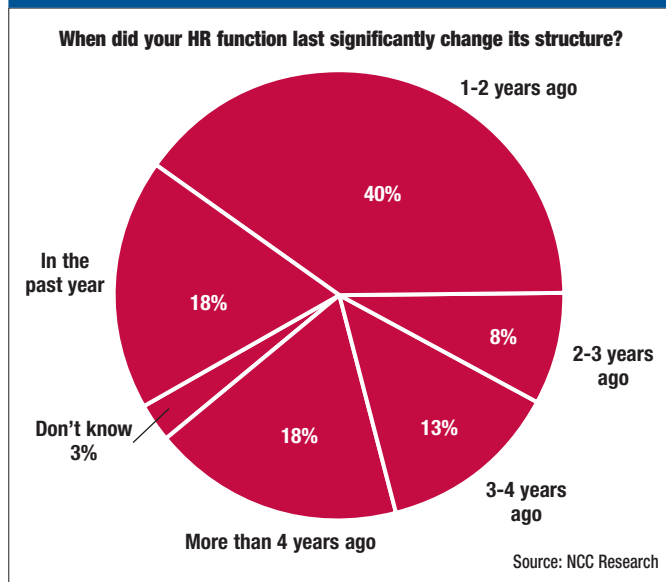


IN IT FOR THE LONG HAUL

Driven now by the recession, the effort to automate and increase the efficiency of the HR function continues, as Cliff Mills explains.

FIGURE 1: HR organisational change



The HR department has undergone many changes in recent years and the signs are that this will continue apace. Structural changes that were once the preserve of large and leading-edge organisations are now filtering down to companies of all sizes, with the aim of increasing the value that HR brings to the business.

This evolution is reflected in our latest *Evaluation Centre* research which shows that 58% of HR departments have undergone a significant change in their organisational structure in the past two years (see Figure 1).

The main factor contributing to this transformation is the need for HR to become a more strategic contributor to the business, mentioned by 45% of respondents. This reflects the fact that HR is looking to spend less time on administrative or transactional activities and focus more on the business requirements.

Other key reasons given are the need to reduce costs (42%), particularly pertinent in today's climate; and repositioning the HR function to fit more effectively within the wider organisation (42%).

With this change of focus comes the demand for IT systems that are adaptable enough to provide the information required; for that information to be accurate (see our Expert Opinion on page 5); and for the ability to support the new ways of working.

The majority of respondents see their HR and payroll systems as either meeting their requirements very well (21%) or at least adequately (58%), compared to 16% whose systems do not meet all their needs and 5% who say they do not meet them at all.

However, the changing face of the HR department is reflected in the fact that 24% of organisations are planning to replace their HR systems, with a similar number (24%) changing their payroll technology.

Buying criteria

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

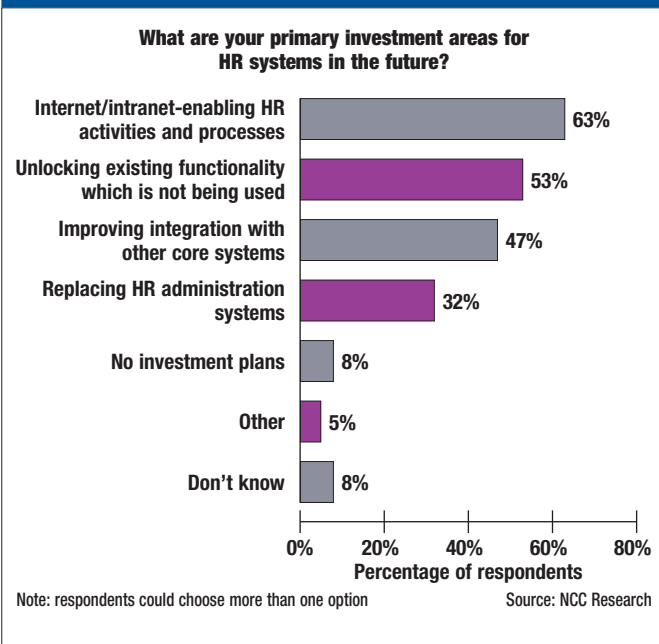
The key requirements are that the software should be easy to use (4.7) and have sufficient functionality to meet all needs (4.5). Other important elements are that it has the flexibility to meet a range of differing requirements (4.4), can integrate effectively with other systems (4.4), and of course the cost of the solution needs to be acceptable (4.3).

