

HR and technology: an uncomfortable relationship?

~ How HR directors can take the lead in creating value through HR technology ~

By Steve Foster, business consulting manager, NorthgateArinso UK

Everyone knows technology can help reduce operational costs in HR, yet research has shown that many organisations struggle to get beyond the administrative benefits, and few fully exploit their investment in technology. Participants in a three year research programme generally agree that there is still work to be done to use technology to create value in the HR department and across the business – despite being aware of its potential value to their organisation.

As we emerge from the recession, there are two key drivers for defining the value we get from technology. Firstly, the budgeting belts that have been tightened are unlikely to be loosened easily, meaning that new investment in support services for HR will be hard to come by and it will become paramount to drive value from existing investments. Secondly, as organisations prepare for growth, HR must be ready to support the business beyond the operational level, creating value in everything it does.

So why does it seem that driving value from technology investment resides at the bottom of an HR professional's 'to do' list? Unfortunately, technology has an air of 'witchcraft' about it – clouded in mystery and often driven by IT-types who seemingly don't speak the same language as HR. Despite HR's best intentions, their relationship with technology can be somewhat uncomfortable. The attitude is often, "We know it's out there, but we don't know what's possible, or how to use it to our best advantage."

HR's lack of awareness of the 'art of the possible' often means that technology is confined to running basic administrative services, rather than becoming a key strategic tool. Line managers become cynical about the investment, often creating a big gap between technology's potential and its actual use. In many organisations, I have found that there is a lack of a common language or framework to discuss e-HRM value.

The eHRM Value Model has been developed to explain the three key areas where technology can provide the whole organisation with a way of defining the organisation benefits of e-HRM to give insight into where a little further effort could reap great rewards. Our research suggests that value can be created in three areas:

- Operational cost reduction: reducing the cost of day-to-day HR processes.
- People management / productivity: supporting managers in people management, together with better management information
- Strategic capability: deriving benefits that can only be accessed through technology, for example, on-line brand positioning to attract the right recruits

Most organisations understand tangible HR operational cost reduction. However, the real value comes not from taking cost out of processes, but from adding value in other areas. Bear in mind that the cost of the HR department is usually only around one per cent of total business costs, so even if you can shave thirty per cent off these costs, it's just not significant enough in commercial terms. Even so, it's often difficult to define the value created by people management and strategic aspects, in part because the benefits are more intangible; yet, these areas are where the most organisational value lies waiting to be realised.

Using technology to improve people management is about creating a toolkit for managers to manage people better, providing them with clearer information to make better decisions, ensuring adherence to HR policy and procedures and freeing up HR time to support managers. There is evidence that use of these tools is linked to higher levels of productivity in best of class organisations. Technology tools can also be pivotal in supporting a restructuring of the HR function.

Once this is in place, you can move to using technology to increase the strategic capability of the organisation as a whole. Automating web content and online recruitment can, for example, position you more strongly as an employer, improving your online employer branding – without increasing HR's workload. Better long-term strategic information (rather than day-to-day operational information) is also included in this category, as is the potential to improve employee satisfaction with HR services.

These findings are based on research undertaken with fifteen large UK organisations, looking at perceptions and expectations of e-HRM about value. It revealed that many organisations simply do not know how to create an extended business case for e-HRM investment; it also highlighted that there is a gap between HR managers and line managers with regard to expectations, and an urgent need to create a common framework for describing value.

The result is the e-HRM Value Model, which sets e-HRM in the context of competitive advantage for the whole business. This is the real value of technology to HR – not just cutting costs, but contributing to business strategy, and success. Unless you can show added value, you simply won't get priority for investment in technology.