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Article

# Value Creation: From Administrative Burden to Strategic Asset: A Qualitative Study of HRIS Integration and Performance in UK SMEs

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## Abstract

Against the backdrop of rapid digital acceleration and a tightening UK labor market, Small and Medium-sized Enterprises (SMEs) are increasingly pressured to move beyond manual administrative processes to bridge the national “productivity gap.” While digital transformation is often framed within a large corporate context, this research investigates the specific role of Human Resource Information Systems (HRIS) in driving operational efficiency and strategic performance within resource-constrained SME environments. This study aims to evaluate how HRIS integration transforms HR functions from an administrative burden into a strategic asset, while identifying the unique implementation hurdles and performance outcomes experienced by resource-constrained UK firms. This study adopts an interpretivist, qualitative approach to examine how HRIS integration transforms HR functions from administrative burdens into strategic assets. Data were collected through semi-structured interviews with 12 HR managers across the hospitality, retail, and recruitment sectors, and analyzed using thematic analysis. The findings reveal a three-stage, non-linear process of value creation: (1) administrative liberation through automation, (2) strategic visibility via data-driven insights, and (3) digital friction arising from cultural and technical barriers. While HRIS enhances operational efficiency and decision-making capability, its strategic impact is contingent upon organizational readiness, particularly digital literacy and change management practices. This study contributes to the HRIS and SME digital transformation literature by conceptualizing “digital friction” as a critical mediating construct, demonstrating that value creation in SMEs is an iterative and context-dependent process rather than a linear implementation. For practitioners, the study provides a roadmap for navigating digital transitions, emphasizing that the “human element” of change management is as vital as the technological infrastructure. While limited by its qualitative scope, the research sets a foundation for future longitudinal studies to measure the long-term ROI of integrated HR platforms in diversifying SME sectors.

**Keywords:** strategic asset; HRIS; value creation; SMEs; digital transformation; administrative liberation; digital friction

## 1. Introduction

Within the United Kingdom’s economic framework, Small and Medium-sized Enterprises (SMEs) serve as the “backbone” of private sector employment and innovation (Department for Business, Energy & Industrial Strategy [BEIS], 2023). By 2025, SMEs remained the backbone of the UK economy, comprising 99.9% of all businesses (5.7 million), with micro-enterprises alone representing 95% of the total (House of Commons Library, 2025). Under the criteria established by the Companies Act 2006 and aligned with broader European standards, the UK categorizes these

entities primarily by headcount and financial turnover. Micro-enterprises are defined as firms employing fewer than 10 staff with a turnover below €2 million, while small enterprises maintain fewer than 50 employees and a turnover under €10 million.

Finally, medium-sized enterprises are characterized by a workforce of fewer than 250 individuals and an annual turnover not exceeding €50 million (Ward & Rhodes, 2023). Despite their size, the collective impact of these 5.5 million businesses is profound; however, their resource-constrained nature often necessitates the adoption of digital tools, such as Human Resource Information Systems (HRIS), to maintain competitiveness against larger corporate rivals (Lieberman, 2024).

An HRIS is defined as a systematic integration of hardware, software, and procedures designed to facilitate the collection, storage, and analysis of employee-related data (Kavanagh & Johnson, 2017). Historically, HRIS adoption in smaller firms was viewed primarily as a tool for administrative governance—automating basic functions such as payroll, compliance, and leave management (Alam et al., 2016). However, as SMEs navigate an increasingly volatile economic environment, the role of HRIS has evolved. It is no longer merely a repository for data but a critical driver of organizational performance that enables “strategic visibility” through real-time information flows (Omrani et al., 2022).

Despite the documented benefits of HRIS, SMEs face a unique “resource poverty” that creates significant hurdles during digital integration (Johnson et al., 2022).

Unlike large corporations with dedicated IT and change management departments, SMEs must navigate technical implementation and cultural resistance with limited financial and human capital. This creates a paradox: while the HRIS is intended to reduce administrative burden, the initial “digital friction” of implementation can often exacerbate it (Baekgaard et al., 2025).

This research seeks to bridge the gap between HRIS theory and SME practice. By adopting a qualitative, multi-sectoral approach, the study investigates the path through which UK SMEs navigate the transition from manual “spreadsheet silos” to integrated strategic systems, identifying the mediating factors that allow these firms to achieve value creation in an era of digital-first HRM.

