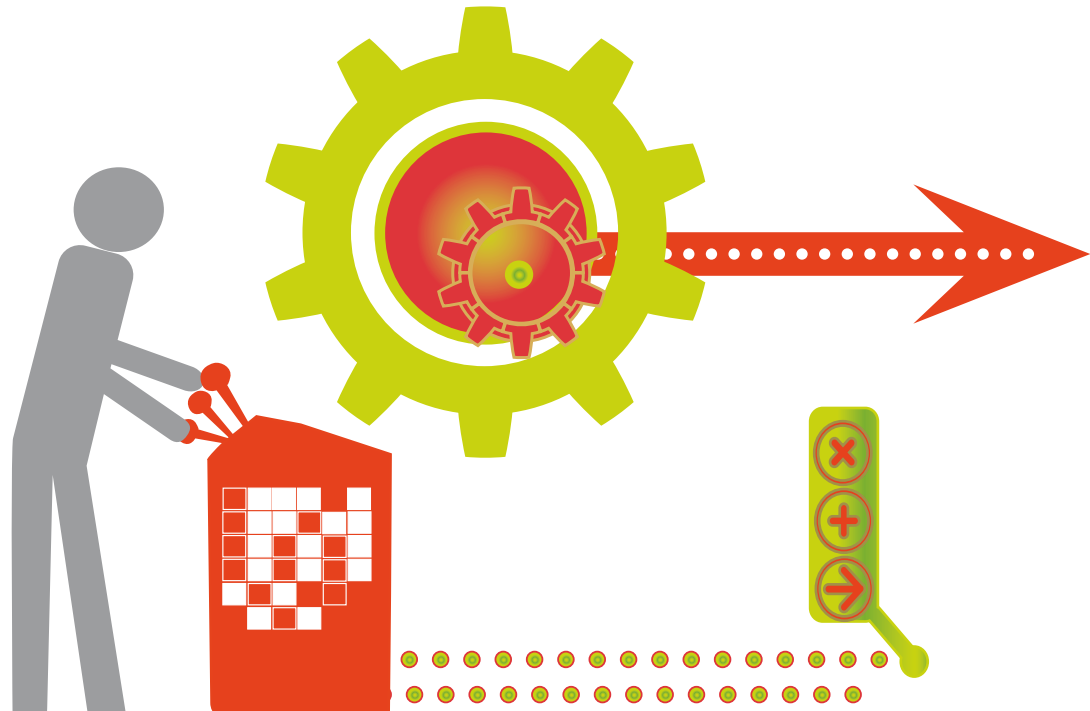




Orion Partners

The Essential Guide to

HR Transformation Technology



The Technology Challenge

The development of the human resources function is bound inextricably to the technology that serves it and there is a long history of organisations that have sought competitive advantage in the way they manage their people through the innovative use of technology.

