Hypotheses Kate on HR Tech for 2018:

Blue Skies ahead but plenty Cloud on the Horizon

A hypothesis is a possible explanation as yet unproven. Looking to an industry year ahead is inevitably unproven. I offer here 20 hypotheses opinions about how the HR technology industry could continue to change in 2018. On each read the headline and a brief explanation so that you can figure the impact on you and your organisation.

For the start of 2017, I wrote about how the HR technology industry looked set to be rather more cloud than blue-sky.

A year on and I'm buoyant that the skies are bright for people technologies, not too dismayed at the trends I pointed to a year ago (thank heavens!) and still asking HR, Finance and business leadership to look up to those skies and aspire for more with their systems of choice.

I think it's hard, and particularly so if your organisation is not US-centric, to find informed whole-of-market insight into what is really happening in the HR systems industry. There are enjoyable and admirable bodies of research from the most respected sources, such as Bersin for Deloitte, Sierra Cedar and PwC all of which I keep a watch on for you here. In the UK it is, by the way Fosway that currently do I believe the best job of seeking evidence and turning it into information. But there is little that is more precisely relevant on anything but the very largest of scale.

At Phase 3 Consulting, without the power of extra big-industry big-data, let us aim to apply the independent consulting expertise that we have for me to offer some triangulation of sources, of our own watch-points and of our year's qualitative assessments as we've worked with our clients. I offer here opinion which I choose to term my hypotheses for 2018.

Here are 20:

20 Hypotheses about the HR Tech industry Kate's running with for 2018

1. **Some contexts render the purchase of an HR system as a necessity a fallacy**

   Today organisations have available to them cross-functional, cloud-based tech licences (we use SharePoint) that, with the right niche add-ons and the right in-house skill, in some contexts, why pay enormous fee for an HCM? Increasingly I hear consultants advising client organisations to look beyond or around the core HR solution. This is matched with a frustrated voice from internal IT teams that the same ends cannot be achieved from an already-deployed toolkit. Wider systems maps need to become part of the business case for people technology.

2. **In-house it could be the Power BI specialist who is your hidden gem**.

   HR rely increasingly on analytics as our offer to the business. There is also an increasing gap between the analytics capabilities of HR-designed products and generic organisational analytics tools (e.g. Power BI). The latter is a fairly readily-tapped skill-set. Why not use it? I hope, by the way, that this capability gap starts to close. [And see nos. 6 and 7]

3. **Partner relationships involving 3 or more expert companies working could be a good thing not a bad one!**

   I've assumed to date that whilst you need specialists, a complex network creates "too many cooks". I question now whether a more open partnering ecosystem with complementary offerings – and (e.g.) partners working direct with partners – could be a value-add rather than a de-railer for the internal project team. Fantastic partner networks are working out there of which Phase 3 are happily part.

4. **It is payroll that is ripest and next-up for doing things differently**

Payroll has lagged in making it to innovative service, to cloud and to client demand. I heard the Global Payroll Association *this year call it 'sticky', because it's proven hard to date to change. But professionals now perceive this, cloud is trusted and HCM solutions themselves offer so much on (e.g.) compensation and benefits and analytics that a payroll product itself can be nimble and simple – creating demand that the industry moves fast to new solutions and systems maps. I noted last year that Brexit could make geography matter more; and geography matters in payroll.*

5. **Out-of-the-box can mean selective quality not just speed of adoption**

We tend to dismiss 'out-of-the-box' or pre-canning of full HCM solutions, but I suggest that a pre-configured product can mean that the vendor has taken the strain in using their experience to make wise configuration choices for you. In 2018 system selection experts will need to decipher the difference between pre-determined product choices that are (a) cheap-and-not-even-cheerful and (b) a distillation of the best of a bigger beast.

6. **At last, and behind the US, UK HR may be ready for true analytics**

(As witnessed at CIPD Analytics Conference *in November) The language of purists and generalists in HR begins to keep up with the language of analytics, evidencing that now there is both understanding and appetite for moving from basic reporting into predictives and even prescriptives. HR professionals begin to grasp how to define business questions and put those to the technology, so that the product demand is now there.*

7. **Visualisation features and tools have an integral value not to be underestimated**

   The simple impact of drill-down (colourful!) dashboards as a top layer of technology may be, yes, a top layer, but the UI and the ready access for HR or people management is a rapid route to that people technology successfully hitting the business with effect. If your HR solution itself doesn't offer the right manager and team member top layer experience, which many now do, then you can also look to use software not designed specifically for HR (e.g. Qlik or Power BI). Some offer free versions [See also nos. 1 and 6]

8. **It is possible to pinpoint the skill-set of an HRIS professional, versatile between systems**

   Traditionally career paths in HR tech have (a) rested outside the organisation with specialist consultants and (b) been led by vendors training upwards within a 'rate card' of different levels of one-product expertise. This limits ability to offer holistic advice. A competency framework is identifiable which can be applied across the market and developed as a talent pipeline, both in-house and in a consultancy team.

