

# The Digitization of Human Resources

## The Evolution of Human Resources to People Operations

As the technology revolution continues with next generation cloud-based solutions, the corporate digital transformation has now reached all business and technology operational areas - bringing intuitive application suites with comprehensive functionality or point solutions to drive productivity, standardization, automation, and scalability. More recently, this digitization has been embraced by Human Resources (HR) organizations following the initial waves of digitization of Finance, Sales, Marketing, Support, IT, Security, and other functions within a company. This trend is evidenced by the continued increase in HR technology startup company funding by the investment community. In 2016, HR tech funding reached record levels with 402 deals worth approximately \$2.2B<sup>1</sup>.

The impact of digitization on HR has been profound, elevating Human Resources from a back office support function to a strategic People Operations organization and significant stakeholder group within a company. The transition from people and paper to systems and analytics has enabled standardization, automation, and differentiation while supporting strategic growth and competitive advantage. The transition has also changed how HR organizations function and the people needed to support them which now includes more technology savvy, systems focused resources that can manage their applications without support from IT.

This Kenny & Company point of view highlights some of the areas and solutions that are enabling the digitization of HR based on our industry expertise and client experiences. A summary of the solutions Kenny & Company has helped clients evaluate or implement is provided at the end.

## Human Capital Management (HCM) Systems

At the core of HR digitization are Human Capital Management (HCM) systems that provide both broad and deep functionality through an easy to use and intuitive cloud based solution. HR organizations are now reaping the same benefits as their Finance, Sales, Marketing, and Support counterparts who have transitioned to cloud-based ERP and CRM systems and significantly reduced or eliminated the infrastructure and applications support needed from IT. Gartner market leaders including Workday, Oracle HCM Cloud, and SAP SuccessFactors continue to help HR organizations transition into the digital era<sup>2</sup>.

<sup>1</sup> "Upward Mobility: HR Tech Hits A New Record", CB Insights, March 24, 2017

<sup>2</sup> "Magic Quadrant for Cloud HCM Suites for Midmarket and Large Enterprises", Gartner, Inc., June 16, 2016

## About Us

**Kenny & Company is a management consulting firm offering Strategy, Operations and Technology services to our clients.**

We exist because we love to do the work. After management consulting for 20+ years at some of the largest consulting companies globally, our partners realized that when it comes to consulting, bigger doesn't always mean better.

Instead, we've created a place where our ideas and opinions are grounded in experience, analysis and facts, leading to real problem solving and real solutions – a truly collaborative experience with our clients making their business our business.

We focus on getting the work done and prefer to let our work speak for itself. When we do speak, we don't talk about ourselves, but rather about what we do for our clients. We're proud of the strong character our entire team brings, the high intensity in which we thrive, and above all, doing great work.

## What's Inside

Human Resources to People Operations .....	p 1
Human Capital Management Systems .....	p 1
Employee Data and Workforce Analytics .....	p 3
Talent Acquisition and Management .....	p 4
Global Immigration Case Management .....	p 4
Performance Management Systems .....	p 5
Contingent Workforce Vendor Management ....	p 5
HR Technology Solutions .....	p 6
Conclusion .....	p 7
About the Author .....	p 7

HCM systems first and foremost enable core HR administration functions including data management for a company's organizations and employees - enabling employment life cycle business process standardization and automation. HCMs also provide core benefits payroll administration along with employee and manager self-service portals or mobile applications to view information or take action. HCMs can support tracking, managing and forecasting employee time entry, time off, and absence through Workforce Management capabilities. Most leading HCM suites are broadening their capabilities to also provide Talent Management functionality to manage the recruiting to onboarding process lifecycle, Performance Management to help streamline and automate performance review cycles, Compensation Planning, Promotion and Succession planning, Learning and Professional Development, and Organizational Workforce Planning. However there is also a new breed of Talent and Performance Management solutions that bring deeper functionality than the current HCM suites.