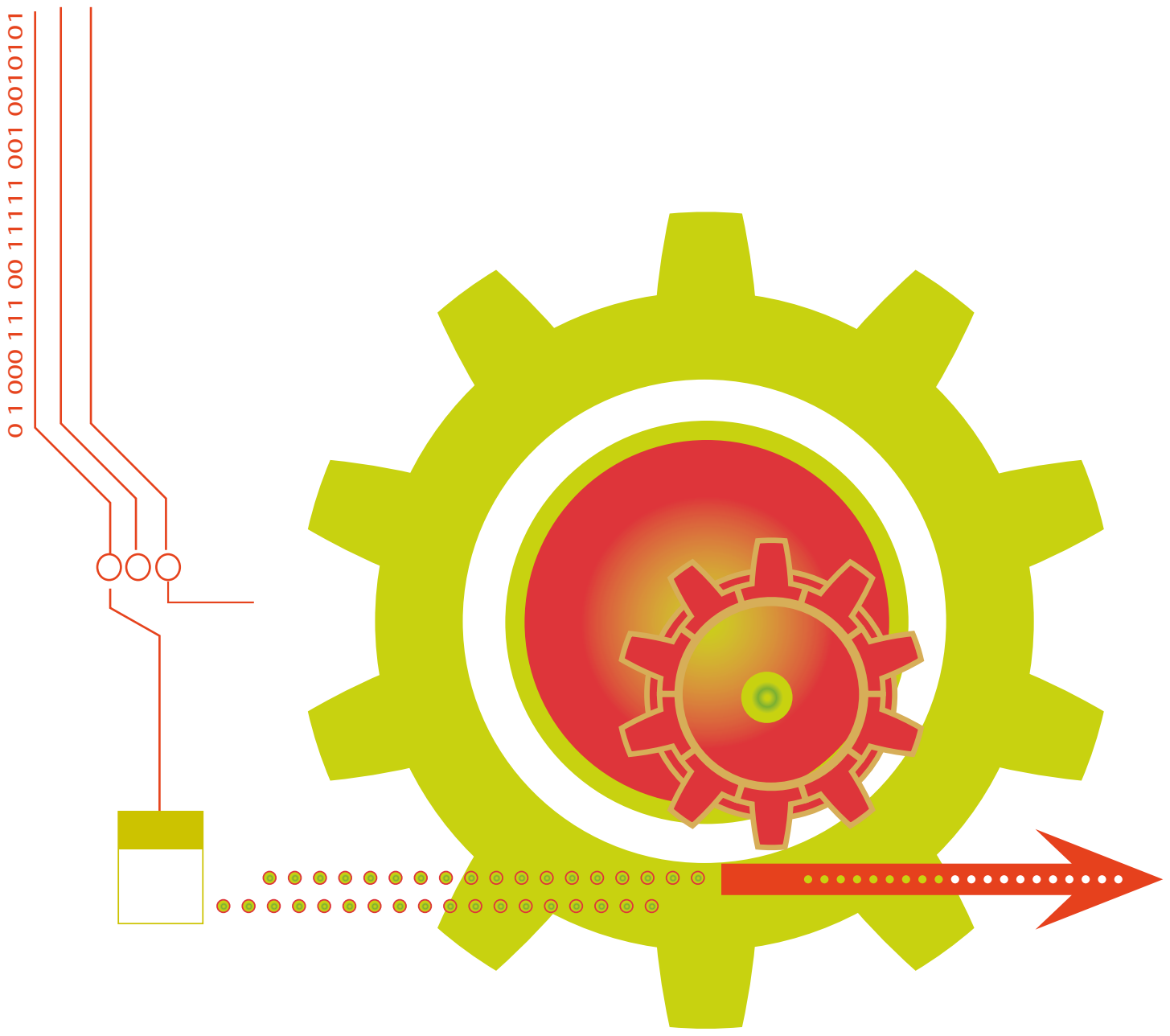
However, despite the criticality of systems, the exasperated phrase “we can’t produce a simple headcount figure” is often heard - even after considerable sums of money have been invested in technology to raise the capabilities of HR.

Whilst the technology is frequently blamed for such shortcomings, the reality is that the production of accurate manpower data demands a clear definition of parameters such as who is included in the scope of data, how is an ‘employee’ defined and, even, what day of the month the data is produced? Thus the search for effective HR systems is synonymous with the organisation structure and processes within HR.

Complications can arise when HR’s view of the organisation structure does not align with that of Finance or Procurement, making it difficult to produce data that agrees on the most basic management information. The situation is no simpler when attempting to align HR processes with those of Pensions or Payroll where a lack of technical integration can show up as a fragmentation of HR process; leading to double data entry, inefficiencies in the process and poor data quality.

Against this background of technological under-delivery, HR is now facing a new challenge. The separation of administrative activity into shared service environments and the development of the role of the HR business partner to deliver strategic advice and support to the business, has created a new set of demands for transactional systems and management information. The net impact is that HR needs to be more adept at delivering technology solutions than ever before.





What is HR Transformation Technology?

The emergence of the 'three part model' of HR (shared administrative services, HR business partners and centres of expertise) has created a whole new set of stakeholders, each with their own demands for the management of HR processes and information.

