

HEALTH WEALTH CAREER

THE JOURNEY TO DIGITAL HR

WHAT RESEARCH TELLS US ABOUT
IMPLEMENTING A NEW HRIS

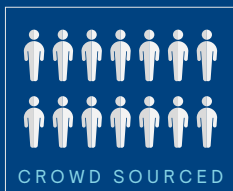
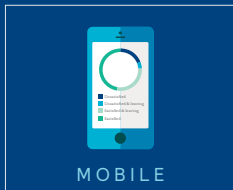


MAKE TOMORROW, TODAY

 MERCER

THE QUEST FOR DIGITAL HR

FIGURE 2.
TECHNOLOGY
EXPECTATIONS
SHAPING THE
WORKPLACE:



Source: Mercer, 2016.

Going digital has been the mantra for 21st century industries – think gaming, self-driving vehicles, or the Internet of Things – but how does it translate to the world of HR? Organizations now face the challenge of applying the latest technology to people management practices to capitalize on their Talent investment. Talent trends (Figure 1) are challenging organizations to deploy technology in more modern ways (Figure 2), and this means corporations are carefully examining how they can achieve success through the union of software, employee experience, and organizational strategy.

FIGURE 1.
TALENT TRENDS ARE CHALLENGING HR TO MODERNIZE

TALENT PROCESS



With a more tech savvy workforce and the proliferation of technology, organizations are embarking on a continuous journey to improve talent processes.

DIGITAL & TECH



The demand for continuous, on-demand learning using new digital, mobile, and social methods is on the rise. Exponential technology is fundamentally transforming how people access, retain, and apply information. The need to create a personalized employee benefit and development experience has never been stronger.

WORKFORCE ANALYTICS



Metrics and analytics – to understand key roles, talent flows, obstructions to talent mobility, and costs of not getting it right from both business and talent perspectives – are essential for the future.

“GLOCALIZATION”



Global and multinational companies struggle with setting global HR policies that can also be locally malleable to meet the needs of local lines of business, regulations and employee expectations.

BRANDING & TALENT ACQUISITION



Organizations are looking closely at their brand reputation, through both traditional and social media channels, to ensure they are meeting “employee as consumer” expectations for career development, growth and a positive work experience.

CAPABILITY BUILDING



There is a renewed focus to upskill manager capabilities to effectively coach, mentor, and manage the “day to day” HR-type conversations with employees, freeing up HR to build capacity as trusted advisors to line of business leaders on talent and business priorities.

Source: Mercer, 2016.

Often, organizations respond to these challenges with new enterprise-wide technology implementations. Major software implementations – such as replacing a Human Resource Information System (HRIS) or deploying new Human Capital Management (HCM) software for the first time – are far from trivial. New software requires careful budgeting of both financial and people resources and can disrupt day-to-day operations. Software deployment impacts short-term productivity and requires detailed project management, careful change management, and thorough training to mitigate risks.

Mercer’s recent study focused on technology that supports what is referred to as “Core HR” – that is, the software application that manages the employee statement of record. An HRIS may address only employment compliance issues; however, many have expanded their HRIS systems to manage talent too (for example, supporting

applications for hiring, performance management, and training). Recently, technology has evolved significantly in all areas of employee management, prompting HR professionals to be much more interested in acquiring new applications. In fact, despite the enormity of the task, Mercer’s recent Global Talent Trends research showed that over half (63%) of participants surveyed are planning new investments in HR technology.¹

Out of the 500 participants in the HRIS study, 45% had implemented a new HRIS system within the last five years; of those, the majority had deployed that system in the cloud, utilizing the increasingly popular Software-as-a-Service (SaaS) delivery model. Thirty-four percent of respondents indicated that they intend to purchase a new HRIS system within the next three years.²

How is cloud use different from on-premise? (Figure 3)

FIGURE 3: FROM YESTERDAY TO TOMORROW: IMPACT OF CLOUD TECHNOLOGY

YESTERDAY	BUSINESS MODELS	TOMORROW
Licensed		Subscribed
On-premise	DEPLOYMENT MODELS	Cloud
Customized single tenant	ARCHITECTURAL MODELS	Configured multi-tenant
Transactional PC data entry	USER EXPERIENCE	Embedded analytics and mobile
Customized	CONFIGURATION MODEL	Configurable
Led by IT	BUYER RESPONSIBILITY	Led by HR
Organizations, analyst firms, etc.	BUYER INFLUENCERS	Blogs, webinars, etc.

