Leveraging HR Technology for Competitive Advantage

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Effective management of a firm's human resources is a key source of competitive advantage for organizations. Increasingly, the delivery, support and management of HR all depend on technology—specifically, human resource information systems (HRIS).

Research shows that implementing HRIS can enhance a company's long-term productivity and profitability. And HRIS are not only increasing efficiency, they are also transforming the HR function. To help business leaders understand and manage these changes, this executive briefing highlights **five keys to leveraging HR technology**, an overview of **challenges to be managed** and a list of **five trends to watch**.

Five Keys to Leveraging HRIS Technology

Today's HR technology is moving rapidly to web-based systems to deliver data and services such as employee self-service (ESS), online recruiting, web-based training, online applicant testing and online benefits management. Many organizations now support HR portals, which provide one point of contact for a range of HR services. To better leverage this technology, leaders must focus on the underlying HR processes supported by HRIS. Keys to pairing powerful technology with solid HR processes include the following:

1. Use new technology as an opportunity to change HR. When new or improved functionality is added to an HR system, it is an opportunity to reexamine the way a process is done. For example, HR workflow technology can reduce the cycle time of processes and streamline decision-making. Fewer people in the loop usually means greater efficiency and lowered cost per transaction. Very often, processes built into HR vendor offerings are more efficient than an organization's existing HR processes. Although it may be tempting to view technology as *the* solution to an organization's problems, most firms will see more productivity and profitability gains by seizing the opportunity to improve HR processes.

2. Make employees self-reliant for HR services. Organizations using HRIS to delegate HR transactions and data maintenance to employees will outperform those using these systems solely as an HR compliance or reporting tool. Employees have become data consumers in their non-work lives and want that same level of access and control in their work lives. Giving employees access to their information increases the transparency of HR processes and helps employees better understand the role HR plays in the organization. Increasing employees' perception of control over their information can also lead to an increased sense of fairness and job satisfaction.

Three Strategies for Adopting HR Technology

Strategy	Approach	Sample Vendors
1. Integrated system from a single vendor.	Addresses multiple areas such as administration, talent acquisition, talent management and workforce planning.	PeopleSoft Lawson
2. "Best of breed" approach.	The best applications in each area are selected from multiple vendor offerings.	Multiple
3. Outsource HR technology infrastructure to a third-party vendor.	Vendor maintains both the employee database and the applications drawing data from it.	ADP

3. Communicate with employees when monitoring performance. Computer-based performance monitoring can be a valuable component of a performance management system, but it is important to inform employees about the aspects of performance being monitored and the reasons they are being monitored. Research has shown that communicating with employees in this way leads to increased acceptance of monitoring and to improved performance.

4. Use more data to get more answers. The implementation of HRIS lets HR answer new questions with newly available data. Forward-looking organizations can use these data to ask and answer basic questions like: "What information on job applications predicts long-term performance and retention?" HR managers commonly report that one of the most dramatic effects of third-generation HR systems is the ability to analyze HR data and respond quickly and accurately to questions from the C-suite.

5. Pay attention to appearance and functionality. Web design has evolved into an art form, and users' expectations are very high. We expect web sites to be intuitive and work in a logical flow. Unfortunately, not many HR professionals have experience in design and user interfaces. When moving to online HR services, it is important to carefully test and evaluate ease of use and functionality of the HR portal or ESS application. Employees will form a revised opinion of HR based on their experiences with the web site. Remember, for many employees, the HR web site *is* HR. A sophisticated, well-designed site will communicate a sophisticated and well-run HR team, while a site that is cumbersome or difficult to use could detract from the department's image.

HR Technology: Managing the Challenges

HR technology can increase productivity, sales and profitability; however, there are potential challenges that could have legal, ethical and financial implications for the firm if not managed correctly.

New skills and roles for HR staff. With the implementation of HR services online, the roles of HR professionals are changing. In smaller organizations, the HR generalist will need to increase technical skills and vendor relationship skills as his or her responsibility increases for managing the HR information system and the growth in services it supports. In larger organizations, the HR staff will focus on more complex HR policy decisions and exceptions, many of which may have financial implications for the organization. Managers need to remember that an HR information system performs well on routine tasks, but cannot handle complex or sensitive employee issues, such as threats to employee safety. The level of education and experience required for success in HR careers will increase, and HR professionals will increasingly be divided into two groups: the *content experts*, who work with the HR system and provide

E-Recruiting: What Research Tells Us

Web-based recruiting increases applicant volume but not applicant quality. To reduce the number of poor-fit applicants, customize the display of information so that candidates see the information most relevant to them first. Make job requirements clear and provide examples of "best fit" applicants. Recruiting is a marketing task. Try using multimedia presentations and videos and learn from large retailers how to direct customized information to specific groups of customers.

the company-specific knowledge base for that system, and the HR *generalists*, who focus on organizational effectiveness and one-on-one coaching with managers. This points to a future with fewer but more highly skilled and educated HR professionals.