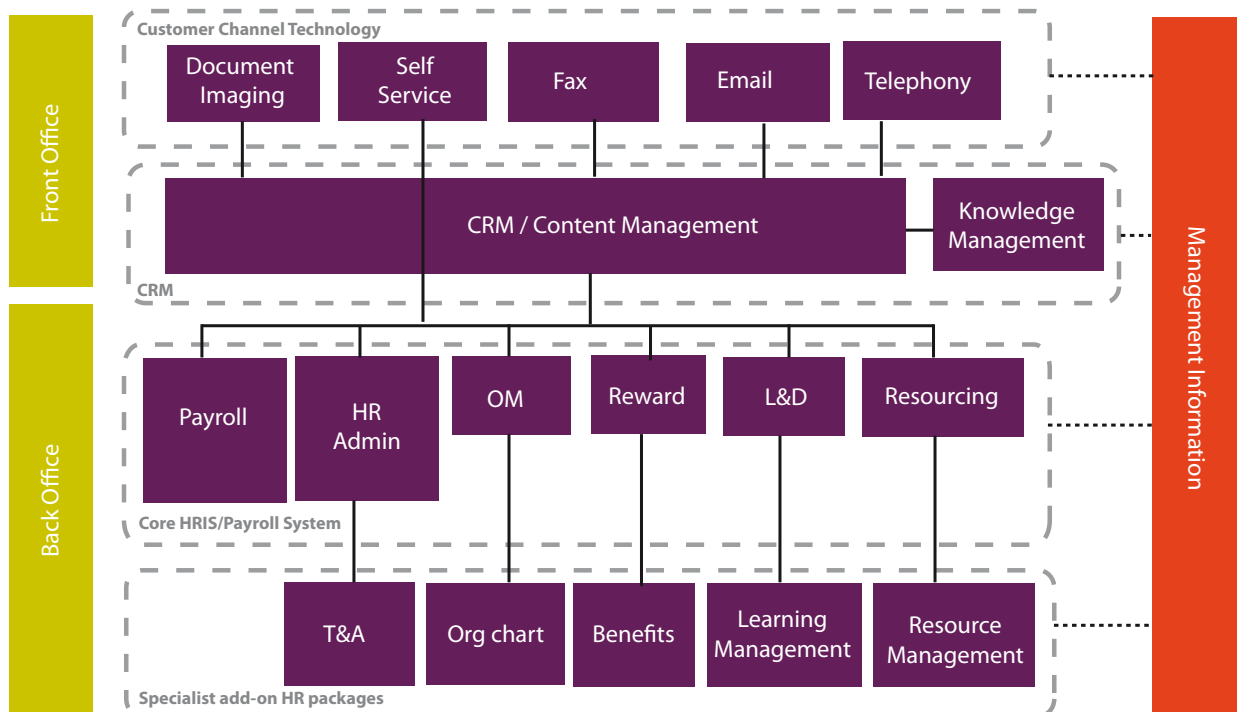
- Shared services demand streamlined transactional processes, tools to manage interaction with 'customers' and business metrics to track the performance of the shared services operation.
- HR business partners demand access to dynamic, integrated HR data to drive different HR strategies in specific parts of the business, the flexibility to produce a clear view of trends in the business and the ability to produce comparisons with competing businesses.
- Centres of expertise need knowledge based systems to support policy making as well as systems to make policy data and associated changes rapidly accessible by all in the organisation.
- Managers seeking to drive step changes in customer service, process efficiencies and continuous improvement, demand systems that allow them to track the performance and development of their teams and to access critical information about them without the need for an intermediary in HR.
- Employees increasingly look to the business to provide the same on-line customer experience that they encounter through their domestic use of web services.

The implications of this shift take the demand for HR technology to a new level as operations recognise the need for a new set of systems and applications to support the demands of a customer service model. Particular technologies that the HR function may need to embrace include:

- **Channel technologies.** A collective term for systems that connect managers and employees with the HR service including self-service tools, fax data, e-forms and telephony systems. These have become a critical part of the armoury of any shared services function and the organisation must decide how the design of the service will shape the demand for such technologies.
- **Customer relationship management (CRM).** The need to manage large numbers of queries and transactions in a centralised HR service has driven the rise of contact management tools to register and track queries and record critical transactions. The CRM solution also plays a critical role in managing the throughput of work in the shared service operation and ensuring that key performance metrics are tracked.

