



# Tech-Savvy and Business-Oriented Human Capital Management of Tomorrow

## A European Perspective

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This document reflects the findings of a comprehensive survey on human capital management (HCM) solutions conducted this year in eight European countries (France, Italy, Germany, the Netherlands, Poland, Spain, Switzerland, and the U.K.), and on subsequent qualitative interviews. The survey respondents included 2,022 HR decision makers and influencers. An additional 15 qualitative interviews were conducted among senior HR decision makers in France, Germany, and the U.K.

## Employee Centricity — Areas of Focus for HCM

Today's world brings many challenges for HR, regardless of country, vertical market, company size, or international presence. The topics that feature high on the agenda of the main stakeholders responsible for HCM solutions in their companies include:

- » Ongoing digital transformation (DX) processes are no longer focused exclusively on the front end of the business, since organisations are putting equal emphasis on transforming the back office (e.g., finance and accounting, human resources).
- » Growing talent scarcity and fierce competition for candidates in many markets continue to pose challenges for HR departments, as this traditional HR role will remain at the forefront of HR departments' priorities.
- » Employees expect HR-related processes to run smoothly and make use of digital tools to limit the necessary work from their side. They also expect the user experience as employees to be similar to those they encounter as consumers.
- » The generational gap between managers, who are typically of generation X or the baby boomer generation, and their largely millennial employees continues to widen. The challenge for HR departments is not only to design a digital-compatible work experience, but also manage the needs, expectations, and requirements of different generations of staff working concurrently.
- » Operations are becoming more global, and HR processes need to support a number of markets with different regulations and labour market conditions.

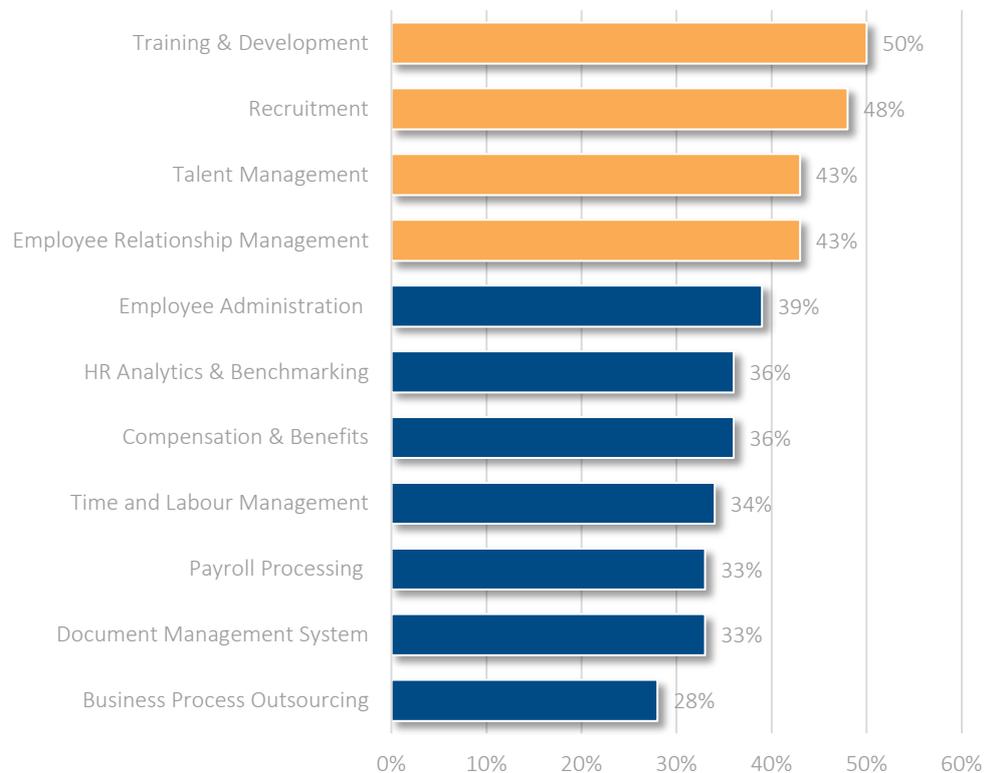
- » Many companies grow through mergers and acquisitions, forcing HR to take on new entities into the corporate environment and unify company cultures across organisations with different cultural backgrounds.

