

# Why A New HRMS Won't Lead to HR Transformation

WHITE PAPER

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**The phrase “HR transformation” has been around since the mid-1990s, referring to HR’s shift away from administrative functions to a more strategic department that drives business outcomes. Many HRMS vendors promise to deliver this desired transformation through modern cloud technology, but in a volatile global business environment requiring CEOs to rely more than ever on workforce data to make business decisions, HR must conduct their due diligence before leading their HR transformation with an HRMS migration.**

**In this paper you’ll discover:**

- The role of people analytics in achieving strategic excellence
- Why modern HR management systems make transformation difficult
- How the act of people analytics leads to cleaner, more accurate data



## Introduction

In a marketplace where the pace of innovation is accelerating, competitive advantages are evaporating, and unemployment is projected to fall to 3.5% by the end of 2018<sup>1</sup>, the right talent, at the right place, at the right time, and for the right price is the minimum value HR should be providing for the business.

It goes without saying that successful HR functions are strategic: they play a vocal role in critical business decisions and directly manage or impact a majority of most companies' expenses. HR's shift from strictly administrative function—such as benefits, compliance, and policy—into the strategic areas of talent management, talent acquisition, learning and development, and workforce planning has been in large part driven by the shift in attitudes of the C-suite.

Indeed, in today's resource-competitive environment CEOs are increasingly looking for the CHRO to play a more critical role in influencing business outcomes.

"Too many CEOs know what they need to know about finance, operations, etc., but not what they need to know about talent," says John Boudreau, a professor at the University of Southern California Marshall School of Business and research director of the Center for Effective Organizations.

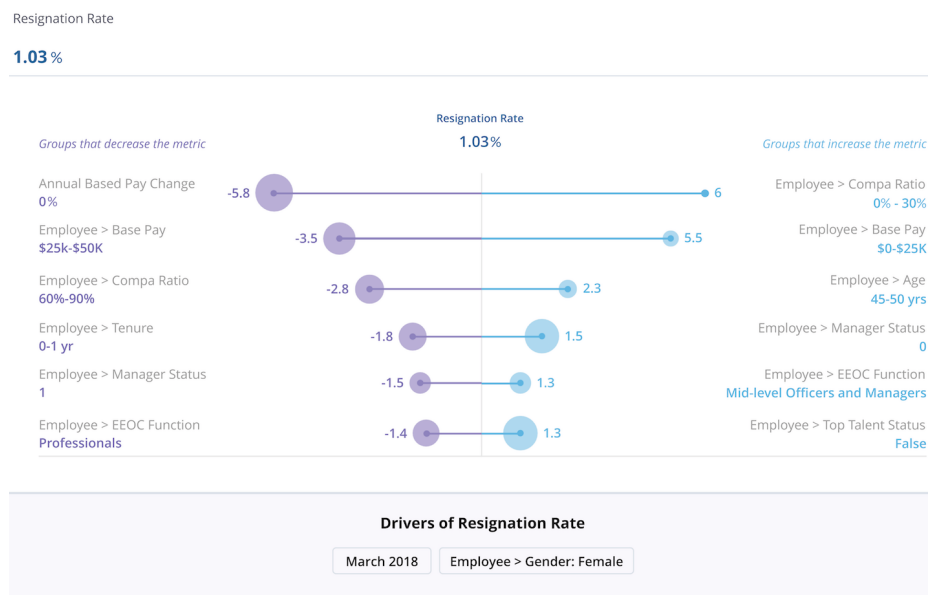
However, as CHROs draw their technological roadmaps, they often betray a reversion to the traditional attitude of HR as an administrator as opposed to a business partner. According to the *2017-2018 Sierra-Cedar HR Systems Survey*<sup>2</sup>, 39% of large organizations plan to migrate their HRMS to the cloud in the next 12 months, but only 24% of these have a dedicated solution for people analytics. This underscores a finding by *Harvard Business Review-Analytics Services*<sup>3</sup> that of 168 companies (most of which have 3,000 or more employees) only 24% provide their CEOs with analytics that connect human capital metrics to business results.<sup>1</sup>

Administrative responsibilities are by no means unimportant, nor should they be neglected, but they provide capped value to the business and rarely materially impact the bottom line. The reality is that the vast majority of HR organizations still lack the people analytics capabilities and data expertise required to develop and act on a data-driven people strategy.

