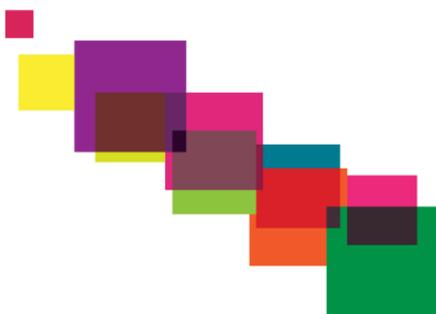
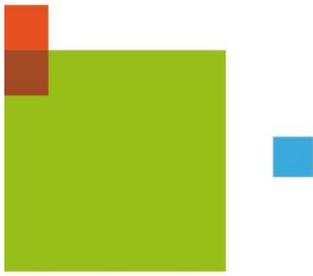


HR Innovation in 2016:

HOW TECHNOLOGY IS SET TO
FURTHER EMPOWER HR





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Introduction

People are the backbone of all organisations; without employees, organisations would not be able to function. It is the job of the HR department in organisations to ensure that the right people are employed into the organisation, and that they have the right training to be able to do their job successfully. Without the HR department, employees are unlikely to develop and progress within the organisation too.

Working in HR has traditionally involved a lot of administration, which can detract the department from being able to spend enough time on the strategic elements of the role. Historically HR has been overlooked, and often has not received the investment to help streamline HR processes in order to reduce the levels of administration involved in the role. Thankfully, this no longer needs to be the case thanks to technology advances allowing portals and systems to improve service delivery.

But are organisations utilising HR technology to its full capacity? And how holistic is their approach? This research aims to identify:

- How technology can allow HR to be more strategic and help deliver more business value
- How HR can deliver a better service
- Whether organisations are planning to implement the right technology in HR

Research Scope

Engage ESM and ServiceNow commissioned independent technology market research specialist Vanson Bourne to undertake the research upon which this whitepaper is based.

A total of 100 senior HR decision makers from UK organisations were interviewed in February 2016. The respondents were from organisations with at least 2,000 employees within the following sectors:

- Financial services
- Manufacturing
- Retail, distribution and transport
- Other commercial sectors
- Public sectors

Interviews were conducted online using a rigorous multi-level screening process to ensure that only suitable candidates had the opportunity to participate.



The role of HR in organisations

HR departments are made up of several different functions. According to surveyed respondents, HR leadership has the largest proportion (22.4%) of the HR department within their organisation, on average. But that means that over three quarters (77.6%) of respondents' organisations' HR departments consist of non-leadership functions:

- HR operations equates to 18.8% on average
- 17.5% are made up of HR generalists

When it comes to strategy, surveyed HR decision makers only spend an average of 30.6% of their time on strategic activity. Given the importance of strategy to organisations, this is not likely to be enough time and may impact their ability to support the wider business strategies. The majority of respondents' time (55.1%) is instead spent on HR tasks; these tasks are likely to be administration heavy and highlights that the traditional HR role is still very prevalent in many organisations. In terms of roles within the HR department, strategy makes up around a quarter (25.7%) of the HR team, with the teams also having an average of 28.9% focused on operations, 22.8% administration, and 14.0% IT/systems.

Almost nine in ten (88%) HR decision makers agree that HR professionals are uniquely placed to deliver organisation-wide efficiency improvements. This highlights the value and importance of HR to the wider organisation. But if the HR department are not focusing on removing administration tasks by streamlining their processes then they could be missing out on an important opportunity to demonstrate value to the wider organisation by improving strategy and by improving efficiencies.

Around eight in ten respondents feel that their organisation's HR team has the right spread of HR capabilities and skills (82%) and is resourced to fit the future strategy of the business (80%). But actually, HR decision makers are not spending as much time on strategy as they could, and arguably should be. Over nine in ten (92%) respondents agree that if their organisation's HR team had less operational day-to-day administration then they would be able to make a greater contribution to the overall business strategy and objectives. If the majority of

administration tasks were streamlined, HR would be able to be more strategic and provide a better service to the organisation.