- **Knowledge management.** Shared service operations seldom deal with a single homogeneous group of employees. Managing calls from staff working under many different sets of terms and conditions is a routine activity in shared services and demands systems that can rapidly provide answers to complex questions relating to support issues, policy guidance or best practice advice.
- **Core HR.** Of course, at the heart of the new model the need to manage employee records, recruitment, training and development and payroll remains a critical part of the overall technology requirement. However, the growth in the range of technology required to support the HR model raises new demands for integration between the different technical layers.

To describe these systems, Orion Partners has coined the collective term, HR Transformation Technology. This highlights the need to adopt and harness a range of systems and applications to meet the demand for customer focused services and effective HR operations.

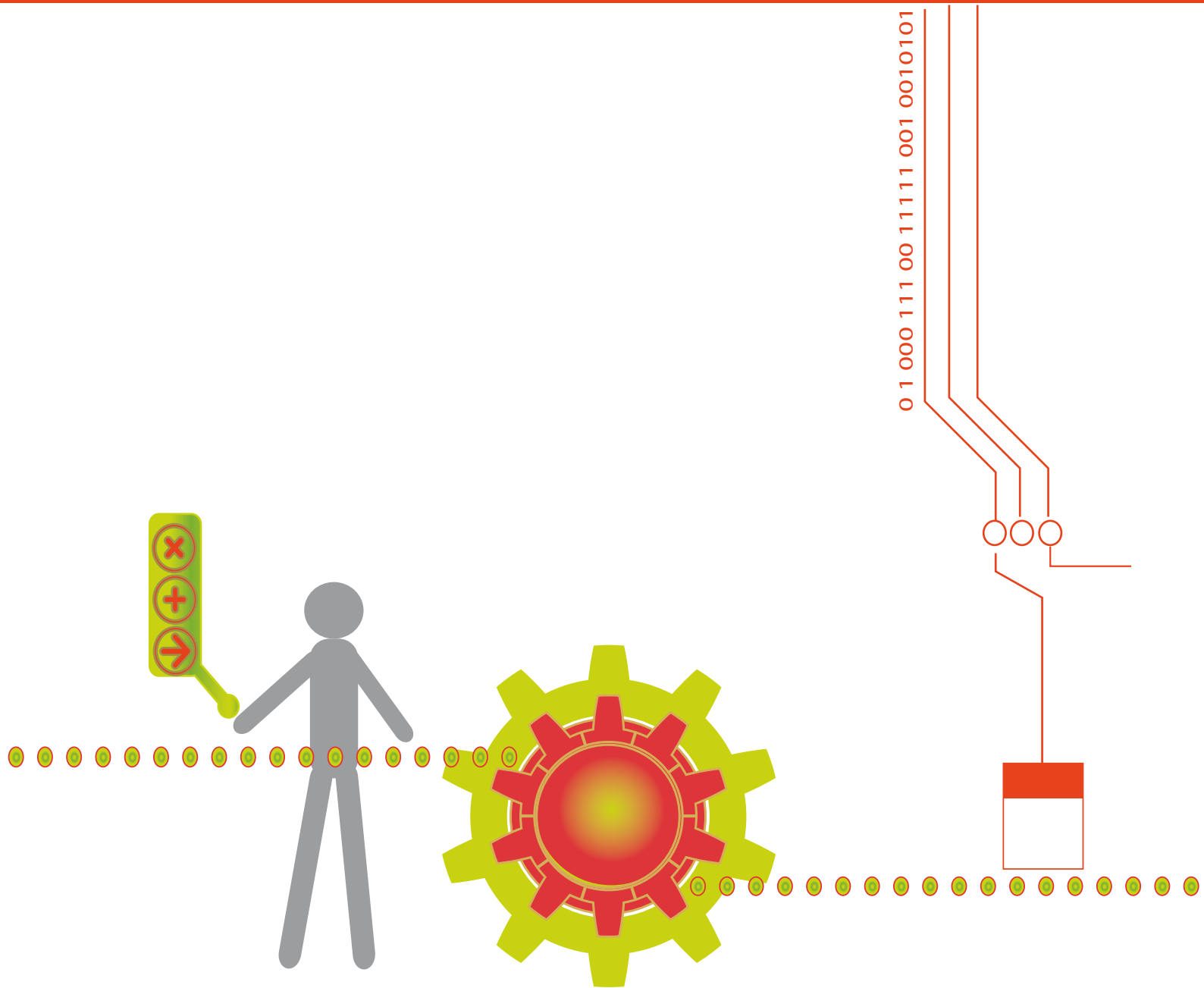


Recognising the Issues

For the organisations that get it right, the potential benefits of the new technology are significant. Streamlining fragmented processes can release up to 40% of operational savings whilst a strong customer focus and a rigorous service ethos has the capability to raise service standards significantly.

However, the added complexity of the new systems architecture brings new risks in a number of areas.

- **Dislocation from the service model.** Orion Partners' own research shows that most organisations using large scale ERP solutions, on average, successfully deploy less than 25% of the available functionality. This suggests HR is selecting technology without a clear understanding of what the business really needs.
- **Constraints imposed by legacy HR systems.** Complex organisations will tend to develop complex systems, sometimes over many years. Making the business case to replace such complexity can be difficult and can prove a major constraint to the transformation agenda. Without a well constructed case for investment, based around the transformation agenda, organisations struggle to escape the constraints of old technologies.
- **Emphasis on product.** The delivery of new systems is often dominated by the process of selecting software which can be drawn out over many months. Orion Partners' research has shown little functional differentiation in the leading HR systems products and that time spent on software selection decisions is often at the expense of far more critical aspects of HR technology delivery.
