

HR Transformation 2.0

Paul Rains, Director of Transact HR Ltd, outlines what changes must be made to the current HR landscape if it is to enter the next stage of development...

A recent report by Mercer (2007) suggested that we are now heading for 'HR Transformation 2.0'. It uses the phrase in the same context as the development phases of internet technology, which is now widely seen as entering the second phase of its development – hence 'Web 2.0'.

HR transformation version 1.0, according to Mercer, is about putting the HR house in order, implementing good systems and processes, and making sure the basic service is efficient and effective, whereas transformation 2.0 is about moving HR to the strategic level.

Mercer confidently claims that a 'wave of change is reverberating around the world,' where 46% of US organisations have implemented a new organisation structure and 42% have put in place a new HR service delivery strategy. However, the reality for many UK-based organisations is that they are still very much struggling with many aspects of HR Transformation 1.0 and our experience also tells us that:

- HR processes are not aligned to HR system capabilities;
- HR has failed to grasp how to make best use of HR systems technology, and in particular how to plan and manage a global HR system strategy;
- HR functions promise much but as yet don't deliver world class service levels;
- HR has been slow to utilise business intelligence tools to support the business with its decision-making processes.

So what do we mean by the term 'Lean' when referring to the HR function? Well the points below give you a few ideas:

- Data captured at source using self-service;
- No duplication of data entry;
- Transactional tasks being carried out right first time;
- No excessive transportation of a data/information from department to department or system to system;

- Smart but not onerous or intrusive controls that validate both the accuracy and the financial integrity of the data;
- Automated transactional processes using web 2.0 technology and Dot Net workflow tools;
- Continuous data Key Performance Indicators for service delivery targets for each key HR process to ensure delays are kept to an absolute minimum.

Until these fundamental building blocks are in place, transformation 2.0 into the strategic partner role and adding real value to the business is a long way away.

So if HR transformation 1.0 is all about becoming 'Lean' just how 'Lean' is HR in the UK? The examples below based upon our experiences of working with HR will give you an indication of just how far we still have to go.

If we take the output (the pay advice slip) as a measure of HR's key transactional processes we fail in many cases to even reach a Sigma Level of 3 (99.73% accuracy). We should be delivering at least a Sigma level of 3.8 (99.99% accuracy), if not 4, with slick, automated, efficient processes. David Ulrich stated at the recent Scottish CIPD conference that "processes such as paying people need to be done at a 'world class' level for HR to have credibility". In our opinion he is absolutely right.

If we measure the process capability (the amount of waste/delay in a process) a typical HR process would be about 10-20%, yet to be deemed 'world class' it should be closer to 50% so we have a long way to go.

How many people start a new job and on the first day have a login to the IT network, an email account, a security pass, an induction programme and training path already mapped out for them to get them up to full productivity as quickly as possible? It should happen if we really value human capital but it seldom does. Before HR embarks on the journey to 'HR Transformation 2.0' it needs to get fitter and leaner unless it wants to remain just a back office support function.

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