1 Turak, Natasha. "Goldman Sachs says US wages will really start to rise this year." 9 Jan. 2018. <https://www.cnbc.com/2018/01/09/goldman-sachs-says-us-wages-will-really-start-to-rise-this-year.html>

2 2017-2018 Sierra-Cedar HR Systems Survey. Sierra-Cedar, 2018. <http://survey.constantcontact.com/survey/a07e8n8k4zehozw7vhv/a02o6yjk0asusb/questions>

3 How CEOs and CHROs Can Connect People to Business Strategy. Harvard Business Review-Analytics Services. [https://hello.visier.com/resources\\_research-reports\\_HBR-CEO-CHRO-Connect-People-to-Biz-Strategy](https://hello.visier.com/resources_research-reports_HBR-CEO-CHRO-Connect-People-to-Biz-Strategy)



**Fig 1: Drivers of Resignation Rate**

To be a strategic partner to the business, HR needs to go beyond operational reports and aim to deliver strategic, analytical insights

Furthermore, HR data is poorly aligned and siloed across dozens of different and changing HR systems. This prevents HR from connecting the people strategy to metrics the business cares about.

With HRMS vendors promising HR transformation through their modern cloud technology, many CHROs—desiring reliable and actionable data on which to base strategic business and workforce decisions—are making the assumption that starting over will build up a “clean” dataset. These vendors also tout “digital transformation” as the logical first step in bringing HR to the same level as other departments in the organization such as Finance.

But is a new HRMS the key to HR transformation?

In short, no.

An HRMS helps HR execute administrative activities faster with fewer errors, but these systems—while they generate lots of data—are only capable of static operational reporting. In order to achieve true transformation, HR needs to go beyond an operational focus and aim for strategic excellence.

# The Role of People Analytics in Achieving Strategic Excellence

In spite of the best of intentions around becoming data-driven, many HR departments are stuck on basic reporting: providing monthly reports that show operational workforce metrics and only diving into detailed analysis when a crisis emerges.

Rather than provide these kinds of metrics, which HR has long been able to do, the war for talent demands that HR *connect* these disparate data points together and deliver strategic insights.

For example, while basic metrics like headcount and turnover rate are important, even more vital is understanding the trends impacting these metrics and how they relate to business KPIs, such as revenue, gross margins, and net promoter score.

However, these kinds of insights aren't possible without a fully business-oriented approach. HR's transformation must involve moving from a task-oriented and transactional mindset to a global pattern of thinking. And not only does HR need to change the way it approaches talent management, it needs to foster a radical shift in strategy and execution for everyone else in the business too. The way to do this is by providing data within the contexts that lead to better planning, innovation, and long-term growth.

HR holds the key to helping the business not only retain and develop the absolute best people possible, but to design work for them that will help them realize their potential—all to the organization's profit. This is the key difference between traditional HR reporting and people analytics.

Being data-driven is about more than *providing* data. To truly grow, HR needs to provide the *insights and answers* that allows the CEO—and all people leaders—to make better decisions. Starting your HR transformation by migrating your HRMS to the cloud, or starting with a “blank page” will not only delay the organization's ability to make better decisions, it will reinforce HR's traditional role as a data *administrator* rather than a business contributor.

## Case In Point

The people analytics team at Electronic Arts<sup>4</sup> proved the impact a data-driven approach has on the bottom line: the team pulled together data points from across the employee lifecycle to show that it not only cost less to hire new grads than their peers hired from other companies, but that these employees are also more likely to be promoted and rated as high performers.

<sup>4</sup> Electronic Arts: Building a Data-Driven Culture with People Analytics. Visier.  
[https://hello.visier.com/resources\\_case-studies\\_Electronic-Arts-Case-Study](https://hello.visier.com/resources_case-studies_Electronic-Arts-Case-Study)

## Why Modern HR Management Systems Don't Lead to Transformation

While your new HRMS may make it easier for employees to understand and monitor transactions, or to access necessary data from any device at any time, it cannot enable the change in approach to talent management that the modern corporation needs to remain competitive.

Making HRMS migration your priority means committing your resources to lateral change—doing what you have always done a little better and more efficiently than before—rather than adapting to the needs of business today. At its core, “making HR strategic” means offering what the function could not provide in the past, rather than more of the same in a better looking and faster way.

Your HRMS is purpose-built for operational rigor. It records transactions and stores them securely. Nowhere does it contain an understanding of the answers your business needs to keep key talent from leaving, understanding how employee engagement relates to customer satisfaction and net promoter score, or which employees are the best candidates to succeed outgoing managers.



