



White Paper

2015 HR Tech Focus

Digital Transformation to drive
signification business improvement

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About the Author

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Introduction: 7 HR Tech Trends for 2015

Depending on where you live and your view on the economy, your country is in recession, starting the recovery or riding the wave of a full recovery; either way, changing economic conditions present both a threat and an opportunity for HR functions. Some HR functions will emerge stronger, having helped their businesses to adapt to the economic challenges, by piloting innovative solutions using the latest technologies and introducing new ways of working. They will be leaner, fitter and ready for a period of growth. At the same time, others will revert to old ways due to lack of funds, having abandoned their plans to be more strategic, settling into a more traditional role as an administrative support service. Tough economic times have a Darwinian impact on business – success goes to those who can adapt in the face of new circumstances and mutate into a different kind of animal.

From an HR technology perspective, 2013 saw the promise of cloud but a lack of adoption, and 2014 was the year that cloud went mainstream, especially in HR. As the economic downturn leveled out, and some regions saw signs of growth or at least a form of stabilization, HR departments everywhere came to realize that technology support has fundamentally changed and it's time to act on that. What's different this time is that new HR technology is not meant to make the HR department more efficient, but focuses beyond HR, to increase the user experience, to add value across the business and to improve competitiveness. In 2015, HR must focus on digital transformation: the use of new technologies to drive significant business improvements.

The increasing maturity of HR cloud systems as well as the relatively limited effort to introduce them brings more options and more meaningful choices for enterprises and customers. The cloud has been hyped as a cure-all, and companies now take a more guarded approach and have more realistic expectations, especially when it comes to the financial, localization and integration aspects. Cloud might not require the long implementation projects that we remember from traditional onpremise systems, but there are still many decisions to be made and a migration project can easily obtain the better part of a calendar year.

Cloud requires the adoption of a new mindset, where “we've always done it this way” gives way to a “fit-to-standard” approach. That means a thorough overhaul of your processes, not all of which might easily fit the future cloud solution. With that comes a carefully crafted and executed change management process that takes precedence over implementing and configuring the technology solution. User experience is a crucial element, to ensure enterprise adoption and proliferation. Most solutions are now built “mobile first” – over time this will become “mobile only”. Mobile – and social - will become inextricably linked to the digital transformation.

Cloud is not a one-size-fits-all solution, especially when you operate in many countries around the world and need more localization than is currently available. Cloud is also not the only HR system you will ever need. But cloud can be an economically sound and effective solution to improve your workforce management, as well as increase the employee experience and gain new insights into your

employee population. With the continued focus on employee engagement and productivity, combined with the ease of developing and publishing new apps in the cloud, there are a myriad of solutions vying for the attention of HR. These solutions are focused point applications that address a particular topic and can be incorporated into your HR landscape through a sound integration strategy.

In 2015, we expect companies to take a more realistic approach to the cloud, now they start to understand it better. More experience with cloud solutions means a better insight into the benefits and a more transparent view on pros and cons. Vendors of traditional systems, who slowed down introducing new functionality or limited maintenance and support periods realize that global enterprises have a long-term outlook. Many of these vendors now recognize that continued support of onpremise solutions will work in their favor, so enterprises can adapt a more gradual migration process. At the other side of the spectrum HR directors are discovering that a single cloud solution seldom satisfies all of their requirements and there are options available to address specific HR topics. This realization supports the need for hybrid HR environments – which we expect to be the dominant force in 2015.

Trend No. 1: Hybrid leads the charge

While smaller organizations can move to the cloud swiftly, in reality enterprises will see cloud, OnPremise and outsourced services co-exist. Companies that have invested heavily in HR ERP solutions will not move to the cloud for the sake of change as this is not a financially attractive scenario. Onpremise systems are usually licensed with long term contracts and leaving them prematurely does not save money – still an important topic. Why fix what isn't broke?

One of the pitfalls of cloud is the number of vendors with good looking user interfaces but a lack of actual functionality. We have observed some organizations being “romanced” away only to go back to the market due to the general lack of granular functionality and flexibility. We've also seen a number of companies being unable to make the required process changes in order to fit their new cloud solution. Reliable, predictable functionality is still the most important foundation of HR systems, as there is a lot at stake regarding documentation of employee records, legislation and compliance.

