

Driving HR Impact in a Changing World

Connecting a dispersed workforce
with Core HR and Analytics

October 2013



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Scope of research/methodology

Research methodology

SuccessFactors commissioned independent technology market research specialist Vanson Bourne to undertake the research upon which this report is based. 1300 interviews were carried out during September-October 2013 with senior decision-makers in the HR, IT and finance departments, in businesses with 1000 or more employees, split as follows:

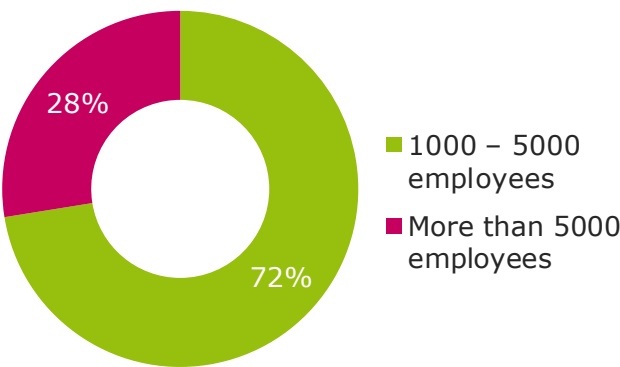


Figure D1: "How many employees work in your organization?"

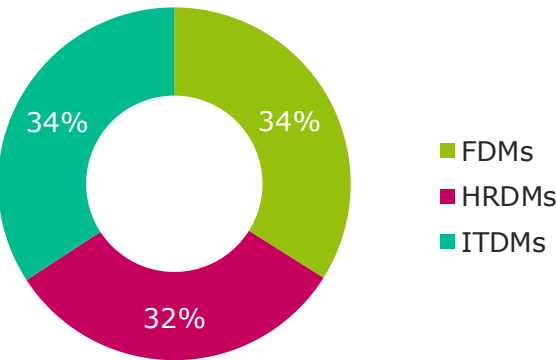


Figure D2: Role of respondent



Interviews were carried out in six regions:

- USA & Canada - 500 interviews
- United Kingdom and Ireland - 200 interviews
- Germany - 200 interviews
- France - 200 interviews
- Australia and New Zealand - 100 interviews
- Northern Europe (Netherlands, Belgium, Sweden, Finland, Denmark) - 100 interviews

Respondents to this research came from a range of industry sectors. Interviews were conducted online using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.

Unless otherwise indicated, results discussed in the main narrative are based on the entire sample.

Aims of the research

As organizations grow, the pressures and requirements upon the HR core and its reporting abilities are likely to increase. This is not only in terms of the number and existing roles of employees increasing, but also the territories organizations expand into.

The research investigates whether organizations vary their approach across different territories when it comes to the HR core, and what challenges they face when using one (or several) systems across these territories.

Having established the challenges, the research then looks in more detail at how effective organizations are in using the analytical capabilities of their HR core, and what can be done to help organizations maximize the use of their HR systems.

Summary of key findings

Workforces are increasingly dispersed

- 72% of organizations say that their employees are increasingly dispersed

Employees are demanding that more business applications are made available to them

- On average, employees would like 47% of business applications be made available to them on mobile devices

Compliance is difficult to prove for some organizations

- Almost half of organizations are either not compliant in all the regions they operate it in, or else find it difficult to prove that they are totally compliant

Multiple HR systems means multiple data sets

- Half of organizations are finding connecting multiple datasets a challenge

HR systems are not always able to provide sufficient data

- Only 23% of organizations have an HR system that always delivers data sufficient for their needs

Most organizations are planning to review their HR system in the near future, if they are not already doing so

- 32% of organizations are either currently reviewing their HR system or have recently finished a review, with most the rest (44% of the total) planning a review within the next two years

Cloud usage in HR systems

- A third of organizations are currently using cloud as part of their core HR system, but more are set to adopt cloud computing in the near future, with eight out of ten recognizing the potential benefits of doing so



Increasingly dispersed workforces

Organizations are responsible for an increasingly dispersed workforce

Almost three quarters of organizations say their employees are increasingly dispersed (fig. 1).

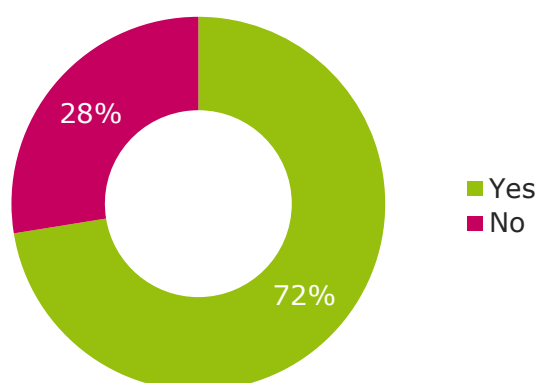


Figure 1: "Are employees increasingly dispersed within your organization?" asked to all (1300 respondents)

This shows that in the majority of cases, organizations' infrastructures need to be able to cope with employees spread across different geographies. What does this mean for the HR system of organizations that do operate across different regions and countries?

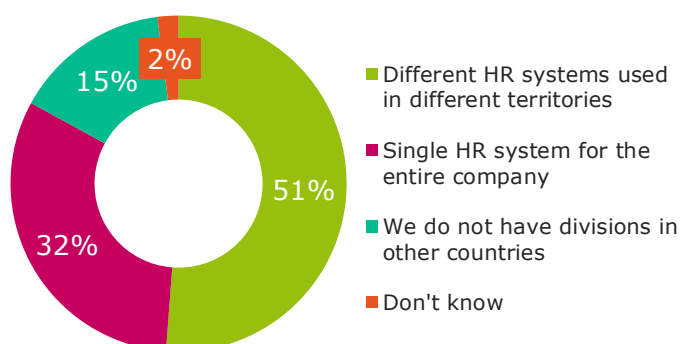


Figure 2: "Do divisions of your organization in different countries use different HR systems?" asked to all (1300 respondents)

Half of organizations use different HR systems across different territories (fig. 2) – more than half if those who do not operate across different

territories are excluded. To what extent are organizations consolidating their HR systems into as few cores as possible across these territories?