Source: Mercer, 2016.

¹Mercer. *Future Proofing HR: Bridging the Gap Between Employers and Employees*. 2016.

²Mercer, in partnership with Human Capital Media, the research arm of *Workforce* magazine, conducted a global survey of close to 500 HR executives in 19 countries on the state of their current or planned HRIS transformation. The “2016 Human Resources Information System Survey” asked executives their opinions on the current state of their HRIS system.

Given the drive to seek a technological solution, what does this mean for today's enterprises? Mercer suggests the following guiding principles and action items for organizations when embarking on this change journey':

REASSESS WHICH PROCESSES ARE KEY:

- Ensure your change schedule for 2016 is still relevant.
- Spend time on the most value-adding processes that have the biggest impact on your business.
- Challenge traditional thinking around the role of performance management and recruiting.

EVALUATE THE EMPLOYEE EXPERIENCE:

- Move away from siloed workflows towards integrated programs.
- Address the end-to-end employee lifecycle from recruiting to outplacement.
- Consider technology that enables a positive brand experience with delivery methods that employees use today, such as mobile devices.

REDUCE DUPLICATION:

- Focus on the purpose rather than the process.
- Keep necessary processes simple and intuitive.
- Consider which processes could be streamlined to reduce overlap.

OPTIMIZE SERVICE DELIVERY:

- Increase efficiency: transactional delivery has a big impact on the overall perception of the HR department.
- Enhance the customer experience and simultaneously free HR for more strategic work.
- Remember that technology is not always the answer, but it can be a catalyst for change.

If it needs too much explanation, it is probably over-engineered. To keep things streamlined and efficient, ask “What is the minimum we can do to get this right?” To make sure it's intuitive, ask “How can I do it right without having to be trained?”

DRIVERS FOR CHANGE

No companies are exactly the same, and therefore their reasons for significantly changing their HR practices or technologies will vary. In most cases, there is not one driving force, but several. Our respondents chose all the options that they felt applied to their decision (see Figure 4).

FIGURE 4: DRIVERS FOR DEPLOYING A NEW HRIS



Source: Mercer, 2016.

Significantly, the predominant driver was the desire for a single system of record for all data globally. Often companies add new applications that are not integrated or have multiple HRIS systems in place – a common occurrence after corporate mergers or acquisitions. The proliferation of disparate systems across the organization creates data islands with employee information existing in different places, making accurate reporting and analysis elusive. In this scenario, the consistency and reliability sought by so many of our respondents was near impossible.

Aging applications was another driver; on-premise or legacy systems, often heavily customized, no longer meet the needs of today's HR professionals. With high ongoing maintenance costs, and often few updated features, these

systems are prime targets for replacement. At a time when an improved user experience is viewed as critical, the unintuitive interfaces in these older systems further speeded their replacement.

Whatever the primary driver for deploying a new HRIS, clarity of purpose is a requirement given the need to align the technology strategy with the business and HR agenda. Technology in and of itself is never the answer, but it can be a catalyst for change.

The deployment of a new application presents an opportunity to evaluate and simplify existing processes and workflows. The following case-in-point gives some insights one client's journey towards simplification and implementation.

USING AN HRIS IMPLEMENTATION TO BECOME MORE AGILE

A multinational organization with approximately 130,000 employees in multiple lines of business decided to implement Workday for core HR across the 100+ countries in which they operated. A key driver in this decision was the ability to have an enterprise-wide view of talent.

However, stemming from a philosophy of decentralization and history of growth through acquisitions, these 130,000 employees had 50,000 distinct job titles. Any data analytics would be meaningless without a cleanup.

Therefore, to coincide with the implementation of their new HRIS, the organization redesigned its job architecture and job library with an eye toward the new framework not only providing a strong principle for organizing and extracting data but also:

- Allowing the organization to manage talent with agility
- Providing visibility into the entire workforce – including important diversity and inclusion metrics
- Improving discipline around processes, tools, and governance relating to talent management

With the help of more than 1,000 subject matter experts across the enterprise, the organization built a strategically aligned and robust job library of approximately 800 jobs to be implemented in its new HRIS. The new job library has become integral to the organization, making implementation of the HRIS easier, helping the organization achieve its talent aspirations. This has been pivotal in securing the full value from this technology investment.