Now that cloud is moving past the hype, there is opportunity for a more realistic and balanced view. Moving to an HR cloud solution offers great benefits in rapidly modernizing your HR technology support and offering a sophisticated user experience to your employees. Cloud brings an additional layer of self-service, being built from the ground up with the end user in mind. It offers better integrated functionality that is enriched with new features on an ongoing base. For global companies, cloud helps in providing users everywhere with a unified entrance to HR, and by introducing more standardization in HR processes.

As we start to understand cloud, we also understand better what is and what is not suited to bring to the cloud. What would be the benefit of moving payroll to the cloud, when you've already outsourced that to a provider that hosts your payroll in a multi-tenant environment? It's not like you want to offer all employees access to start a payroll run. This approach leads us to an increased understanding of hybrid environments, either because a phased approach is more economically sound, less risky, or because some processes simply work better onpremise since they have been so tailored to a company's needs.

In 2015 we will see cloud migration increase, but with more focus. Companies make better informed choices, as 'lessons-learned' become widespread and there is a more realistic understanding of the benefits as well as risk mitigation. There is no shortcut to "all things in cloud" anytime soon. It is about the right mix between on-Premise installations controlled by the organization, managed private cloud options via outsourcing vendors and of course public cloud services. We expect hybrid environments to prevail as customer specific functionality needs to co-exist and not everything can be standardized. Hybrid allows enterprises to standardize in

the cloud while staying company-specific with OnPrem in order to capitalize on new technology as well as leveraging prior investments.

Trend No. 2: Integration is back, with a vengeance

The abundance of new cloud systems means that organizations once again are looking at best of breed: Core HR and Talent, Benefits outsourcing, Recruitment process and Learning administration outsourcing. No single cloud provider is good enough (yet) to cover all HR needs an organization has. Different HR departments favor different solutions: the Recruitment Center of Expertise needs more tailored functionality than an HR cloud system offers and the same goes for Learning & Development. And because it is cloud, it is easy to switch between solutions (especially the single process ones) or to sign up for a solution that offers specific functionality – even to the point where that functionality is only needed for a short time (think online courseware or MOOCs).

There are many cloud vendors out there introducing point solutions to deal with very specific topics: social performance management, productivity trackers or leadership training using gamification. MOOC's are gaining traction in higher education and companies have the opportunity to transform learning by incorporating MOOCs into their Learning landscape thereby introducing blended learning programs to an increasingly diverse workforce. In addition, for many companies the workforce consists of various groups, with permanent and temporary employees, as well as free-lance staff and contingent workers. All of these groups generate information, which is often captured in more than one system.

There is also a need to integrate cloud with more localized solutions in the area of benefits, time and payroll as cloud vendors have not (yet) fully localized their systems or don't offer these modules as part of their solution. Enterprises that move to cloud can seldom justify the business case of replacing these localized (and tailored) systems with a new solution offering less functionality. Lastly, HR continues to feed many internal systems with personnel data, so on top of the integration between HR systems, the need for further backoffice integration remains as before.

As all these solutions collect (a part of) employee data, integration is needed to ensure that data can be capture in a central location in order to build a holistic employee profile. Vendors offering core solutions increasingly provide standard APIs so data can be made easily available. In addition, middleware solutions, such as NGA's PEX, streamline the connectivity between a company's central HR solution and other systems by synchronizing data models across platforms, validating compliance requirements, and translating complex integrations into meaningful and understandable business transactions.

In 2015 we expect integration to become more standardized thanks to vendor APIs and further adoption of HR-XML. Cloud vendors are adopting these standards to streamline their data delivery. However, companies are in the early stages of adopting these standards and the fact that they are not incorporated in most traditional onpremise systems will expose the need for a very clear integration strategy as a crucial part of your digital transformation.

Trend No. 3: Cloud fuels BPO

To succeed on their path towards digital transformation, a company must have a platform and solution strategy as well as service strategy. As companies rush to adopt cloud systems for core HR, they are faced with dependencies on local HR processes, like time, payroll and benefits. Packaged integration solutions between cloud technology providers and BPO services players mitigate the risks stemming from these dependencies, benefiting both the adoption of core HR systems in the cloud and payroll/benefits outsourcing.

