

# 10 reasons why businesses are investing more in HR technology

Key trends to help you build your case internally for modernising your HR technology

[www.naturalhr.com](http://www.naturalhr.com)



# Contents

- 4 Introduction: **Today, HR technology is big business.**
  
- 6 Reason 1. **The workplace is changing**
- 8 Reason 2. **Supply-side investment is more available**
- 10 Reason 3. **The employee experience is a major competitive advantage**
- 12 Reason 4. **The growth in computing speed, mobility and storage**
- 14 Reason 5. **Software designed for the workplace, not just the HR team**
- 16 Reason 6. **Data for better people reporting and analytics**
- 18 Reason 7. **Improving security and compliance**
- 20 Reason 8. **Big players are entering the market**
- 22 Reason 9. **Cloud HR platforms are driving the latest replacement cycle**
- 24 Reason 10. **Migration, implementation and adoption just got easier**
  
- 26 In summary - **Make your workplace a differentiator**

# Introduction: Today, HR technology is big business

10 reasons why businesses are  
investing more in HR technology



**According to global research firm Gartner, worldwide IT spending is set to total \$3.7 trillion in 2018 - an increase of 4.5% from 2017. Enterprise software is expected to be the fastest-growing part of this spend, growing by 9.5% from last year to \$389 billion in 2018.**

And HR software is forecast to be the biggest area of this spend, as more firms than ever are looking to technology to help the digital transformation of their workplace.

**According to a 2018 report by Deloitte, 45% of large companies and 51% of mid-sized companies are increasing their spend on HR technology**

Many HR leaders are very aware of this trend, often by witnessing peers or observing competitors increase their own technology budgets. Nevertheless, it can be a struggle to convince other internal stakeholders that your organisation may get left behind, should it continue to operate its current HR systems.

If this sounds familiar, this guide is for you. Understanding the context and drivers behind the growth will definitely help you develop a more compelling case to secure more funding for your own tech budgets. So, we've put together what we are seeing as the top ten reasons behind this surge in HR technology investment.



Reason 1

# The workplace is changing

10 reasons why businesses are investing more in HR technology



## Reason 1. **The workplace is changing**

**Easily the biggest driver for increased spending is the changing world of work. Organisations of all sizes and industries are experiencing a significant shift in the dynamics of the workplace. Talent is now being accessed from more dispersed global labour pools and contracted in different ways to the traditional full-time employee. This 'gig economy' as it is often referred to, describes the growing trend for employers to hire temporary workers for specific projects.**

According to the Office of National Statistics, the number of self-employed people in the UK has risen by 45% since 2001. In 2017, more than 15% of the UK labour force were classed as self-employed, 'gig economy' workers. By 2027, freelancers are expected to become the workforce majority based on the current growth rate, according to Forbes. This is all being driven by factors such as automation, remote working, freedom and flexibility on the worker side, with organisations waking up to the fact that much of their work is better outsourced - while seeking to leverage more cost-effective, on-demand labour models.

**Furthermore, nearly 50% of millennial workers are already part of the gig economy.**

This wave of new, digital-savvy millennials is starting to make up a sizeable part of the whole workforce too - and

they are seeking a very different, non-traditional workplace experience.

There are many leadership, cultural and regulatory implications created by this new dynamic. And HR needs to quickly get to grips with this changing reality, because the development of such an 'augmented' or 'hybrid' workforce is quickly becoming very attractive to both employers and workers.

Making this new model successful requires greater agility, mobility and flexibility. Technology is a critical enabler, ensuring employees and freelancers can collaborate and making sure employers can keep their people engaged, while helping them work more productively (see later). Equally, HR will need the tools to be able to source, onboard, manage and remunerate non-employed workers, something which legacy HR systems have rarely catered for - a factor that is also forcing teams to explore alternative solutions.