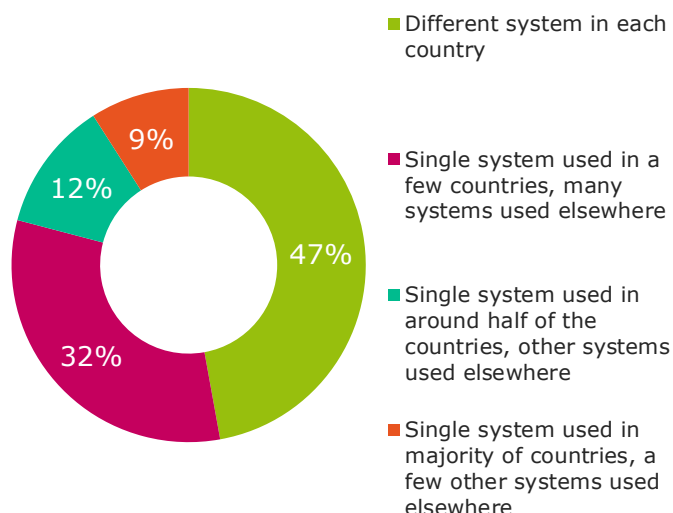


Figure 3: "How many different HR systems does your organization use globally?" asked to those whose organization has different HR systems in different divisions of their organization (661 respondents)

In organizations that have a number of different HR systems, almost half have a different system, for each country (fig. 3). For a further third, consolidation is minimal, with a single system used across only a few countries. A large number of organizations are having to manage and coordinate a number of different HR systems.



A larger workforce creates more demand for mobile business applications

Another area where dispersed workforces may potentially strain HR systems stems from the ever increasing consumerization of IT. As mobile devices become more firmly entrenched within working lifestyles, the demand for business applications being made available on these devices is increasing.

Country analysis

Organizations based in the USA and Canada are significantly more likely to employ a dispersed workforce (86% do so against the average of 72%) and are more likely to have different HR systems across different territories (64% compared to the average of 51%). For those organizations to have different HR systems, organizations in the USA and Canada are also more likely to have a different HR system in each country they operate (58% against the average of 47%).

Bearing this in mind, it could be expected that USA and Canadian based organizations will be more likely to have many different HR systems, and thus be more likely to be experiencing challenges.

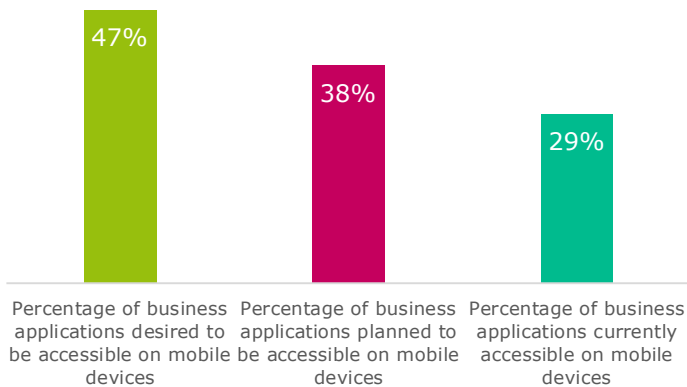


Figure 4: "What percentage of your business applications are already accessible on mobile devices, do you plan to make accessible on mobile devices, and would you like to be accessible on mobile devices?" asked to all (1300 respondents)

As fig. 4 shows, even though organizations are currently making an average of 29% of business applications available to mobile devices (with a total of 38% planned), employees would like an average of 47% of business applications be made available. More employees accessing more applications remotely will put further pressure upon those organizations that already have a very diverse set of systems.



Compliance issues for HR systems across territories

Element of doubt regarding compliance

Only around half of organizations are fully confident about their compliance; though a third do 'believe' that they are compliant, they are not able to prove this (fig. 5).

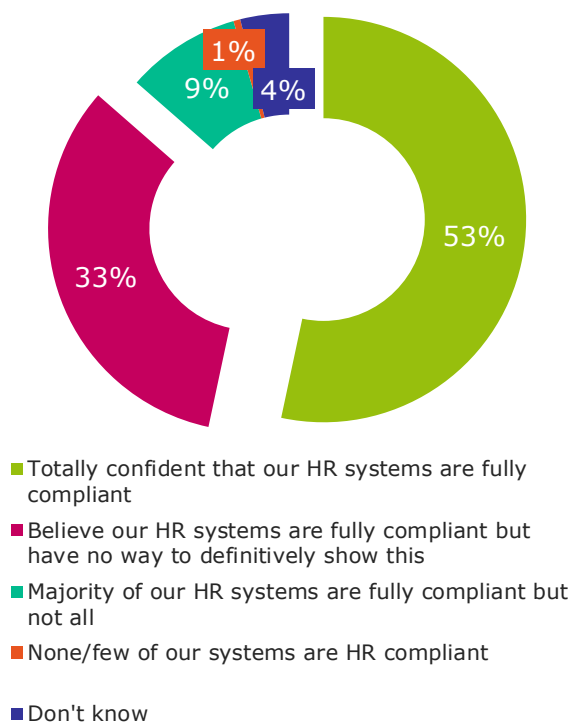


Figure 5: "Are your HR systems fully legally compliant in every country in which you operate?" asked to those whose organization has different divisions in different countries (1106 respondents)

This is not surprising given that only three quarters (75%) of organizations that have divisions in different countries have an HR system that allows for local variation on compliance issues. But even in those organizations that allow for local variation, four out of ten do not allow for this local variation in all the countries in which they operate (fig. 6).