Making a greater contribution

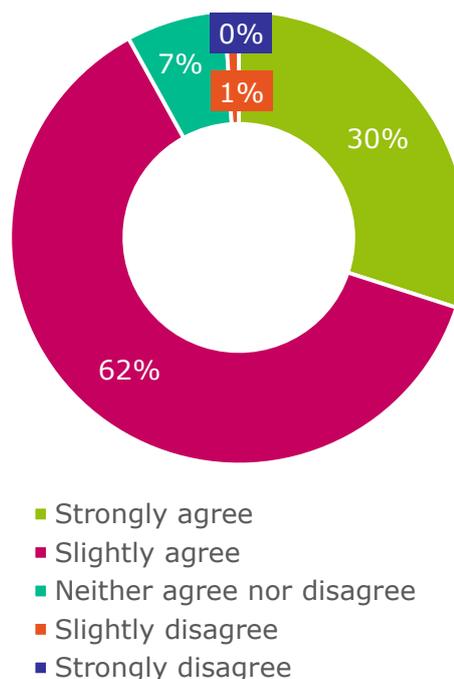


Figure 1: "To what extent do you agree with the following statement: If my organisation's HR team had less operational day-to-day administration then they would be able to make a greater contribution to the overall business strategy and objectives" Asked to all 100 respondents

In terms of an organisation's overall business strategy and objectives, all (100%) respondents believe that HR is important in delivering this for their organisation. And this importance is expected to increase, with over nine in ten (93%) expecting HR to become even more important in 2016. But the HR department is currently spending too much time on administration to be able to do this as well as they could.

How strategic is the HR department? Over half (56%) of HR decision maker respondents believe that HR is seen as an extremely strategic department within their organisation currently, and half (50%) believe that this will remain the case for the rest of 2016. However, only four in ten (40%) think that this will be the case beyond 2016. The future may be less certain because around three quarters (74%) of respondents' organisations are planning to restructure the HR department within the next year. If a restructure is planned, it will be hard for HR decision makers to see how their department will be seen within their organisation in the future. On the plus side, the restructure could involve improving efficiencies within the HR department and result in more time available to spend on both the HR department's strategy and the organisation's strategy.

When it comes to how well an organisation's overall business strategies align with its HR strategies, the majority (85%) of respondents believe that they are aligned somewhat or mostly. But it is only 15% who say that they are completely aligned, which suggests that there is a lot of room for improvement for the majority of organisations in this area. If the HR department were able to spend more time on strategy, perhaps their strategies would be better aligned with the overall business strategies.

Alignment of strategies

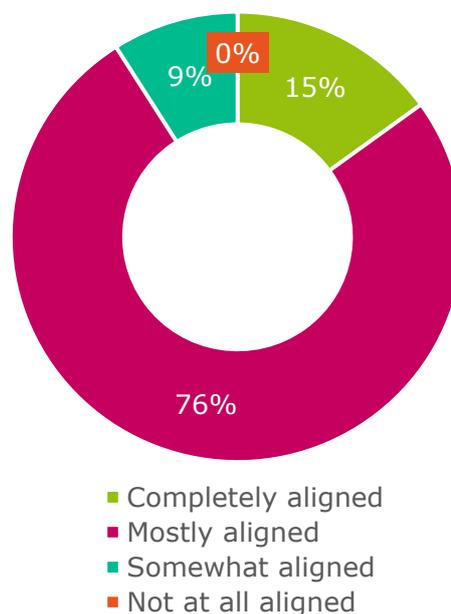
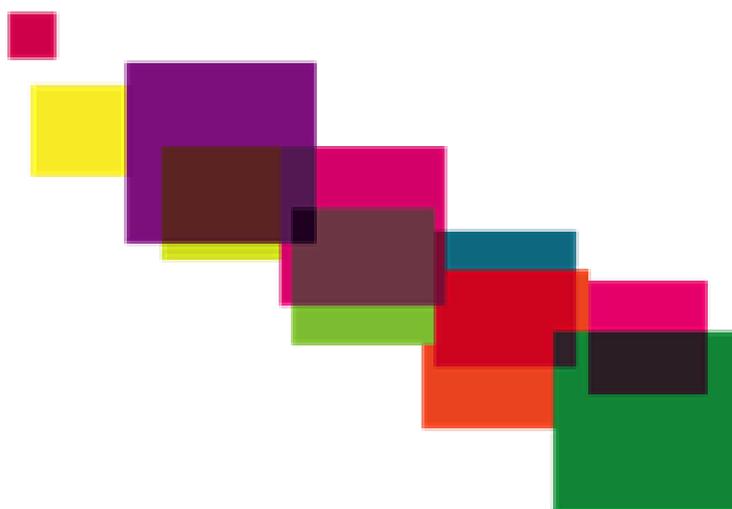


