The Technology Haves and Have-Nots

By Karen Beaman, Teilasa Global

Plus ça change, plus c'est la même chose.
The more things change, the more they stay the same...

While a lot has changed in the 20+ years that I've been working on the IHRIM Editorial Committee, for the vast majority of users, a lot remains the same. We have new vendors, new technology models, new functionality, and yet most organizations are still wrestling with the same old problems. Many of the most promising changes in technology over the last 20 years simply have not been widely adopted by the vast majority of users and thus have not resulted in improvements that bring greater strategic value to the HR/Payroll function. This is creating a growing chasm between the 'Technology Haves' – the top 25% of high-technology adopting organizations – and the 'Technology Have-Nots' – the rest of the population.

The reasons for this lack adoption are many and varied. Some claim lack of budget or are unable to justify the business case. Others take a short-term view, opting to offshore the problem to low-cost workers rather than automate the function and eliminate the work. Still others see new technologies as something out of Star Wars – exciting to watch but far away from their own reality. However, the major reason for the low technology uptake in HR/Payroll is the lack of a strategic mindset among the HR/Payroll staff – that is, an inability to understand and evaluate the strategic value that new technology can bring, thereby creating greater business value for the organization.

Three areas demonstrate this growing chasm between technology availability and user adoption quite unmistakably: systems integration, advanced metrics, and mobile/social access. With data drawn from surveys carried out by Jeitosa and Mercer over the last four years, these three areas critical to the HR/Payroll function demonstrate the growing divide between the Technology Haves and the Have-Nots.

Systems Integration

Looking at the results of the Jeitosa and Mercer Payroll Benchmarking Surveys with a total of 166 global organizations over the last four years, we can see a strong decline in the level of HR/Payroll systems integration year-over-year (see Figure 1). We consider a high level of integration to be three or more country payroll systems integrated with the core HRMS. Even though many software vendors are now providing "connectors" and "packaged integrations" to facilitate the implementation effort, the level of system integration has been declining from a high of 61% in 2013 to less than half of responding organizations (45%) in the most recent survey.

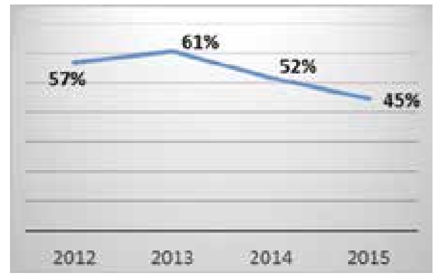

Figure 1. Systems Integration Adoption over Four Years.

And what is the main reason that organizations give for this low level of integration? It's their inability to establish the business case. And what is the impact of this situation? Poor data quality and an inability to provide critical enterprise-level metrics and analytics on the total cost of the workforce and the overall effectiveness of the global HR/Payroll function.

The benchmarking surveys categorize organizations into four models according to their financial performance (size and growth of both revenue and margin) over five years. The 'Darlings' are the top 25% of organizations that are growing both revenue and margin faster than their peers. The 'Hunters' are those that grow revenue faster, and the 'Gardeners' are those that grow margin faster. The 'Hopefuls' are those growing both revenue and margin significantly less than their peers.

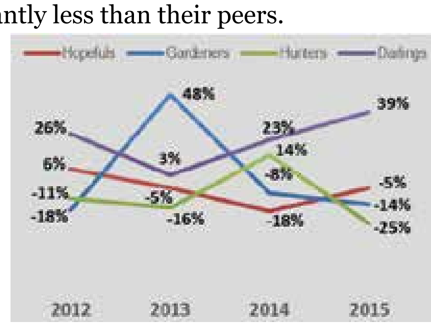

Figure 2. Systems Integration by Performance Model.

Looking at HR/Payroll system integration by financial performance model over the last four years, we see that the Darlings are achieving greater integration, increasing from 26% in 2012 to 39% in 2015 (see Figure 2). The other three performance models show a significant decline in the level of integration between their HR and Payroll systems. This growing divide between the the Technology Haves ('Darlings') and the Have-Nots (all others) is creating a chasm between those organizations that have integrated systems with high quality data and those that do not. Organizations with money and data are in a better position to elevate HR/Payroll to a more strategic business function, thereby acquiring better talent and offering a higher level of services to their employees.

Advanced Metrics

Over the last four years, the benchmarking surveys have looked at the type of metrics frameworks that organizations have in place for global payroll, from basic, vendor-supplied metrics to a compliance and control-oriented framework to a root cause and predictive analytics framework – the latter being the most advanced framework.

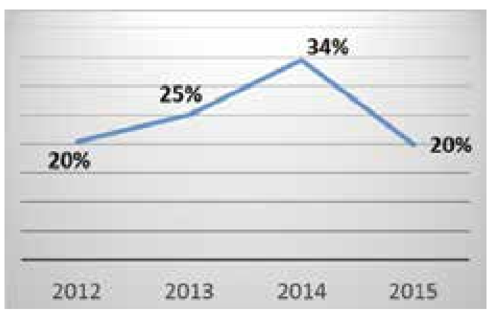

Figure 3. Advance Metrics Adoption over Four Years.

Yet in spite of all the hype over metrics in the industry and even with a plethora of new technologies and metrics-focused vendors on the market, we have seen little change in advanced metrics adoption over the last four years. In 2015 as in 2012, only 20% of organizations report to have an advanced metrics framework in place (see Figure 3).

The most common reason for the lack of advanced metrics adoption is competence: HR/Payroll people don't generally come into the function with an analytical background or the necessary skills to work with metrics. In addition, HR/Payroll people are not as business-focused as they need to be and they don't typically understand how to use metrics to drive better business decisions. This lack of strategic, analytical thinking is clearly holding the HR/Payroll function back.

