

Digital HR: realising people potential

A White Paper by Pegasus Software



Once viewed as a back-office support function delivering employee services, HR as a business discipline is rapidly undergoing major change. Under increasing pressure to take on a wider role as 'enablers' of change in organisations which are undergoing major digital change programmes, HR professionals are expected to lead change while often in a state-of-flux themselves, unsure of not only where they sit in the wider organisation but to what extent 'going digital' will affect their own job roles and responsibilities.

Figures¹ suggest that HR costs make up 28% of overall operating expenses for businesses (with 15-25% of these representing opportunities to make savings), which has meant that certain HR functions have often been first on the list when it comes to digitalisation. Add to this the great many administrative processes that have always been part and parcel of HR, and you can see why HR digitalisation in some shape or form is seen as a 'quick' way to cut costs and improve efficiency. However, where partial digitalisation may have been sufficient to streamline processes and secure certain efficiency savings, in our fast-paced digital economy this is no longer enough, with more and more businesses recognising the many and varied business benefits that increased digitalisation of the HR function can bring.

What is digital HR?

For many, digital HR equates to self-service payroll, where a secure portal gives employees online access to their personal data, payslips, holiday entitlement, P60s and pension information. Self-service payroll not only enables major service improvements, resulting in a faster, more efficient service, but leads to cost savings as well, eliminating the need to print and post payslips, and the cost of the labour involved in these manual, time-consuming tasks.

When it comes to pensions and auto enrolment in particular, self-service payroll provides access to all pension information, giving a detailed breakdown of providers, summaries of current schemes and contributions. If you consider the amount of time it would take HR personnel to provide this information to employees as and when requested, it's easy to see why more and more businesses are turning to self-service payroll.

However, a true digital HR function involves so much more than self-service payroll. Digitalisation of HR is more than just automation as it's more concerned with using technology as a means to develop new business models and ways of

working. Optimising processes across the HR department leads to real efficiency gains and cost savings but the addition of analytical solutions enables HR to provide in-depth business insight, adding value in vital areas such as employee engagement and workforce planning, furnishing the business with a better understanding of employees and establishing an HR function suitable for the digital age.

Why the need to digitalise HR?

Of course, the need to improve efficiencies and save money has always been one of the main drivers of HR digitalisation, along with the need to add value to the business. But the pressure has increased, especially over the past few years, due partly to the arrival of millennials on the jobs market and partly to the global nature of doing business. Companies now face new challenges in the way they approach not only recruitment, but retention and ongoing employee engagement.

Millennials typically have very different employee expectations in terms of mobility, remote working, flexible working and personal development. With millennials set to make up 75% of the workforce by 2030, it's more important than ever for businesses to at least try and meet these expectations half way if they're to attract and retain the best talent. With employee disengagement on the rise, the need to harness employee engagement is massive, and HR is well-placed to take advantage of new technologies to lead this engagement drive due to its unique position of having visibility across the entire workforce.

Digital natives

Everyone's lives are increasingly digitalised, with almost all of us accustomed to using apps to take care of many different aspects of our lives. With consumer tools often seen as more intuitive or easy to use, the corporate world needs to make changes to help employees carry out their work lives in the same flexible and convenient ways they manage their non-work lives. The key to this is understanding exactly what employees do expect and how far businesses can go to fulfil these expectations while still running an efficient, effective and above all, profitable business. Again, with the right systems in place, HR can provide the information needed to strike this perfect balance, putting in place digital management practices and agile organisation design, with a real focus on people, work and technology.

¹ PwC HR Sustainable Cost Reduction Report

Shifting skills

If HR is to be this enabler of change, it means that the role of the HR practitioner needs to change. Traditionally, HR professionals were seen as specialised accountants with certain legal skills, who were ultimately responsible for a multitude of employee-related processes. For digital change to be a success, HR staff now not only need the appropriate skills and training to administer any new solutions but the right structure in place to ensure that any policy and process changes lead to improved performance across the business.

This is the perfect opportunity for HR to reinvent itself as a trusted, strategic advisor to the business, more than justifying a position round the boardroom table as not only a digital change enabler, but also an employee experience champion. For digital change to work, the human aspect is key. A digitally-enabled HR function has the knowledge and insight into the workforce to inform the right technology investments, ensuring it's not a case of technology for technology's sake, but rather a sound investment in a solution that will meet the very specific needs of the business and its employees.

Business benefits

The advantages of digitalising HR are more than worth the effort. As mentioned, not only does the removal of manual form filling, copious emails and other repetitive, data-heavy processes result in fewer errors and quicker results, but it reduces HR admin and the associated costs. By freeing up the HR department to focus on more value-add activities, digitalisation breeds further digitalisation, with the addition of analytics enabling HR to deliver strategic insight to support sustainable business growth.

For example, HR teams can use the data to identify opportunities to save money, improving processes and gaining efficiencies in workforce planning. With real-time metrics in place, decision-makers can spot trends and respond accordingly, managing the entire workforce more effectively as well as making process improvements that optimise employee experience for optimal levels of employee engagement. This in turn can reduce absenteeism, improve productivity and ultimately increase profits.

Data-driven improvements

Where the digitalisation of HR used to add efficiency and effectiveness, any digital HR initiatives now need to add value. By putting in place intuitive and data-driven HR systems, HR can deliver strategic insight based on accurate, timely information, leading to better workforce management, improving performance and underpinning sustainable growth. The first step is to release the potential that a digitally transformed HR capability can provide, managing and using data to uncover new depths of insight to support continuous improvements right across the business, paving the way for further digital transformation and continued prosperity.

Auto enrolment

One of the most disruptive initiatives to be introduced for some time, Auto Enrolment added another layer of complexity for HR managers. The need to categorise each employee and enrol all those who met the criteria in a pension scheme meant that, for many SMEs, it was unrealistic to undertake the process manually, with the sheer amounts of data involved simply too large to crunch alongside existing tasks. This has led to an upswing in businesses who have implemented digitalised payroll management systems with Auto Enrolment capabilities as standard. For many, what started as a means to complying with Auto Enrolment legislation soon highlighted the cost and time efficiencies to be made with the right system in place, marking the first stage in their digitalisation journey.



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