Increasing expectations and demand for data. Employees continue to expect more data and more accessibility than ever before. As employees are able to manage more personal data and use the systems to answer questions and make decisions, they will begin to ask new questions and seek broader information. Consider the following training example: An organization may choose to post training schedules online. Once this basic information is provided, employees may ask for the opportunity to review their current training needs and register for the new class online. Next, the employees may expect that the results of training are immediately posted to the system so that they can be included in an upcoming performance evaluation. Finally, employees may come to expect course resources to be available online and eventually expect on-

demand, web-based training to support their learning needs.

HR distance and isolation. The implementation of an HRIS can dramatically affect the relationship between HR staff and employees. Employees used to working with an HR professional face to face may find it challenging to use the computer to complete tasks or answer questions. They may miss the "high-touch" feeling of working with HR staff. As more HR content is made available online and more basic administration is pushed to employees to manage, the need for personal contact between HR staff and employees is reduced. This increased distance can make it more difficult for effective communication to occur and can weaken the relationship between HR and employees. HR executives should consider the impact of this "distancing" and take measures to mitigate it.

Faster may not mean better. HRIS will reduce time and cost per transaction. In addition, HR staff and line employees will have access to a growing volume of data to support

decision-making. Although the goal is more effective decision-making, a typical result is that decision quality does not improve measurably, though time-to-decision is reduced. Another unanticipated impact of the increased use of HR technology in decision-making is that the logic behind the decision can become less transparent. Organizations need to ensure that process and policies embedded in ESS and managerial self-service (MSS) applications are clearly explained to the employees they affect.

Adverse impact. Research has shown that individuals from lower socio-economic backgrounds have less computer experience and less access to computers in their communities. Thus, there is a risk that minorities will be less represented in applicant pools than they are when using traditional recruiting channels. In addition, since the marginal cost for submitting online applications is so low, multiple applications from a single unqualified individual—from either a majority or minority group—have the potential to either mask or create the mistaken appearance of adverse impact. Organizations must effectively manage their talent acquisition processes to accurately assess the potential of adverse impact and to encourage applications through a variety of channels.

Five Trends to Watch

HR technology has already been instrumental in transforming the field of HR, and changes on the horizon have the potential for an even greater impact in the future. Some of the most important tech trends to follow are listed below.

1. Growth of social networking. One of the next challenges for HR executives is learning to integrate information from social networking sites. Potential benefits exist alongside problems of privacy and data accuracy. Challenges are evolving as new legislation and applications develop. German politicians have already proposed to outlaw the use of social networking information in employment decision-making.

E-Learning: What Research Tells Us

Trainees who interact with peers during training will outperform those who do not, and will be more likely to re-enroll in future courses. Design training programs that encourage employees to participate together. For example, supplement e-Learning programs with face-to-face modules. Keep trainees engaged in learning through techniques such as web-based games and interactive multimedia.

2. **Expansion of compliance and reporting requirements.** Organizations will increasingly need to adapt their HRIS in order to remain compliant with state and federal requirements. Pending changes in tax codes, financial reports, EEO compliance and health care all suggest that compliance and reporting demands will increase. For example, the new Patient Protection and Affordable Care Act will significantly increase the amount of corporate reporting required by the federal government. It is hard to imagine organizations without strong HRIS effectively navigating this new environment.

3. **More renting, less buying of services.** The use of hosted approaches, in which organizations rent services and software from vendors, is booming. The growth of the Internet and web-based systems has enabled organizations to consider approaches such as cloud computing and software-as-a-service (SaaS). Such approaches can provide benefits, especially for smaller organizations that would like to access the capabilities of complex HR systems but are unable to afford a large system. Cloud computing and SaaS are likely to grow in market share and will provide added flexibility to organizations' HRIS strategies.

4. **Greater use of business intelligence (BI) and dashboards.** One of the key challenges for HR professionals is how to turn HR data into a form that managers can use to measure HR's contributions to organizational profitability. To address this problem, organizations will begin to use more sophisticated BI applications to analyze the large amount of data available through HRIS. HR dashboards, which present high-level, real-time, graphically formatted data to managers, will become an integral part of the human capital management. In addition, firms will adopt more sophisticated web-based workforce analytic tools and will push data farther out to managers. This will enable managers to use the organization's personnel policies and practices to make better employee-related decisions.

5. **Increasing HR data transparency, increasing privacy concerns.** As noted above, HRIS can make increasing amounts of HR data more accessible to employees, along with more transparent policies and procedures. But with greater transparency come greater concerns about privacy. News reports of data compromises and identity theft surface almost daily, and few entities manage more personal information than employers. As employers make data easier to access, risks of jeopardizing employees' privacy increase. Managing this risk is becoming even more complex as HR applications often link to systems outside the organization (e.g., benefits vendors, online job search sites, distance learning providers, etc.).

Conclusion

Human resource information systems have dramatically altered how HR services are delivered and managed by organizations. Used effectively, these systems make the HR function more efficient, better informed and better able to accurately communicate how it adds value to the organization. However, to reap the full benefits of implementation, HR executives must combine the best of HR technology with effective HR management processes, and they must be ready to manage the challenges created.

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