- **Technically led project delivery.** The cost of technology typically accounts for 70-80% of the total cost of the transformation project. This can shift the emphasis away from business imperatives and result in a technically led project defined in terms of testing, data conversion and technical integration rather than the delivery of service benefits.



What Makes a Difference?

Here are Orion Partners' top ten tips for success in delivering HR Transformation Technology

1. Service led, not software led design

Whatever the need for HR systems, the primary focus of any transformation process should be on the design of the HR service that the business actually needs by reference to the demands and concerns of the main stakeholders. Once consensus on the service model has been reached then it will be substantially easier to define the technology solutions that the business really needs as well as those it does not.

The service ethos should also be reflected in the design of the management information strategy, the channel strategy for the service centre and the approach to knowledge management as well as the core HR and payroll process. Above all, the programme should recognise that technology is a tool for delivering business change and not an end in itself.

2. Focus on the business case to prioritise development

For most organisations, legacy HR solutions cannot drive an HR transformation agenda by virtue of their lack of functionality and lack of integration with the business.

The business case for HR technology, therefore, is integral to the business case for the overall transformation process and the benefits it brings. Key to technology success is a clear understanding of the value of HR technology and its link with the objectives of the change - articulated in the business case for investment in new systems. The business case should not be viewed merely as a means to obtain funding but as a method of prioritising development and tracking the overall success of the project.

3. Use technology intelligently

With such a disproportionate focus of resources and money on the technical aspects of a transformation process, it is easy for the process to become technically focused and defined by technology deliverables.

Success in systems delivery is dependent on maintaining a proper perspective on the role of technology and the business objectives it is serving. To achieve this, the business requirement for technology must be fully articulated (as opposed to merely written down), communicated, understood and agreed with the business before attempting to apply technical solutions.