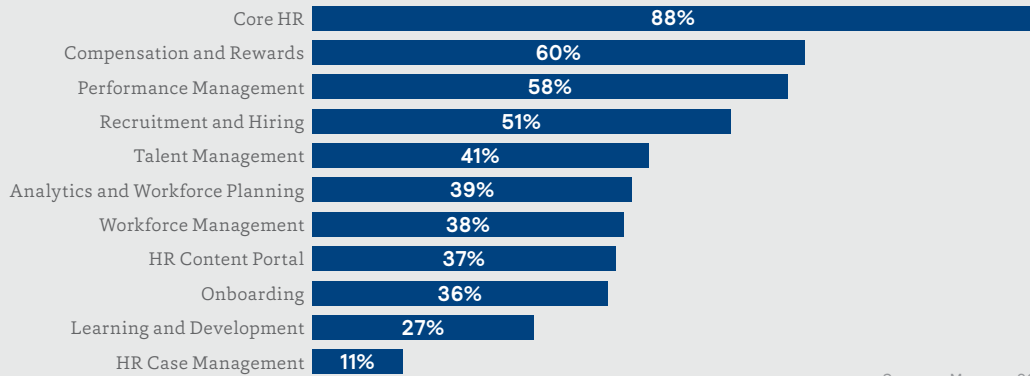
Today, the library is being used as the underpinning structure for a career architecture that will add value for employees seeking to build their skill portfolio within the company. Having elected to deploy Mercer CareerView – mobile technology that uses a Google maps type application to explore roles and career moves – this preparation work will equally benefit individuals in aiding them to be the architects of their own careers.

Source: Mercer, 2016.

HOW SUITE IT IS

While assuring compliance is a prime goal in acquiring an HRIS system, and essential for first-time buyers of such an application, the integration of workforce and talent management resonates with many HR professionals. Both on-premise and cloud HRIS providers often make available integrated modules, or suites, that support the employee base beyond core HR (Figure 5).

FIGURE 5. BEYOND CORE: APPLICATIONS PURCHASED WITH HRIS



Source: Mercer, 2016.

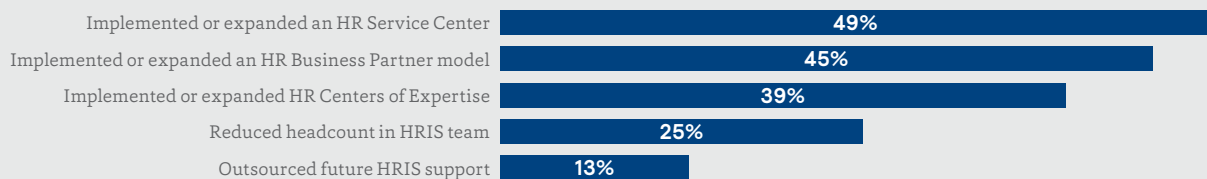
PLAN – AND PLAN AGAIN

A smooth implementation that delivers intended results requires careful preparation. Often the business case proves a catalyst for initial planning (80% of respondents created business cases for their initiatives; 5% created one during or after the implementation; some had none). Fifty-six percent used the business plan for a new HRIS as motivation to create a total HR technology strategy. The three top areas for simultaneous change were developing and executing strategic change management (27%), redesigning the end-

to-end HR process (27%), and implementing a new organizational grade structure (22%).

The plan that includes a technology change may also prompt review of the larger HR business model within the organization. Implementing or expanding an HR Service Center model was the most prevalent initiative, followed by greater deployment of HR Business Partners across the organization, and expansion of their HR Centers of Expertise (Figure 6).

FIGURE 6. HR BUSINESS MODEL CHANGES WITH HRIS INITIATIVES



Source: Mercer, 2016.

Twenty-five percent of respondent companies saw a reduction in the team supporting HRIS, likely due in part to the increased off-site support provided by Software-as-a-Service solution providers, which make up a large proportion of this study.