Figure 2: "How well aligned are your organisation's overall business strategies with its HR strategies?" Asked to all 100 respondents



Priorities, drivers and processes

In 2015, almost seven in ten (68%) respondents' organisations focused on streamlining HR processes. This will have brought HR a long way to ensuring that the department is spending less time on administration. However, streamlining the HR processes continues to be a priority focus in the next two years for the majority (63%). Although it has already been a focus area, organisations have not yet fully streamlined all HR processes, which is why it will remain an area of attention. This is likely to be a priority for the foreseeable future as there is no sign that all

efficiencies will be made or that all streamlining is complete.

On average, 35% of HR processes are completed using HR technology. But what that actually means is the majority (65%) of HR processes are not completed using HR technology. This is likely to be holding the HR department back from focusing on strategy. Over half of HR processes are still being done via emails (32%) or on paper (22%). It is no wonder that the majority of organisations are looking to continue to streamline their HR processes.

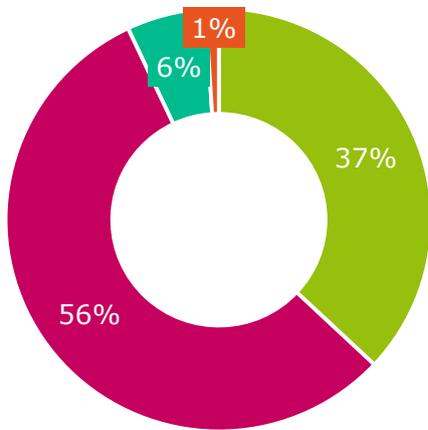
HR initiatives



Figure 3: "What HR initiatives did your organisation focus on in 2015? / What HR initiatives is your organisation focusing on in the next two years?" Asked to all 100 respondents

One way to streamline HR processes is to automate them. Over nine in ten (93%) respondents say that their organisation's HR processes are already automated, but less than four in ten (37%) say that they are fully automated. There is clearly room for improvement to automate processes further in the majority of organisations. This may help to reduce the amount done using email or paper methodologies, and could also be why organisations are continuing to streamline their HR processes.

HR process automation



- Yes, fully
- Yes, to an extent
- No, but we plan to
- No, and we have no plans to

Figure 4: "Are your organisation's HR processes automated?"
 Asked to all 100 respondents

Almost all (97%) HR decision makers agree that the HR processes that their organisation uses are effective in making the department successful. But actually around three quarters (74%) believe that their processes could be further streamlined through technology. The importance of technology for HR processes is clear. There is an understanding among around nine in ten respondents that technology is important in improving HR responsiveness (91%) as well as general employee productivity (89%). Not only that, just over three quarters (76%) believe that technology is an important factor in improving the capabilities of their organisation's HR department. If the HR department has support from the IT department and the board for the use of and investment in HR technology this is likely to help with implementing the right systems.



HR spend and investment

When it comes to finances, on average, the HR budgets in respondents' organisations have increased by 4.2% this year. And the HR budget is expected to increase by a further 5.8%, on average, in the next year. Could this additional budget go towards streamlining HR processes via technology?

Over half (53%) of respondents have said that their organisation will be spending most of their 2016 HR budget on technology. In fact, almost all (99%) will be investing in HR technology in 2016. This is not surprising given the priority focus on streamlining HR processes for the majority, and that most do not yet have fully automated processes. Respondents' organisations are most likely to be planning on investing in an HR management system (HRMS) in 2016 (74%), followed by an HR information system (HRIS) (52%).