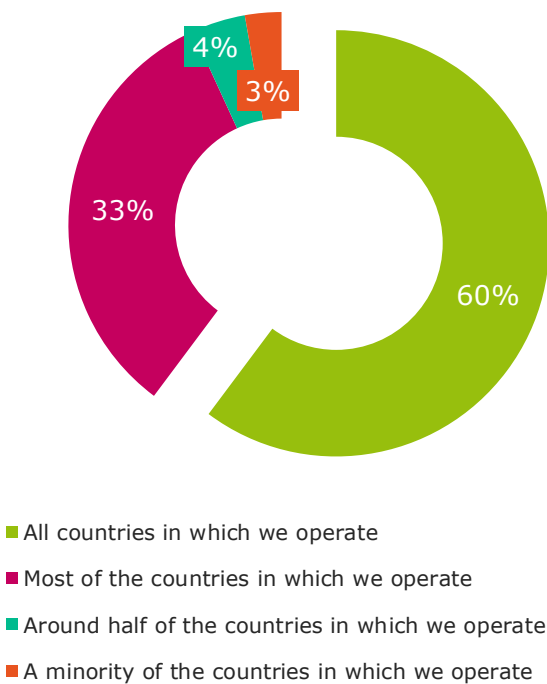


Figure 6: "In how many countries in which you operate do your HR systems assist with compliance issues?" asked to those whose organization's HR systems allows for local variation on compliance issues (832 respondents)



In addition, the process of setting up and maintaining compliance across these different countries is very simple in only a third of these organizations – most likely a reason for the element of doubt shown in fig. 5. There are also critical differences between organizations of different sizes – smaller organizations (those with 1000-5000 employees) are more likely to find this process simple than larger organizations (those with more than 5000 employees) do (fig. 7). This reflects the fact that the larger the organization, the more likely they are to be spread over more territories, and so increasingly encounter challenges from this.

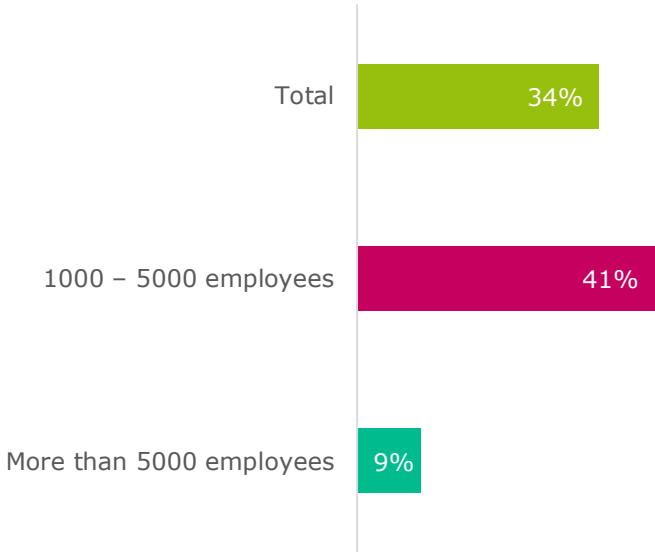


Figure 7: Those who say it is very simple to set up and maintain the compliance support that their HR systems provide across all countries in which the organization operates, asked to those whose organization's HR systems allows for local variation on compliance issues (832 respondents), split by size

Over a third (36%) of organizations are, or will be, reviewing their core HR system due to compliance issues. This illustrates the current importance of this issue to organizations, and suggests that there is potentially discontent with current systems.

Country analysis

When it comes to confidence about compliance, organizations in the USA, Canada Germany are significantly more likely to feel certain about their compliance across various territories (66% and 61% respectively are totally confident, where the number of organizations confident in other regions ranges from just 34% to 42%).

Organizations in the USA and Canada are also more likely to find maintaining their compliance very simple (54% do so against the average of 34%), but organizations in Germany are more in line with the rest of the world, with only 14% describing this process as very simple (fig. 8).

The indication is that those in the USA and Canada are coping better with the challenges they are facing than other regions, despite the fact that their employees are more likely to be dispersed.

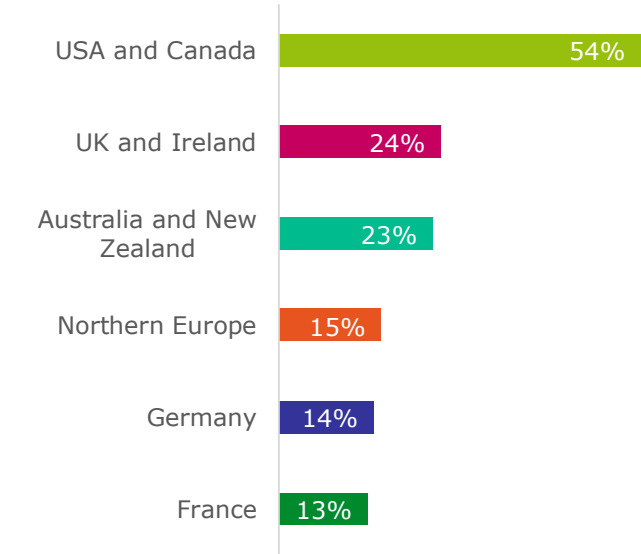


Figure 8: Those who say it is very simple to set up and maintain the compliance support that their HR systems provide across all countries in which the organization operates, asked to those whose organization's HR systems allows for local variation on compliance issues (832 respondents), split by region

HR reporting and aligning with the business

Multiple HR systems means multiple data sets

Half of organizations are finding connecting multiple data sets together to be a challenge (fig. 9). Of all the potential issues measured, connecting multiple data sets is most likely to be posing a challenge to organizations (though all issues measured were a challenge for at least two out of five organizations).

