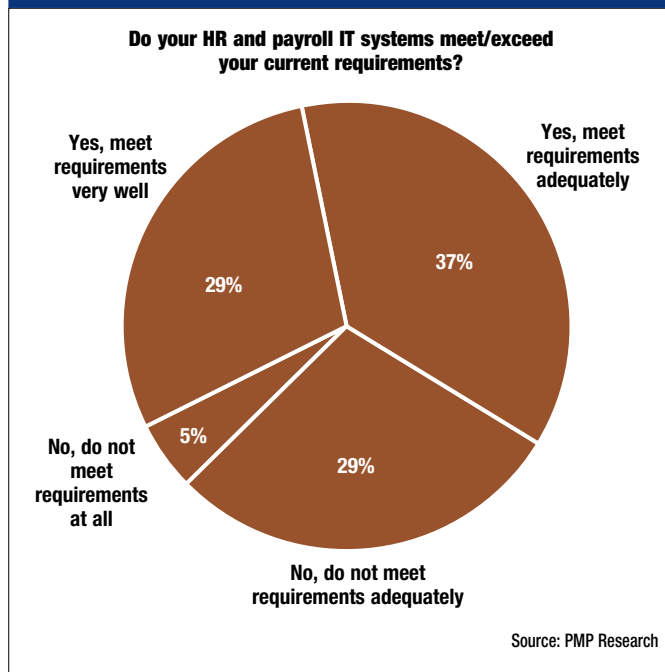


THE STRUGGLE CONTINUES

Organisations are using new technology to expand their HR function's range of activities, says Pat Sweet, analysing our latest research.

FIGURE 1: Performance of HR systems



Demographic trends suggest people are likely to continue working for longer, so companies will need to handle their human resources requirements as effectively and efficiently as possible over the coming decades. Yet many organisations still lack the necessary applications to do so. An ageing population, plus the current pensions crisis and focus on talent management, mean that companies need to think hard about how to plan their workforce recruitment and retention.

For years, HR departments have been trying to adopt the strategic role which would allow them to do this, and to free themselves from the administrative burden of day-to-day HR processes. Yet this year's Evaluation Centre survey, in common with previous ones, shows that most have a long way to go before achieving this goal. As Figure 1 shows, a third of those polled concede that their HR and payroll IT systems either do not meet their requirements adequately (29%) or in a minority of cases fail to do so at all (5%).

FIGURE 2: Planned areas of HR system spending



Given this background, it is not surprising that a third (37%) of respondents intend to replace their current software. Some of them will be companies whose legacy applications have finally come to the end of their useful life, but others will be simply throwing in the towel on a system which has never delivered as required.

While cost remains the key determining factor in any future choice of HR systems, according to 80% of the respondents, there are three other important considerations – integration (74%), flexibility (71%) and functionality (71%). Significantly, the majority (87%) believe the functionality of any new software is a more important factor now than it has been in the past, while 84% feel that integration is more important, and 84% say ease-of-use is a more critical consideration than it has been.

However, most companies have fallen out of love with the latest technology – just 14% feel that having state-of-the-art software is now more important than before, compared to the three-quarters (76%) who maintain that being at the leading edge is no longer a major concern for them.

In addition to those looking for new systems, two-thirds of the sample (68%) plan to upgrade their existing HR and payroll applications. The most common objective in doing so is to unlock existing functionality which is not being used, a move cited by 31%. The same proportion (31%) are keen to improve integration between HR, payroll and other core operational systems.

Looking to the future, most companies (66%) plan to put their money into additions to their existing HR solutions. As Figure 2 shows, popular options include software for recruitment, mentioned by 32%, workforce management (29%), employee absence management (23%), learning management (20%) and succession planning (17%).

This is clear evidence that HR departments are seeking to expand their portfolio of activities, providing a more complete service to the organisation by focusing on areas where their actions can make a big difference to the bottom line. These areas may include analysing employee absenteeism rates and devising strategies to tackle identified areas of concern, or developing a corporate database of employees' knowledge and skills in order to plan more effectively for business expansion or senior managers' retirement.

