



HR Transformation

- All About Technology?

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Introduction

In the past few years, we have seen a flurry of interest in developing alternative operating models for the HR function. A search of the web for “new” HR operating models brings up a confusing array of options. There does appear however to be consensus on one point: the HR function needs to transform itself and carve out a new role in order to keep up with business needs and the changing organisational context. The emerging economic landscape (including the aftermath of the recent global downturn), skills deficits, new legislation, globalisation and the changing expectations of the workforce present new challenges for HR. Add to this the increasing emphasis on evidence-based decisions, the struggle to maintain employee engagement and the continued pressure on HR to prove its value to the business, and the inadequacies of current HR operating models are apparent. Indeed, a recent paper by Deloitte suggested that 85% of global companies believed that they needed to transform HR in order to meet new business

priorities. However, the paper by Deloitte, and indeed most work in this area, focuses on larger organisations with large and complex HR functions. In this paper, I focus also on smaller organisations and consider the relevance of HR operating models and the use of technology within these models to these.

The perception that HR has no relationship to organisational success is not a new one – for years HR practitioners and scholars alike have tried to prove a link between HRM and business performance. Indeed, it is now 17 years since David Ulrich’s famous HR model encouraged companies to re-design their HR delivery and attempt (usually unsuccessfully) to transform HR into a strategic business partner. Recently, Deloitte released their proposal for a new “high-impact” HR model, emphasising six factors: coordination within and across HR; embedding HR roles within the business; agility to meet business needs; the

development of new communities of expertise; an operational rather than administrative focus; and, finally; the use of technology to improve customer experience. I argue here that the last of Deloitte's six principles – the leveraging of technological platforms – is actually central to the delivery of their HR operating model and more broadly to the transformation of the HR function to one that is perceived as adding demonstrable value to businesses that can be linked clearly to business objectives. This need to transform the HR function is accompanied by a

step change in technology – specifically the introduction of HR systems delivered in the Cloud. These solutions (which range from fairly comprehensive HR management systems to solutions for specific HR activities such as recruitment or employee communication) offer much of the sophistication but none of the complexity of older enterprise solutions. I will also illustrate that the use of HR technology in order to enable HR transformation is not limited to large organisations, as so much discussion on this topic seems to assume.

Technology as an enabler

The argument that HR technology can support the reinvention of the HR function into one that has real strategic impact is not new. In the academic world, a large number of scholars, including myself, have undertaken research to examine the actual impact of HR technology on not only the efficiency and effectiveness of the HR function but also on the HR role. Returning to Ulrich's operating model for a moment, there is some evidence that use of appropriate technology, alongside the necessary training, change management processes and re-structuring of HR can support HR practitioners in moving into a strategic business partner role. The rhetoric – and some research – suggests that technology supports an increased strategic business role for HR in two ways: first by automating many routine and transactional HR tasks, therefore reducing the administrative burden on HR practitioners and freeing time for

them to focus on more value-adding activities; and, second, by providing the data needed for accurate and reliable HR decision making.

I would like to propose that, in our increasingly dynamic environment and as the requirements for HRM become more complex, the role that technology can potentially play in transforming HR is even more important. While Deloitte's sixth dimension of a new HR operating model is about technology itself – they emphasise the importance of delivering HR platforms that allow the automation of processes, direct access to information and social networking through a "consumer-like" experience – I suggest that actually the effective use of technology can underpin the delivery of the entire operating model.

Connectivity and Coordination

Deloitte emphasise the importance of replacing current silos within federated HR models with increased coordination both within the HR function and between HR, the business and other organisational functions. This idea of increased coordination is dependent on the creation of excellent two-way communication networks and effective means of knowledge and information sharing in order to break down divisions. The advent of web-based technologies means that communication and coordination between dispersed organisational actors is no longer a challenge. Of course, many smaller organisations without huge HR functions do not have these challenges, but even in these cases the ability to pull in skill sets from other parts of the business, produce HR analytics and use

external marketing can also be invaluable for the business. Powerful online tools, such as employee portals, networking sites, blogs, wikis and instant messaging can be used easily to exchange important information about organisational activities and to develop a shared understanding of organisational strategy and the role of each function (including HR) in delivering this. Too often, the use of technology for coordination and communication has been seen as the remit of large, global organisations, but actually, all organisations can benefit from the facility for instant feedback, knowledge exchange and networking that can result from using online tools, particularly in light of today's often highly dispersed and flexible workforce. The Deloitte model stressed the