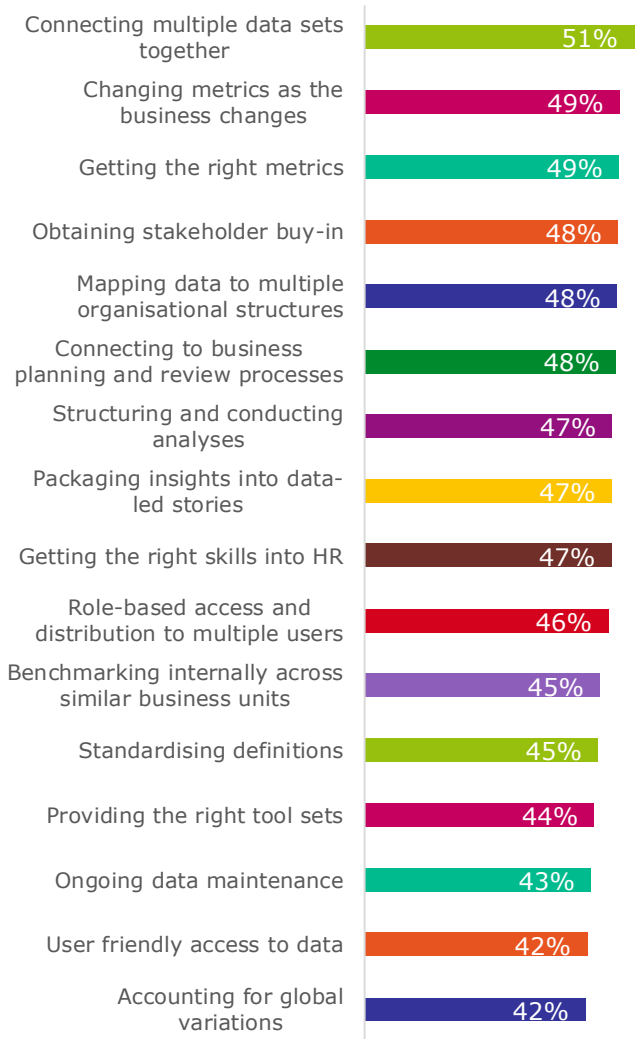


Figure 9: Those who rated each aspect as challenging with regard to current HR reporting systems, asked to all (1300 respondents)

Organisations have also noted an increase in the demand for HR reporting – in the last five years, almost a third say demand has significantly

increased, with a total of almost three quarters seeing either a slight or significant increase in demand (fig. 10).

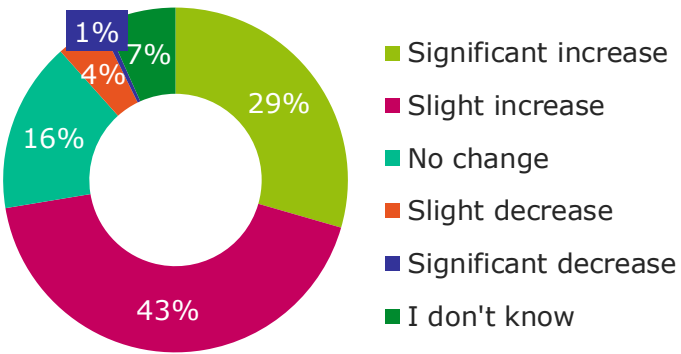


Figure 10: "In what way do you feel the demand for workforce metrics has changed in the last five years within your organisation?" asked to all (1300 respondents)

What's the impact of this? Organizations are spending over 850 hours on average per year on HR reporting (whether it be administrative, professional or strategic), as shown in fig. 11.

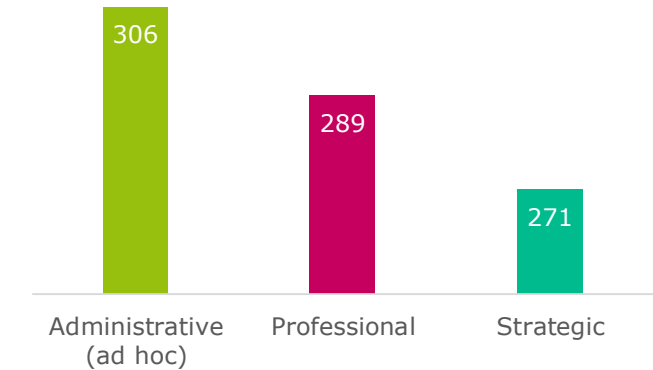


Figure 11: "On average, how many man hours per week do you estimate are spent on each of the following kinds of HR reporting?" asked to all (1300 respondents), response multiplied by 51 weeks to provide yearly average in hours

But despite all this time being spent on reporting, only a fifth of organizations see themselves as being very effective when it comes to workforce analytics (fig. 12).

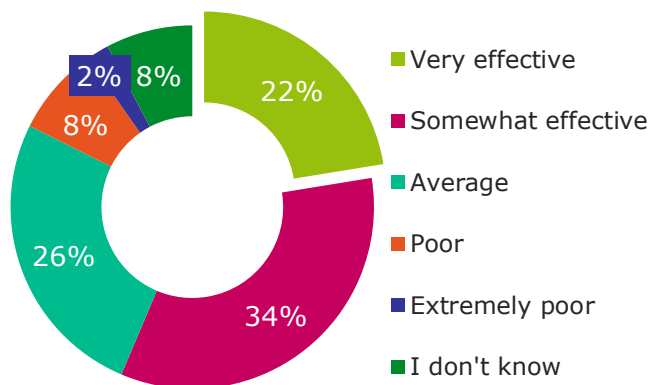


Figure 12: "How effective is your organization at each of the following HR processes: Workforce analytics?" asked to all (1300 respondents)

Many organizations are finding it difficult to coordinate their data sets and cope with the increase in demand, leading to minimal return of the time spent on HR reporting. What is the impact of this upon how the reporting and data is used within the organization?

HR systems are not always able to provide sufficient data

In only 23% of organizations are the HR systems always able to deliver sufficient data that helps measure the execution of business strategy (fig. 13).

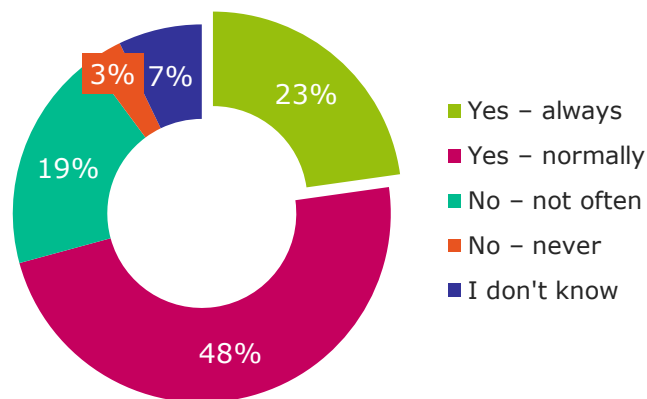


Figure 13: "Do your HR systems provide you with sufficient data in order to measure the execution of your business strategy?" asked to all (1300 respondents)



As a result, there are critical data issues that are preventing the delivery of sufficient data and that stop organizations being effective at workforce analytics.