All the above issues have a strong impact on HR focus areas. HR priorities shift from administrative processes such as payroll processing, employee administration, and time and labour management, to areas that put the employee at the centre of HR operations. However, it is the automation of these processes and the ability of HR departments to focus on high-value strategic tasks that will shape the HCM of tomorrow.

Figure 1 presents the areas of HCM that HR professionals see as their department's top areas of focus in the near future.

## FIGURE 1

Main Areas of Focus for HR Departments in the Near Future



*"Maintaining the talent pool and keeping attrition low in a high-powered environment is a challenge, and it will become more so since talent is becoming more scarce." — HR manager, professional services company with 1,000+ employees*

Note: N = 2,022  
Source: IDC, 2017

IDC talked to numerous HR professionals. Some of the key takeaways from our discussions are listed below:

- » Training and development is by far the most important issue for all companies. HR experts realise that an attractive training and development offer is needed to recruit good candidates and retain good employees. One interviewee noted that "The market is swept empty [in terms of candidates], training and development is key." Companies use training and development programs to attract the best people and keep attrition rates low. *"The need to chase millennials and the need to be appealing not only to their communication channels (i.e., social networks) but also to their different set of values (participation, sharing, etc.) are mandatory requirements both for recruiting processes and for training and development. Old-fashioned processes need to be completely revisited to engage millennials, and that is the main reason a lot of effort is being placed on these areas."* — Corporate Director of HCM Processes, global manufacturing company
- » Managing talent in a time of skills scarcity and digital transformation will be crucial for the entire organisation. It is an area of strategic importance for companies, and IDC expects it to be at the forefront of the HCM of tomorrow.
- » Recruitment and talent management are closely tied. IDC research shows that successful recruitment stems from an overall employer brand (with input from marketing and PR teams) that attracts the right candidates and conveys the values of the organisation. IDC research also showed that, in these operations, HR needs to collaborate with marketing and PR teams, as employer branding is becoming increasingly important to supporting HR efforts in this area.
- » Frequent internal communication and the involvement of senior management in any HCM transformation project are crucial for its success.

## Finding the Right Balance Between Global and Local HR Organisations

The survey shows that it is mandatory for companies to harmonise HR operations across all levels of the organisation. The HR director in a European office of a global technology company explained:

*"It [the decision] is taken at a very senior level. So, just below the HR representation, at the board level. We think it is important to do it at a senior level, because we need to look across all the functions in the company and we need to take a holistic view of things. We want to make sure we serve the whole company in a good way."* — HR director for sales in Europe, large multinational telecommunications company, Germany

Standardisation leads to greater efficiency and easier management, yet there is always a degree of country-level customisation to capture labour market regulations and taxation differences in functions such as payroll.

Using a single set of HCM tools on a regional or global level allows for uniformity in processes and the management of one single source of data for the organisation.

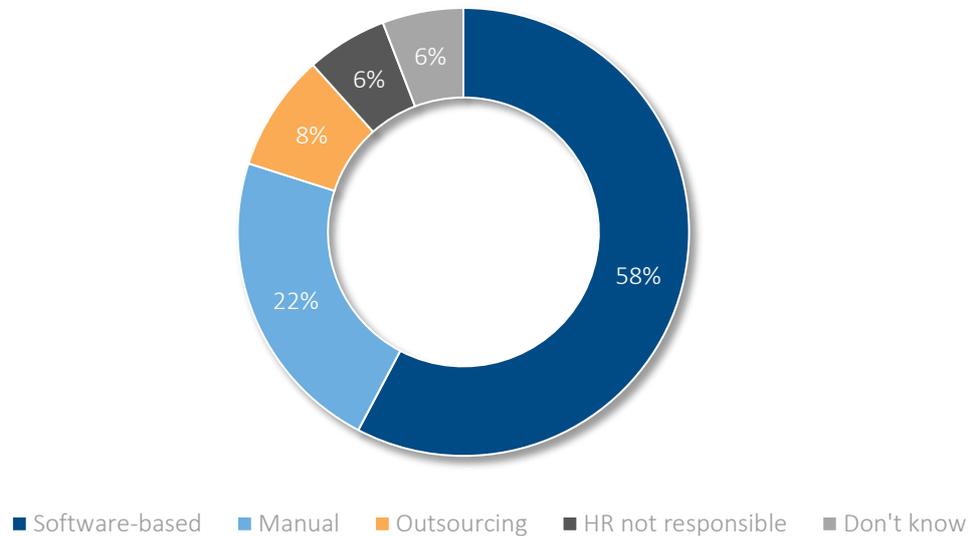
## Leveraging the Latest Technologies for a Truly People-Centric HR Information System