Of course, by taking on these extra responsibilities, HR departments risk burying themselves under a mountain of paperwork with the danger that many will find it hard to dig themselves out from under the pile in order to maintain a strategic overview of activities. While 45% of those polled indicate they will be buying new HR administration systems at some point in the future, it is significant that a larger proportion (54%) say their preferred area of investment lies in internet-enabling HR activities and processes.

By moving more run-of-the-mill HR activities online, HR departments are able to expand the scope of their activities without burdening themselves with too many additional administrative tasks. Half of our sample (46%) reckon that between three-quarters and all of their company's employees have access to the web from their desktop. A similar proportion (51%) provide some means of accessing the web – such as an internet kiosk or mobile devices – for those employees who do not have a PC at their workplace, or who are out of the office for long periods.

The result is that a large majority of organisations (89%) now have some kind of company portal or intranet that employees can use to get hold of HR information. Most (88%) use this as a way of disseminating corporate information, such as company news or changes in HR policies and procedures.

Others have gone further, with individual responses pointing to telephone lists, competitions, newsletters and holiday requests as examples of the information which employees can now look up online but which would once have required a phone call to HR to track down. Little wonder, then, that 48% of companies believe that the biggest impact of internet-enabling HR applications has been improving communications with employees, while 40% reckon going online has made it easier to deploy and to access information.

We asked our sample to analyse in more detail the benefits that online applications bring, using a scale of 1 to 5, where 1 stands for 'not important' and 5 is 'very important'. As Figure 3 shows, the results put ease of access to data top of the list (4.31). Unusually, there are then three considerations which all merit the same score of 3.99. These are cost savings, data

accuracy and improved service, and all three are inter-linked in terms of the benefits they deliver.

Since a lot of corporate information is no longer printed out as hard copy and the HR department spends much less time hunting down answers to queries, the costs of responding to employees go down, while the breadth and quality of the services offered by HR goes up. At the same time, since employees can see data instantly online, the accuracy of that information is greater.

This reduction in paper usage is particularly appealing to public sector organisations, including local authorities and government departments. They are tasked with making substantial improvements in the quality of their services and also required to meet stringent targets for sustainability. Going online is a way of achieving both these goals.

FIGURE 3: Benefit of internet-based HR applications

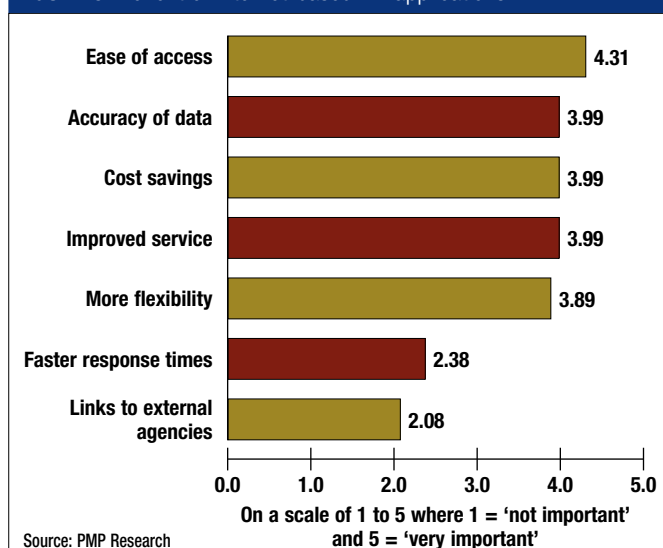
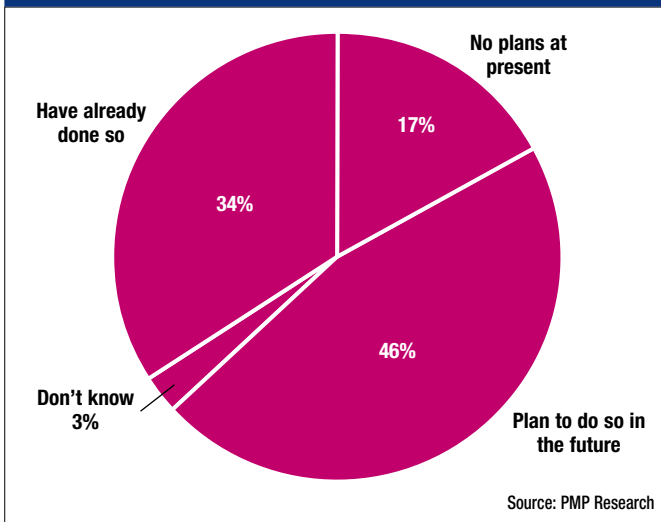