While cloud systems come fully equipped with self-service functionality including mobile and social support, leading to an increased user experience in line with expectations of the modern workforce, not every HR process can be handled in self-service. Some processes occur not often enough for users to make sense as a self-service option (new hire administration or a reorganization) or require a certain level of expertise (expat support).

And while in principle cloud vendors shoulder the burden of updates and new functionalities, in reality new versions and features must be tested before being put in production and added functionality must be maintained. Cloud vendors are becoming like software vendors: they develop, host and operate the generic software, where anything specific to a company will be covered through a 3rd party service provider. These service providers will manage, maintain and integrate the cloud solution on behalf of the customer company and govern the relationship with the cloud vendor as well as guard the contractual agreement. They will also be able to run the business processing that run on top of the cloud solution.

In 2015, we see more companies turn to cloud AMO (application maintenance outsourcing) where service providers introduce BPO contracts to take over end-to-end processes including the cloud solution. This is in line with NGA's earlier predictions around BPAAS – Business Process As A Service. Companies will also want to ascertain that the cloud is as secure and private as vendors claim it to be – to avoid public data breaches – and enlist the help of 3rd parties to ensure the security and integrity of data as well as compliance with legal obligations.

Trend No. 4: Corporate security will be a topic of conversation as will privacy

With the recent corporate security breaches, the focus on security and privacy standards will rise to a new level. Customers as well as current and future employees will want to know what companies are doing to keep their personal information safe – in Canada and European countries more so than elsewhere, but privacy is by no means dead. HR has to proactively prepare for this conversation by explaining how personal information will be kept secure.

In 2015, we expect to see an increase in security and privacy policies including awareness training for employees so they understand the risks of their behavior. To minimize the impact of data theft or security breaches we also expect more enterprises demanding a dedicated cloud environment. Every organization needs to understand how its cloud provider will protect the data and what security standards and procedures are being applied. While on a conceptual level the cloud might be the most efficient and effective option, if it fails to meet the totality of needs of an organization, cloud vendors will want to offer a tailored service that fits these needs.

Think about salesforce.com offering a 'Superpod' service for enterprises, which is a dedicated Salesforce instance on dedicated infrastructure within a Salesforce data center. Just as customer data must be protected at all times, companies that can afford this service will demand their own dedicated infrastructure, rather than operate in a multi-tenant environment, aiming to add an additional security layer to protect employee data and keep them separate. Some enterprises are large enough to demand this kind of reassurance and are willing to pay for added protection.

We expect this trend to be most prominent in certain territories, as a result of legislation in combination with works councils requiring increased privacy and security measures before giving permission to move HR systems to the cloud. SAP recently announced a dedicated cloud environment, hosted in Germany, so clients can benefit from the strict German data security standards. In other parts of the world large enterprises will want to review this option just to eliminate the risk of data breaches and the inherent damaging public exposure.

Trend No. 5: HR Focus on outcomes

HR is starting to use more sophisticated methods to analyze and predict how the workforce evolves. We are in the early stages: so far the attention has been on reporting and analysis, less on predictions. The necessary requirement is a data warehouse containing historic data based on company-wide agreed data definitions. Organizations are starting to realize they own a wealth of information but they struggle to make that available in a sensible way, especially to determine which data stores hold the truth for what kind of decision making.

Combining the information that exists within organizations with publicly available data (census data etc) will become a game changer for meaningful analytics. Organizations that can rely on predictive analysis as base for their decision making will have a competitive advantage as a business.

It won't be easy to make sense out of massive amounts of available data. This requires experts, and not many companies see enough of a return to make the necessary funds available. It requires time, as the reliability of data can only be established by a repetitive process over a longer period of time. Companies will discover that big data is not big enough, or interesting enough, clean enough or differentiating enough. As long as predictive analysis has not proven itself, the business case is difficult to make and it's easy to get lost in the abundance of (operational) reports that is available.

As employees interact through more devices and applications, there's an increased opportunity to learn about their core behaviors. Additionally, innovation around the Internet of Things and smart devices bring sources of insight. The best HR departments will be the ones that find a way to take all of the information that they have about employee behaviors and preferences and turn it into motivational actions without becoming creepy, meaning they constantly need to balance their quest for information with the privacy of their employees.

In addition to business outcomes, analytics will also allow HR professionals to more accurately follow the behaviors of the employees when interacting with HR: do employees prefer their mobile devices over their PCs, which employee groups contact HR most often, what topic drives the most questions, what are the busiest HR hours of the month? Reporting on these types of behaviors and understanding why they occur will allow HR to improve the service delivery of the HR department and thus increase the employee experience.