HR is typically viewed as the least tech-savvy among business units. IDC research points to a shift in this opinion, with HR experts recognising how crucial IT solutions can be in making processes more efficient and automated. They also offer data-driven results and remove mundane everyday work from HR, allowing it to focus on more strategic tasks.

Figure 2 shows how HR departments run HCM processes in organisations surveyed by IDC.

## FIGURE 2

### Methods Used for HCM Solutions



Notes: Shares calculated as average of answers for individual HCM functions;

N=2,022, including local and multinational companies

Source: IDC, 2017

Software-based solutions (commercial applications or in-house developed solutions) are used by almost two-thirds (58%) of the 2,022 surveyed HR professionals, and only about one-fifth (22%) continue to run some HCM processes manually.

It is worth noting that the group using software is almost equally divided amongst those using third-party applications and those using in-house solutions. Larger companies employing 1,000+ people and operating in multiple markets tend to use commercial applications, while smaller, locally operating companies more often opt for proprietary solutions. Yet many global corporations leave it to the country offices to decide how they want to run various crucial employee-related processes such as recruitment or employee relationship management. More standardised processes such as payroll processing are managed on a global or regional basis using a third-party application.

Commercial applications deliver a much-needed level of standardisation and scalability that many companies seek. It is also common procedure to make newly acquired entities adopt a solution implemented by the organisation on a regional or global level. Such an approach helps to run HR processes in a

*“In-house solutions are so common because of the differences in business models and strategy orientation, as well as the need for agility. Sometimes a lot of functionalities are simply **bloatware**, diluting the software product and reducing its value, hence there is no need for it.”*

standardised way, offers a higher level of control of HR processes, and provides more consistent data sets for further analysis on a regional or global level. It also saves time and money necessary to keep internal IT resources competent to develop and maintain HR systems.

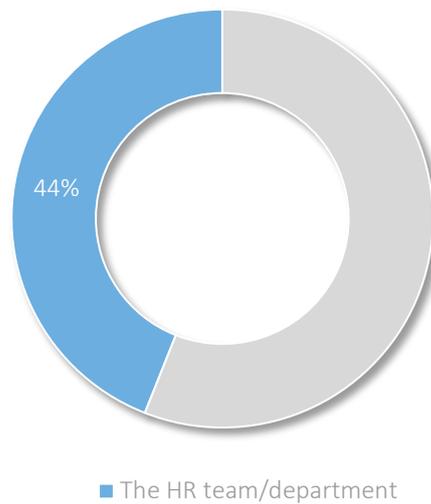
What IDC observed over the last few years is a change in relations between lines of business and IT departments within companies: Lines of business have become much more technology savvy, and they have much stronger impact on the purchase of IT solutions — and HR is no exception.

As the IDC research shows, HR is responsible for the HCM selection, initiation of the purchasing process, and budget spending on an HCM solution. Figures 3 and 4 show the share of these decisions on which HR has an impact.

### FIGURE 3

#### HR Role in HR Tool Acquisition Process

Q. Who generally first proposes the acquisition of a given HR tool/solution?



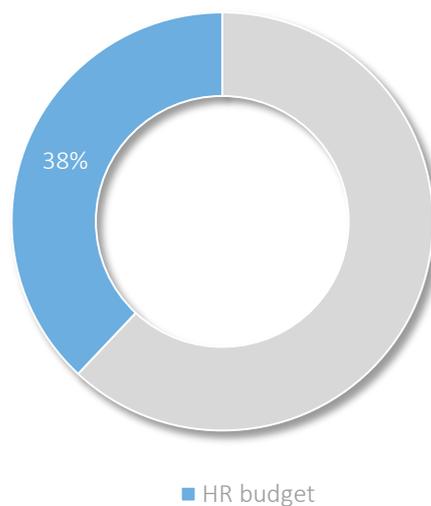
Note: N = 2,022, including local and multinational companies