THE “STICKY WICKETS”

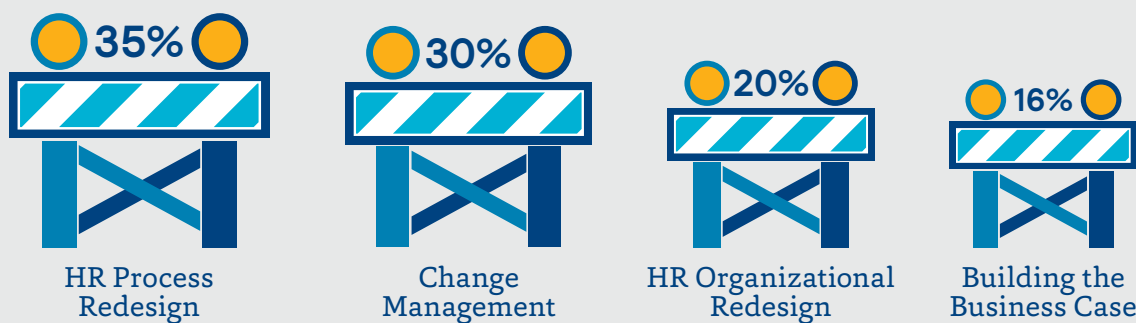
In implementing a new HRIS, three difficulties arise for HR professionals:

- 1) Transforming or realigning the business processes themselves,
- 2) Deploying the new technology that substantiates those processes, and
- 3) Managing the change effort required in any deviation from the past.

Implementation efforts often create surprises: over 25% of respondents indicated that the deployment of their technology took significantly more time than anticipated.

Some things are predictably difficult in any technology implementation: for example, configuring the system to perform as desired and integrating the disparate technology elements that the business relies on are always key challenges. Careful initial planning can help prepare for the points of integration, but rogue integrations in the previous system are often found, catching even the most careful planners by surprise. Even though respondents indicated they had developed plans prior to implementation, the four factors shown in Figure 7 still presented significant roadblocks for the project as a whole.

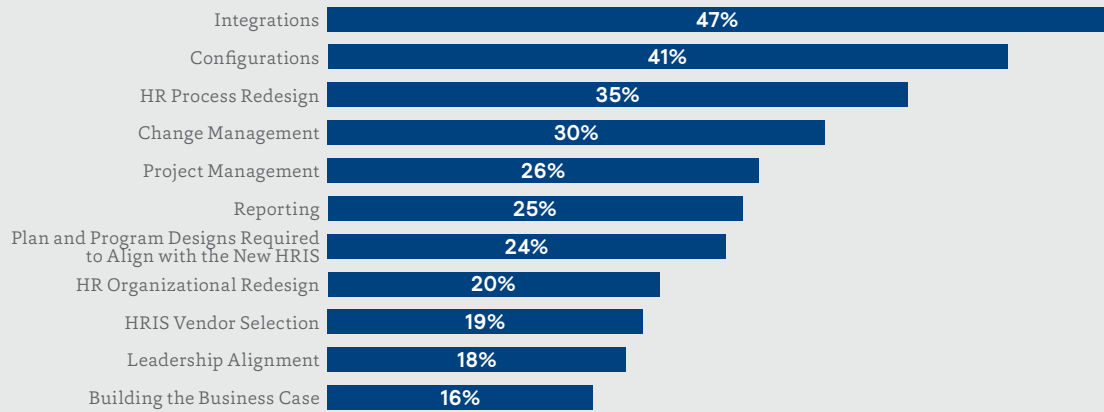
FIGURE 7. PLANS DEVELOPED BUT STILL PRESENTING ROADBLOCKS



Source: Mercer, 2016.

All key roadblocks are shown in Figure 8 overleaf. While managing integrations and configurations top the list, they are the only two technology-specific issues. Policies and procedures, strategies, and decisions on governance create many of the hindrances to a successful HR transformation.

FIGURE 8. MAJOR ROADBLOCKS REPORTED DURING HRIS IMPLEMENTATION



Source: Mercer, 2016.