While the majority (68%) of HR decision maker respondents think that their organisation is investing the right amount in HR technology, a significant minority (30%) think that they should be investing more. In fact, around eight in ten believe that a higher level of technology investment would enable the HR function to add more value (83%) and be more strategic (80%). This is important for organisations, especially as too much time is being spent on administration currently and not enough on strategy. If organisations invest further here, then they will see benefits from across the entire organisation as more time can be dedicated to staff training, recruitment, retention and strategy.

Planned HR technology investment

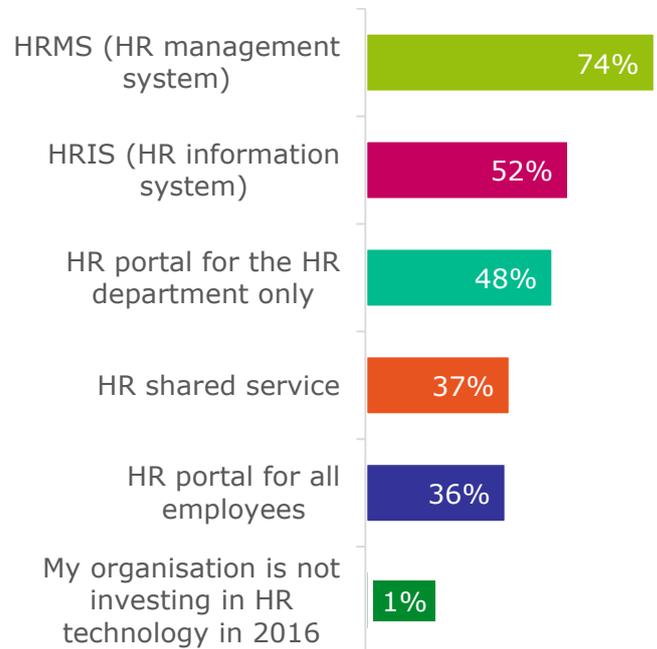


Figure 5: "What HR technology will your organisation be investing in during 2016?" Asked to all 100 respondents



Technology and tools in HR

This section covers three different types of HR technology (HR portals, HR shared service and HR management and information systems) to see if they are in use or planning to be, where they are hosted and how satisfied the HR department is with these tools.

HR portals

There are different types of HR portals available for organisations, some are designed specifically for the HR department to use themselves, and others are designed for all employees within an organisation to use. Just over half (56%) of respondents' organisations have at least one of these HR portals in place within their organisation currently.

Three in ten (30%) respondents' organisations have an HR portal specifically for the HR department only. But this is set to increase as not only are 44% in the process of implementing this type of technology, a further one in five (21%) are planning to implement it in their organisation in the future. Slightly more (35%) respondents' organisations have an HR portal for employees. This is also set to increase with over four in ten (42%) being in the process of implementing one and two in ten (21%) planning to implement this type of portal in the future. Although portal use is currently quite low, there are plans to improve and implement this in many organisations, which could result in further streamlining of HR processes.

HR portals are likely to be hosted on-premise currently, but there is likely to be a move to cloud based services in the future. Over eight in ten (83%) respondents whose organisation has an HR portal for the HR department only confirmed that this portal is currently on-premise. But of these respondents' organisations over four in ten (43%) are planning on moving it to the cloud in the next year. This is very similar with HR portals for employees. Around three quarters (74%) of those with an HR portal for all employees say that the system is currently hosted on-premise. Again, there is a look to move this to the cloud within the next year, but this is only the case for around a third (34%) of those with this tool.

The HR portals are being replaced very frequently. Over six in ten (63%) respondents confirm that their organisation's portal for the HR department is replaced at least once every year. Almost three quarters (74%) admit this for the HR portal for employees. This frequency of replacement suggests that the HR department is not satisfied with the systems that they currently have. And this appears to be the case as only four in ten (40%) respondents said that they are completely satisfied with their organisation's HR portal for the HR department only. Similarly, only 46% say the same for their organisation's HR portal for employees. Frequently replacing HR portals is likely to be very disruptive to the HR department, and to employees. But it does offer the opportunity to upgrade to systems that are more automated.