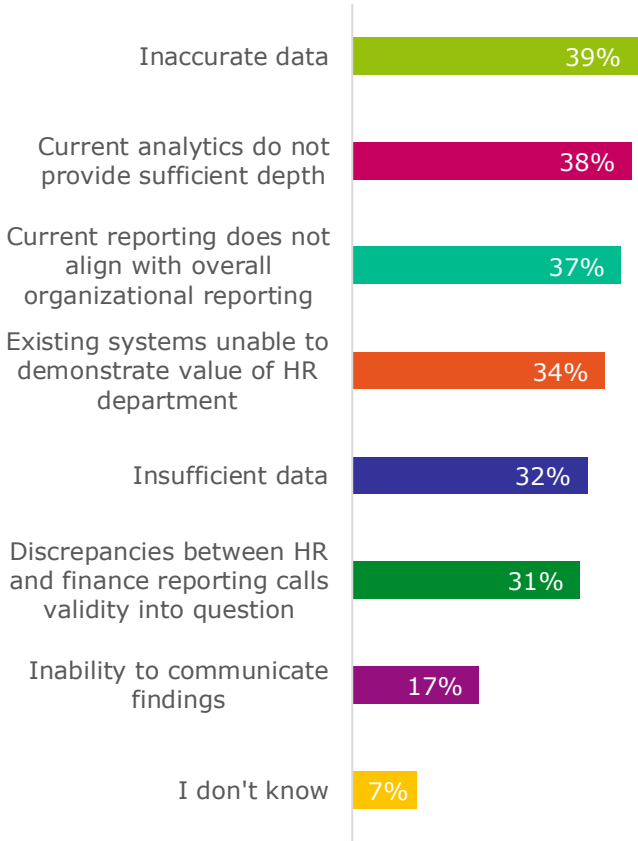


Figure 14: “When business insights/reporting generated by the HR department fail to make an impact on corporate policy, what do you feel are the causes?” asked to those whose organization's HR systems do not always provide sufficient data to measure the execution of business strategy (911 respondents)

As fig. 14 shows, organizations are suffering from issues of inaccurate data, lack of depth in the data and lack of alignment with other company reporting, among other issues. No issue is highlighted by more than four in ten, but despite this, six issues are highlighted by at least three in ten. This shows that, even though there is no single issue commonly experienced by a majority, organizations are instead encountering a range of issues, but a range that is likely to vary between organizations.



A further challenge to overcome is the variety of viewpoints between the different stakeholder roles within the organization. For example, fig. 15 and 16 shows that IT decision makers are more likely to see structuring and conducting analysis as a challenge, yet are also more likely to think their HR system provides them with sufficient data.

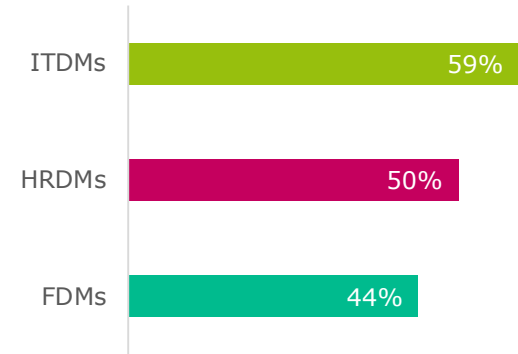


Figure 15: Those who rated connecting multiple data sets together as challenging with regard to current HR reporting systems, asked to all (1300 respondents), split by role

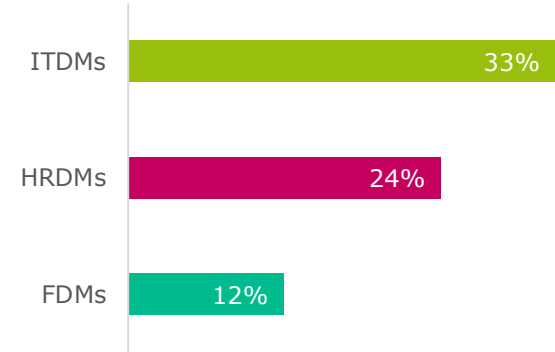


Figure 16: Those who say their HR systems always provide them with sufficient data in order to measure the execution of their business strategy, asked to all (1300 respondents), split by role

This highlights the lack of consensus between these functions (and so within the organisations) when it comes to HR systems.

Further key differences can be seen when comparing the results from organizations of different sizes. Using the same measures as in fig. 15 and fig. 16, fig. 17 and fig. 18 show how responses vary between organizations of between 1000 and 5000 employees and organizations of more than 5000 employees.

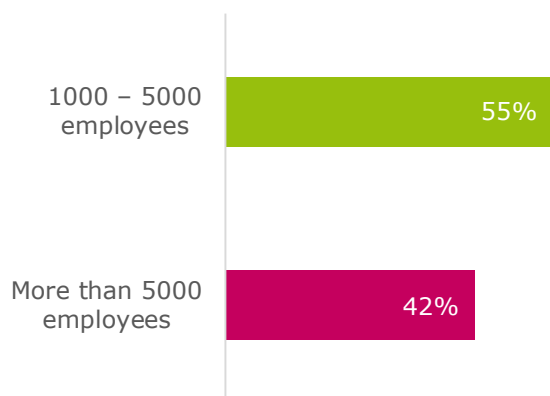


Figure 17: Those who rated connecting multiple data sets together as challenging with regard to current HR reporting systems, asked to all (1300 respondents), split by size

