

The Business Value of HR Technology

By Lighthouse Research

HR Technology Has Value Is Your Organization Ready to Use It?

For some organizations, HR technology is a powerful tool that enables better performance. For others, the technology in place may be seen as a hindrance to performance and results. In the 2017 Lighthouse Research & Advisory *Business Value of HR Technology Study*, we explored how employers perceive their technology both inside and outside the HR function.

Research Highlights

- Non-HR business leaders are **2x** as likely as HR leaders to see their company's HR technology as a strategic tool.
- Employers that have more recently implemented HR technology are more than **2x** as likely to see the tools as strategic when compared with their peers who have older systems.
- Recent implementers of HR technology are more likely to experience benefits such as increased productivity (**47%** more likely), employee engagement (**2x** as likely) and better reporting and insight (**73%** more likely).
- High-performing firms have a greater chance of generating **higher levels of cost savings and ROI** than other companies. They are also **8x** less likely to say that their technology is troublesome.
- **86%** of participating companies experienced benefits or payback from their HR technology within 12 months.

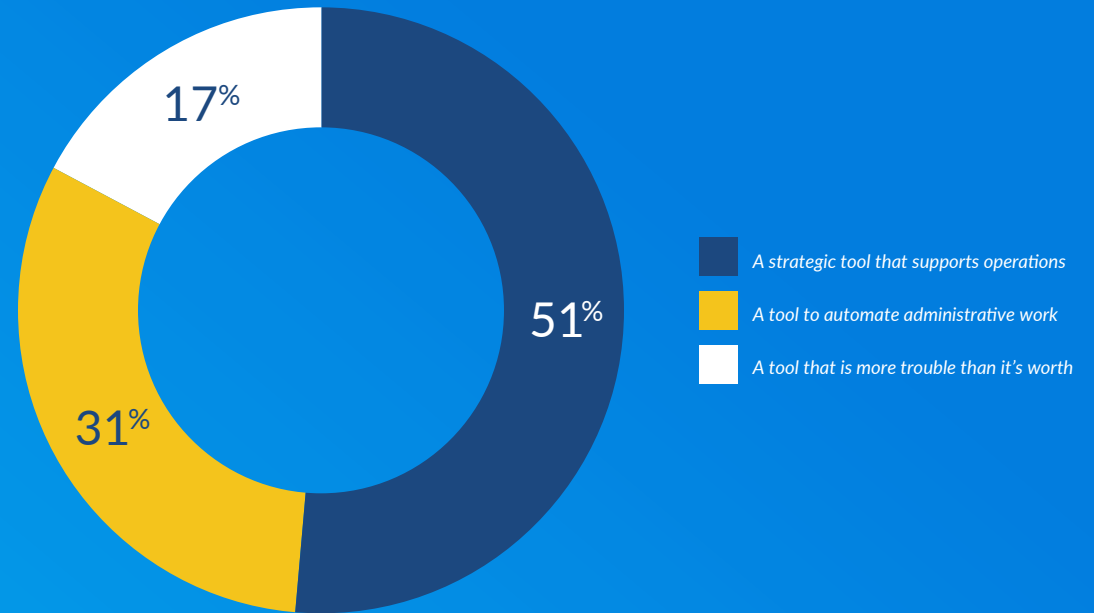
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Getting Outside the HR Bubble

One of our principles at Lighthouse Research is to take our research projects beyond the traditional boundaries of the profession. With that in mind, we surveyed more than 600 business leaders outside of HR to gather their insights on how they see HR technology. The results indicated that the common perception of HR as an administrative, compliance-focused function is starting to shift.

Figure 1: How Non-HR Business Leaders Perceive HR Technology



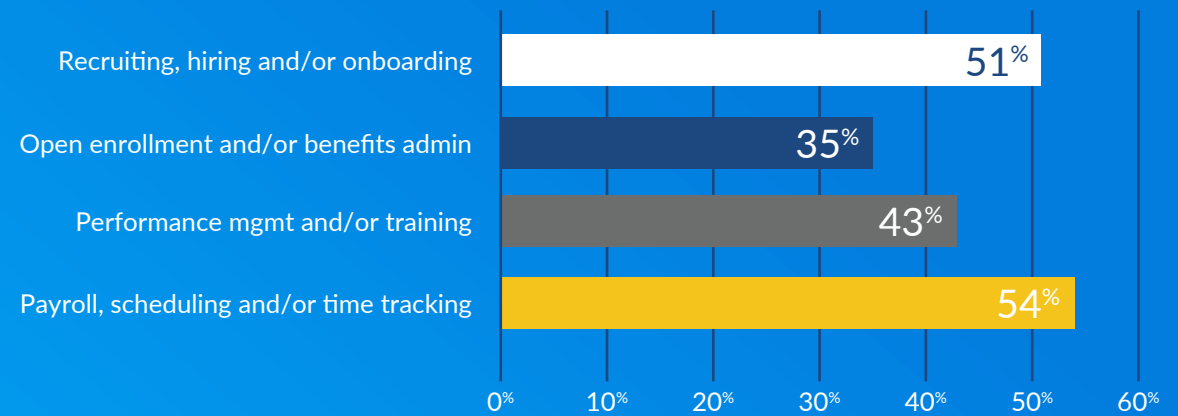
Source: 2017 Lighthouse Research & Advisory Business Value of HR Technology Study (n=682 non-HR business leaders)