HCMs are enabling HR digitization by:

- Standardizing and automating business processes and workflows, allowing HR resources to spend less time on administrative tasks to more value add activities
- Providing employee self-service through an HCM portal and mobile applications to access and take action from anywhere at any time, eliminating need for paper forms
- Enabling Managers to automate and streamline activities or approvals related to managing team members from organizational workforce planning to managing time and absence or time entry approvals
- Delivering a comprehensive and broader employee data set to support workforce analytics and HR operational strategy
- Source of employee and organization data for all other business systems

### **Employee Data and Workforce Analytics**

With broader HCM capabilities and newer complementary systems within HR's technology environment, the employee data profile is growing within companies and becoming the one of most valuable data sources within an organization. Similar to how social media applications build a user profile based on preferences, views, and social patterns, companies are compiling and aggregating employee data to analyze and enable decision making for strategic talent management and organizational growth strategies. Companies are able to analyze their workforce, identify current and forecast future gaps, then develop

talent acquisition, retention, and growth strategies based on this data. These strategies include where and how to scale organizations with the right employee resources, identify diversity gaps to address, and identify skill set gaps for learning and professional development programs.

In addition, with HR systems serving as the source of truth for all employee data, the ability to more easily provision data across corporate systems is supporting digitization across the enterprise. More technology advanced organizations are developing People Data Warehouses not only for more advanced analytics, but also to enable employee data provisioning to internal and external business applications through APIs. This allows organizations to move away from developing and maintaining point to point integrations across corporate systems and reduce their systems support and maintenance costs.

Employee Data and Workforce Analytics enables companies to:

- Leverage analytics, dashboards, and scorecards to provide instant visibility into workforce and organizational trends and outliers
- Plan for growth through organizational realignment or identification of new departments and management layers with the required experience and skill sets needed
- Analyze and measure their current organization against talent objectives by segmenting employee, job, or organizational attributes such as gender, age, ethnic background, tenure, salary, organization, location, etc.
- Predict talent gaps resulting from promotions and attrition to drive talent acquisition and retention strategies
- Identify, develop, execute, and measure the effectiveness of diversity, inclusion, or other talent acquisition strategies

## Talent Acquisition and Management

One of the biggest contributors to the Digitization of HR is the emergence of next generation Talent Acquisition and Management solutions that extend far beyond the capabilities delivered with core HCM suites. Talent Acquisition solutions account for more than half of HR Tech investments mid-way through 2017<sup>3</sup>. With the increasing competition for talent, HR organizations are relying on these newer technologies to move beyond job postings and recruiting teams, and to transform the approach and treatment of candidates into that closely resembles how Sales manages its customers. Today's Customer Relationship Management (CRM) solutions used by Sales and Marketing teams help companies develop and manage business relationships throughout the customer acquisition lifecycle with marketing campaign management, prospect identification, lead development, opportunity pipeline management, and more. These same concepts are now delivered in Candidate Relationship Management technologies that include, Talent Relationship Management systems, Recruiting Marketing Platforms, Applicant Tracking Systems and others.

These emerging solutions emphasize promoting company branding, engaging with candidates through active and passive sourcing through multiple online, social, and mobile channels, personalizing candidate experience, cultivating interest, increasing job applications, and high touch communication and management throughout the hiring lifecycle.

Talent Acquisition and Management solutions help organizations to:

- Attract and source talent by presenting relevant and personalized company content and specific job opportunities through online, social, and mobile platforms based on their professional profile, site navigations, and career interests
- Promote company brand, mission, differentiation, culture, employee stories, and other content that are important to job seekers through multiple channels
- Increase career site traffic and job applications through integrations with common reference sites like LinkedIn or Glassdoor, and social media platforms
- Improve candidate experience and communication throughout the application to hire lifecycle or passively communicate, engage, and interact with target candidates who are not near term hires
- Optimize sourcing channels, marketing campaigns, and talent acquisition initiatives through data capture and recruiting analytics

## Global Immigration Case Management Systems

The search for well qualified, educated, and highly skilled talent also extends across U.S. borders as companies are increasingly hiring foreign nationals through the H-1B visa program. According to the USCIS, demand for H-1B visas has continued to increase with the number of total H-1B visa applications filed by employers on behalf of foreign workers increasing from approximately 250,000 in 2009 to 400,000 2016 and is on pace to reach a new high in 2017. U.S. employers have filed more than 3.4 million H-1B visa applications in the past decade with foreign worker median salaries increasing approximately 15% over this time period<sup>4</sup>.