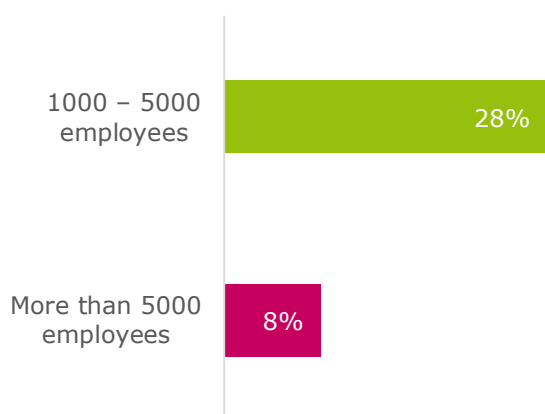


Figure 18: Those who say their HR systems always provide them with sufficient data in order to measure the execution of their business strategy, asked to all (1300 respondents), split by size

The smaller organizations are more likely to see analytics abilities as challenging, but are also more likely to feel they are provided with sufficient data. The implication is that the more employees there are (and so the increased odds of having multiple data sets), gathering the necessary data is harder. But when it comes to delivering sufficient useable data, it is the HR systems in larger organizations that are more likely to always provide sufficient data for measuring execution of the business strategy.

Country analysis

Organizations in North America are more likely to find connecting multiple data sets together a challenge, though organizations in France and particularly Germany are significantly less likely to see this as a challenge (fig. 19).

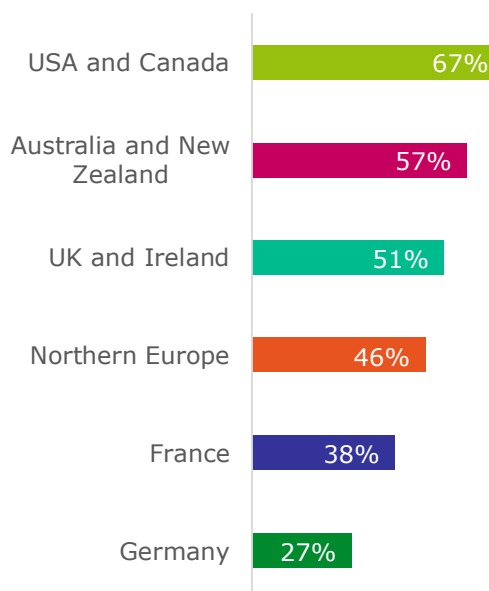


Figure 19: Those who rated connecting multiple data sets together as challenging with regard to current HR reporting systems, asked to all (1300 respondents), split by region

There is a key difference regarding perceived effectiveness of workforce analytics. Organizations in the USA and Canada are most likely to see themselves as very effective at this (36%), with those in Germany following at 25%. In other regions, only between 10-11% see their workforce analytics as being very effective.

This gives three distinct groups:

- Those in the USA and Canada who are most likely to view connecting multiple data sets as a challenge but none-the-less most likely to see themselves as effective
- Organization in Germany are far less likely to see this as a challenge, yet are almost as likely to see themselves as effective as organizations in the USA and Canada
- All other regions reasonably likely to see the challenge but with low perceived effectiveness

It is a similar pattern when looking at how organizations in different regions feel about whether their HR system provide them with sufficient data. Organizations in the USA, Canada, and Germany are significantly more likely to feel their HR systems always or normally is able to provide them with enough data (fig. 20).

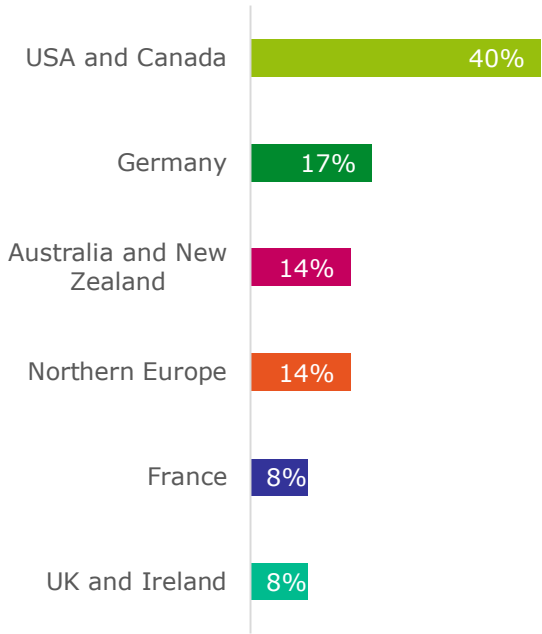


Figure 20: *Those who say their HR systems always provide them with sufficient data in order to measure the execution of their business strategy, asked to all (1300 respondents), split by region*

This clearly shows that organizations in the USA and Canada are more aware of the challenges and as a result are dealing with them better than other regions, leading to a more effective HR reporting systems as a result.



Overcoming these issues – the role of technology and cloud computing

Most organizations are planning to review their HR system in the near future, if they are not already doing so

A third of organizations have either just finished reviewing their core HR system or are in the process of doing so. A further 44% plan to review their systems within in the next two years (fig. 21).

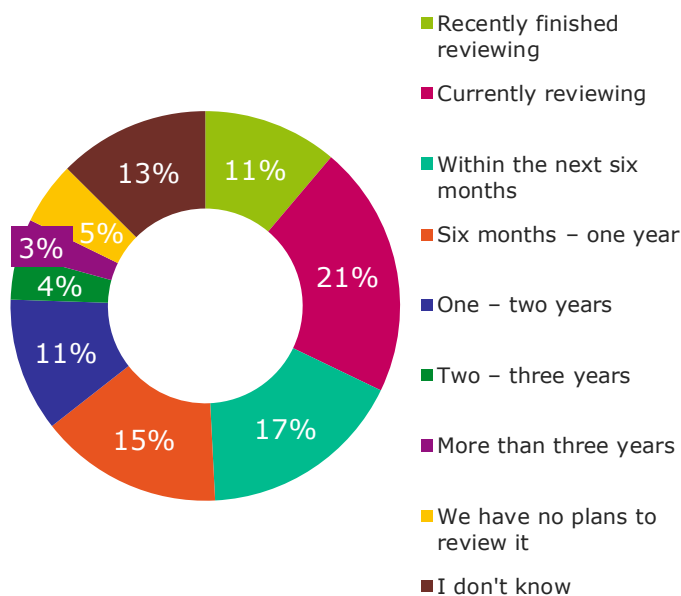


Figure 21: “When are you next planning to review your core HR system for an upgrade?” asked to all (1300 respondents)

The most common reason for organizations reviewing their core HR system is cost, though reducing complexity and attaining better visibility of data is a driver for almost as many organizations (fig. 22).