## 1.2. Research Gap

Despite growing research on HRIS adoption and digital transformation, most studies focus on large organizations with extensive technological and financial resources. Less attention has been given to how SMEs experience the transition from manual HR administration to integrated digital systems under resource constraints. Existing literature mainly emphasizes operational outcomes like efficiency and automation but insufficiently explores the organizational processes through which HRIS becomes a strategic capability.

Furthermore, previous studies rarely examine the socio-technical tensions in implementation, especially cultural resistance, digital literacy, and organisational readiness within SMEs. Although digital transformation and HR analytics have gained scholarly attention, there is limited qualitative evidence explaining how SMEs navigate the “digital friction” during HRIS integration.

This study addresses these gaps by providing an interpretive, multi-sector qualitative analysis of HRIS integration across UK SMEs, focusing specifically on the mechanisms of value creation and the mediating role of digital friction.

## 1.3. Problem Statement: The SME Digital Maturity Paradox

Despite the economic significance of the UK SME sector, a persistent “digital maturity gap” exists between small-scale operations and larger corporate entities (Ward & Rhodes, 2023). While digital transformation is often touted as a universal necessity, many UK SMEs remain tethered to fragmented, manual HR processes, frequently managed through “spreadsheet silos” or legacy paper-based systems (Sagala & Óri, 2024). This creates a substantial administrative burden, resulting in high error rates, compliance risks, and a critical lack of real-time workforce analytics (Nisar, & Masood, 2023).

The core of the problem is not merely a lack of access to technology, but a conceptual and operational hurdle in the transition phase (Johnson et al., 2022).

While larger firms possess the capital to absorb the costs and organizational shocks of implementation, SMEs often perceive HRIS as a “digitized filing cabinet” rather than a strategic driver. Consequently, there is a significant lack of qualitative evidence regarding the mechanisms by which HRIS integration moves beyond simple automation to become a strategic asset. Without a nuanced understanding of this transition—specifically how firms navigate the “digital friction” of implementation—UK SMEs risk structural obsolescence in an increasingly data-driven global economy.

#### 1.4. Research Aim and Objectives

The primary aim of this research is to critically investigate the pathway of value creation during HRIS integration within UK SMEs, evaluating how the transition from manual administration to digital strategy influences organizational performance and operational efficacy.

RO1: To identify the current landscape of HRIS adoption and the nature of manual “administrative burdens” within UK SMEs across the food, retail, and recruitment sectors.

RO2: To analyze the impact of HRIS-enabled automation on the operational efficiency and time-recovery of HR professionals.

RO3: To evaluate the role of HRIS-generated data in facilitating evidence-based strategic decision-making and enhancing organizational performance.

RO4: To examine the socio-technical and cultural barriers—specifically the concept of “digital friction”—that hinder the shift from record-keeping to strategic asset utilization.

RO5: To synthesize these findings into a framework of evidence-based recommendations for SME leaders to optimize HRIS for long-term value creation.

#### 1.5. Research Questions

RQ1: Through what processes does HRIS integration facilitate the transformation of HR functions from administrative tasks into strategic assets within UK SMEs?

RQ2: How does the transition from manual “spreadsheet silos” to automated platforms reconfigure the operational efficacy of the HR management function?

RQ3: To what extent, and in what specific contexts, does HRIS visibility influence the strategic performance and competitive positioning of resource-constrained firms?

RQ4: What are the primary organizational and cultural challenges that impede SMEs from leveraging HRIS for strategic value rather than simple data storage?

## 2. Literature Review and Conceptual Framework

### 2.1. The Paradigm Shift: From Transactional Utility to Strategic Necessity

The metamorphosis of Human Resource Information Systems (HRIS) from rudimentary record-keeping tools into drivers of strategic value represents a fundamental paradigm shift in contemporary management. For UK Small and Medium-sized Enterprises (SMEs), this evolution transcends mere adoption; it is a vital survival mechanism within a volatile post-Brexit and post-pandemic economic landscape (Ward & Rhodes, 2023). Historically, academic discourse, led by foundational scholars such as Guest (2011) and Cascio (2015), characterized HRIS through its transactional utility—focusing on the automation of routine administrative tasks like payroll and leave reporting. Under this traditional lens, value was viewed through the prism of operational efficiency.