   At Phase 3 we call this GYO (for 'Grow Your Own'), by which we mean the development in any context of professionalism that combines contextual, systems and people awareness and talents.

9. **HR professionals need to grasp now essential concepts of data manipulation (statistics), data ethics and data security**

   Today's digital organisation requires that people aspects of business cannot be divorced from technology aspects. Josh Bersin's annual trends watch tends to change little from just one year to the next (nor should it!) but I do notice that between 2017 and 2018 he is choosing newly to flag up HR as a digital department. 3 factors, in particular, start to require HR and IT to work together and with common language: the employee-demanded experience, scary happenings with cyber threat and a hefty compliance mandate. We have very few months to go until GDPR takes effect.

10. The people technology industry does not allow for one company to do both product and service well

Wise companies are opting to invest in the partner ecosystem concepts, recognising that the simple premise of rewarding and incentivising what you want done creates differences between product and service excellence. Even wiser companies reduce the line-of-sight between back-office developers and client-facing sales/PM's – even sitting geographically close matters. [And see no. 3]

11. Platform matters a whole lot more than application

With an appropriately open platform, the availability of quite such a plethora of choice of product creates so much more option for the optimum people technology systems map for your organisation, that it's a much more critical factor than what (at your purchase start-point) you choose to pop on the top. If your basic HR system platform is really open then open to you is a choice of apps you can with confidence bank on adding on in the future.

A year ago, I wrote about Platform-as-a-Service ('PaaS') that "The why question for HR is answered in the ease with which products can be scaled up, integrated with other solutions and configured or customised. PaaS could offer the benefits of cloud, combined with why some of us still rather like the idea of on premise."

It is not always clear nor well-defined whether solutions are delivered as PaaS or SaaS, but suffice to say ask questions about platform.

12. 9-box grids in the talent context don't cut the mustard anymore

People analytics and visualisation tools make it possible to view information about talent in much more complex ways than 9 simple boxes and we want to be able to analyse interplay between stuff recorded as data fields with more choice about how to link what with what – and have that presented to us. So, the technology has to do better. Top layer dashboards may continue to show us a first impression in 9-box formats, but I doubt that this can continue to be sold as a system feature. As employees get aspirational, I wonder whether Total Reward Statements will go the same way?

I noted above that the Fosway Group I choose to follow for their informed findings in the European people technology space and I stress that, to describe a market I see no reason why 9-box grids are not the optimum way to present aggregated findings. Explore those Fosway grids *if you're interested and I recommend them.*

13. Mandate notwithstanding (and it's coming!) there is increasing incentive to include those strictly off payroll in people data systems

Because of the influence and involvement with business performance, off-payroll workers of various guises become more relevant to consider as an integral part of the workforce beyond any pure regulatory requirement to monitor that activity. Brexit rather overshadows the governmental moves in response to the Taylor review *and legislation will surely follow the bill recently released. However here my key point is not the mandate, but the business questions we will have to answer that need to factor in the periphery ('gig') worker.*

14. It is after all safe to offer end-user managers direct entry of people data at source
My to-date distrust of giving on wide scale people manager users direct entry and control over people/pay data is misplaced. The added value in avoiding workings off-system to correct or update people data outweighs any implicit understanding that people managers may not be the greatest or the most compliant at using tech.

15. The time of the return of the ERP could be close: will vendors have to choose between going big or small? Will we see a "squeezed middle"?

This is posed as a question, because this could, as yet, go different ways. Rather like the current bigger debates about advances in AI, we know what is happening with the technologies but we do not know how the response will play out.

For sure the concept in the HR tech market of 3 tiers looks outdated [and see no. 16] and if we extrapolate that belief then we see a future where to be middle is to be no-one. To be middle could be neither the most powerful and far-reaching nor the most agile and niche.

Although it is clear that no one solution, even at enterprise level, is spot on to cover all business requirements, the combination of ERP plus some niche bolt-ons could prove the ideal end-goal. Providing cross-functional process, teamwork and networking capability becomes so very important that I think the biggest or the nimblest may stand the best chance of offering the best solutions.