Delivering meaningful analytics has the benefit of positioning the HR department as innovative and driving efficiencies. As HR is increasing its strategic role in the business, this image change will become essentially vital. The key to success of initiatives such as these, as always, is to reduce the burden on employees and managers. Smart devices that collect data without employees having to do

anything extra are a great way to drive improvement. Companies should take care to not go down a route that requires more and more direct input from employees.

In 2015 we will gain more experience with analytics, and as we become more familiar with the concepts, we expect to see a development towards a smaller number of really insightful, meaningful analytics that make a difference towards the top or bottom line. We see more vendors offering online analytics tools (IBM Watson, Microsoft Power BI) with a freemium or a 'pay as you go' model, offering companies the opportunity to play around with analytics without an upfront investment. In essence, once they start offering standard dashboards, where a business only needs to plug their data in, Data As a Service (DAAS) will become the norm.

Trend No. 6: Social, mobile? Business as usual

In 2015, for the first time Millennials will make up the largest portion of the workforce according to the U.S. Bureau of Labor Statistics. Millennials are extremely tech-savvy and spend a lot of time online on mobile devices. They don't use their smart phones to make calls, they rely on apps to communicate with their friends and peers. Where websites used to be the norm, now mobile access is becoming the defacto standard. Many people in the world (especially in Asia and Africa) completely skipped the PC revolution and moved to mobile right away. They are used to the speed and simplicity of consumer apps. As private and office lives are converging, users now expect the same ease of use from enterprise solutions.

If social and mobile were differentiators before, they have now become business as usual. Social media have been integrated in many applications and social user accounts are needed when signing up for a specific service thereby bypassing email accounts. It's not a matter of if you will offer social and mobile in HR, it has become about how you offer social integration and mobile HR. This development also signals a profound change in the way we communicate.

Where HR professionals used to document everything in long-read policies, employees simply don't look at those anymore. Information has to be delivered in bite-size pieces, in line with the way people communicate in their private lives: in pictures, in videos, in 140 chars texts. That is not to say that we have to oversimplify everything in HR, but if you want your message to be heard, it needs to be in line with the expectations of your audience. That means adapting your communication to the way employees are most likely to absorb it. A video might therefor be a much better resource than an email explaining all the details – people never read past the first paragraph anymore.

With social and mobile comes gamification. Gamification takes the essence of games—addictive playing, competition and fun — and applies that to live HR processes. In doing so, gamification serves to increase employee levels of engagement. Gamification rewards employees for positive behavior. Rewards can be virtual, in the form of badges or recognition, or real, when presents are awarded based on results.

In 2015, employees expect their employer to be fully mobile and social when engaging with them and to understand what that means: not only as external marketing tool, but also internal. In the private life of many employees, digital transformation has already been completed and they expect the same in their work life. If you offer customer service on Twitter 24/7, then your employees expect the same service from HR. Talk to your marketing colleagues to understand how they made social a part of their business as usual and learn from that.

Trend No. 7: The Robots are coming but it's early days yet

Smart machines are “systems that use machine learning to perform work traditionally conducted by humans in an effort to boost efficiency and productivity” according to the Tech Target definition. Gartner thinks that by 2020, we will see robotics and automation as the most disruptive forces of our times. Technology devices are beginning to take on activities traditionally tied to human reasoning and consequently this will impact organizations at all levels.

‘Robotic Process Automation (RPA)’ will significantly affect how routine HR activities are carried out, particularly those that are often considered for outsourcing or for centralization in shared services. At NGA, we’re looking at these developments from two angles. We’re experimenting with them to improve our service delivery to our customers and understand how to best include them in HR processes to run them better. We’re also trying to incorporate them in our daily business, to increase employee productivity anywhere in the company where that makes sense.

RPA has potentially far-reaching implications, but few companies have thought about how the next generation of robotics will affect their workforce, let alone their business. Even fewer have considered if embracing robotics can deliver sustainable advantage.

In 2015, we don’t see robotics process automation as evolved or mainstream enough to play a dominant role in HR. But we do see a need for HR professionals to become more familiar with the topic, in order to understand how RPA will impact the future of HR.

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