More than half of business leaders see their HR technology as a strategic tool that supports key business operations. While HR has struggled with an image problem in recent years, this is heartening to know that the broader view of the technology supporting the HR function has inherent value.

Where Business Leaders See Value in HR Technology

In addition to understanding how non-HR business leaders view HR technology, we asked this group where they felt their HR technology was adding value. The answers were not overly surprising but they do support the overall finding that non-HR leaders are aware of the benefits HR technology can have throughout the organization.

Figure 2: Areas HR Technology Creates Business Value for Non-HR Leaders



Source: 2017 Lighthouse Research & Advisory Business Value of HR Technology Study (n=682 non-HR business leaders)

Not surprisingly, the top 3 areas where business leaders see value from their HR technologies are: payroll, recruiting & onboarding, and performance management & training. While many business leaders are aware of the value HR technology can add in specific areas, 40% still say they have not seen any business value. HR may be partially to blame as value does not always appear on its own; it has to be demonstrated. HR leaders must work harder to highlight the actual value HR technology can bring to the organization.



Data Shows Positive Trends for HR's Internal Perception

Taken altogether, this data shows positive trends for HR in general and HR technology in particular. Too often the challenge in building a business case for technology is in getting the rest of the C-suite on board. However, seeing that a majority of business leaders outside HR have positive feelings about the strategic value of HR technology is a great sign that the internal perception, HR's brand within the organization, has never been higher. HR leaders should leverage this goodwill when making the case for technology investment.

Are More Recent Implementations More Valuable?

One of the interesting points in the data was the difference between companies that had implemented HR technology in the last 24 months and those that have had their existing HR technology in place for more than 24 months.

Figure 3: Comparing View of HR Technology by Implementation Time

OUR HR TECHNOLOGY IS:	HR system in place < 24 months	HR system in place > 24 months
A strategic tool that provides valuable data and insight for our organization	36%	16%
A tool to automate our administrative processes	56%	61%
A tool that is more trouble than it is worth	8%	24%

Source: 2017 Lighthouse Research & Advisory Business Value of HR Technology Study (n=220 HR leaders)

As you can see, employers that have more recently implemented HR technology are **more than twice as likely** to see the tools as strategic when compared with their peers. Interestingly, there is relatively little difference in how each of these groups see the administrative/automation value of HR technology, but there is a noticeable gap in the final category. Technology that is more trouble or hassle than it is worth is a pretty pointed description, and **companies with HR technology in place for more than 24 months are three times as likely to say their technology is more trouble than it's worth.**

Recent Implementations Lead to Better Engagement, Productivity and Other Outcomes

In virtually every category, companies with recent technology implementations saw increased value when compared with those with longer-tenured technology, particularly in seven key areas. Companies who implemented HR technology within the past 24 months saw the following results.

- 1 Increased Productivity:** 47% more likely to see productivity benefits
- 2 Enhanced Reporting:** 73% more likely to have better reporting and insights
- 3 Improved Data Accuracy:** 50% more likely to have better data accuracy
- 4 Resource Reduction:** 4 times as likely to see resource reduction
- 5 Better Experience:** 48% more likely to have better candidate or employee experience
- 6 Increased Engagement:** 2 times as likely to have better employee engagement
- 7 Greater Insight:** 65% more likely to have better insight into organizational trends

Imagine the combined value of having each of these elements working in your favor--it's a powerful synergy that leads to positive results.

Two Reasons Newer Implementations Lead to Better Results

It's clear that companies with more recent implementations see better results, but why?

Two reasons: recent cloud-based technologies offer greater benefits than older point solutions; and, HR leaders are smarter when it comes to technology purchases. And the two are not mutually exclusive.

Companies are getting better about defining what they need from software and software providers, leading to better selection practices. Employers expecting to see any of the results outlined above are going to be disappointed if their choices are driven by flashy, yet nonessential features. **The best results come when technologies are blended with strong processes.**

This also may contribute to the reasons why HR leaders don't see as much value in their existing tools - making technology purchasing decisions based on a set of false assumptions will always lead to dissatisfaction.