Lower down the list is the need for the system to meet industry standards (3.8), to be scalable (3.7) and support a range of software platforms (3.5). The least important requirement is for it to be state-of-the-art technology (3.1).

The move towards self-service and automating transactional activities means the main investment area is to enable HR activities and processes to be performed over the internet or intranet (63%).

Other key areas (see Figure 2, next page) are unlocking existing functionality in current systems (53%), improving integration with other core systems (47%) and replacing administration systems (32%). Only 8% of organisations have no plans for investment in their HR systems.

FIGURE 2: Spending plans



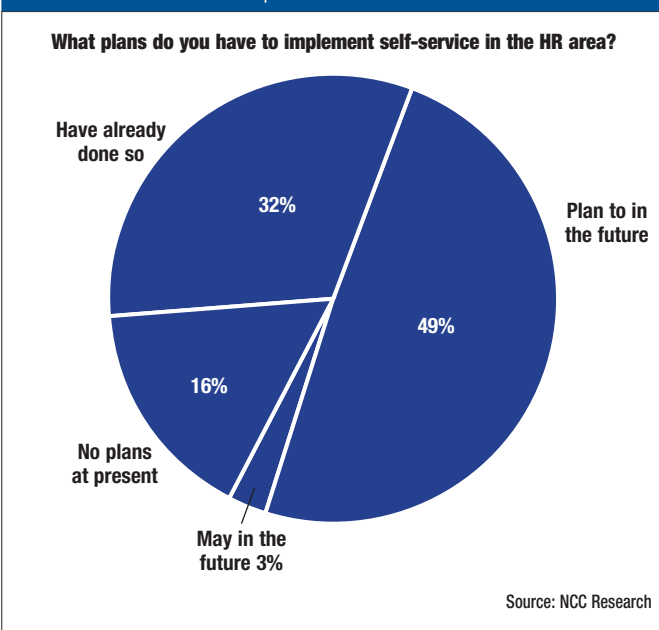
Companies are also expecting to make software purchases to address specific HR activities. The top targets are learning management (21%), recruitment (18%) and employee absence management (16%). But just under half the companies (47%) have no specific purchases planned.

A key element in the transformation of the HR department is to provide self-service capabilities to employees and managers; this enables many activities, which would previously have involved an HR person, to be done directly online by employees or managers.

To date, 32% of companies have adopted self-service operation (see Figure 3), with a further 49% planning to do so and 3% evaluating its use. Only 16% of companies have no immediate plans to move in this direction.

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

FIGURE 3: Self-service adoption



Empowering individuals (4.4) is the main driver. This allows both staff and managers to have rapid access to information online and to input data directly into the system, such as holiday details or overtime worked.

It gives employees more direct control over the issues that directly affect them in the workplace.

Going hand in hand with this is that data accuracy (4.2) is improved, since data is directly input by individuals and verified by the system.

Another key advantage is to reduce the administrative burden on the HR function (4.2) so they are free to concentrate on other activities.

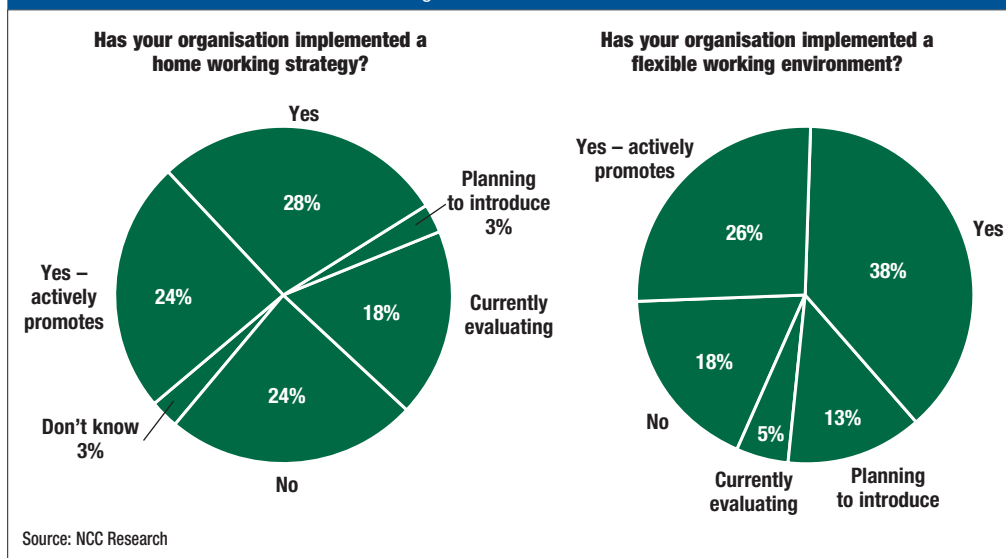
Further down the scale, but still important, is that savings can be made in the HR operations (3.7) and that self-service can improve internal communications with staff and enhance the company image with employees (3.6).

