

# HR, Technology and Analytics – Threats and Opportunities

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“Although technology and analytics are areas where HR has historically been weak, they now represent a golden opportunity for HR to achieve greater impact and value.”

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## INTRODUCTION

In a digital world, how organisations manage and exploit data is an increasingly important aspect of their

- performance capability
- ability to identify and take opportunities and manage risk
- the ability to create value (particularly commercial companies).

Yet in the face of rapid, at times bewildering, change in information technology, many struggle with the disruptive effects on working practices, leadership philosophy, behaviour, and business models. Simultaneously, coping with deluges of data presents multiple challenges, opportunities and risks.

This study was commissioned to

- shed light on developments in information systems, especially those in HR
- explore the implications of big data for HR
- identify the implications for HR processes, and for performance and reward in particular
- reflect on the challenges for HR leaders and functions, and what they should do next.

While this has not used extensive original research, it has involved

- an extensive review of written and visual material
- participating in various conferences and debates about technology and analytics
- interviews with selected companies, experts and suppliers who are at, or near the crest of, new developments.

The study covers a wide area, at a high level. It is intended to challenge and, thus, to spark thoughts and debate.

As usual in PARC, we hope the discussion it invites will surface further knowledge and insights, and help to advance policy and practices further.

## EXECUTIVE SUMMARY

### Digital competence

1. Organisations must demonstrate technological competence to be able to operate and be trusted in the rapidly-evolving digital workplace. Those that survive and prosper will be those that ensure their human systems maintain pace and inter-relate with technological innovation.
2. Adapting to the driving forces of the media revolution – principally mobile, social, democratised content, cloud and big data – is still ‘work-in-progress’ in many organisations. It raises fundamental questions about strategy and organisation mission, business models, culture, productivity, innovation capability, security and risk management, and more besides. There are regular examples of systems breakdowns, security breaches and mistakes, and costly failures in systems design, purchase and implementation.
3. Achieving organisational and personal mastery of this area is challenging for leaders; for governing boards that should steer leadership, strategy and future-preparedness; and for central functions that should be working together to support both leadership and the organisation at large.
4. In particular, to what extent is HR prepared and able to address the many organisation development, design and capabilities issues that arise, as well as tackle its own well-documented capability deficits as regards technology and analytics? We provide examples of where HR can claim to be on the front foot in leading improvements in systems and ways of working, and point to relevant leadership and organisation development steps.

### Enterprise/HR systems and analytics

5. A significant step-change in management information systems is now available to organisations – self-service tools for managers and employees that are analytically powerful, easy to use and also easy and cheap to upgrade. But there is pain and cost before gain. Organisations must accept the rigours of shedding legacy systems, thorough self-examination and a rethinking of current practices.

6. This scenario presents HR with both threats and opportunities. Challenges include

- root-and-branch review and overhaul of people management processes
- shifting from variegated and localised practices to agreement on standards and simplification
- integrating people management practices – performance, learning, capability development, etc
- undertaking rigorous data cleansing in collaboration with functions/businesses to build a sound, integrated metrics platform
- shrinking the HR function as report preparation workloads evaporate
- re-orienting and upskilling HRBPs, who need to move ‘upstream’ – thus helping managers be more self-sufficient and sharpening their insight to contribute to planning and decisions.

7. Integrated data systems/software are offered by vendors, but organisations typically have some way to go before achieving internal alignment and organisation effectiveness. OD-oriented HR leaders/functions should address commonplace gaps, such as developing

- shared data culture, governance, standards, disciplines and capabilities
- an enterprise-wide analytics function, as opposed to separate functional units
- the capacity for, and quality of, integrated reporting to stakeholders.

While big data has much to offer HR functions, basic capabilities and data cleansing need most attention. HR functions need to be able to walk before they can run.

#### **Big data, performance and reward**

8. The explosive growth of data offers multiple opportunities and threats to organisations. People and their behaviour provide rich intelligence for organisations to analyse and improve performance, and become more competitive. HR is being challenged both to help understand and address the organisational issues – including culture, security and data privacy – and provide more useful people data and insights.
9. We list many ways in which better application of data – and specifically big data – can add value to people and organisation performance. This includes better management of recruitment, on-boarding, engagement, people risk, workforce planning, health and safety, and more integrated management of talent, performance and learning. Developing leadership and managerial skills to use more powerful analytics to improve decision-making is a priority.
10. Sensing technology and more powerful, inter-connected observational data offer new dimensions to performance and reward management, through better understanding of cause and effect. There are many potential benefits, including better evidence to justify 'pay for performance' awards.

However, better data is a double-edged sword – it can enhance, and also undermine trust, depending on how fair management policy and behaviour is perceived to be. Many organisations are now 'rethinking' performance management.

#### **HR analytics and capabilities**

11. While big data has much to offer HR functions, it is still early days in developing the more predictive capabilities that are so anticipated. In addition, addressing big data is only one aspect of the much-needed improvement in HR analytics. Basic capabilities and data cleansing need most attention. HR functions need to be able to walk before they can run.
12. HR's capability challenges are well-documented, and include
  - inherent low orientation to numeracy – reflected in small numbers of science graduates employed in HR
  - a track record of poor data management
  - weaknesses in cause-and-effect and business case analysis to justify people investments
  - persistent criticism of HR and L&D as being insufficiently business-oriented
  - limited expertise in understanding and adapting new technologies, and in managing suppliers.
13. Progressive HR leaders take fundamental steps to re-orient their functions – reshaping job requirements, selecting to a different profile, development processes – developing consultancy skills, for example, and experience-building through projects. Personal example-setting underpins this re-orientation. These leaders also develop centres of expertise in HR/learning technology and analytics, through a blend of internal talent development and integrating non-HR technical expertise.