## Reason 2

# Supply-side investment is more available



## Reason 2. **Supply-side investment is more available**

**Where there is demand, there will be supply. So, tech investors - encouraged by the ever-growing demand for HR and workplace technology - are increasingly keen to provide seed money for innovators in this sector. According to venture capital database CB Insights, investors poured nearly \$2 billion into HR applications and platforms in 2016 alone.**

And this means more HR and workplace software is hitting the market than ever before, as entrepreneurs and developers find that funding is readily available to help turn their ideas into reality.

According to HR Technologist, there are now more than 2,700 different HR software companies operating worldwide. It also states that the macro trends of investing have been focused on talent acquisition, with the micro trends moving towards newer technologies, such as Artificial intelligence and analytics to drive the next level of user experience and engagement.

**HR Technologist predicts that artificial intelligence is going to be the biggest force shaping HR technology in 2019 and beyond.**





## Reason 3

# The employee experience is a major competitive advantage



### Reason 3. **The employee experience is a major competitive advantage**

## **Competing for the right talent is still one of the biggest challenges for employers. And the expectations of top performers as to what makes a great work/life experience has never been higher.**

Good people want more than a fair exchange of money for their time and will want to work with organisations that are more flexible, provide a more digital working environment and can create a strong cultural fit.

Employee experience (EX) goes beyond employee engagement, employer branding and benefits - Inc.com describes it as the sum of all interactions an employee has with their employer.

Technology should play a major part in helping you design and deliver a superior employee experience, throughout the hire to retire process. You should first consider what technology can inform, improve, enrich, eliminate or replace. Here's some examples:

- Using analytical tools, online feedback and employee data to provide key insights to help you shape your EX programme
- Ensure employees can work remotely, while staying well-connected to their organisation

- Provide employees with collaboration tools so they can work on projects, share information and engage outside of meetings
- Enable employees to work faster, stay productive and reduce stress by leveraging self-service systems that help complete basic, yet time-consuming transactions more quickly - such as submitting expenses
- Offer wellbeing programmes, reward schemes and other perks through consumer-like apps



## Reason 4

# The growth in computing speed, mobility and storage



Reason 4. **The growth in computing speed, mobility and storage**

**The growth in computing speed, mobility and storage is also accelerating the digital workplace and driving increased spend on HR software. Networks have become more and more robust, while the computing power available in hardware continues to increase - as a result employees have, in many cases, become more productive working on their devices, rather than an office desktop.**

Furthermore, mobile computing is rapidly enabling access to global workers - connected by data, as well as voice. Teams across time zones and countries can work remotely, while staying connected to their teams virtually via tools such as Skype, VoIP, email, and cloud-stored files.

Faster broadband, greater WiFi availability and home fibre access is also helping employees to work remotely - either on the move or at home.

This is all leads to a more positive impact on the employee experience - so often let down by limited bandwidth or accessibility. Despite our personal frustrations, it has vastly improved in recent times, and in-turn has increased adoption, along with the proliferation of new technology solutions - paving the way for more software and applications to exploit this increasing computing power.

**While the UK lags somewhat behind other European countries with only 4% of homes having full-fibre access (compared to 89% in Portugal), government is investing £30bn to roll-out this technology to the wider population.**



## Reason 5

# Software designed for the workplace, not just the HR team



## Reason 5. **Software designed for the workplace, not just the HR team**

**For many years, HR technology was primarily centred on alleviating the strain on the HR team, by automating and integrating HR practices. This is still hugely important - Bersin's High-Impact HR report suggests that 45% of HR departments are still focused on automating their processes.**

Nevertheless, modern, integrated HR platforms are increasingly adding functionality to improve engagement with employees, to help productivity and to enable teams to work together. The problems of overwhelming, mass communication channels and low productivity are huge issues for employers.

Arguably the best example is Workplace by Facebook. It's tagline, 'Where teams connect to get work done', neatly encapsulates how this new collaborative platform is being used to communicate via groups, to chat with colleagues and provide social network features in a corporate environment.