Source: IDC, 2017

### FIGURE 4

#### HR Role in Approving Budget for HR Tools/Solutions

Q. Who generally approves a budget for a project that involves a human capital management solution in your company/site?



Note: N = 2,022, including local and multinational companies

Source: IDC, 2017

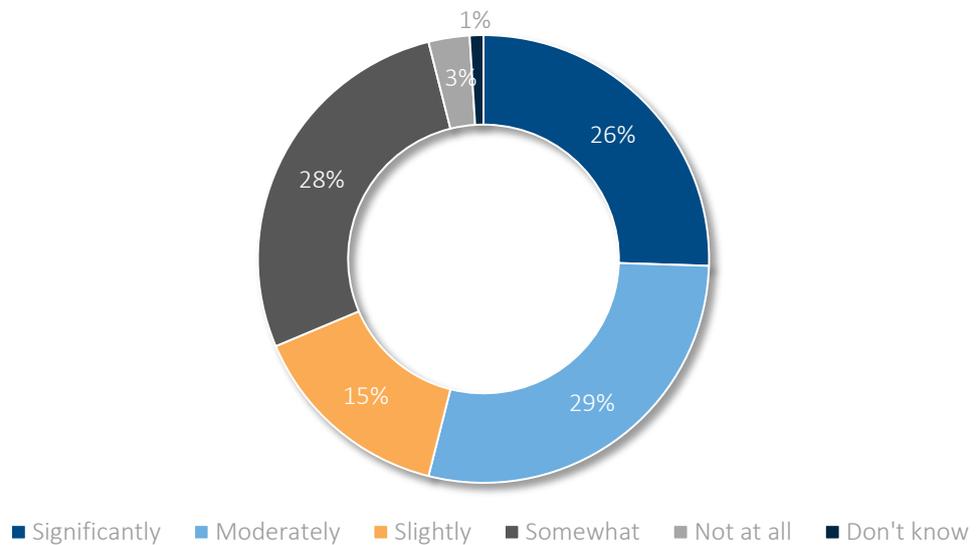
*"I would propose an even closer relationship between IT and HR, respecting the different skills, attributes and duties. In our organisation, we have a virtuous synergy between IT and HR. The key to the future of work depends on collaboration." Corporate director HCM processes, global manufacturing company*

This would not be possible without close cooperation between HR and IT departments. Most of the interviewees said that such cooperation is essential for effective technologies to be launched, and that in the years to come, an even greater convergence of IT and HR operations will occur.

## FIGURE 5

### Importance of IT Role to HR Professionals

Q. Is your IT department playing a role in HCM solution purchase decision making?



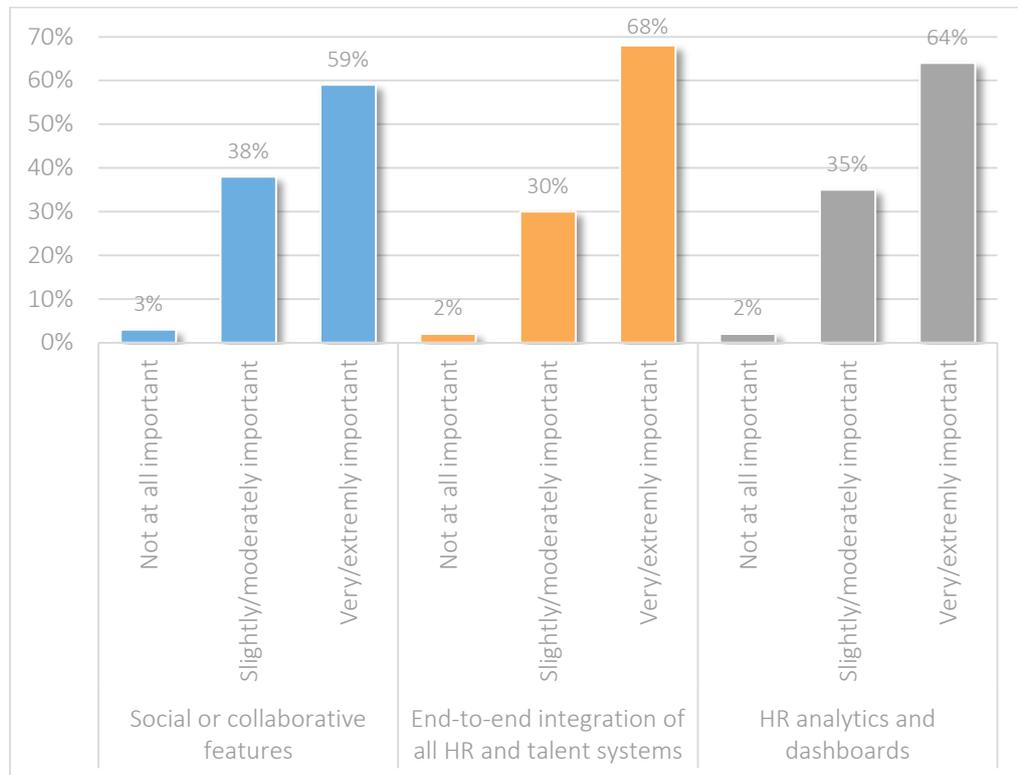
Note: N = 2,022, including local and multinational companies