Global Immigration visa programs are very complex and are becoming more challenging due to the shift in global sentiment towards immigration. The current U.S. administration is reviewing the H-1B program to identify changes that may impact an organization's ability to hire foreign workers<sup>5</sup>. Traditionally companies either build their own internal immigration teams and legal counsel to manage immigration programs and navigate the changes, or hire with an outside firm to manage the visa application process on their behalf. While these programs are heavily based on email, paper and electronic documentation, a new generation of Global Immigration Visa Management Systems have emerged to digitize these programs and help manage the growing complexities. These new systems are bringing automation, compliance, security, self-service, and improved information sharing across an organization.

Global Immigration Case Management systems are helping companies manage their programs by:

- Streamlining and automating the end to end case management lifecycle with templates, questionnaires, electronic filings, and electronic document management
- Maintaining compliance with global government regulations by managing filings, form submissions, and document retention for audits

<sup>3</sup> "HR Tech Venture Capital In 2017", Larocque, LLC., July 11, 2017.

<sup>4</sup> "Salaries have risen for high-skilled foreign workers in U.S. on H-1B visas", Neil G. Ruiz and Jens Manuel Krogstad, Pew Research Center, August 16, 2017

<sup>5</sup> Presidential Executive Order on Buy American and Hire American, April 18, 2017

- Securely communicating, sharing, and collecting documentation with sensitive data from foreign workers while providing automated statuses and alerts to keep them informed of their application process
- Integrating with core HRIS and Finance systems to more easily share information across the business
- Bringing visibility and analysis into immigration programs through reports and analytics to better manage existing programs and guiding future program strategy

### **Performance Management Systems**

HR Digitization has changed not only how organizations source and hire talent, but also how they help retain and develop talent to combat growing attrition rates and decreasing tenures. While attrition significantly varies by industry, the average voluntary attrition rates has increased from 11.6% to 12.8% between 2015 and 2016 while average tenure continues to drop down to nearly 4 years tenure in 2016<sup>6,7</sup>.

In Silicon Valley, the largest technology companies are seeing half of this average tenure with employees lasting less than two years<sup>8</sup>.

Investing in employee professional growth and development while praising and promoting employees based on performance against objectives and goals has been a successful strategy to keeping employees engaged. However, the current approaches to measure performance and identify professional development and promotion opportunities are falling short of employee expectations. The typical annual or semi-annual paper-based performance review process where managers fill out a form and provide downward performance feedback to employees are coming to an end. Today's employees, especially the newer members to the workforce, seek continuous performance feedback, learning and professional development opportunities, and the ability to provide their feedback on managers and peers.

A new breed of systems have emerged over the past 5+ years that brings Performance Management into the daily workflows of Managers and Employees, helping organizations transition to a more continuous feedback and performance recognition culture. It is still too early to understand the impact of this culture shift on employee retention, organizations are turning to these solutions.

Performance Management systems are helping clients to:

- Promote and capture real-time feedback through easy to use system interfaces or plug-ins that enable these capabilities directly in an organization's daily communication platforms like Outlook, Gmail, or Slack for example
- Enable 360 degree collaborative performance feedback across managers and team members to highlight and recognize individual strengths or coaching opportunities from those they work with more frequently
- Clearly identify and align on employee and organizational performance goals with ability to track and measure against performance
- Streamline and automate the performance review cycle through standardized forms, processes, and workflows
- Analyze individual and team performance across the organization to support compensation planning and promotion cycles

### **Contingent Workforce Vendor Management Systems**

Along with the emergence of technology solutions over the past 10 years that has driven the digitization of HR, the corporate workforce itself has also dramatically changed during this time as well. The increase in the contingent workforce where companies use consulting firms, agency hourly workers, outsourced services workers, and freelancers that make up the new "gig economy"<sup>9</sup> will grow to almost half of organization's total workforce in 2017<sup>10</sup>. With this growth, HR departments are faced with the challenge of managing the rising costs of contingent labor and up to hundreds of different vendor relationships with varying contractual agreements, payment terms, and fee structures while trying to manage co-employment risk.