However, in the modern SME context, HRIS has transcended these parameters. Contemporary research reframes digital integration as the catalyst required to bridge the gap between stagnant manual record-keeping and rapid organizational growth (Bondarouk et al., 2022). While large

corporations utilize HRIS for sophisticated predictive analytics, SMEs often struggle with a “digital divide,” where resource constraints relegate HR functions to high-volume “administrative burdens” (Lieberman, 2024). This review synthesizes how these systems evolve from “transactional frameworks” into “strategic assets” capable of driving holistic performance.

## 2.2. Reconceptualizing HRIS in the SME Context

In broad management literature, HRIS is defined as the systematic procedure for the collection, maintenance, and retrieval of human resource data (Armstrong & Taylor, 2023). Yet, for UK SMEs, this definition is increasingly fluid. Unlike larger enterprises deploying full ERP suites, SMEs typically adopt modular, cloud-based Software-as-a-Service (SaaS) solutions (Nawaz & Gomes, 2024).

The critical distinction in recent scholarship is that the true value of HRIS for SMEs is derived from “administrative liberation.” Luckman and Taylor (2025) argue that by automating “low-value” tasks, the system enables HR practitioners to pivot toward “high-value” strategic activities, such as employee engagement and cultural development (CIPD, 2023). Thus, HRIS is defined less as a software package and more as a transformational process that facilitates the transition of HR from a cost center to a strategic partner (Marler & Boudreau, 2022).

While the conceptual understanding of HRIS has evolved significantly, its practical value within SMEs remains contingent upon the extent to which these systems influence organizational performance. Consequently, the literature increasingly shifts from defining HRIS as a technological tool toward evaluating its operational, strategic, and behavioral implications. This transition is particularly important within SMEs, where resource limitations intensify the relationship between technology adoption and organizational outcomes.

## 2.3. The Multi-Dimensional Impact of HRIS on SME Performance

The most immediate impact of HRIS is the reduction of “dead time” associated with manual entry (Maier et al., 2013). Automation of core functions—specifically payroll and compliance—can liberate up to 40% of an HR manager’s capacity (CIPD, 2023). This efficiency minimizes work duplication and enhances the accuracy of data retrieval (Jahan, 2014), allowing the organization to scale without a linear increase in administrative overhead.

### 2.3.2. Information Visibility and Evidence-Based Decision Making

A significant burden in manual environments is the reliance on “gut feeling” rather than evidence. Nawaz and Gomes (2024) posit that HRIS provides “Information Visibility,” allowing managers to track KPIs such as turnover and absenteeism. This visibility transforms HR from a reactive department into a proactive one, identifying talent gaps before they impact the bottom line (Bondarouk et al., 2022).

### 2.3.3. Enhanced Employee Experience and Self-Service

In a tightening labor market, HRIS acts as an Employee Value Proposition (EVP) enhancer (Jackson, 2025). Through Employee Self-Service (ESS) portals, staff gain digital autonomy over their profiles and training, fostering a culture of transparency (Shahreki, 2024). This professionalism improves engagement and lowers turnover, transforming the system into a cultural asset rather than a mere database.

Despite the growing evidence surrounding the operational and strategic benefits of HRIS, the literature simultaneously suggests that implementation outcomes are rarely straightforward. Particularly within SMEs, organisational transformation is frequently disrupted by structural, behavioural, and technological constraints. As a result, understanding implementation barriers becomes equally important as evaluating performance outcomes.

#### 2.4. The Implementation Hurdles: The “Digital Friction”

Despite the potential for value, the literature identifies several socio-technical hurdles:

**The Skill-Gap:** Many SME HR “generalists” lack the data literacy required to turn system outputs into strategic insights (Lieberman, 2024).

**Cultural Inertia:** Resistance often stems from staff who view digital monitoring as a threat to a “family-style” culture (Bondarouk et al., 2022).

**Hidden Costs:** While SaaS models lower entry barriers, the costs of data migration and system customization remain significant for firms with limited cash flow (Nawaz & Gomes, 2024).