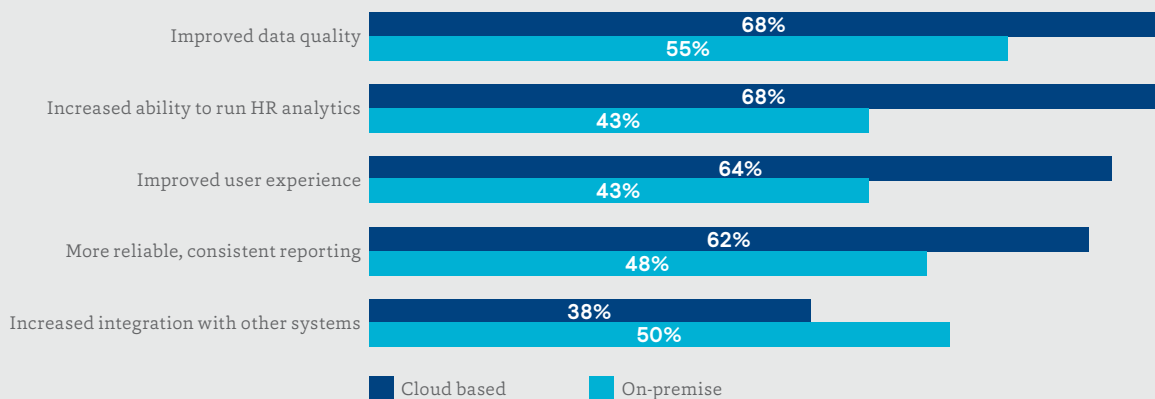
Despite these roadblocks, it took the majority of organizations less than 12 months from signing the initial contract to fully implementing their new HRIS system, and half of the organizations took less than nine months, unlike the multi-year implementations that characterized on-premise and Enterprise Resource Planning (ERP) implementations of the past. Interestingly, in this study, 70% of respondents in multinational organizations that had implemented an HRIS in the last five years elected SaaS solutions, due in part to ease of implementation and flexibility in centralizing employee data.

Additional findings relevant to cloud-delivered human capital management solutions include:

- Cloud users are 25% more likely than those using on-premise solutions to report increased analytics capability from their new system.
- Organizations using cloud-based HRIS systems are 19% more likely to report an improved user experience.
- Users of HRIS in the cloud were 13% more likely to report improved data quality.

More detailed results and comparison of responses between those that implemented a cloud-based versus on-premise solution are shown in Figure 9.

FIGURE 9. MEASURING RESULTS FROM HRIS IMPLEMENTATIONS: CLOUD AND ON-PREMISE

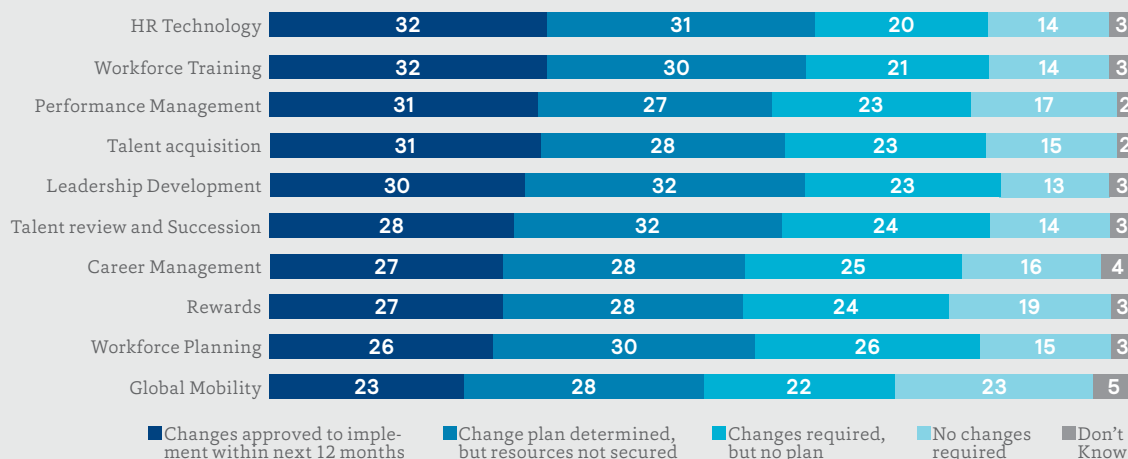


Source: Mercer, 2016.