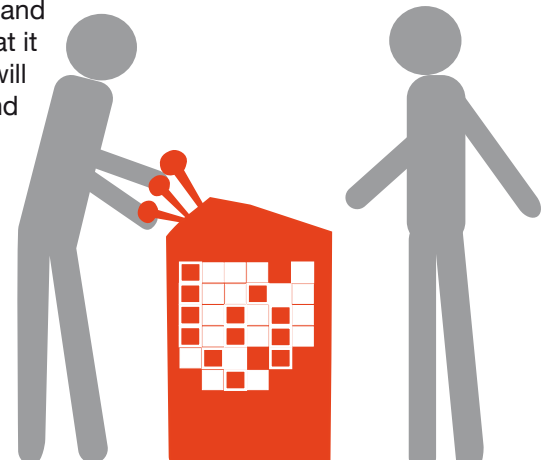
The requirement for any piece of technology should always be governed by three basic questions:

- How does this contribute to the needs of the business?
- How does it improve service levels in HR?
- How does it reduce costs?

4. Participate in the design process

It is surprising how many projects delegate the design and development process to a third party citing the need to 'rely on the experts' to guide them in the design of systems. Whilst external expertise has a role on a systems delivery project, the internal project team should be kept abreast of critical design decisions that will affect the way in which the application is used in HR.

Key users and stakeholders must be at the heart of the design process and participate in carefully managed design workshops and 'walk throughs' that make direct reference to the system. The best designers will be able to articulate the planned design clearly and in a way that 'brings the system to life' for those who may be unfamiliar with what it can do. However, regardless of how good the designers are, no external agent will know the organisation and the challenges it faces better than your own HR and business professionals.



5. Integration is king!

HR systems were once the sole preserve of the HR function. However, the new HR model extends demands for people data outside the boundaries of HR and creates the need for the integration of HR data and process on a wide variety of levels:

- Across HR functions such as performance management, reward and development.
- Between the shared service centre and the other roles in HR.
- For producing cross functional management information spanning HR, Finance, Production and Procurement data.

Whilst much emphasis has been given by software suppliers to developing progressively more sophisticated applications, insufficient attention has been paid to the integration of critical data across HR applications.

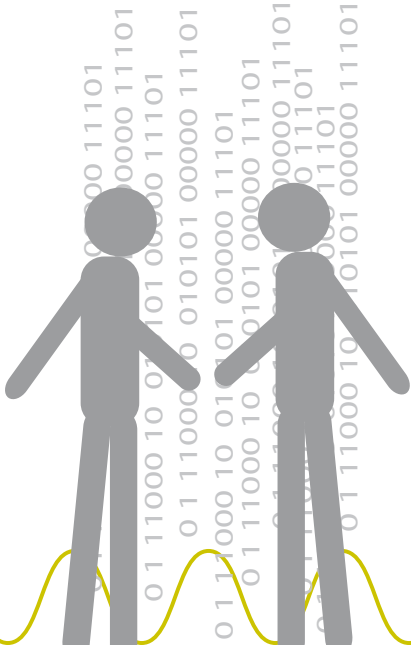
Organisations exploring a 'best of breed' strategy to reap the benefits of leading edge functionality from different package suppliers may find that advantage eroded when integrating data from multiple sources. Attention to integration issues will often pay greater dividends than development of a high level of advanced functionality.

6. Project team capability, not software selection, has the biggest impact on success

Whilst there may be an intensive focus on software selection, many organisations neglect to take the same care selecting someone with the appropriate skills to lead the project.

Whilst many software vendors will be quick to point out their client successes - and the failures of their competitors - it is rare for an HR systems project to fail solely because of a choice of software. Possibly the biggest indicator of success lies in establishing a project leadership team that embodies critical skills in:

- Understanding the business issues and the demands on HR.
- HR operations and the objectives of the transformation agenda.
- The tools and techniques of programme management and the skills to drive a major programme.
- The mechanisms of business change.
- Eliciting senior level sponsorship and commitment to the process.



7. Manage the transition not just the technology

HR transformation technology is, by definition, delivered in the context of a wider transformation agenda which, demands a significant level of change throughout the organisation. Delivery of the HR transformation programme should be carefully governed and some basic rules should be applied to the process:

- Engage with stakeholders early to design a service that the business actually needs rather than one that is defined by the parameters of the technology.
- Develop an integrated, 'one HR team' model that ensures the primary HR relationships are fully integrated in terms of common processes, knowledge sharing, service identity and shared values and purpose.
- Expect resistance from the business and tackle this by building on early commitments, focusing on the quick wins and managing expectations.
- Establish post-implementation disciplines in HR to ensure a commercial approach to service management, customer focus and management of service performance.