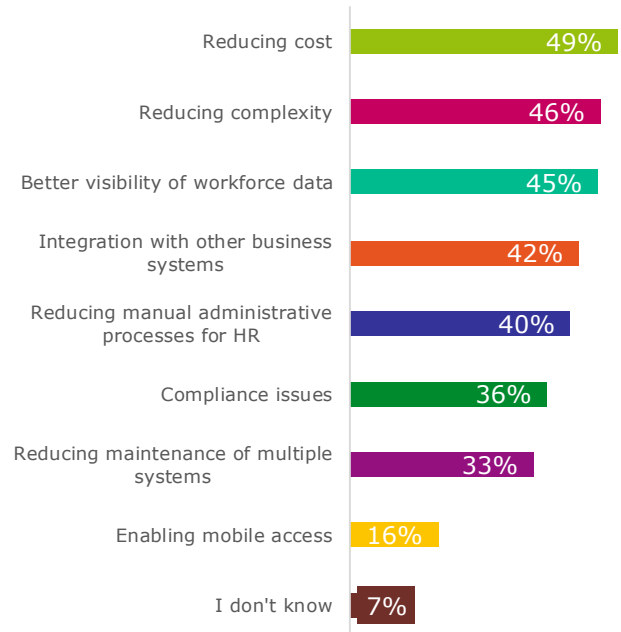


Figure 22: “What are the key reasons that your organization will review your core HR system?” asked to all (1300 respondents)

Following on from this review, what solutions are organizations implementing to improve their core HR system? Fig. 23 shows that almost two thirds of HR departments are increasingly reliant upon IT, illustrating how critical technology is, and will most likely continue to be.

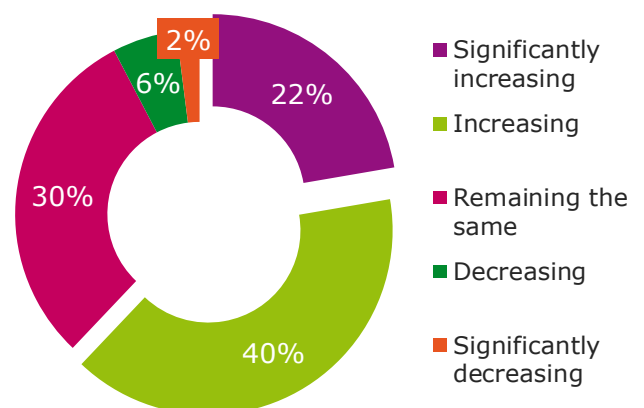


Figure 23: “Is the HR department increasing or decreasing its dependence on the IT department?” asked to all (1300 respondents)

What technology is driving this reliance?

Cloud usage in HR systems

A third of organizations are currently using cloud as part of their core HR system, with almost a further third intending to adopt cloud for their core system in the next two years (fig. 24).

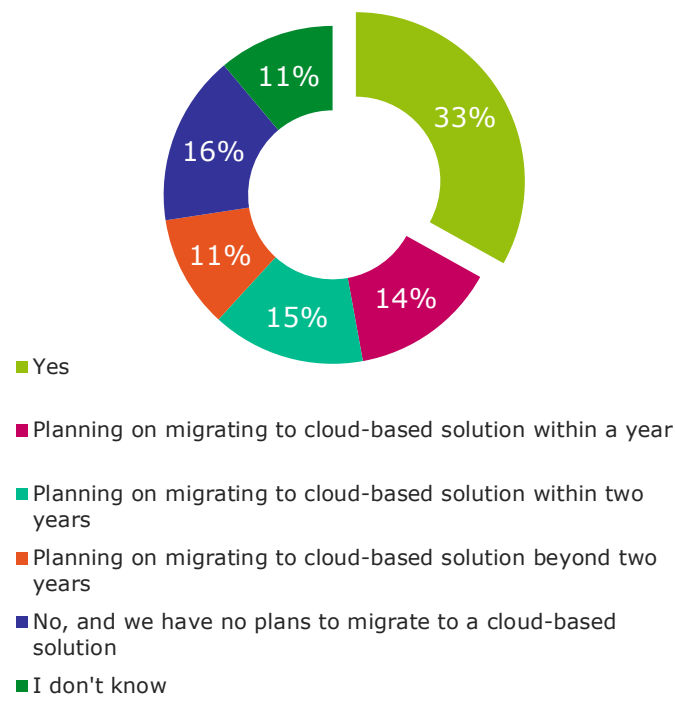


Figure 24: "Is your core HR system currently cloud-based (i.e. Software-as-a-Service)?" asked to all (1300 respondents)

In addition, more than half of organizations are currently using cloud for one or more of their HR systems (fig. 25).

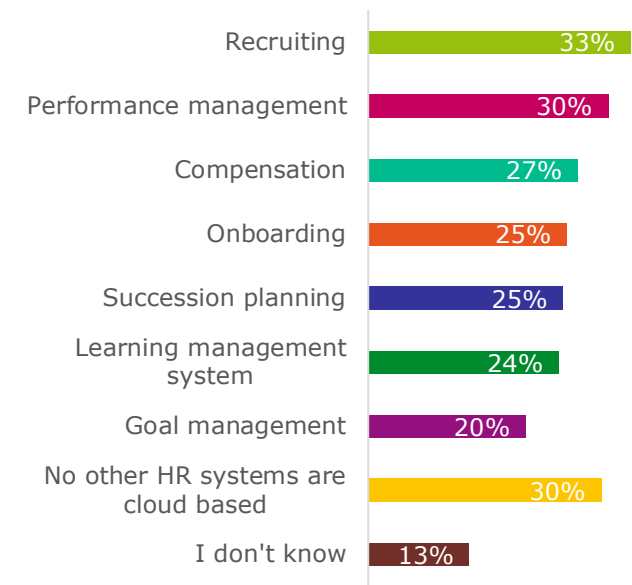


Figure 25: "Are any other HR systems cloud based?" asked to all (1300 respondents)

With the use of cloud computing set to rise in HR systems, what benefits is this expected to bring?