FIGURE 4: Is your company implementing HR self-service?



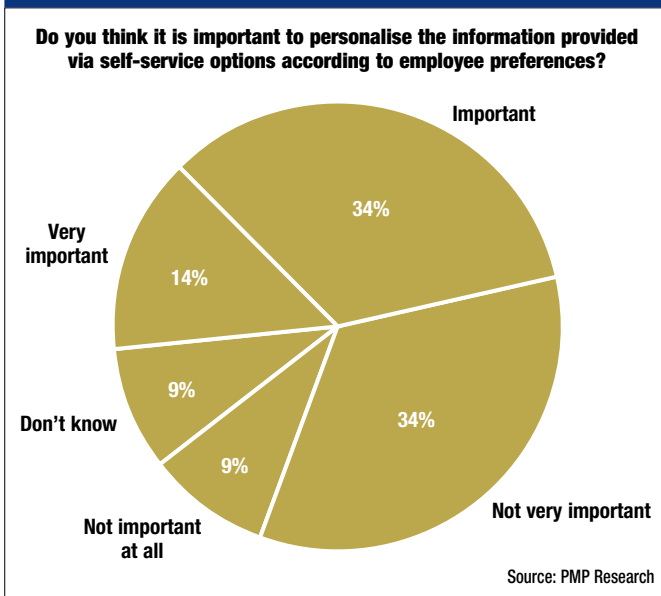
Individual responses also point to some of the 'softer' benefits of online working: easier access to their data makes employees feel in control, according to one reply, while the visibility of HR is improved. As HR staff become distanced from the routine processing tasks, so they can become more proactive.

The biggest downside with all this is, not surprisingly, continuing anxiety about possible breaches of security. Asked to rate the risks of internet-based HR on the 1 to 5 scale, our respondents put security at the top of their list of concerns (4.24), alongside worries about possible data protection issues (4.18). The fact that many employees will encounter a computer screen rather than someone at the end of a phone is not seen as a particular problem – less human contact is the least of any company's worries (2.52).

Given the obvious advantages of providing online HR services, some companies are now starting to take their initiatives a stage further. As Figure 4 shows, a third (34%) have already implemented self-service options, where employees can not only view key HR data online but make changes to specific pieces of information. This might include being able to add new bank account details, correct an address or request a pension forecast.

While only a minority have got this far, many companies plan to follow shortly, with 46% indicating that their future HR plans include self-service functionality. Just 17% have ruled this out, with the remaining 3% unsure of their intentions in this area. We asked the sample to rate the main benefits of implementing self-service, using the 1 to 5 scale where 1 stands for 'not important' and 5 represents 'very important'. The aggregated scores place improved data accuracy top of the benefits list (4.21), followed by the empowerment of individuals (3.96) and cost reductions (3.27).