Evidence-based decision making

need for HR roles embedded in the business to use data and analytics to provide meaningful insights. In fact, the emphasis on data appears central to most conceptualisations of a transformed HR function. There is general agreement among HR commentators that the development of accurate and useful HR analytics is absolutely essential to the creation of an HR role that has real strategic impact. The argument behind this is simple: when we talk about HR analytics, we are not just referring to simple workforce data, but to the development of analytics that allow us to predict key employee and, more importantly, business outcomes, such as employee engagement, turnover and even productivity. Even in smaller businesses, the ability to examine linkages between employee attitudes and outcomes can be important. HR analytics can allow HR practitioners to make more evidence-based decisions about their workforce and also, at last, to be able to prove statistically the relationship of HR activity with business performance.

The role of technology in the production of reliable HR data is crucial. The prediction of HR and business outcomes from HRM analyses are relatively easy to undertake using an appropriate technological platform. HR technology is capable of storing employee data that can then be mined to answer strategic business questions and used to influence HR decisions. The transformation of the HR function into one which makes data-led decisions and can finally provide hard evidence for its worth is central to the reinvention of HR as a strategic business function, regardless of the size of an organisation. In fact, HR in small and medium sized companies can experience particularly significant transformations from the use of technology to develop HR analytics. Organisations that have previously relied on paper forms and spreadsheets to collect data can produce a wider range of analyses more efficiently through the introduction of relatively simple and cost-effective technological systems.

Evidence-based decision making

It is worth pausing here to consider the current capability of HR practitioners to undertake advanced data analytics. At a recent conference that I attended, John Boudreau, a “guru” in HR analytics, stated clearly that while analytics was the future for businesses generally, he didn’t believe that this was the case for HR. Indeed, Boudreau has been vocal in his concerns that the current lack of high quality and consistent HR data and failure to insist on evidence-based decisions limits the capability of the HR function to move with the times. The message here is clear – HR needs to change in order to add

real value to the organisation via HR analytics. The development of HR technology as a means of collecting, storing, analysing and communicating HR data should therefore be accompanied with the appropriate education and development in order to ensure that HR can reach its full strategic potential. For HR functions, this might mean that they need to develop a business case to attract the funding for such training or form partnerships with other parts of the business (for example finance practitioners) who already have these capabilities.

Agility

The importance of the flexibility and agility of organisations has been emphasised in recent years – particularly as a result of the uncertainty and volatility caused by the recent recession. Organisational flexibility requires workforce flexibility and in turn an agile HR function. Indeed, Deloitte stress the need for creative and fluid HR functions which are organised around business priorities rather than static departments. Therefore as business needs flex, so too will the HR function, and eventually the organisation. Agility requires the HR function to develop the capacity to keep the workforce aligned to business needs by transitioning quickly from one HRM configuration to another and also to learn quickly. These capabilities require the ability to access data quickly and easily and also to share knowledge and communicate effectively. As we know, these two abilities are central to HR technology. Effective HR and talent management systems allow the HR function

to examine the current capabilities of the workforce and compare these to the needs of the business as well as to identify quickly where learning and development in light of revised business objectives is needed. As discussed above, online technologies, such as employee portals, wikis, blogs and networking tools can be essential in the development of shared knowledge and in facilitating both individual and organisational learning. Technology can provide a cost-effective way to recruit new capabilities and to manage existing talent to ensure that changing business needs are met. Having the right talent within the organisation is particularly important within a dynamic business context. Let's not forget as well that HR technology can also support line managers and employees to perform administrative and transactional HR tasks themselves, thus allowing HR experts to focus on more