Source: IDC, 2017

HR finds various new technologies increasingly important, as shown in Figure 6.

FIGURE 6

## Importance of New Technologies Among HR Experts



Note: N = 2,022, including local and multinational companies

Source: IDC, 2017

- » **Social or Collaborative Features:** HR systems are no different in this aspect from other IT systems used within a company. Employees want to use corporate solutions in the same way they use technology in their private lives, where justifiable. Various social or collaboration apps are gaining in popularity, and people expect the same level of convenience and simplicity in their jobs. HR experts stress that implementation of social or collaborative features serves not only employees, but also HR teams, as they use them to improve communications, grow and nurture candidate pools, and build a stronger employer brand.
- » **One Integrated System:** IDC's research showed that HR professionals seek one system to run all HCM processes, providing end-to-end employee support. This does not mean that all HCM functions should

*"[Analytics is an] important tool in our decision-making process with regard to attrition, workforce planning, and providing insights into the engagement, performance, and development of our staff." HR director for sales in Europe, global telecommunications and IT company*

run on the same platform from the same vendor, although this is not excluded. Often, companies want to leverage best-of-breed tools and processes that are seamlessly integrated to provide full access to employee data for HR. Integration is a way to automate many processes, and removes the burden of routine tasks from HR, allowing it to focus on more important and strategic priorities.

- » **HR Analytics and Dashboards:** There is a growing need among HR departments for more fact- and data-based decision making. As what used to be manual HR processes are increasingly managed with software solutions, the amount of HR-related data is surging. This opens a significant opportunity for HR professionals to turn HR data into meaningful and actionable information. HR and line-of-business managers want to use analytics proactively to identify threats and be ready to react (e.g., identifying flight risks, preparing for role succession, and identifying talent gaps in the medium and long terms).

## Tech-Savvy, Business-Oriented Power Within an Organisation Focusing on More Than Just Human Resources

All HR managers interviewed stress the necessity for HR departments to take on a more strategic role. HR departments will continue running traditional operational processes, but want to play a much more vital role, especially in a world where employees have become the most valuable asset.

HR departments realise the increasing need to create business value; like many other lines of business, HR must deliver business results based on key performance indicators (KPIs). This need goes hand in hand with the increasing demand for more advanced IT solutions that will help automate operational work to unburden HR and free up those resources for strategic work.

One of the greatest challenges is the pace of change, which applies to employees' expectations, labour market conditions, regulations, and technology. HR must adapt to an ongoing and accelerating transformation of the market.

To better understand the future of HR, it is also crucial to learn the current *personal plans and individual ambitions* of people managing human capital:

As the role of HR becomes more strategic, people working in this area want to feel that they have an impact on the company, and that their responsibilities go beyond making sure payroll is processed and training schedules are developed. HR professionals want to see their work have a strategic influence on the business.

HR understands the need to work as closely as possible with business unit leaders, as human capital management strategies need to be an integral part of the company's strategy. Close cooperation with various lines of business is essential to recruit the people that are required, provide them with the required development paths, and create an atmosphere that will attract and retain the best candidates.

Building a strategy requires data, and HR experts declare they need more support from IT tools to deliver better results more effectively. Technology is needed to better understand current trends in order to develop new HR strategies. Various analytics technologies would also become tools for HR managers to support employees in their professional growth, which is a must in today's labour market.