<sup>6</sup> "2016 Turnover Rates by Industry", Ann Barnes, Compensation Force, April 21, 2017  
<sup>7</sup> Employee Tenure Summary, Bureau of Labor Statistics, September 22, 2016  
<sup>8</sup> Publication by Becky Peterson, Business Insider, August 20, 2017

<sup>9</sup> "Working in a gig economy", Elka Torpey and Andrew Hogan, Bureau of Labor Statistics, May, 2016  
<sup>10</sup> "Hiring Best Practices: Traditional Workers vs. Contingent Workers", OnboardIQ

To address these challenges, a new breed of Vendor Management Systems (VMS) have entered the HR technology space to bring better control, visibility, automation, and cost savings. These systems are often paired with a Managed Services Provider (MSP) that serves as an outsourced contingent workforce program management function within organizations. An MSP may have their own proprietary system, or partner with leading VMS providers in the market.

























Contingent Workforce Vendor Management Systems enable HR digitization by:

- Centralizing the management of all contingent workers into a single system for improved management, visibility, and headcount reporting
- Reducing annual spend by standardizing on competitively-priced rates at current market levels and standardized renegotiated vendor contracts
- Automating the Contingent Worker Sourcing, Interview, Onboarding, Invoicing, and Exit processes
- Increasing quality by measuring vendor performance and service levels, candidate quality, and worker performance
- Ensuring compliance and risk mitigation through proper FLSA worker classification, and that suppliers and workers meet corporate, regulatory, and legislative rules and regulations

**HR Technology Solutions**

The HR technology landscape has evolved with both maturing and emerging cloud based solutions. As previously mentioned, the HR technology space is one of the most heavily funded by the investment community with newer solutions entering the market every year. Kenny & Company helps clients identify the right solutions that meet their needs by performing informal or RFP based market analyses, evaluations, and vendor selections. We then lead vendor implementations, working with all stakeholder groups and teams to ensure our clients realize the value of these solutions.

Kenny & Company has helped clients evaluate or implement the following HR technology solutions:

Capability Area	HR Technology Solutions
Human Capital Management	
Employee Data & Workforce Analytics	   
Talent Acquisition	   
Performance Management	        
Contingent Workforce Management	    
Global Immigration Case Management	

## Conclusion

The emergence of cloud based HR technologies over the past decade has led Human Resources into the digital age - driving the evolution to People Operations. Human Capital Management systems continue to mature with broader capabilities and expanding the employee data set within a company. Next generation Talent Acquisition and Management solutions has gained increasing adoption and is among the largest funded HR technology segments as organizations compete for talent and seek new ways to reach, connect with, source, recruit, and hire new employees. People Operations are also changing how companies engage with their people by transitioning from standard performance review models to a continuous feedback driven culture that promotes professional development and recognition of performance against defined goals. Vendor Management Systems deliver cost savings, automation, and standardization for an organization's rapidly growing contingent workforce. With this new ecosystem of HR technology, the vast amount of employee data available to organizations has enabled sophisticated workforce and organizational analytics that drive and support corporate strategy.

Kenny & Company partners with our clients' People Operations teams to lead them into the digital age. We define a strategic path for our clients based on their operational objectives and current technology ecosystem, then evaluate, select, and lead the implementation of solutions with optimized business processes. Kenny & Company enables clients to achieve their HR digitization strategy.

### About the Author



Peter J. Daheb is founding Partner and Chief Operations Officer with Kenny & Company. Peter has spent his career delivering consulting services and technology solutions to executive level clients at Fortune 100, Small and Medium Businesses, and Emerging Companies with a track record of success in building client relationships by establishing and growing presence in new business markets. Peter has 19 years in business development and consulting experience with Oracle, SageLogic Software, Informatica, Tangent Computer, Synnex and Slalom Consulting and has a broad range of technical expertise in the areas of Business Intelligence, HCM, CRM, ERP, Telecommunications and Cloud Computing. As an entrepreneur Peter has successfully launched two companies, is an active member of the Silicon Valley Association of Startup Entrepreneurs (SVASE) community and has published multiple perspectives on the startup and emerging company space. Peter holds a Bachelor Arts Degree in Cognitive Science with Minor in Business and Marketing from the University of California, San Diego.

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### Partner Led

Our Partners are personally committed to our clients and lead every engagement.

### Experience, Perspective and Passion

We average over 20 years in professional services and bring tailored approaches to every client engagement.

### Focused, Collaborative, High-Impact

We work side-by-side with our clients in highly focused teams to solve complex business problems.

### Client First

Our highest priority is our client's professional and personal success. We believe clients should expect more.

### Guarantee Our Work

We guarantee our clients complete satisfaction every engagement every time.

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