FIGURE 5: Personalising self-service data



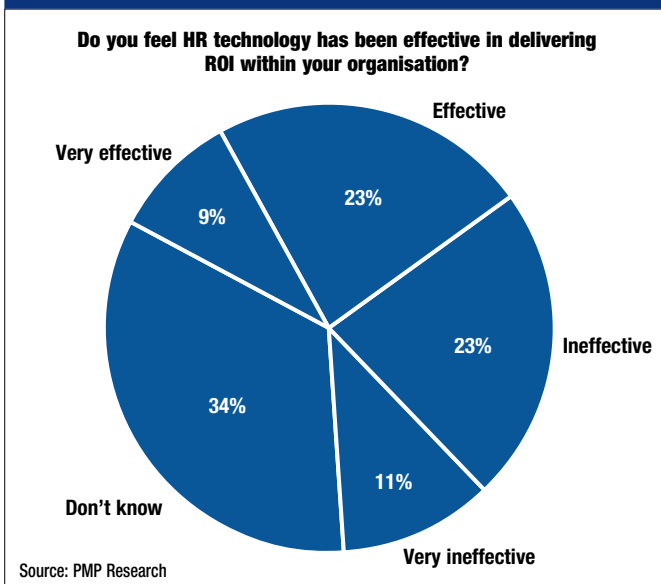
But for employees to feel truly involved with the company, the organisation probably needs to do more than simply pump out the same messages and material to everyone, regardless of their specific situation. Half of those polled believe it is either 'very important' (14%) or 'important' (34%) that the information provided via self-service options is personalised to match the recipient's requirements (see Figure 5). That may mean showing data in a different format or a different context for employees in specific job categories, or for those in a particular age band or certain type of job.

SURVEY STATISTICS

We spoke to a broad spectrum of organisations for this year's survey into HR and payroll applications trends. Over a quarter (28%) have a turnover in the £150 million to £1 billion bracket, while 6% are in the £1 billion to £5 billion range and another 6% top the £5 billion mark. Lower down the scale, one in five (20%) post an annual turnover of between £50 million and £100 million, while 17% have turnovers ranging from £10 million to £50 million and 6% are in the £5 million to £10 million range.

The industry backgrounds of our respondents are equally varied and include manufacturing (11%), transport (6%), financial services (6%) and distribution & logistics (3%) among others.

FIGURE 6: Return on investment



However, while most organisations acknowledge that such a development is valuable, few of them actually practise what they preach. Just 6% of the sample have already tried to personalise information in this way, and another 18% are contemplating doing so. While the majority (44%) reckon they may go down this path in the future, a quarter (23%) have ruled it out.

Given the difficulties which many organisations acknowledge in matching their HR applications to their business needs, outsourcing would seem like an obvious option to consider. By handing over responsibility for some or all of their HR systems to a third party, companies should be able to focus on business gains rather than IT demands.

However, nearly half of the sample (46%) say they do not outsource any aspect of their HR function and have no plans to do so. A quarter (26%) do outsource some HR IT functions,

but only 8% have moved everything over to an external agency. A minority (17%) report that they are considering such a move at some future point.

In contrast, organisations are much more enthusiastic about the shared service centre concept, where all HR administration and queries are handled via a single 'hub' – with 40% implementing such an approach. The key benefit of doing this is the opportunity to cut administration costs in areas such as payroll, identified by 65%.

Among those who have adopted the shared services concept, 9% feel they have been very successful at achieving benefits, and a quarter (25%) report some gains, though 12% argue it is too early to say, suggesting that such ideas take time to bear fruit. It may also be some time before organisations make as much use as they could of the data they are gathering via a shared service centre. Just 6% are currently analysing the types of queries they receive, for example, in order to improve or alter services, although 39% are considering this in the future.

This finding touches on one of the continuing problems when it comes to implementing HR IT systems – very few companies actually measure the ROI on their spend in this area. While 9% do calculate cost/benefits for all HR system implementations, 23% only do so for major implementations and 60% do not do so at all. Consequently as Figure 6 shows, a third (34%) simply do not know whether HR technology has been effective at delivering ROI for their organisation, and a third estimate that their implementation has failed in this respect either partly (23%) or completely (11%).

Such complacency is not good enough if companies are to maximise their often considerable investment in HR systems. They need to develop more sophisticated metrics to measure how well they are doing because some options – most notably shared service centres – will take some time to deliver, and companies need to be able to gauge how far they are down the path to success.

● *Pat Sweet is the research analyst for PMP Research. If you are interested in this study, please contact Steve Markwell at PMP Research. Email: stevem@pmpresearch.co.uk.*

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