HR managers realise there are *many challenges*, both internal and external, that they need to face:

The labour market is the greatest challenge facing HR, due to a market with an ever-decreasing number of candidates, where competition for the best people is extremely fierce. At the same time, the work of HR does not end once an employment contract is signed: Retaining talent and limiting the attrition rate is also high on the list of priorities.

A common challenge is a company's rapid growth. As a company grows, either organically or by acquisitions, HR departments need to adjust, and provide more flexibility to other departments. The need to provide services for various markets with different regulations and requirements is strenuous, but if addressed smartly, it can lead to improved processes and more efficient ways of managing HR.

HR departments are not immune to current political and social events, though opinion on their impact varies. For some HR managers, it is unquestionable that current events may adversely affect daily work routines and its results. Many believe that this impact will not be immediate, but HR departments should work with other departments/lines of business within companies to ensure minimal disruption.

Advancements in artificial intelligence, robotics, and cognitive systems are expected to strongly influence the labour market. Yet the introduction of these technologies will affect different companies differently.

For worker-intensive organisations, robotics and automation will help overcome the skills gap. The role of HR would be to help employees that feel under threat to look at these changes as an opportunity to transition to more value-oriented roles. This will require coordination within the organisation and changes in company culture.

Services companies expect that new technologies will make low-skilled workers redundant, but will also increase demand for highly competent employees with digital competence, leadership skills, and domain expertise. These developments may replace many mundane, everyday tasks, and free up some of the workforce to become more value focused.

As robots or artificial intelligence become common, HR will need to develop a talent management strategy that combines managing people and technology.

*"I also see a need for workforces to further develop the skills of co-working with robots and fully utilising this intelligence. It creates a stronger need for understanding technology, mathematics, models, and concepts much more than in the past. That creates the need for people to have a better conceptual understanding of things. Many tasks of HR will be automated, or possibly outsourced. Some jobs in the HR department will be dropped. And some HR partners and managers will need to further advance their understanding of the interactions between machine and human beings. They need to develop these skills to be successful in the future." HR director for sales in Europe, global telecommunications and IT company*