Newer, cloud-based technologies have better functionality, offer a deeper level of integration along with more robust reporting and analytics, and a greater overall value proposition for employers. **In general, cloud systems allow companies to reduce infrastructure costs, create clearer upgrade paths, and leverage the latest updates as soon as they hit the market.** Within HCM specifically, this lets companies target some of these key outcomes (engagement, reporting, productivity) with their implementations instead of having to divert focus to server maintenance, security patches and other concerns.

Things to Consider

- Is your organization leveraging cloud-based technologies that enable better business outcomes?
- Are you using an integrated, all-in-one HR solution or are you relying on multiple, disparate systems?
- How do you make buying decisions--are you looking at essential core functionality that aligns with your business, or are you being swayed by neat, yet irrelevant, features?

Payback Periods and ROI

Building a business case for HR technology involves at least some discussion of ROI, or return on investment. What value will the system bring? What costs will be reduced? How long will it take?

Figure 4: Average Time to HR Technology Payback

Less than 3 months	22%
3 - 6 months	33%
6 - 12 months	31%
Still waiting	14%

Source: 2017 Lighthouse Research & Advisory Business Value of HR Technology Study (n=220 HR leaders)

According to the results, 86% of companies are experiencing benefits or payback from their HR technology within 12 months, and nearly one in four of those employers see benefits within the first three-month period after implementation, which equals a quick win for business leaders.

Another area for calculating the ROI of HR systems is in cost savings. These savings can come in the form of increased productivity, reduced administrative burden, reduced headcount, less paper usage, etc. **Approximately 60% of employers saw cost savings ranging up to \$100,000**. And employers that implemented technology within the last two years saw more than \$100,000 in savings, with 10% of the group reporting that level of value.

What High-Performing Companies Do Differently

In order to achieve higher levels of success, it's important to look at what differentiates high performers from the rest of the pack. With that in mind, we identified high performers in our data based on self-reported increases in several key performance indicators: employee engagement, revenue and retention. The data reveals that high-performing companies are much more likely to be satisfied with the performance and purpose of their technology.

Figure 5: How High Performers View HR Technology

OUR HR TECHNOLOGY:	High-Performing Companies	Other Companies
Is a strategic tool	42%	8%
Automates administrative processes	50%	24%
Is more of a hassle than it's worth	8%	68%

Source: 2017 Lighthouse Research & Advisory Business Value of HR Technology Study (n=220 HR leaders)

High performers are five times more likely to see their technology as a strategic tool for improving business performance. Additionally, high performers are more than twice as likely to see their HR tools as a way to automate administrative work so they can focus on more strategic elements, like creating positive employee experiences and enabling a more robust employer value proposition.

On the other hand, companies that are not high-performing are more than eight times as likely to see their technology as a hassle or troublesome, which clearly impacts value and user adoption. This is to be expected as poor technology is one element in a poor employee experience, which has been shown to harm performance both for individuals and employees.

Key Takeaways



CONNECT WITH BUSINESS GOALS

In general, business leaders outside HR have bought into the value HR technology can bring to the organization. It's up to HR to continue sharing data and results, and to explore the greater value proposition that integrated, cloud-based HR technology can bring to workers, executives and customers.



LOOK TO NEW TECHNOLOGIES FOR GREATER GAINS

Employers with more recent HR technology implementations see more value than those with older software, and that value goes beyond administrative gains to include higher employee engagement, improved productivity and greater insight into organizational trends.



HIGH PERFORMERS BENEFIT MORE

High-performing companies are more likely to see higher cost savings and ROI for their HR technology implementations. HR leaders at high-performing companies seek ways to drive more impactful outcomes, like employee engagement, instead of solely focusing on transactional HR practices.



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About Us

Lighthouse Research & Advisory is a modern analyst firm dedicated to setting the standard for excellence in talent, learning, and HR. By providing compelling research and actionable insights for business leaders, our team's mission is to navigate the rapidly changing field of human capital management to support today's talent and learning functions. From establishing frameworks and defining competitive practices to illuminating the ROI of the employee experience, our goal is to chart a new course for talent.

Ben Eubanks is the Principal Analyst at Lighthouse, providing insights for today's talent leaders and vendor partners. Prior to joining Lighthouse, Ben worked as a research analyst for Brandon Hall Group, focusing on learning, talent acquisition, and talent management. During his tenure, he published more than 100 pieces of research and provided advisory services to executives from some of the largest and most respected organizations in the world.

He also has hands-on experience working as an HR executive, leading both strategic and tactical talent practices. Ben is the host of We're Only Human, a podcast focused on the intersection of people, technology, and the workplace. In addition, he runs upstartHR.com, a website serving HR leaders that has reached more than 750,000 readers since its inception.