Self-service can also aid in the introduction of new corporate HR policies (3.4). The barriers to introducing self-service are a mixture of technical and business issues.

On the technical side, the difficulty of integrating a number of different systems to provide all the necessary employee information is a major problem (3.6) as is the lack of standard definitions for key data across the organisation (3.5) and not having standard systems in place (3.0).

From the business side, a number of organisations have had difficulty building a business case for self-service (3.5) and cost-justifying the implementation (3.1).

FIGURE 4: Use of home and flexible working



Homework

Home working or teleworking has been adopted by a number of organisations as a way of cutting down on employee commuting and allowing office space to be reduced (see Figure 4).

From the study, nearly a quarter of companies (24%) are perceived as actively promoting home working for their staff, while a further 28% have a home working strategy in place and 3% are planning to introduce one. An additional 18% are evaluating the option while 24% have no plans to introduce a home working strategy.

Providing a more flexible working environment, where employees are able to tailor their own working patterns within company guidelines, is gaining in popularity, as Figure 4 again shows. This can greatly assist staff in improving their work/life balance.

Over a quarter (26%) of the organisations actively promote flexible working while an additional 38% offer this option to employees, and 13% are planning to introduce a system. This leaves 5% of companies who are currently evaluating its use and 18% who have no plans to implement it.

Many organisations in both private and public sectors have adopted the shared services centre approach for delivering services. This is being particularly encouraged in the public sector where, for instance, some local authorities are combining together to deliver services from a regional centre.

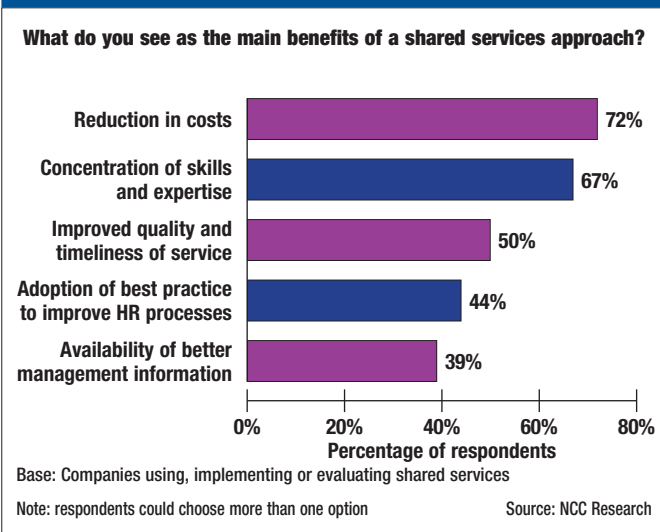
Shared service centres offer services, often in conjunction with a call centre and the intranet, to all parts of an organisation. The tasks, previously performed locally by divisions or business units, are re-engineered, streamlined and centralised.

SURVEY STATISTICS

For this study, we asked a wide range of companies for their opinions on a number of issues relating to their HR systems. A substantial proportion of respondents are from the public sector (42%), demonstrating the level of change in this area and the move to shared service centres. Other sectors represented are IT & telecoms (13%), manufacturing (11%), banking & finance (8%), retail (8%) and professional services (8%).

The respondents represent a spread of different-sized organisations with 5% having in excess of a £5 billion turnover, 5% in the £1 billion to £5 billion bracket and 24% in the £500 million to £1 billion range. In the mid-market, 29% have a turnover of between £100 million and £500 million and 13% £50 million to £100 million. At the smaller end, 11% have a turnover between £10 million and £50 million and 13% £5 million to £10 million.

