but always an important issue, is

that savings can be made (3.7) in both time and resources. Self-service is also seen as enabling the rapid introduction of new HR policies (3.6), and improving internal communications with staff and providing an enhanced company image (3.4).

There are a number of barriers to overcome in successfully introducing self-service, but on balance these are seen to be outweighed by the potential benefits.

The main concerns appear to be more technical than business or personnel-related. For example, the integration of systems to provide all the required employee information (3.6) and the lack of standards for key data across the organisation (3.5), as well as not having standard systems in place (3.0), are cited as the main obstacles. However, there are also issues with the difficulty of building a business case (3.4) and the cost justification (3.3) of the implementation.

There are mixed views on whether it is important to personalise the information provided via self-service systems to employees' preferences or interests, although on balance it is perceived that it is. While 17% and 39% of respondents respectively see it as 'very important' or 'important', 35% see it as 'not important at all' and 6% as of 'no importance'.

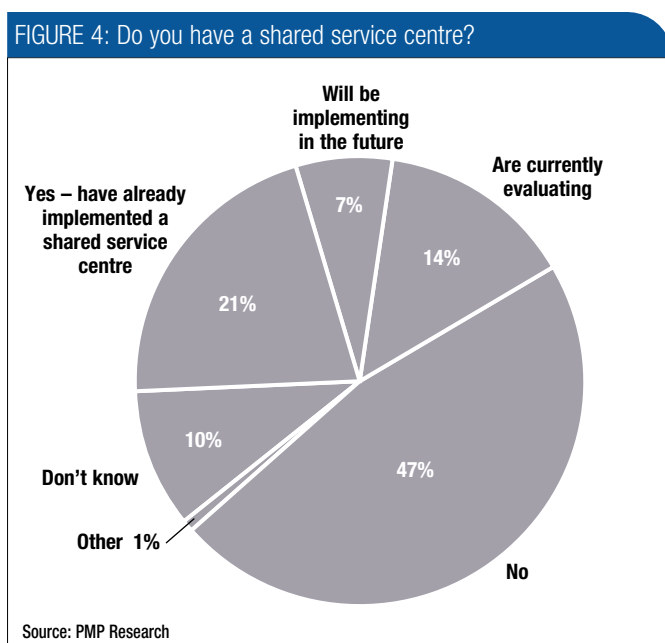
Shared services

One approach that is growing in popularity for delivering HR services throughout an organisation is the creation of shared service centres. While many large private sector companies have already adopted this approach, it is also becoming a key objective for public sector organisations.

Shared service centres provide services, often in conjunction with a call centre and the intranet, to all parts of an organisation. The tasks, previously performed locally by divisions or business units, are re-engineered, streamlined and centralised.

This has the advantage of providing cost benefits through economies of scale, and of possibly providing a more knowledgeable resource in order to process queries more rapidly.

Of the companies interviewed, 21% have already implemented a shared service centre (see Figure 4) with a further 7% planning to in the future and 14% evaluating the option. The remaining 47% (excluding non-responses) have no plans to go down this route.



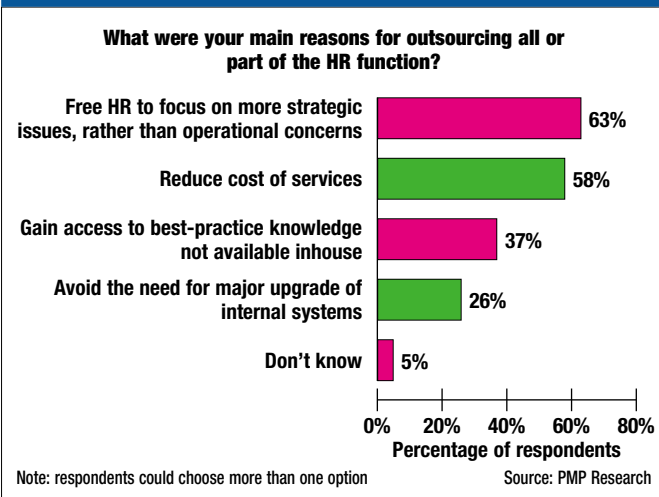
The key benefit of adopting this approach is the opportunity to cut administration costs in areas such as payroll (cited by 77%), employees joining and leaving (60%) and in the recruitment process (60%).

For those companies using shared service centres the results to date seem fairly positive, with 20% saying they have been 'very successful' and 47% 'somewhat successful'. For 20% of the companies it is still too early to judge success.