**Alongside the integrated HR platforms, niche workplace technologies are also growing rapidly in an attempt to tackle these significant challenges.**

## Reason 6

# Managing data for better people reporting and analytics



## Reason 6. **Data for better people reporting and analytics**

**People analytics is the number one priority for HR teams looking to invest in new HR technology or upgrade existing systems, according to the 2018 PwC HR Technology survey.**

The new generation of people analytics is utilising the power of big data to revolutionise many aspects of HR, such as recruitment. For example, there are now tools on the market that use powerful algorithms to automatically search for and identify the very best candidates. This blows away the slow and inaccurate process of classified ads, headhunters and job boards – and is proving very attractive to many firms.

Most HR teams now have much better systems in place to report on people-based KPIs, so they are increasingly turning to analytics to improve decision-making. More sophisticated practitioners are embracing predictive analytics, which allows HR teams to look into a crystal ball and ask 'what happened and why did it happen?'

**With the right data, predictive technology can help you answer key questions along the whole employee lifecycle.**

For example, 'Which candidate profiles lead to greater success?' or 'What groups of employees are most likely to voluntarily leave the company?' Such insights enable you to offer even more effective HR solutions.

We are also seeing the dawn of artificial intelligence and machine learning - all of which offer a potential quantum leap in analytical capabilities. These technologies will undoubtedly become a major part of the people analytics story in years to come.



## Reason 7

# Improving security and compliance

**naturalhr**  
TRANSFORMING BUSINESS



10 reasons why businesses are investing more in HR technology

## Reason 7. Improving security and compliance

**In days gone by, security and compliance were not major concerns and software residing on local infrastructure stored on-site, was generally regarded as safe - as long as the office premises had adequate locks, alarms and maybe even CCTV.**

However, today the stakes are much higher for businesses that suffer the loss or theft of personal data. Most data breaches occur as a result of human error and inadequate processes around data protection, such as using unencrypted devices or sharing sensitive information over email. At the same time, there has been a shift in trust when it comes to security in the cloud. Once an inhibitor of cloud adoption, now it is increasingly seen as more secure, as most breaches have not occurred in the cloud.

Personal data has also become increasingly attractive for more sophisticated criminals who know how to exploit poor processes. Rather than attempt to take down secure firewalls or overcome other online security measures, they would much rather use social engineering techniques to hoodwink unsuspecting employees.

New legislation, such as the General Data Protection Regulation (GDPR) is now forcing businesses to be more vigilant when it comes to safeguarding personal data. If your business fails to take the necessary steps to secure personal data, the subsequent fines resulting from non-compliance can be crippling.

More and more businesses are choosing to move their personal data into the cloud as a safety measure, recognising that the data centres used by both private and public cloud vendors are typically protected by government-grade security protocols and systems.

## Reason 8

# Big players are entering the market



## Reason 8. **Big players are entering the market**

### **The growing popularity of HR software hasn't gone unnoticed by the world's leading tech giants.**

For example, Google has recently launched (in 2017) an enhanced job search facility, for both job seekers and employers. Also, Microsoft is building on its recent acquisition of LinkedIn by introducing a number of AI-powered HR initiatives onto the platform, and Amazon has expanded its Alexa virtual assistant range into the workplace with Alexa for Business, which has a host of HR-related capabilities.

And as we saw earlier, Facebook has entered the sector, with new technology aimed at leveraging its massive user base to help teams collaborate better in the workplace.

**These huge brands are driving awareness for new and innovative ways to help employees and HR teams work more productively, which is also contributing to the growth of the HR technology market.**



## Reason 9

# Cloud HR platforms are driving the latest replacement cycle



## Reason 9. Cloud HR platforms are driving the latest replacement cycle

**Many organisations have been using HR systems that were purchased way before the digital workplace was even conceived by the analyst community, as a long-term prediction for businesses and HR teams.**

Back then systems were on-premise, heavily customised and typically evolved from a core payroll system with some additional HR features. These solutions were first developed prior to the Internet age and designed for a very different workplace than we have now.