#### 2.5. Theoretical Foundations: RBV and Dynamic Capability Theory

This study is theoretically informed by the Resource-Based View (RBV) and Dynamic Capability Theory. RBV argues that sustainable competitive advantage emerges from valuable, rare, inimitable, and organisationally embedded resources. Within the context of HRIS, the system itself may not constitute a strategic resource; however, the organisational capabilities enabled through HRIS, such as evidence-based decision-making, workforce analytics, and operational agility, may contribute to strategic advantage (Siddique et al., 2025).

Dynamic Capability Theory further extends this perspective by explaining how organisations sense opportunities, seize digital capabilities, and reconfigure internal processes in response to changing environments. HRIS integration supports these capabilities by enhancing information visibility, improving responsiveness, and enabling strategic workforce management. However, the effectiveness of these processes depends heavily on managerial competence, organisational culture, and digital readiness.

By combining RBV and Dynamic Capability Theory, this study conceptualises HRIS not simply as a technological tool, but as an enabling infrastructure whose strategic value emerges through organisational adaptation and development.

#### 2.6. Conceptual Framework: The Path to Value Creation

The synthesis of the preceding literature suggests that the transition from an administrative burden to a strategic asset is not an automatic outcome of software installation, but a process of organizational evolution. To visualize this, the study proposes a conceptual framework based on the Input-Process-Output (IPO) model, tailored to the UK SME context.

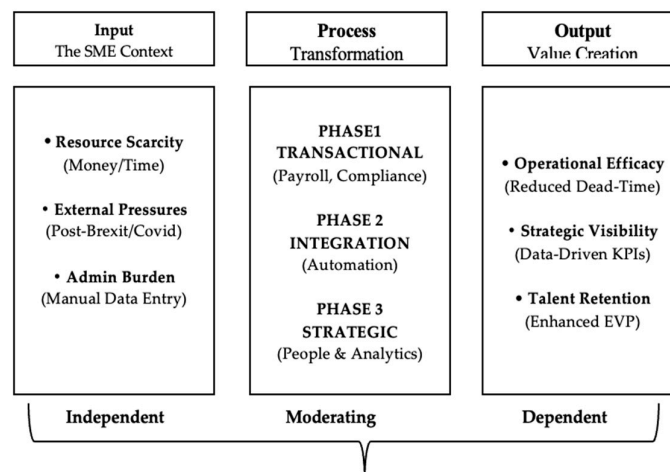


Figure1: Conceptual Framework: The Path to Value Creation

In this framework, the Inputs represent the specific resources and motivations of the SME, including the “trigger” factors such as the post-Brexit labor shortage or the need for digital

modernization. The Process involves the integration of HRIS functions—moving from “Transactional” (payroll, compliance) to “Transformational” (analytics, automation/self-service). Finally, the Outputs are the measurable performance gains: operational efficacy, improved data visibility, and enhanced employee retention.

The central tenet of this model is that “Value Creation” occurs at the intersection of technological capability and management literacy (Škudienė et al., 2020). Without the “Management Capability” to interpret HRIS data, the system remains a sophisticated filing cabinet (an administrative tool). Conversely, with high literacy and strategic intent, the HRIS becomes a Strategic Asset that bridges the “productivity gap” identified by Ward and Rhodes (2023).

### 2.7. Conclusion: Identifying the Research Gap

While foundational scholarship (Guest, 2011) established HRIS as a tool for complexity management, the qualitative “how” remains under-researched. Contemporary studies (Marler & Boudreau, 2022) identify the strategic potential, yet there is a dearth of evidence regarding how HR managers in niche UK sectors like hospitality and recruitment navigate specific hurdles to extract this value (Johnson et al., 2022). This study addresses this gap by exploring the lived experience of digital transformation across 12 UK SMEs.

## 3. Materials and Methods

### 3.1. Research Philosophy and Strategy

This study adopts a qualitative, interpretivist research design to explore the complexities of HRIS integration within the UK SME sector. An interpretivist lens is essential for capturing the subjective “meaning-making” processes of HR professionals as they navigate the transition from manual to digital systems (Saunders et al., 2023).

A multiple case study strategy was selected, as it is robust for investigating complex organizational phenomena where the boundaries between the intervention (HRIS) and the context (the SME environment) are deeply intertwined (Yin, 2018). This design facilitates a deep, contextualized understanding of “how” and “why” HRIS evolves into a strategic asset—insights that quantitative metrics alone cannot capture.