PLANNING FOR THE HR OF TOMORROW

HR leaders are seeking to improve their capabilities and those of their staff. Some are actively planning to procure new solutions in the year ahead; some are seeking the funding to do so (see figure 10).

FIGURE 10. THE YEAR AHEAD: PLANNED INVESTMENTS IN HCM TECHNOLOGY*

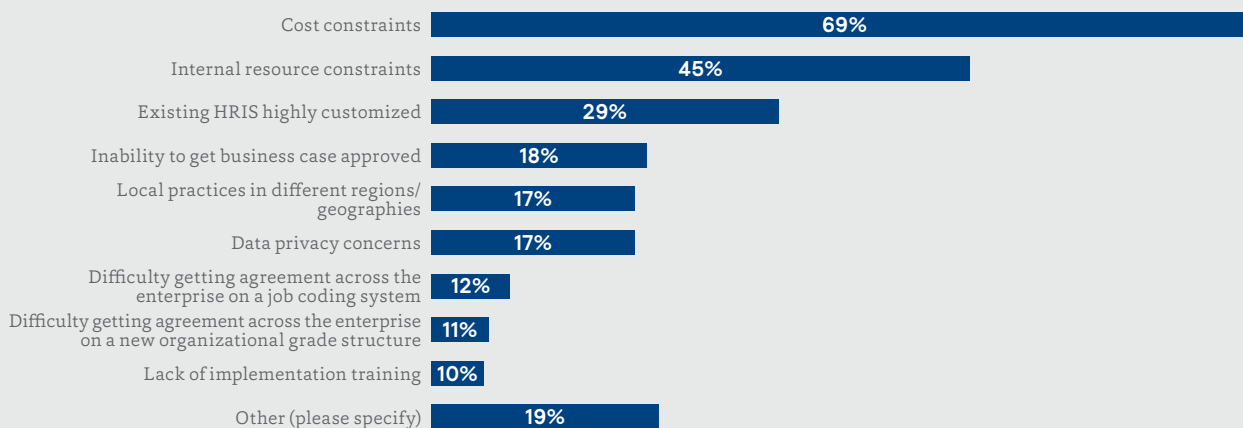


*All values in %. Percentages may not total 100 due to rounding.

Source: Mercer, 2016. *Mercer Talent Trends*

As demonstrated in the graph above, many companies see the need for change but either do not have a plan or lack the resources to implement their plan. Cost, resource constraints, and the inability to get the business case approved were significant hindrances to proceeding with a plan for replacing an HRIS system (Figure 11).

FIGURE 11. BARRIERS TO IMPLEMENTING A NEW HRIS SYSTEM



Source: Mercer, 2016.

USE OF OUTSIDE EXPERTS

Companies have often relied on outside expertise to design and implement their HR processes. In this research, organizations with more than 5,000 employees tended to use a consultant or implementation partner more frequently than smaller companies. The reasons for engaging an external partner varied: a large majority (76%) utilized experts for the HRIS implementation, 39% used outside services to redesign HR processes, and 31% for HR service model design and transformation.

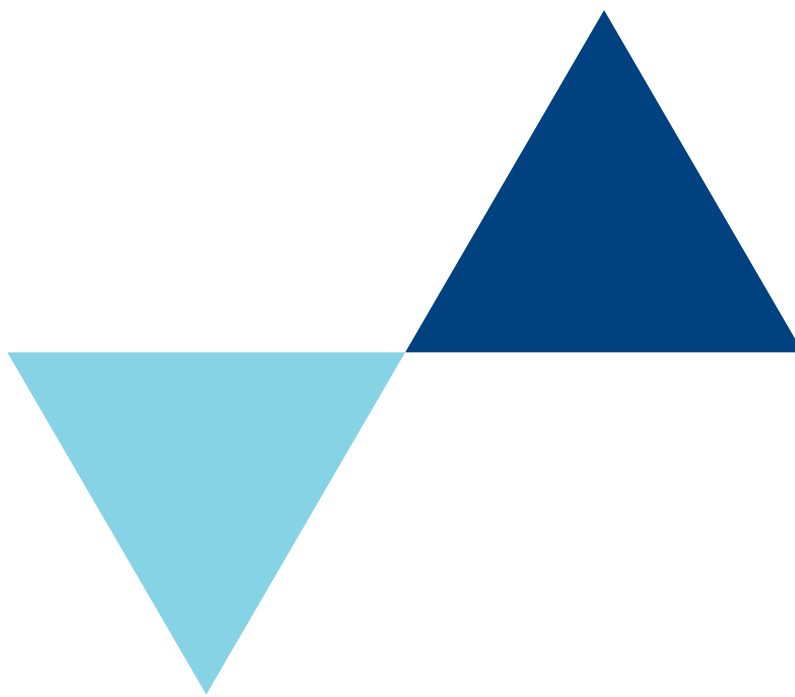
The study revealed that companies implementing cloud-based solutions leveraged consultants more than those with on-premise systems for:

- HR service model design and transformation
- HR process redesign
- HR talent assessment and development
- Change management
- HR effectiveness

Traditionally, processes were redesigned before implementing a new system, as was done by 27% of the organizations participating in this study. However, 43% redesigned an end-to-end HR process *during* implementation, most of which were organizations implementing a cloud-based HRIS.

These changes in process redesign are due in part to the number of respondents implementing cloud-based technology over on-premise systems – the latter of which are customized, not configured. The SaaS approach allows for updates in technology to be “pushed” simultaneously to users of the program. As such, it is not surprising that the study reported SaaS systems to be quicker to implement: 70% who implemented a cloud-based HRIS indicated that it took less than 12 months, compared to 58% of on-premise users. However, despite the move to the cloud being the dominate trend, there are instances in which it is not the most expedient answer. For example, a corporation may:

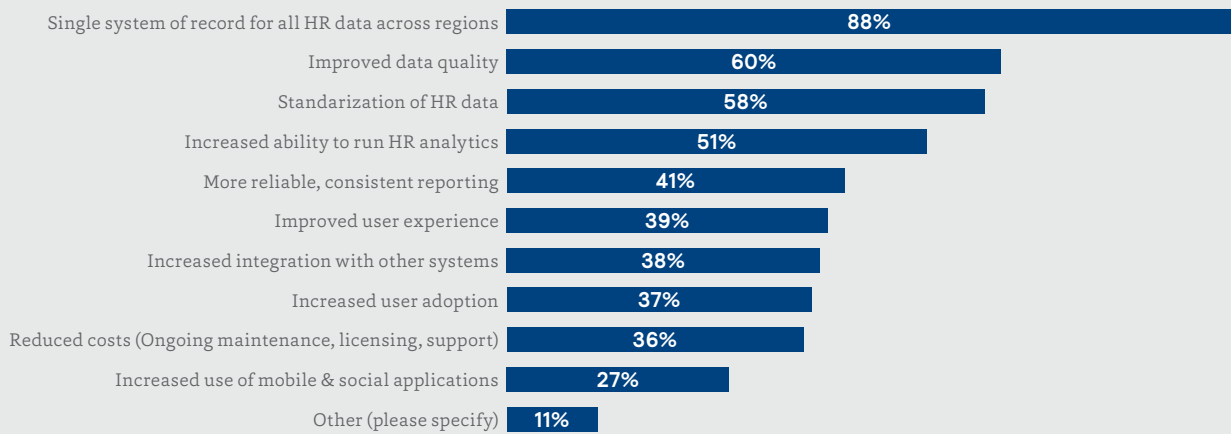
- Have extra capacity in its data center and internal IT staff
- Be a highly complex setting with rigid compliance requirements
- Require extensive customization to meet its business needs
- Demand a highly-secure environment (such as, federal security or top-secret defense sites)



BUSINESS RESULTS: WERE GOALS REACHED?

Reporting outcomes of their HRIS implementations, respondents noted significant improvements in data synchronization, standardization and overall improved quality. And, as we noted earlier, with analytics as an aspiration for HRIS implementation, quality data is key given it drives accurate reporting (See Figure 12).

FIGURE 12. POST-IMPLEMENTATION OUTCOMES REPORTED



Source: Mercer, 2016.