HR portal implementation plan

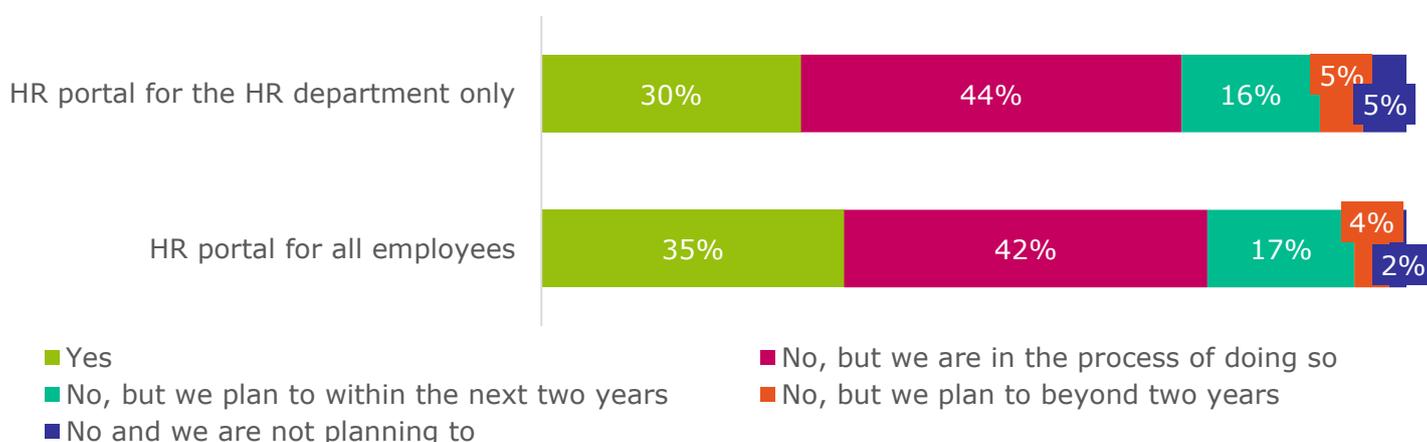


Figure 6: "Has your organisation implemented any of the following HR systems?" Asked to all 100 respondents

HR shared service

An HR shared service is slightly less common than an HR portal in organisations; however, this is also set to increase in popularity in the future. Over a third (36%) of respondents' organisations currently have an HR shared service in place, while exactly a third (33%) are in the process of implementing one and a further quarter (26%) plan to do so in the future.

There are many benefits to having an HR shared service in place. In fact, where respondents' organisations already have one, or are in the process of implementing one, all (100%) see that there are benefits to doing this. Benefits of an HR shared service include cost reductions (59%), improved learning among employees (57%) and improved communication (52%). A third or more also see the benefit of enabling a more strategic focus within the HR department (33%) as well as reduced time spent on day-to-day administration (46%). It has been identified that reducing time spent on administration will in fact lead to the HR department being more strategic. Implementing a shared service is likely to help with both of these improvements to the HR department.

Where an HR shared service is in place, the vast majority (83%) of respondents confirm that the system is currently hosted on-premise. But almost half (47%) of them are planning to move their shared service to the cloud within the next year. Three quarters (75%) of respondents confirm that their HR shared service is replaced at least once every year. This is likely to cause short-term disruption amongst the HR department, particularly if processes need to be amended to allow for the replaced systems. Only a third (33%) of respondents whose organisation has a shared service are completely satisfied with the system in place. This could be why the systems are updated so frequently.