### 3.2. Case Selection and Sectoral Scope

To enhance the external validity and theoretical generalizability of the findings, the study utilizes a multi-sectoral perspective. Purposive sampling was employed to select 12 HR managers across three distinct industries, facilitating a cross-case analysis to identify universal “communalities” and sector-specific pressures (Eisenhardt, 1989; Woodside, 2016):

Food and Hospitality: Characterized by high labor intensity and fluid shift-work management.

Apparel and Grocery Retail: Defined by thin margins and complex labor-synchronization needs.

Recruitment Agencies: Representing knowledge-intensive firms with high compliance mandates.

### 3.3. Data Collection: Semi-Structured Interviews

Primary data were gathered through 12 semi-structured interviews, a method highly compatible with interpretivist research. This format provides a “flexible roadmap,” allowing for the pursuit of emergent themes regarding “administrative burdens” or “strategic assets” (Saunders et al., 2023).

#### 3.3.1. Participant Profile and Criteria

Participants were selected based on three critical criteria: (1) holding a senior HR or management role in a UK SME (under 250 employees), (2) having led an HRIS implementation within the last 1–5

years, and (3) possessing experience with both manual and digital systems. This ensures the sample reached data saturation, where no new significant themes emerged.

**Table 1. Participant Matrix and Sectoral Justification.**

Sector	Participants	Primary Justification
Food/Restaurant	P1–P3	High volume of manual leave/shift tracking.
Apparel Retail	P4–P6	Focus on payroll accuracy and seasonal scaling.
Grocery Retail	P7–P9	Complex compliance and inventory-linked HR needs.
Recruitment	P10–P12	Strategic use of HRIS for talent analytics.

### 3.3.2. Interview Protocol

Interviews (45–60 minutes) were conducted via video conferencing (Zoom/Microsoft Teams). The interview guide was structured around the Input-Process-Output (IPO) framework:

**Input (Pre-Implementation):** Assessing the legacy burden of manual/spreadsheet systems.

- “How were HR activities managed before HRIS implementation”?
- “What administrative challenges existed under manual or spreadsheet-based systems”?
- “What factors motivated the organization to adopt HRIS”?

**Process (Integration):** Identifying technical hurdles and “digital friction.”

- “What challenges emerged during HRIS integration”?
- “How did employees and managers respond to the transition”
- “What forms of training or change management were introduced”?
- “Were there any technical or cultural barriers during implementation”?

**Output (Strategic Realization):** Evaluating perceived shifts in decision-making and performance.

- “How has HRIS influenced operational efficiency within the organization”?
- “Has HRIS improved strategic decision-making or workforce planning”?
- “In what ways has the role of HR changed following implementation”?
- “What long-term organisational value has HRIS generated”?

Follow-up probing questions were used where necessary to clarify participant responses and explore emergent themes in greater depth.

### 3.4. Data Analysis: Thematic Analysis

The study employed Thematic Analysis (TA), strictly following the six-phase framework by Braun and Clarke (2022). Thematic Analysis was selected because it provides a systematic yet flexible approach for identifying patterns, meanings, and organizational experiences within qualitative datasets. The method was particularly suitable for examining the complex and context-dependent nature of HRIS implementation within SMEs. Data were managed using NVivo 14 to ensure systematic rigor:

**Familiarization:** The researchers repeatedly reviewed interview transcripts to gain immersion and identify recurring organizational experiences and implementation patterns. Initial reflective notes were recorded throughout this process.

**Initial Coding:** Segments of text were systematically labelled using descriptive and interpretive codes such as “spreadsheet dependency,” “time recovery,” “data distrust,” and “workflow resistance.”

**Thematic Search:** Related codes were grouped into broader thematic categories representing recurring organizational phenomena across cases.

**Reviewing Themes:** Emerging themes were reviewed against the dataset to ensure conceptual consistency, coherence, and relevance to the research questions.

**Defining/Naming:** Themes were refined into three overarching constructs: Administrative Liberation, Strategic Visibility, and Digital Friction.

**Reporting:** The final phase involved interpreting the thematic findings through the lens of Resource-Based View and Dynamic Capability Theory while integrating participant quotations to strengthen analytical depth and credibility.