**Fig 2: Turnover Rate vs Revenue Per Store**  
HR Management Systems are purpose-built for operational rigor—not delivering strategic insights (such as turnover’s impact on revenue) critical to guiding business decision-making

Even the most advanced HRMS vendors are still selling transactional systems that cannot effectively provide the analytics needed to answer strategic workforce questions, connect workforce decisions to business outcomes, or support future modeling and projections. Their underlying technology simply does not allow it in any meaningful way.

These systems offer “embedded” analytics, which provide basic metrics and dashboards that amount to little more than the reports HR is already known for. They are built for delivering data—not for guiding business decision-making.

HR evolution means a complete reversal in attitude—changing organizational habits from reactive to proactive. And with this attitude change comes an understanding that perfect data is not the prerequisite for transformation.

## Clean Data and HRMS Migrations Don't Have to Go Hand-in-Hand

In *Deloitte Global Human Capital Trends 2017*<sup>5</sup>, 71% of companies rated people analytics as a “high priority,” but only 8% reported having usable data. One of the biggest mistakes an organization can make is thinking they need to clean and warehouse their data before doing analytics. The very process of doing analysis turns data cleaning into a logical exercise since outliers stick out like loose nails. Good business decisions require accurate data, but the data does not need to be perfect all the time.

Instead of aiming for perfection, companies starting down the path of analytics should aim for accuracy.

While the temptation may be strong to replace your HRMS and start over with “perfect” or usable data that way—leaving behind the messy data and cluttered systems inherited from previous eras—to do so is very often to chase a mirage.

<sup>5</sup> Rewriting the rules for the digital age: 2017 Deloitte Global Human Capital Trends. Deloitte, 2018. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/central-europe/ce-global-human-capital-trends.pdf>



In fact, HR migrations—which can take anywhere from 12-24 months—can delay your HR transformation and access to analytics, thus impeding your ability to provide the business with strategic workforce insights.

The drive for a more strategic role, especially in talent management, means using the data you already have. Don't underestimate the power of a simple core dataset—it can yield incredible results if you ask the right questions, and then there is room to layer on new datasets, yielding more complex, robust analyses as you find your patches of dirty data and clean them.

To speed up this process and your time to analytics, start by implementing a people analytics solution instead doing an HRMS migration.

There are some people analytics vendors who, as part of the onboarding stage, can transform and normalize data from disparate systems, providing continuity between the data in your legacy systems and whatever new cloud solutions you may choose to implement. (For more information on choosing the right people analytics vendor, please refer to *Choosing the Right People Analytics and Workforce Planning Solution for Your Organization*<sup>6</sup>).

Lastly, it's important to keep in mind that dirty data is usually the result of human error and imperfect processes. For example, when recruiters enter the wrong information or forget to close a requisition. HRIS teams can only do so much to encourage proper data entry across the organization, but the amount of insight you can get even while you are working on your data quality is impossible to understate.

### Case In Point

Merck KGaA<sup>7</sup>, a global life sciences and technology company headquartered in Germany, knew that unifying their disparate data sources into a single source of truth was a prerequisite for achieving maturity for their people analytics function.

Metrics, definitions, and practices needed to be standardized between offices in Germany, China, and the US, as well as across lines of business. Rather than implement a new unified HRIS, Merck KGaA decided on a more nimble and flexible option, and chose a people strategy platform that allowed them to continuously onboard new data sources, as well as transform and load their legacy HR data to provide global insights.

<sup>6</sup> Choosing the Right People Analytics and Workforce Planning Solution for Your Organization. Visier. [https://hello.visier.com/resources\\_e-books-and-guides\\_Choosing-People-Analytics-Solution.html](https://hello.visier.com/resources_e-books-and-guides_Choosing-People-Analytics-Solution.html)

<sup>7</sup> Merck KGaA: Organization Development Leads the Charge to Achieve Value Through Analytics. Visier. [https://hello.visier.com/resources\\_case-studies\\_Merck-KGaA-Organization-Development](https://hello.visier.com/resources_case-studies_Merck-KGaA-Organization-Development)



# Conclusion

Starting your transformation journey by upgrading your HRMS is at best a detour, and at worst an entrenchment in the status quo. If you wait to start the process of using data to drive better business results, delivering insights, and changing organizational expectations around talent management strategy, you are giving up ground to your competitors, and missing opportunities to lead.

Rather than transformation, it would be better to think in terms of HR evolution, which involves keeping the approaches that still serve in the current environment, while leaving outdated ones behind. And unlike transformation, which implies a beginning and end, evolution is an ongoing process, constantly adapting to the needs of the environment.

HR needs to challenge itself to innovate – not revert to business as usual.