16. Vendors are wise to be segmenting vertically and not by organisation size

The relevance of organisational size used to be about price-point, required feature complexity and breadth too. Cloud changes price models with lower licensing costs and greater proportion of system costs about maintenance and development of operability internally.

Secondly, cloud changes the ability to take the best of a far-reaching ERP/business application and the combination of the niche and nimble apps. But it does prove true that how that niche feature needs to look is very different in very different vertical sectors – as is the style with which an organisation seeks to work with their tech provider.

Besides which, it's a wise leadership strategy in any industry to be able to rule yourself in but out too of what to do and not do!

17. There are alternatives to working with clean and complete data and/or one master source of HCM data

This has always been a start-point to decent HRIS advice and it's still true but with some nuance. Where there is either sound grasp in the organisation about what it means to own items of data and data definitions (grandly called taxonomy) and/or a strong drive for analytics – with appropriate stats modelling skill – imperfect data can be worked with and it should not hold you back.

As a more basic example of this point, consider this: Our consultants' work with clients on analytics to date and into the future must include advice into business teams about watch-points where as BI specialists we can have greater or lesser degrees of confidence, or we believe to be question areas. Gender Pay Gap reporting is a case in point. We can find the narrative highlights, but we should not write the narrative in full.

Extend this concept to see that less-than-perfect data in most areas can still provide the right common method of working together on management tool and on insight, as long as there is narrative and understanding.

18. There is no such thing as 'glocal'

Glocal (and our context is payroll) is supposed to mean the incorporation of local/domestic difference into an international model (e.g. single global HCM and payroll solution). This is generally delivered by global outsourcing providers who aggregate (or consolidate) locally-compliant payroll information to provide one feed into the organisation.

Far from the best of both, we risk with 'glocal' payroll achieving the worst because we place a new and unfortunate reliance on one aggregator's calibre. We also have less line of sight of source data and proximity to local precision of expertise. We believe too readily in the ease of deriving a common data standard and dictionary.

19. **Chatbots do have substance and some organisation's employees are now ready**

On examination, the UI (amazing!) of the chatbot does actually do something as well as look good – behind the scenes the text interpretation (in some cases natural language processing emerging) is more than a different interactive experience. What's more it isn't true these days that most working environments comprise those resistant to whizzy tech; in fact, the reverse is more likely to be true.

20. **The activity of the major search and social engines has a direct relevance to HR technology**

This is a consideration that's recent to the market. The power that (e.g.) Google has over our employees' work and social activity-tracking offers both danger and opportunity to employers and to people technology.

The giants are relevant to talent, learning, analytics, collaboration and engagement. Whilst not a success to date, deliberate inroads into HR could add impetus to our suggestion that you may not need "HR" technology at all.

What if Facebook or LinkedIn gave you passive candidates, engaged and onboarded through social media and then into the business process flow (and perhaps it's Flow!) of your standard office application suite? Add on top-layer visualisations, IM messaging and a locally-compliant cloud payroll. Job done.

[And with this at no. 20, my hypotheses for 2018 prove circular – check back to no. 1!]

> *I conclude and repeat: a hypothesis is a possible explanation as yet unproven.*
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> *20 hypotheses here for HR technology offered here are in some contexts the start-point to an evidence base to trends. In many cases though I think it's important to note that they remain absolutely aspirational.*
>
> *Blue skies and cloud notwithstanding, research is still suggesting that somewhere between 25% and 50% only of organisations yet have cloud-based core HR. Even on the basics of self-serve, automated process and reaching mobile there is much to be done.*
>
> *Judge yourself not on the relative but on your own HR technology journey. The great industry news is that there has to be much win still for all concerned and wherever you are currently at.*

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About the Author

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Kate's passion at work is for bridging the gap between technology and people at work, translating for HR professionals the language of HR systems and making meaningful their potential. She believes that success with people technology is through people and that people are the differentiator. Using simple techniques drawn from HR experience, project management, business psychology and analogy with everyday life, Kate presents and explains how to work well with technology and technology projects in an HR leadership role. With a background in contrasting private and public sector HR management, Kate developed her thinking in seeking for herself to understand her first HR systems project-work. Kate is currently the Managing Director of Phase 3 Consulting, offering an independent take on the HR systems market in the UK, through a network of experts and a talented, growing internal team. Kate's guiding principle is that openness offers knowledge-sharing, credibility and trust. Incorrigibly enthusiastic and up absurdly early for a working morning, she swears that she only drinks three good coffees a day, but nobody believes her! Kate also writes as an HR Zone columnist.