Maximizing Your Return on HR Information Technology (HRIT)

Gerry Ledford  
Senior Research Scientist  
Center for Effective Organizations  

CEO Webinar  
March 17, 2014
Outline

1. What is HRIT and why does it matter?
2. What is the ROI of HRIT?
3. How do we maximize the ROI of HRIT?
4. The CEO research program on HRIT
Why Care About HRIT?

• How I got interested in HRIT
  – Black hole for HR resources
  – Little academic research to inform decision making

• Why it matters to companies and HR departments
  – Enormous price tag
  – What do we get for all that money? Inquiring minds would like to know . . .
  – Not obvious how to get the highest possible return on investment
Major Components of HRIT

- Core HRIS
- Human Capital Management
- Analytics
- Social Media

Organizational Boundary
We Aren’t Studying ALL HRIT Issues . . .

• We are not focused on market research or technology assessment
  – Market research: Who is adopting what, relative market share of different software, etc.
  – Technology evaluation: Relative advantages of different software packages, software functionality, etc.
  – Market research firms do these very well already
    • Cedar Crestone, Gartner, Forrester, Bersin by Deloitte, Aberdeen, IDC, etc.

• We also are not studying mobile, “big data,” or data security
  – Mostly outside our areas of expertise
  – No requests yet
Trend 1: HRIT Software to the Cloud

- The clear trend is to cloud-based SaaS
  - There is more on-premise than cloud software now – but the SaaS is the future

- Implications for HR
  - Changing power balance with IT
  - Changing balance of power within HR (COEs – BPs – SS)
  - More standardized offerings is a mixed blessing
Trend 2: Integration of HRIS and HCM

- HRIS vendors are building or buying HCM suites
  - Most are ERP vendors
  - Examples: SAP, Oracle, Workday

- HCM vendors are adding HRIS engines
  - Examples: Infor, SilkRoad

- Eventually, the distinction may disappear
Trend 3: Integration of Analytics

- Analytics have become a competitive battlefield for all HRIT vendors
  - Even social media offer embedded analytics
- This pressures analytics software vendors to be different
  - Result: fragmentation of this part of the industry
Trend 4: Integration of Social Media

- Most use so far
  - Talent acquisition
  - Communication

- Some interesting uses
  - Performance management
  - Expertise management
  - Diversity
  - Innovation

- Hot topics
  - Crowdsourcing
  - Gamification
Implications of Increasing Integration

• Integration will happen in fits and starts
  – For now, companies will continue using multiple packages side-by-side; truly comprehensive HRIT may be a decade away

• The promise
  – Lower cost, greater speed, better usability from a common interface
  – More powerful software, deeper insights, analytics are easier to do
  – Tighter connection between the business and human capital insights

• Continuing challenges
  – Staying on top of the industry
  – Repeated selling to business leaders
  – Nonstop process improvement
  – Ongoing change management
  – HR role will evolve or whither: expect new skills, people, and tasks
Outline

1. What is HRIT and why does it matter?
2. What is the ROI of HRIT?
3. How do we maximize the ROI of HRIT?
4. The CEO research program on HRIT
Does Anyone Really Care About ROI?

• Not a major research topic
  – Research focuses on theory testing and theory building

• Companies aren’t as interested we might expect
  – Mostly companies interested in ROI of HRIT during the internal selling phase
  – It’s dangerous to know the answer after the purchase is approved
  – This is no different than for any other major investment
Primary Concerns of Stakeholders

- **Business Leaders**
  - ROI
  - Business Risks

- **HR**
  - HR processes
  - HR role and status

- **IT**
  - Data security
  - Access protocols

- **End Users**
  - Usability
  - Access
Steps in Determining ROI

• **Costs**
  - Software
  - Implementation – internal and vendor, roll-out, training
  - Staffing

• **Benefits**
  - Tangible: Costs savings, process improvement,
  - Intangible: Make tangible wherever possible (e.g., usability, speed)

• **ROI**
  - Make depreciation calls for costs and benefits
  - Divide benefits by costs year by year
  - Determine payback period