Interestingly, while an improved user experience was reported, user adoption was reported at only 34%, a lower rate than may have been expected, especially for those who defined a successful outcome in terms of adoption. As noted by Steve Seykora, Mercer’s Workday Practice Leader, “Adoption requires a change in an employee’s behavior. It doesn’t just happen; care in the preparation for a new HRIS is an exercise in change management, a critical part of any implementation.”

THE PATH FORWARD

Organizations differ – a truism, perhaps, but one that is far too infrequently applied to an organization’s “appetite” for change. How a company approaches its business requirements and people needs requires a disciplined review before technology decisions are made. For companies considering a replacement HRIS, we suggest using the following questions as a starting point (Figure 13 and 14).

FIGURE 13. SELECTING A SOLUTION: STRATEGIC CONSIDERATIONS

1. Are all stakeholders clear on the strategic HR vision?
2. Is your HR technology strategy aligned with talent strategies that deliver business outcomes?
3. Are you prepared to align your HR processes with the chosen software to drive simplification and standardization?
4. Are you looking across the product roadmap of potential solution providers and determining how the options map to your HR strategy? What other systems will your HRIS need to integrate with?
5. Could you live with the constraints (that is, no customization) of adopting cloud technology?
6. Do you have a common structure for role accountabilities and expectations?
7. How will the system enhance the employee experience? For example, do you know the provider’s mobile access capability – a core requirement for today’s workforce?
8. Do you have clear visibility on the ongoing costs to support the solution (for example, SaaS requires frequent changes to take full advantage of technology)? What will this mean for your team?
9. Will you remain in control of your data? What other security issues do you need to address?
10. What is the quantifiable return on investment (ROI) for the project (soft/hard dollars, employee/business impact)?

Source: Mercer, 2016.

FIGURE 14. IMPLEMENTING A SOLUTION: PLANNING FOR CHANGE

1. Are you prepared with adequate resources to lead the implementation?
2. Do your HR processes operate in standard and expected ways across the organization? What redundancies can you address through this change? What process steps can you eliminate? How streamlined is your job architecture?
3. What harmonization of policies will create further efficiency?
4. What data needs to be migrated from current systems to the new solution?
5. How can managers and employees be enabled to do more self-service?
6. Will your chosen solution meet the requirements of the HR function at the task level?
7. What are the existing integrations with your HRIS or ERP system? Where does the data go and why?
8. Does your HR team have the right skills to adapt to new ways of working? What support is needed?
9. What is the state of your data analytics capability? What is the data and insight aspiration?
10. Have you given enough consideration to change management?

Source: Mercer, 2016.

Organizations that are updating their HRIS systems recognize the need for change. As companies grow and face more or different regulations they must comply with, traditional methods of keeping employee records are no longer sufficient. Moving to a single unified system allows organizations to leverage the latest technology to support service delivery and improve the employee experience. Without standardized technology, it is exceedingly complex (if not impossible) for HR leaders to deliver the workforce optimization analytics and global insights that are expected of them. As the future becomes less about talent management and more about talent flow, getting fit for implementation and carefully managing your leaders’ change journey will have a profound effect on the reach and impact of your digital HR strategy.



HRIS SURVEY INFORMATION

Survey Dates

October 2015–February 2016

Demographic Information

488 respondents from 30 countries

19 different industries are represented

Over half the respondents are Director and above, representing leaders in HR, talent management, or compensation and benefits. Of the remaining respondents, 16% were HRIS/Operations leaders and 27% were HR leaders in other roles.

Organizational Size

Fewer than 5,000 employees: 66%

More than 5,000 employees: 34%

Geographic Distribution

Global organizations: 25%

Multinational/regional organizations: 39%

Local/domestic organizations: 36%

OUR SURVEY COLLABORATORS

WORKFORCE

Workforce is a multimedia publication that covers the intersection of people management and business strategy. Our community of senior-level human resources executives and C-level officers are the key decision-makers on talent management matters in the 2,500 largest corporations in America. They read us for our editorial focus and relevance to help them improve their business — and their bottom line — through effective management of the workforce. While employees and executives often bemoan the bureaucratic nature of HR processes, companies increasingly realize they need to be smarter about the ways they attract, retain and train their workforce. Our content helps HR professionals approach their jobs from a more strategic, big picture, business-results perspective.

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