Benefits of an HR shared service

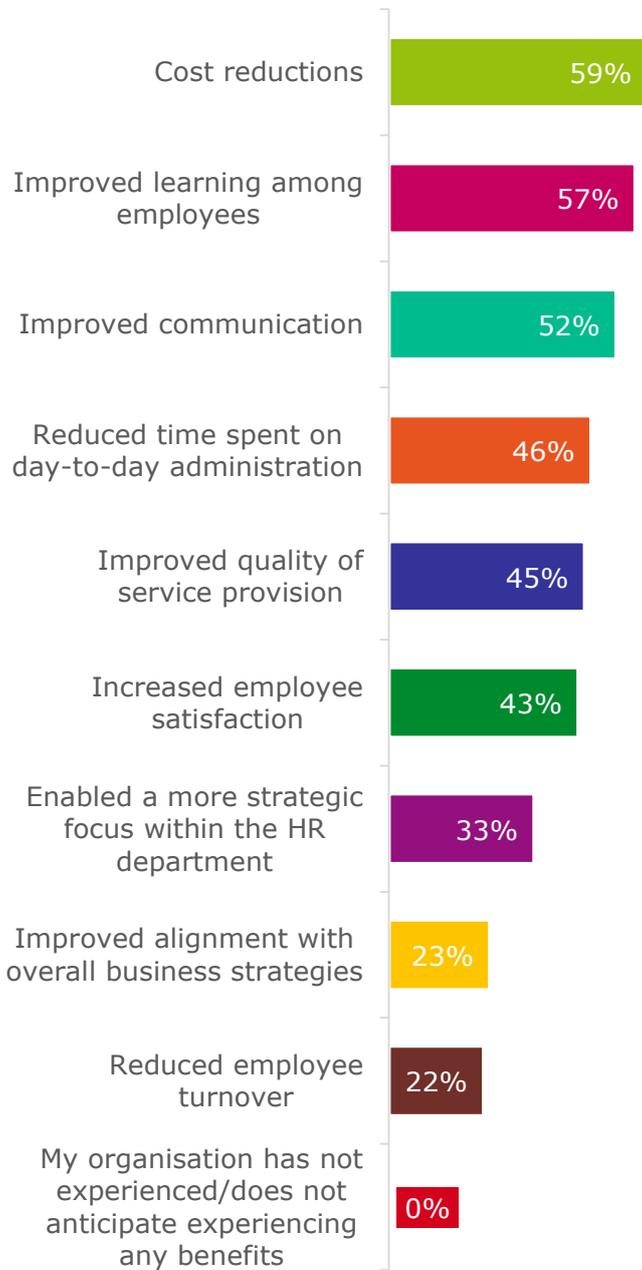


Figure 7: "What benefits have your organisation experienced/do you anticipate your organisation experiencing as a result of implementing an HR shared service?" Asked to respondents from organisations that have implemented an HR shared service or are in the process of doing so (69 respondents)

HR management and information systems

Despite being the most popular systems implemented, there is still big pockets for further adoption of both the HR management system (HRMS) and the HR information system (HRIS). The majority (60%) of respondents' organisations have an HRMS in place currently, but that means that a significant minority (40%) do not yet have this tool in place. The situation is worse for an HRIS, with less than half (48%) stating that they have one in place currently, meaning more than half (52%) do not yet have it.

HRMS and HRIS implementation plans

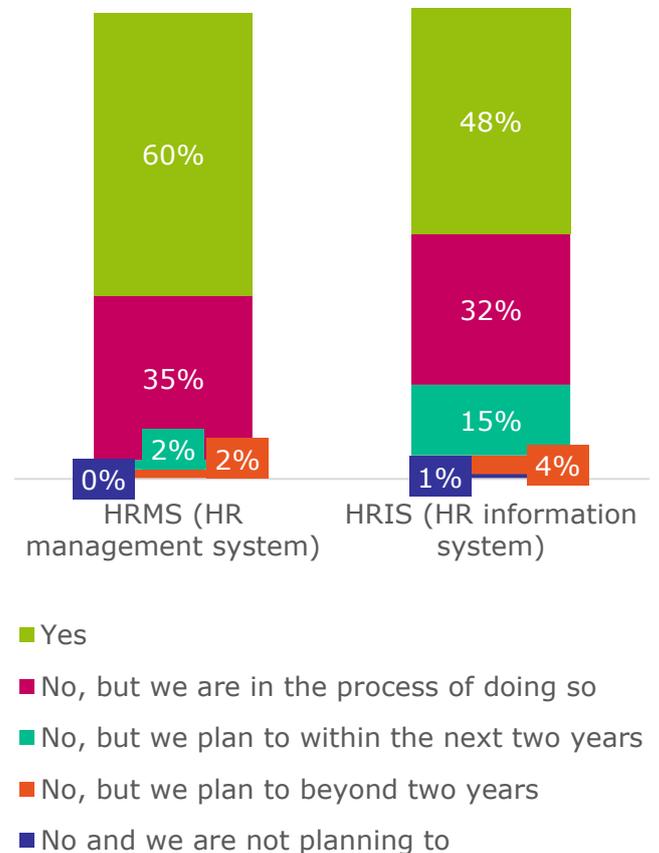


Figure 8: "Has your organisation implemented any of the following HR systems?" Asked to all 100 respondents

Plans are afoot though to implement both of these types of systems. Four in ten (39%) respondents say that their organisation is in the process of, or plan to implement an HRMS. For an HRIS, this is the case for around half (51%) of respondents' organisations.