• **Risks**
  - Analyze risks, create a risk mitigation plan
Outline

1. What is HRIT and why does it matter?
2. What is the ROI of HRIT?
3. How do we maximize the ROI of HRIT?
4. The CEO research program on HRIT
Three levels of HR outcomes

- Impact
  - Less common
  - More important
  - Greater competitive advantage

- Effectiveness

- Efficiency
Detail: Efficiency Outcomes

- Reduced cost
  - Automation
  - Increased self-service
  - Reduced staffing

- Reduced cycle times for HR processes

- Standardized processes, reduced customization

- Greatest benefits may accrue to companies new to the BP/COE/SSC model
Effectiveness and Impact Outcomes

• **Effectiveness**
  - HR process redesign
  - Outsourcing

• **Impact**
  - Transformation of the HR role
  - Analytics
  - Strategic use of social media (e.g., for innovation)
  - Use of reporting capabilities
Contingency Factors: Examples

- **Organizational factors**
  - Size and complexity
  - Business strategy
  - Stability and maturity of HR processes

- **Technology factors**
  - Degree of integration
  - Integrated system versus patchwork system
  - SaaS versus on-premise versus hybrid approach

- **Change management factors**
  - Goal alignment among stakeholders
  - Preparation of users for change
  - Project planning, structure, and learning
Outline

1. What is HRIT and why does it matter?
2. What is the ROI of HRIT?
3. How do we maximize the ROI of HRIT?
4. The CEO research program on HRIT
The CEO HRIT Research Program

- The CEO research team
- Action research emphasis
- Four projects are underway
  - HRIS: Decision making process and considerations in buying a new HRIS
  - HCM: Effects of implementing a Success Factors HCM suite on HR and the organization
  - Analytics: Impact of new analytic software (Visier), adopted as part of the development of a HR Analytics group
  - Social Media: Studying eight prior cases of using social media internally and/or externally for innovation
- Research papers will begin to appear later this year
- This is a long-term research program for CEO
CEO Research Model of HRIT Effects

HR Processes

Old Routines

Affordances of New HRIT

New Routines

HRIT-related interventions / changes

Dynamic Capabilities

Strategic Outcomes

HR Capabilities

HR Effectiveness
Processes and Routines

• A process is a sequence of steps necessary to achieve a particular end
  – HR examples: Hiring a new employee, giving an employee a pay raise, conducting a performance review

• A routine is a process that is:
  – Repeated, standardized (if not always well documented)
  – Permits work to be done on “automatic pilot”
  – Represents embedded organizational learning; permits the organization to get work done efficiently and effectively

• Research data: Before and after process maps
Affordances

- Definition: Opportunities for action in the uses of an object or technology
  - Property of person + technology
  - Different people may see different opportunities
    - Example: A rock

- Affordances are latent, not always obvious

- People often cannot report on affordances accurately in retrospect
  - Examples: email, cell phones
Affordances of HRT

1. **Data governance**
   - Access to data, authority to change data, analytic capabilities

2. **Data related, such as:**
   - Visibility: visibility of data and analytics to others in company
   - Persistence: extent to which analytics, historical access/usage are kept and are viewable by all
   - Editability: extent to which data are editable by others

3. **Collaborative social media related, such as:**
   - Open comments about the data
   - Networking around the data

4. **Technology constraints**, e.g. making it more difficult to combine subjective and objective data
HRI T-Related Interventions/ Changes

• Process redesign

• Change in roles of COEs / BPs / Shared Service:
  – Process performance
  – Process support
  – Process oversight, monitoring
  – Process design

• More integrated HR offerings

• Change management
HR and Organizational Capabilities

HR Capabilities
- HR integration
- HR reconfiguration
- HR partnership
- HR innovation

Dynamic Capabilities
- Innovation capability
- Learning capability
- Technological capability
- Operational capability
- Customer relationship capability
Effectiveness

- **Strategic outcomes**
  - Standard business metrics used by the organization

- **HR effectiveness**
  - Efficiency
  - Effectiveness
  - Impact

- **HR effectiveness can be assessed by a combination of hard and soft measures**
  - Soft measures example: Rating of HR effectiveness and impact by business leaders