Outsourcing

Given the current state of evolution that many HR departments have reached, outsourcing might appear to offer a way of remedying the difficulties in matching HR delivery to the business needs. By handing over responsibility for some or all of their HR systems to a third party, companies should be

FIGURE 5: Trend to outsourcing HR



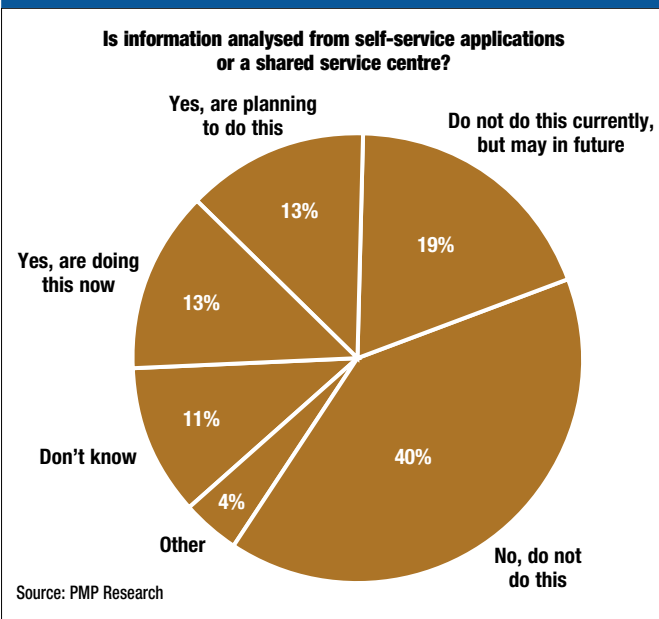
able to focus on business gains rather than IT demands.

However, while business process outsourcing is popular among some large organisations, in general it does not appear to have found favour.

A hefty 47% of companies say they do not currently outsource any HR functions and have no plans to, while a further 18% do not currently outsource but may consider the option in the future.

Nearly a quarter of companies (23%) do outsource some of their HR functions, and 4% have formed a joint venture with a third-party organisation to supply their HR requirements.

FIGURE 6: Information analysis



For those companies choosing the outsourcing route, the main motivation (Figure 5) is to free HR professionals of many of their operational concerns so they can focus on more strategic issues (63%).

It goes almost without saying that another key objective is to rationalise and reduce the cost of providing HR services – highlighted by 58% of respondents. Other objectives are to gain access to best-practice knowledge not available inhouse (37%) and to avoid having to undertake a major upgrade of their internal systems (26%).

If outsourcing HR operations is not too popular, then using an offshore outsourcing company is less so. Around 75% of the respondents would not consider this option. Only 3% have so far offshored any HR functions, while a further 7% say they might look at this option in the future.

At present, few companies are analysing or making use of the data that can be collected from self-service applications or shared service centres in order to better understand staff requirements and improve the level of service.

SURVEY STATISTICS

For this survey, we asked a wide range of companies about issues relating to the development of their HR systems. A substantial number (43%) are from the public sector, demonstrating the current level of change in this area and the move to shared service centres. Other sectors represented include business services (15%), manufacturing (11%), distribution & logistics (10%) and banking & finance (8%).

The respondents are from a spread of different-sized companies, with 4% reporting a turnover of more than £5 billion, 6% between £1 billion and £5 billion, and 15% in the £500 million to £1 billion range. In the mid-range, 37% have a turnover of £100 million to £500 million and 11% between £50 million and £100 million. At the smaller end, 18% have a turnover of between £10 million and £50 million and 9% £5 million to £10 million.

For example, it would be useful to know which segment of the user community is asking which type of question. But only 13% of companies currently make any use of this type of information (see Figure 6), with a further 13% planning to do so and 19% saying they may in the future. The largest group, 40%, do not analyse the data and have no plans to.

It also turns out that very few companies actually measure the return on their investment in HR systems. Only 7% measure the ROI for all their HR systems, while a further 19% do so for major implementations, but 53% do not measure ROI at all. As a consequence, 40% of the respondents simply do not know whether their HR technology has been effective at delivering ROI for their organisation. Yet 44% still believe it has been effective at delivering ROI, compared to 14% who see it as being ineffective.

Finally, human capital management (HCM) is an emerging HR approach which puts the emphasis on managing employees as an asset rather than as a cost to be controlled. So far, only 7% of organisations have implemented an HCM system with a further 13% considering it. The largest number of companies, 38%, have no plans to implement and nearly a quarter (24%) are not familiar with HCM at all.

In conclusion, the HR function is going through a period of almost unprecedented change where technology has opened up new avenues for delivering services. But HR departments need to demonstrate that they are delivering the right services to the business in the most effective manner. Many companies would appear to have some work to do in order to fully demonstrate this.

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