Both types of tools are currently likely to be based on-premise (77% for HRMS and 81% for HRIS). However, around a third (32%) of respondents say that their organisation is planning on moving their HRMS to the cloud, and over half (54%) plan to do this for their HRIS within the next year.

Where respondents' organisations have these tools in place, around two thirds say that the tools are replaced at least once every year (67% for HRMS and 65% for HRIS). This is similar to that seen for both HR portals and a shared service. Moving their systems to the cloud will be an easier task if they are looking to replace the systems anyway.

Satisfaction levels are not particularly high with the HRMS or the HRIS. Only 37% of respondents say that they are completely satisfied with their organisation's HRMS, and only a quarter (25%) say that this is the case for their organisation's HRIS. Again, this lack of complete satisfaction could be why the systems are replaced so frequently, which could cause disruption to the HR department. Organisations need to find the right technology solution for their business to reduce this disruption and further streamline processes for HR. They may need to look to work with a trusted advisor to help them achieve this.

When it comes to the integration of all the HR tools that organisations are using, seven in ten (70%) admit that their systems are not fully integrated with each other. Perhaps there would be more complete satisfaction with the systems if they were integrated, as they may be easier for the department to use. More integration would also suggest that organisations would be replacing the systems less frequently. If organisations had integrated systems in place that they are not replacing so frequently it would likely cause less disruption to the HR department and allow them to focus more on strategy than on administration.



Conclusion

It is clear that organisations understand the importance of the HR department to their business. They also understand how strategic the department should be. While HR processes are being automated in many organisations, large quantities of HR processes are still very administration heavy. This is preventing the HR department from being as strategic as it could be and is holding back the levels of service delivery that the HR department could achieve. If this continues, organisations may find themselves at risk of losing employees to their competitors who have already fully streamlined their HR processes.

The vast majority of organisations' HR budgets are being spent on technology already, which means that further streamlining of processes will be happening. As it is not new for investment to be made in HR technology for many organisations, over the next year the further investment is likely to be in moving many of the existing systems to the cloud. It could also be spent on changing to new providers (or a new single provider) who offer these services in the cloud. There are also many types of HR technology that the majority of organisations do not have in place yet, the budget may therefore be spent on implementing new systems that they do not yet have in a bid to have more streamlined processes and be more strategic.

This investment is an opportunity for organisations to ensure that they are implementing the right holistic systems to enable their HR department to be more strategic, deliver more business value and to deliver a better service to their organisation and its employees. There are companies who specialise in platforms to help the HR department achieve all of these benefits. Rather than going it alone, organisations should reach out for assistance and guidance from these companies who live and breathe HR technology. Going it alone is unlikely to reap the same rewards for the organisation, their HR department and their employees.

About Engage ESM:

Engage ESM works with organizations to improve their ability to innovate and respond to the changing needs of the business. Whether the challenge is reducing costs, corporate governance, taking on new services or implementing a new HR framework. Engage ESM provides the impartial advice, expert skills and the service management technology to enable organizations to manage continuous change. Key partners include ServiceNow, Cisco, Moogsoft and CliQr.

About ServiceNow:

ServiceNow is changing the way people work. With a service-orientation toward the activities, tasks and processes that make up day-to-day work life, we help the modern enterprise operate faster and be more scalable than ever before. Customers use our service model to define, structure and automate the flow of work, removing dependencies on email and spreadsheets to transform the delivery and management of services for the enterprise.

About Vanson Bourne:

Vanson Bourne is an independent specialist in market research for the technology sector. Our reputation for robust and credible research-based analysis is founded upon rigorous research principles and our ability to seek the opinions of senior decision makers across technical and business functions, in all business sectors and all major markets. For more information, visit www.vansonbourne.com