FIGURE 5: Advantages of shared services



This has the advantage of offering cost benefits through the economies of scale and potentially providing a more knowledgeable resource to process queries more quickly.

Of the companies interviewed, 26% have so far implemented a shared service centre, 3% plan to in the future and a further 18% are currently evaluating this approach. However, 45% of companies have no plans to go down this route.

As Figure 5 shows, the main reasons given by companies who are or will be using shared services is that it allows services to be delivered more cost-effectively (72%) and expertise and skills can be concentrated in a single location (67%) to provide improved quality and timeliness of services (50%).

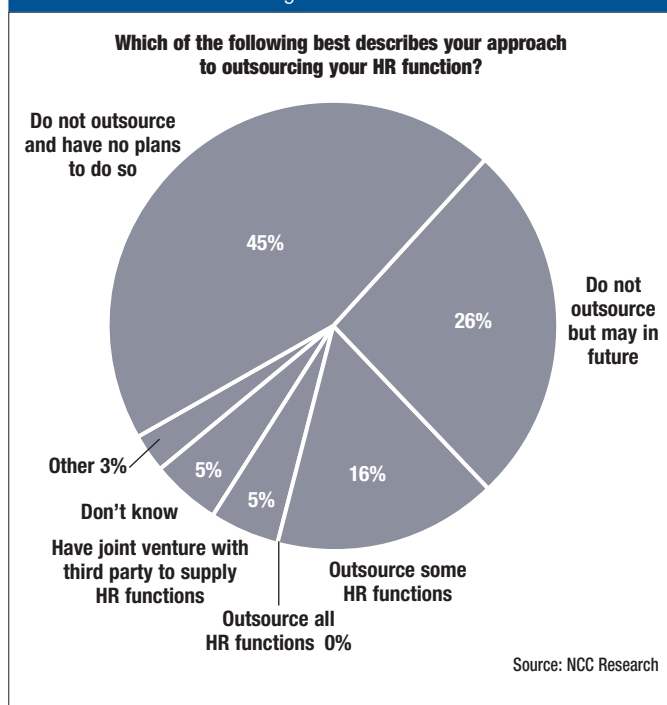
For those companies using shared service centres, the results to date are fairly positive with 20% saying they have been 'very successful' and 60% 'somewhat successful'. For 20% of the companies it is still too early to judge its success.

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

For instance, it would be useful to know which segment of the user community is asking which type of question. Only 5% of companies currently make any use of this type of information with 21% planning to do so and 8% saying they may in the future. A large proportion of the companies (40%) do not analyse the data and have no plans to do so.

A further option open to organisations who want to transform their HR processes is to outsource to a third party. While this is popular with some large organisations, in general it does not appear to have found favour, as 45% of companies say they do not currently outsource any HR functions and have no plans to do so (see Figure 6).

FIGURE 6: Use of outsourcing



However, 26% who do not currently outsource may consider the option in the future. A few companies (16%) do outsource some of their HR functions and 5% have formed a joint venture with a third-party organisation to supply their HR requirements.

The main reason given by companies who choose to outsource their HR services is to cut the cost (88%).

When asked if they would consider using an offshore-based outsourcing service, the majority of companies (59%) would not entertain this option. Only 8% currently use offshore services for some functions and 19% might consider this option in the future.

When it comes to measuring the return on investment (ROI) of their spending on HR systems, the majority of organisations (57%) do not attempt to do this. Only 11% measure the ROI on all HR systems while 16% measure it only on major HR system implementations.

This could explain why 41% of companies do not know whether their HR system implementations have been effective at delivering ROI to the organisation.

Still 32% believe the software has been successful at delivering ROI, compared to 24% who see it as being ineffective and 3% as very ineffective.

Clearly, the focus of the HR function is altering and the value it brings to the organisation is being reassessed. This is being driven both by HR professionals themselves and forced on them by the changing needs of the organisation.

The current economic situation will exacerbate this trend and increase the need for a more adaptable and strategically focused HR department.

● *Cliff Mills is research manager for Evaluation Centre publisher NCC. If you are interested in this study, please contact Cliff on +44 (0)870 908 8767. Email cliff.mills@ncc.co.uk.*

● *If you would like more information about this article or any of the products or companies mentioned in the article, please contact us at info@evaluationcentre.com.*