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value-adding activities such as developing an organisational capability that can flex and develop to deliver against changing business objectives. Within smaller organisations, this might involve empowering line managers to take on activities that would traditionally be seen as part of an HR role. For example, if they are aware of an employee's aspirations or strengths following a performance review they might be able to proactively identify opportunities for that employee. Moving away from formal HR systems to consider other technologies, social media tools such as LinkedIn and Twitter can help organisations, particularly

smaller organisations, to develop and promote their employer brand to both existing and potential employees. Deloitte suggest that social networks are important in defining an organisation's reputation and that it is HR's job to protect that reputation. This might involve working more closely with the marketing function who may be monitoring social media communications already, to see what potential employees are saying about the company and to pick up on and respond to negative messages quickly in order to mitigate any potential damage to reputation.

Community

Finally, a central concept in much of the recent discussion on HR transformation has been that of community; of increasing links within the HR function and also across the business. Deloitte suggest that organisations should create communities of expertise within the HR function, such as for talent, total rewards and HR strategy so that they can provide an effective service to the business. In small and medium sized organisations, where the HR function consists of only one or two people, the segmentation of the HR function is not practical, but the communication of HR expertise to the business is equally as important. In a smaller organisation, HR can't be everywhere and do everything and line managers often have significant responsibility for HRM, therefore developing experience and expertise in managing HR issues. This means that it is

even more important that those involved in managing HR (whether HR practitioners or line managers) are able to communicate easily and exchange information. The development of communities of practice within organisations has become a common use of online tools, allowing those in similar areas of work, or with similar interests, to share knowledge. Technology such as HR portals, with embedded document sharing, linking and message boards, provides an easy and efficient way for line managers to find information, exchange their experiences of managing people and to ask advice of HR experts via closed communities. For HR people, technology can provide access to HR information via interaction with organisations such as the CIPD and ACAS.

Summary

The transformation of the HR function to one that can demonstrate its value to the business remains a challenge. The effective use of HR technology might facilitate a move for the HR function to a more evidence-based, agile and collaborative model of managing HR that might in turn allow HR to have a demonstrable impact on business performance, regardless of the size of the organisation. Organisations of any size can benefit from replacing spreadsheets or outdated HR systems with online HR software that supports core HR processes, reduces administration overheads and makes accurate, up-to-date information more easily accessible to those who need it when they need it. Today's systems are generally more cost effective and easier to implement and manage than in the past – so are within the reach of even the smallest of companies.

Whether companies can then make it to the next stage is perhaps more challenging – introducing HR technology will

not perform miracles. HR transformation requires the development of processes and practices that allow value adding activity, as well as the development of HR practitioner skills and capabilities that enable them to perform this new role. My own research has unearthed several examples of organisations that have introduced sophisticated HR platforms but failed to reap the benefits because they retained old HR structures or did not equip HR practitioners with the analytical, technological or strategic skills that they needed to move into a “business partner” role. HR technology can only act as an enabler for transformation but will not drive it alone. Consideration of the organisational culture is also important – the development of analytics capability will not lead to evidence-based decisions unless the organisation as a whole buys in to this approach; the introduction of social media will not lead to increased communication, collaboration or knowledge

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sharing unless leaders and employees alike are prepared to use the technology in the way in which it was intended. Technology has the capacity to enable the transformation of HRM in even small and medium organisations but must be developed as part of a transformation process rather than the sole vehicle for change.

But, if an HR function doesn't start this journey, and break out of the cycle of endless administration and transactional activity, it will fail to obtain the time, or the insight, needed to take the next step towards being a function that is perceived to be essential to competitive advantage.

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Emma leads a number of global research projects. She manages "Cranet" a worldwide network of over 40 business schools that conducts research into HRM and is a Director of "5C", another global research project examining cultural differences in attitudes towards careers. Emma is also a UK representative on the global team for the Center of Aging and Work at Boston College, USA. Emma has conducted a wide range of research for a number of clients, including the Ministry of Defence, Department of Work and Pensions, National Health Service, Chartered Institute of Personnel and Development and several private sector organisations.

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