Cloud computing's benefits to HR systems

Eight out of ten (80%) of organizations recognize at least one benefit that cloud computing has for HR systems. Only 8% of organizations specifically state that they do not believe cloud computing to be beneficial to HR systems. Commonly perceived benefits reflect the driving reasons behind organizations wishing to review their core HR system (fig. 22) – ease of maintenance, accessibility of data and reduced cost (fig. 26).

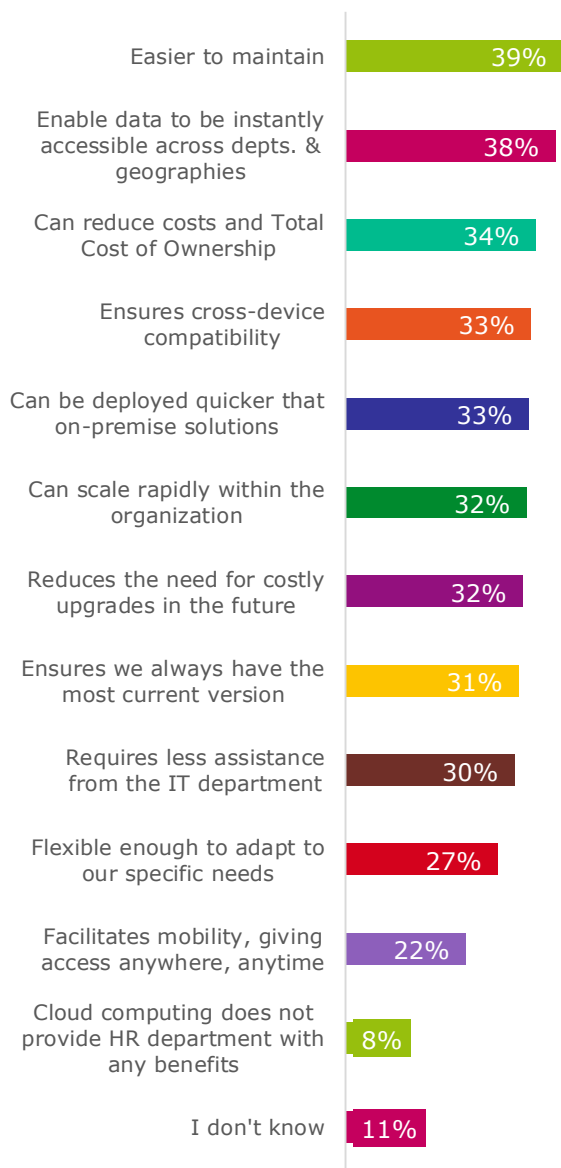


Figure 26: "What benefits of cloud computing are the most important to the HR department?" asked to all (1300 respondents)

As seen in fig. 24, over the next two years just under two thirds of organizations intend to adopt cloud for their core system. Yet with eight out of ten seeing benefits, this shows there is a minority of organizations who see benefits but will not be adopting cloud for their HR core. This is either because they are unable to adopt cloud in this time frame for their core, or else because they believe that the recognized benefits do not relate to the HR core.

The opinions of the IT, HR and financial decision makers vary significantly regarding the performance and abilities of the HR systems. One area where there is consistent agreement between these roles is the benefits of cloud computing to the HR system. For all three role types, fewer than 10% believe that cloud computing does not benefit the HR department at all. This agreement is critical as it reflects how vital cloud computing is to HR systems, regardless of position within the organization.

Country analysis

HR departments in organizations based in the USA and Canada are more likely to be increasingly dependent upon IT, with over a third (38%) saying that their dependence is increasing significantly, compared to between 5% and 15% in other regions.

This relatively larger dependence upon IT potentially stems from increased cloud adoption, with over half (53%) of organisations based in the USA and Canada having already adopted cloud for their core HR system, double or more than that of other regions. This is despite the fact that organizations based in the USA and Canada are only slightly more likely to recognize the benefits of cloud computing to the HR department than other regions (5% do not recognize any benefits, compared to the overall average of 8%).



Conclusion

HR systems are being increasingly taxed due to the increased demand for workforce metrics that has been placed upon it by the growing globalisation of organizations. The consistency of such systems is limited, often leading to a patchwork of solutions where different roles and departments within organizations have different views on the use and effectiveness of such systems. As a result, the impact that HR analytics can have on corporate policy can be limited with organizations noting the need for more accurate data and greater depth of analysis.

But when looking in detail at this, there is no clear consistent issue as experiences vary significantly between organizations. Organizations based in the USA and Canada tend to have more fragmented HR systems, and because of this are more aware of the challenges involved in maximizing the use of multiple systems, but as they are more technologically advanced, they are able to use their systems more effectively. Smaller organizations will be less fragmented than larger organizations, but are less likely to have the tools to deal with any issues encountered and maximize what they have.

However, there is strong evidence to show most organizations are taking the matter in hand (particularly those in the USA and Canada). Most organizations are looking to review their HR core system in the near future or else are already reviewing it. Critically, there is rare consensus between IT, HR and financial decision makers regarding the benefit of using cloud computing for HR systems, with almost all recognizing that significant benefit exists. A significant minority of organizations have already adopted cloud computing for their HR core, and in the next two years, this minority looks set to turn into a majority. It is also recognized that the benefits of cloud computing extend beyond the HR core, and to all other aspects of the HR systems. It's clear that cloud computing is a key element of the solution to HR system fragmentation and increased demand for reporting, and most organizations have already begun this journey.



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