Looking at advanced metrics adoption by financial performance model, we see one group making progress. The Hunters have grown advanced metrics adoption from 6% in 2012 to 40% in 2014 and back to 30% in 2015 (see Figure 4). Hunters are highly focused on growth and increasing their market share in very competitive business environments. Advanced metrics, such as leading and predictive analytics, give Hunters just the data they need to assess their progress vis-à-vis their peers and drive greater business results. So the Hunters are the Technology Haves when it comes to advanced metrics, while the other models show little to no uptake.

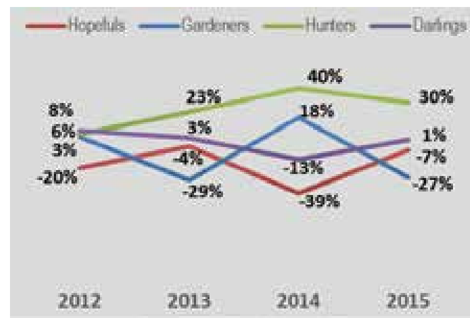

Figure 4. Metrics Adoption by Performance Model.

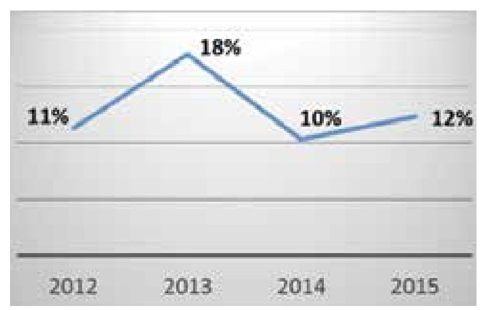

Figure 5. Mobile/Social Adoption over Four Years.

Figure 6. Mobile/Social Adoption by Performance Model.

Mobile/Social Access

Another new technology that is on the way to becoming ubiquitous for all consumer-based applications is mobile and social access. Yet despite this ubiquity for consumers, adoption for HR and Payroll applications is severely lagging.

The level of mobile/social adoption over the last four years is fairly stagnant between 10% and 12% (see Figure 5). The main reasons that users give for this low level of mobile adoption is the lack of adequate security and concerns about protecting personal data outside of the organization's firewall. While this is clearly an issue with personal and payroll related data, many organizations have conquered this issue – just think of mobile banking and the success of applications like PayPal and Square.

Looking at mobile/social adoption rates by financial performance model, the Darlings and Hunters have made some limited progress in providing greater mobile/social access (between 10% and 20%), while the others have made little to no progress (see Figure 6). The divide between the Technology Haves and Have-Nots demonstrates that innovative technology strategies are much more likely to be implemented by financially successful organizations – those that have the money and the resources to do it.

Change and Adoption

One approach to addressing these low technology adoption rates is to implement a comprehensive change management program. The first step is to change the mindset of the HR/Payroll staff to become more strategic and business-oriented. Individuals with a global, strategic, and business-focused mindset can develop the business case to demonstrate the value that greater adoption of these new technologies can bring to the HR/Payroll function. Certainly some people can be retrained through education programs and cross-functional, cross-geographic assignments, but many will need to be hired new into the function bringing these skills as core competencies.

The second step is to change the practices of the end users to embrace greater technology automation. There are two basic approaches: gradual and cold-turkey. In either case, a formal change management program with training, communications, support, and effective change strategies and plans is critical.

Change management increases the likelihood of success of any initiative. The findings from the 2015-2016 SierraCedar HR Technology Survey demonstrate very clearly the value in having a formal change management program in place. According to the survey, "Organizations with a culture of change management are twice as likely to be viewed by all levels of management as contributing strategic value, versus organizations that never use change management."

So how do we close the gap between the Technology Have and the Have-Nots? A number of suggestions come to mind. First, we need to rein in those organizations that move their profits offshore, avoiding taxes to increase their profits. Simultaneously, we should provide tax breaks for those organizations that are growing their businesses responsibly.
Second, we can make new technology easier to implement and lower the total cost of ownership, making it more accessible to a wider majority of the population. And finally, we need to change the mindset of the HR/Payroll team to become more strategic and business-focused, understanding how to build the business case that effectively balances both investment and innovation for the organization.

About the Author

Karen V. Beaman, HRIP, is the managing director for Teilasa Global and the founder and lead researcher for Mercer's Payroll Benchmarking Survey (MPBS), a unique ground-breaking research effort focused on uncovering leading practices in payroll. She has 30 years of diversified human capital management (HCM) experience, covering global strategic planning, application development, data modeling, business process optimization, shared services delivery strategies, business case development, and global systems deployment. Beaman was previously the founder and chief executive of Jeitosa Group International, a worldwide strategic business consultancy providing solutions for global effectiveness, which was acquired by Mercer in 2014. She led the team that developed the global strategy and built the requirements for the foundational core of Workday's new HCM system. Previously, she was responsible for ADP's global professional services across the Americas, Europe, and Asia Pacific. Beaman was the co-founder and editor-in-chief of the *IHRIM Journal,* is past managing editor of *Workforce Solutions Review*, and is the editor of four IHRIM Press books. She is a certified Human Resource Information Professional (HRIP) and, in 2002, she received the Summit Award, IHRIM's highest award honoring her lifetime achievements in the field of HR. She is fluent in English, German, and French and conversational in Spanish and Portu-guese. She can be reached at ***karen.beaman@teilasa.com***.