8. Practice good project disciplines and governance

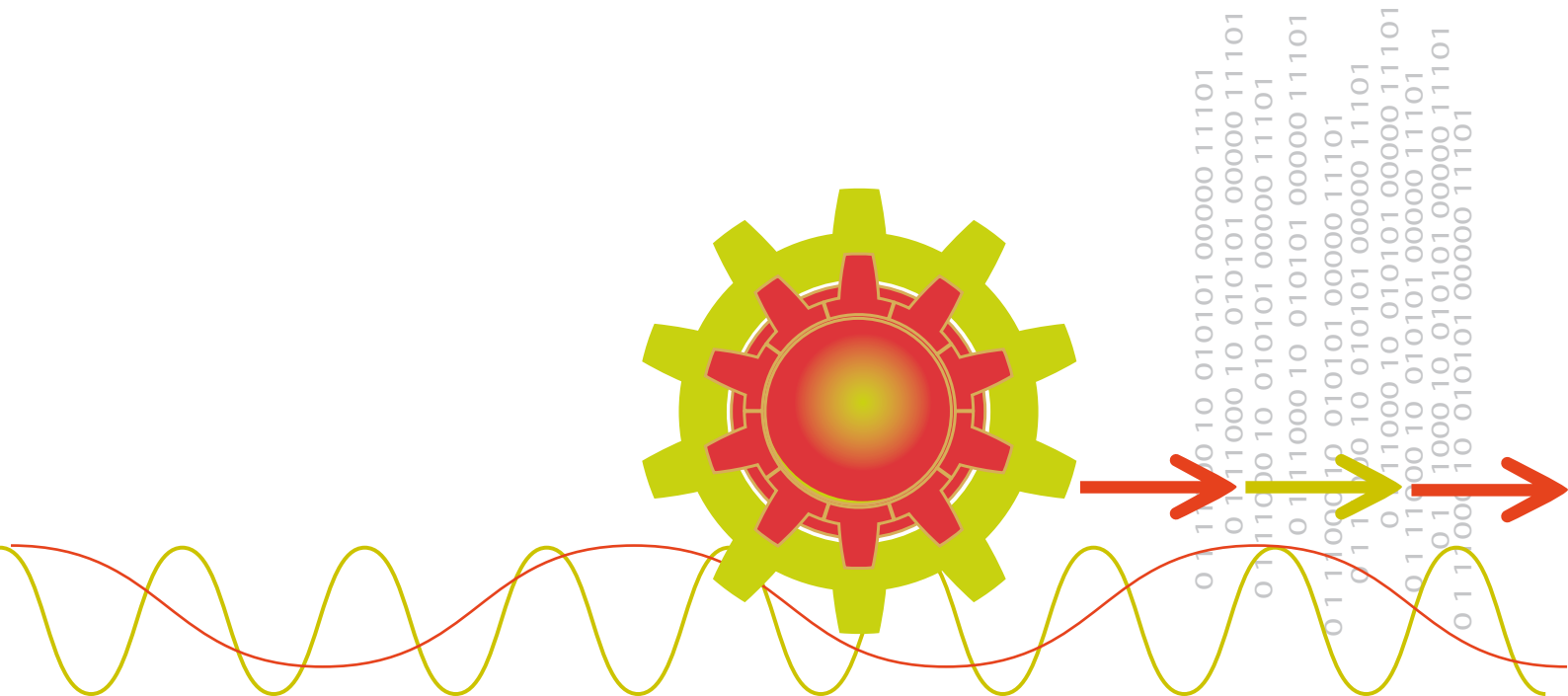
The secret of successful HR technology is, to a large extent, synonymous with good project disciplines. Particular issues to consider include:

- Ensuring the critical project roles are in place, including appropriate project governance and direction, senior level sponsorship and clearly defined project team roles and structures.
- Making intelligent use of project methodologies to ensure project delivery is properly structured without a slavish adherence to checklists and paperwork.
- Ensuring critical project deliverables are clearly set out and communicated and that progress against planned benefits is clearly tracked.
- Deploying effective project controls to manage risk and reduce uncertainty.