## Country Chapter:

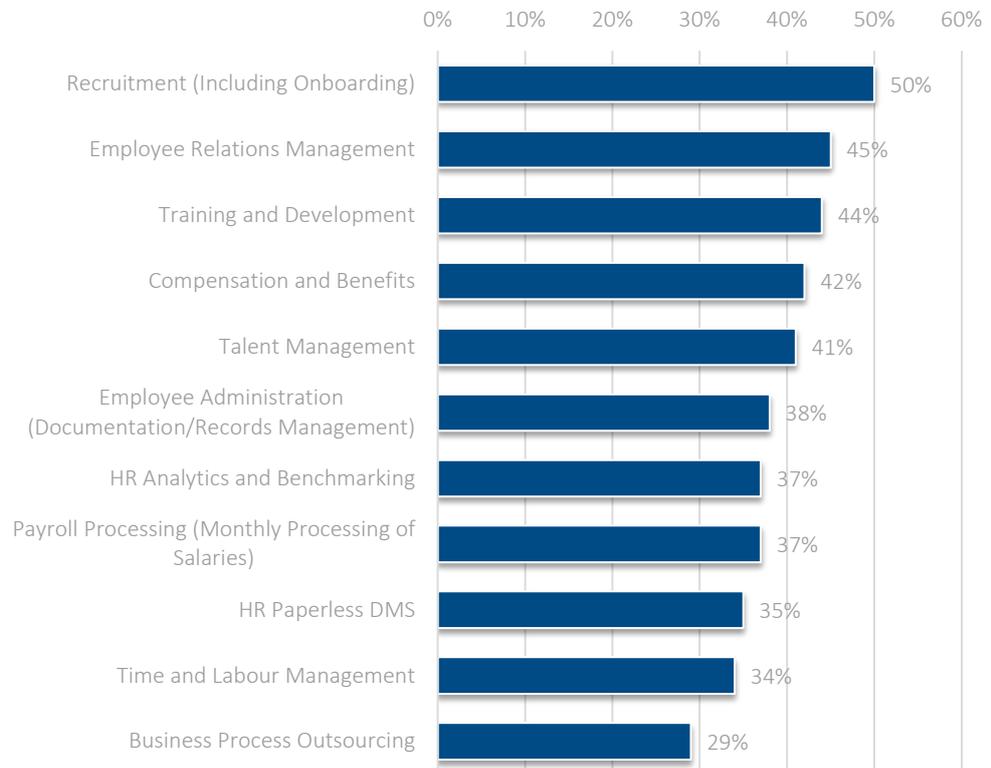
### United Kingdom

- » Recruitment and employee relations management are the top two HR areas of focus in the UK. The third-most important area of focus is training and development.
- » In-house developed software is more commonly used than commercial software in the UK. Companies in the country also routinely make use of manual processing.
- » More than half of companies in the country are satisfied with the current ways of running various HR processes.
- » The UK market is one of the most diverse in terms of vendors present and solutions used.
- » Regardless of HCM function, British-based companies have plans to either upgrade their current solutions or acquire a new ones (most often the latter).
- » The HR department is the key decision maker, but its role varies depending on company size and location.
- » The role of IT is not that significant in HCM-related projects.
- » The features and functions of solutions are the most desired HCM attributes in the UK.
- » Organizations in the UK greatly value a vendor's ability to accommodate individual company needs.
- » End-to-end integration is the most demanded emerging technology in the UK, closely followed by HR analytics and dashboards.

## FIGURE 7

### HCM Areas of Interest

Q. *What do you think will be the most important topics of focus for HR in your organization in the near future?*

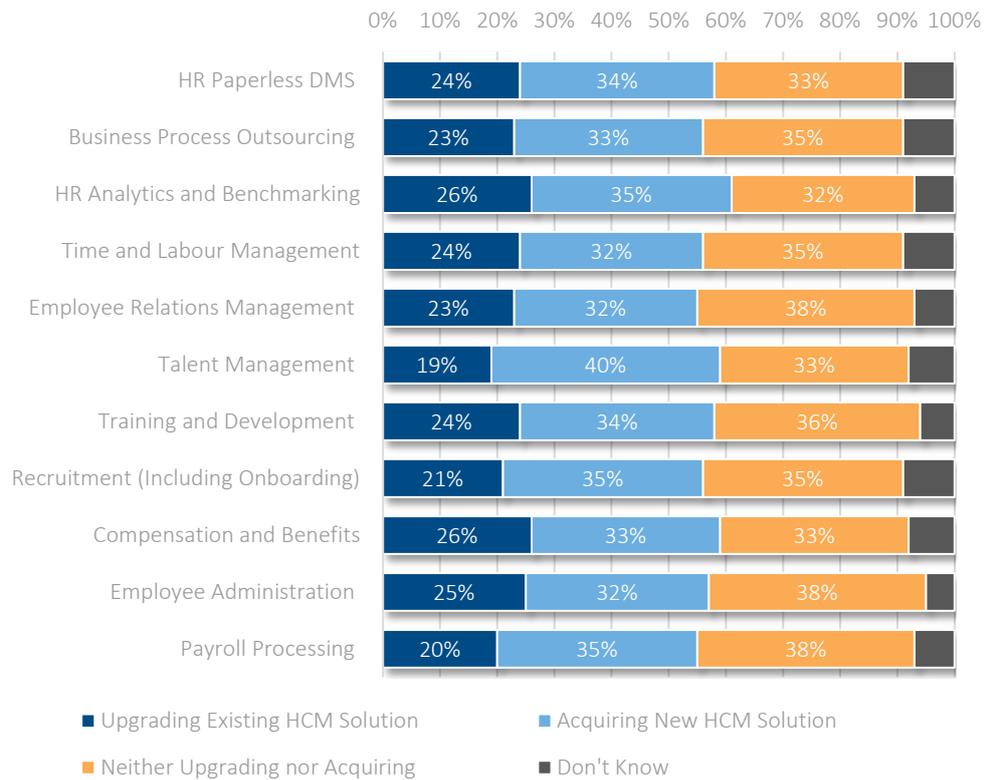


Note: N=411  
Source: IDC, 2017

## FIGURE 8

### HCM Investments Plans

Q. Do you expect your company to invest significantly in upgrading your current HCM solution(s) or in acquiring a new HCM solution(s) in the next year or two?