While many of these traditional systems have evolved, their fundamental constructs are unfit for a digital workplace. The biggest issue is that many of these applications are not truly 'cloud-based', despite vendor claims. For instance, they don't easily integrate with other modern cloud applications, they provide a clunky and outdated user experience and they support HR processes that have largely become obsolete, as a result of automation.

Rather than being built in the cloud, they have been moved into the cloud - so the same software has simply transitioned from an on-premise model into a hosted environment, so they can be accessed through the Internet and then badged as a cloud solution. The look and feel may have been modernised but the core functionality has not really changed.

It has taken time for many organisations to accept that these past investments no longer yield any real value. But with the clear changes taking place in the workplace, many are looking at replacing these ageing HR systems, which is further driving this next wave of HR technology spending.

## Reason 10

# Migration, implementation and adoption just got easier



## Reason 10. Migration, implementation and adoption just got easier

**If there is one thing in particular that would have previously dissuaded HR and business leaders from switching to a new HR system, it would have been the painful process involved in migrating.**

HR software implementations have a chequered past, with many projects failing in terms of over-running or exceeding budgets. We're all familiar with the traditional approach - you buy the HR system, work with a vendor or external consultancy to tailor it to how you want everything to run. You then host it on servers located on-site and maintain it on your own infrastructure.

This laboured model comes with the risk of lengthy project delays and excessive upfront costs. It also involves a heavy time commitment from your side, which often leads to implementation delays. Upgrades and maintenance also tend to be more complex and resource intensive – therefore increasing your expense.

But this scenario is quickly becoming a thing of the past, which has also made investing in new technology much more palatable.

With the rise of cloud-based HR systems, the implementation process is far simpler. The Cloud is quicker, less expensive, less effort, covers updates and upgrades automatically, and drives much-needed standardisation in HR. But above all, it offers a greater likelihood of adoption, which should be the ultimate yardstick against which your business case should be measured.





# In summary - Make your workplace a differentiator



## Tech is transforming the HR landscape, as new software systems are offering ever-greater flexibility and functionality. So, it's no surprise HR tech is such a burgeoning sector.

But the ultimate driver for technology is the recognition that people make the biggest impact on organisational success. So ensuring you have the best talent is paramount. The workplace environment you create is therefore critical in being able to compete against other employers - and for many of the reasons we've explored in this guide - technology should be part of the very fabric of your workplace design.

The workplace is now a competitive differentiator. As we've highlighted in this guide, a great working environment helps business and HR leaders secure and retain the best talent, increase productivity and even reduce overheads. The best workplaces drive innovation by enhancing collaboration and helping to create a happier, healthier and more engaged workforce.

If we could pick one major reason for the increasing investment in HR and workplace technology, it is to stay ahead of the competition. With a cohesive strategy driven by leadership, HR and IT you can build a tech-enabled working environment to be proud of, and ensure you don't get left behind.



## All-in-one HR software for the growing business

Natural HR is a cloud-based HR software company for growing businesses with 100+ employees. Our comprehensive suite includes your core HR database, self-service, recruitment, performance management, time and attendance, expenses, reporting and analytics. Natural HR also comes with customisable workflows to help you automate and streamline processes, such as onboarding and offboarding.

Unlike most cloud vendors who leave it to you to learn their software, we believe you deserve more. For us, it's more than just providing you with technology. We are passionate about ensuring you get the most out of our solution. Our friendly and approachable customer success team is dedicated to helping you get set-up quickly with ongoing training and technical support throughout your Natural HR journey.

Contact us:

T: +44 (0)121 663 1500

E: [info@naturalHR.com](mailto:info@naturalHR.com)

W. [www.naturalhr.com](http://www.naturalhr.com)