9. Configuration not customisation

Most HR transformation technology solutions will be based on packaged solutions, the real value of which comes from the embedded business processes they contain. This represents the collective experience of the package developers and users who have contributed their experience to the overall design and it makes sense that the supplied process should be the starting point for any design decisions.

Customising a packaged application will generally add risk and cost to the project and may raise problems with long term support of the solution. Whilst some level of tailoring of the package may be unavoidable, this should generally be driven by a clear business case for making the change. If at all possible, the organisation is well advised to consider changing their processes in preference to changing the system.



10. Act as an intelligent customer

Technology solutions demand specialist skills to support the planning and delivery process and it is likely that some of these will need to be sourced from external experts. It can be a fatal error to place too much faith in the capabilities of your consultants but, at the same time, there is a wealth of experience available from external sources that can reduce risk and overall timescales in a major project.

The key is to act as an 'intelligent customer' and develop an active and fruitful relationship with external advisers.

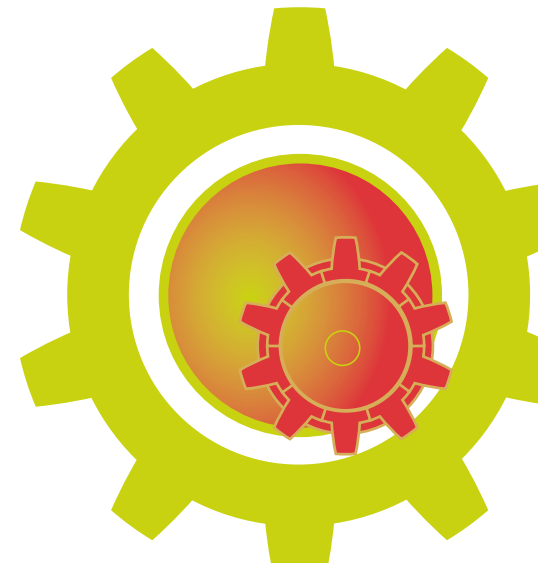
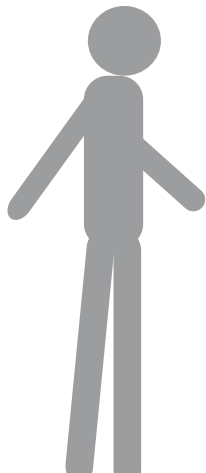
- Ask intelligent, searching questions to ensure due diligence. Seek the views of consultants on the relevant issues and how they apply here.
- Ask where they have encountered situations before and assess their capability to tackle issues that present themselves.
- Insist on good programme governance with effective project controls.
- Take an honest and direct approach to confronting performance issues on the team, wherever they lie.
- Know that no-one understands your organisation better than your own people and keep control of key decisions around design and delivery.
- Understand the value of partnership and how to make it work effectively. Beating up on your consultants for every mistake does not reflect well on anyone, whereas success achieved by the consultant team will reflect well on them, the project and, ultimately, you.

The People Agenda

The demands of the HR transformation agenda have greatly increased the complexity of the HR technology required to support it. However, the recipe for success still lies firmly in the non-technical and is governed to a huge degree by:

- The ability to take a commercial, business focused view of the HR service and how technology can bring benefit.
- An uncompromising focus on the capabilities of the delivery team.
- Unambiguous and committed sponsorship from the organisation's leadership.
- A disciplined approach to project management.

At Orion Partners we firmly believe that, whilst technology is a key to transformational success, it is people that make the difference.



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Orion Partners is the leading independent business advisor specialising in HR transformation, including HR shared services, HR business partnering, HR outsourcing and HR technology. Founded in 2001, it creates smarter, more streamlined and credible HR functions that are in synch with the business and support the competitive edge.