Note: N=311  
Source: IDC, 2017

## Appendix: Research Design & Methodology

The research was conducted in two phases:

- » Quantitative survey (February-April): mostly computer-assisted web interviewing (CAWI) and a combination of computer-assisted telephone interviewing (CATI) and CAWI in Poland and Switzerland
- » Qualitative interviews (May-June): 15 additional interviews in the U.K., Italy, and Germany to provide deeper insights

**TABLE 1**

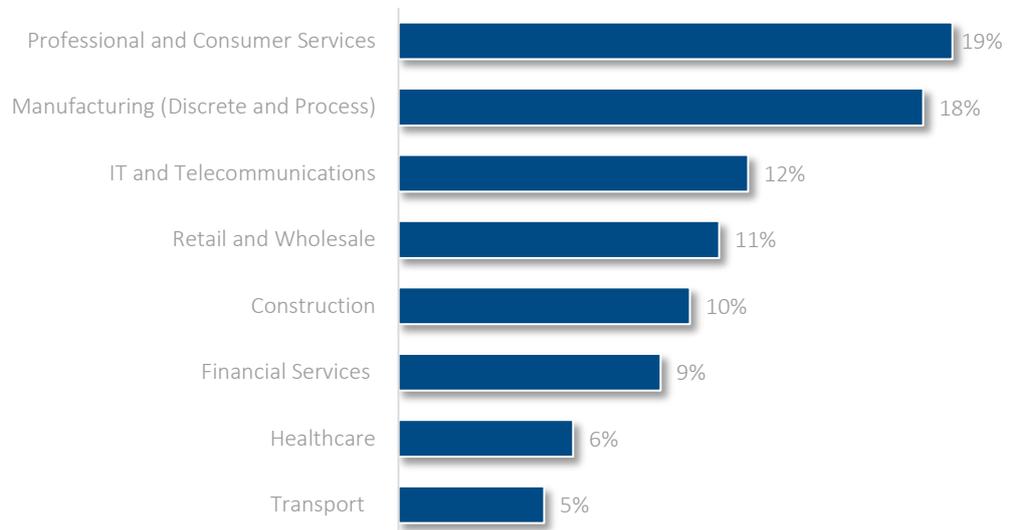
Respondents by the Number of Employees Within the Country

Country	50–149	150–499	500–999	1,000+	TOTAL
France	75	97	60	60	292
U.K.	98	124	99	90	411
Germany	83	88	85	85	341
Netherlands	48	53	50	40	191
Italy	81	92	59	63	295
Spain	56	63	38	41	198
Poland	70	85	24	17	196
Switzerland	23	27	28	20	98
<b>TOTAL</b>	<b>534</b>	<b>629</b>	<b>443</b>	<b>416</b>	<b>2,022</b>

Source: IDC, 2017

**FIGURE 9**

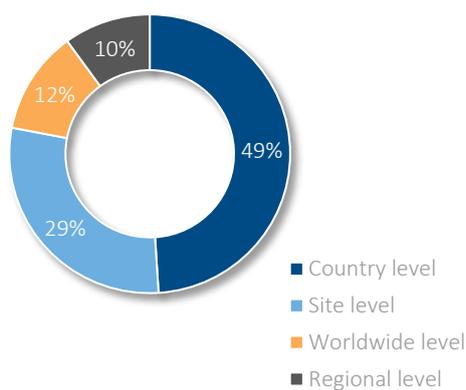
Respondents by Business Vertical



Note: N=2,022  
Source: IDC, 2017

**FIGURE 10**

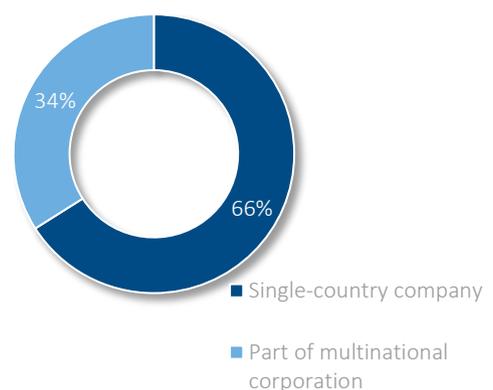
Respondents by Scope of Responsibility



Note: N = 2,022  
Source: IDC, 2017

**FIGURE 11**

Single-Country Versus Multinationals



Note: N = 2,022  
Source: IDC, 2017

## About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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