### 3.5. Methodological Rigor and Trustworthiness

To ensure methodological rigor and trustworthiness, the study adopted the evaluation criteria proposed by Guba and Lincoln (1994), including credibility, transferability, dependability, and confirmability.

**Credibility** was enhanced through member-checking procedures, whereby participants reviewed interview summaries to verify the accuracy of interpretation. In addition, prolonged engagement with the data enabled deeper familiarity with organizational contexts and recurring themes.

Transferability was addressed through the provision of thick descriptive accounts of organizational settings, sectoral contexts, and implementation experiences. This allows readers to evaluate the applicability of findings to similar SME environments.

Dependability was maintained through a systematic audit trail documenting interview recordings, coding decisions, thematic development, and analytical memos throughout the research process.

Confirmability was strengthened through reflexive journaling and continuous researcher reflection to minimize subjective bias during interpretation. Furthermore, NVivo software enhanced analytical transparency by preserving coding structures and thematic relationships.

### 3.6. Ethical Considerations

Ethical approval was granted by the University Ethics Committee. In adherence to GDPR (2018) and the British Academy of Management (BAM) guidelines:

**Informed Consent:** Participants signed forms outlining their right to withdraw.

**Anonymity:** Identifiers were replaced with codes (e.g., P1, Sector 1).

**Data Security:** Data were stored on a password-protected cloud drive and will be destroyed following the examination period.

## 4. Data Analysis and Findings

### 4.1. Introduction

This section details the findings derived from the thematic analysis of 12 semi-structured interviews. The analysis followed Braun and Clarke’s (2022) framework, utilizing NVivo 14 to identify recurring patterns regarding the transition of HRIS from an “administrative burden” to a “strategic asset.” Three core themes emerged, aligning with the study’s Input-Process-Output (IPO) framework.

### 4.2. Analytical Rigor and Coding Structure

The study adopted a hybrid coding strategy, combining deductive codes (derived from the IPO framework) with inductive codes (emergent from participant narratives). The coding logic moved through three cycles: Open Coding (initial nodes), Axial Coding (sub-themes), and Selective Coding (overarching theoretical constructs).

**Table 2. NVivo Coding Hierarchy and Indicators.**

Parent Node (Theme)	Child Nodes (Sub-Codes)	Example Indicators	Density (n)
<b>Administrative Liberation</b>	Time-recovery, Error reduction, Role redefinition	"End of spreadsheets," Payroll speed	42
<b>Strategic Visibility</b>	Data centralization, Real-time reporting	Trend analysis, Evidence-based logic	36
<b>Digital Friction</b>	Cultural resistance, Infrastructure lag	"Big Brother" syndrome, Wi-Fi bottlenecks	31

**Table 3. Alignment Between Research Questions and Emergent Themes.**

Research Question	Related Theme	Analytical Focus
RQ1	Administrative Liberation	Transformation of HR functions
RQ2	Administrative Liberation	Operational efficiency and automation
RQ3	Strategic Visibility	Data-driven strategic performance
RQ4	Digital Friction	Cultural and organisational barriers

The thematic findings collectively address the four research questions through a processual understanding of HRIS value creation. While "Administrative Liberation" primarily explains operational transformation, "Strategic Visibility" captures the emergence of evidence-based management practices. Meanwhile, "Digital Friction" explains the organisational and behavioural barriers that mediate implementation outcomes.

#### 4.3. In Vivo Visual Outputs

The following visualizations, generated through NVivo 14, provide an analytical audit trail of the study. They illustrate the structural density of the coding process and the resulting conceptual model derived from the 12 semi-structured interviews.

Figure 2 presents the Project Coding Map, which illustrates the hierarchical relationship between the 109 unique data references and the resulting thematic nodes. This map represents the outcome of the three-stage coding process:

1. **Initial Nodes (Open Coding):** The outermost nodes (e.g., "End of Spreadsheets," "Data Migration Chaos") represent the raw concepts identified directly from the interview transcripts.
2. **Sub-Themes (Axial Coding):** These were then clustered into sub-codes that identified specific operational impacts, such as "Role Redefinition" or "Infrastructure Lag."
3. **Parent Themes (Selective Coding):** Finally, the data were synthesized into the three primary theoretical constructs: Administrative Liberation, Strategic Visibility, and Digital Friction.

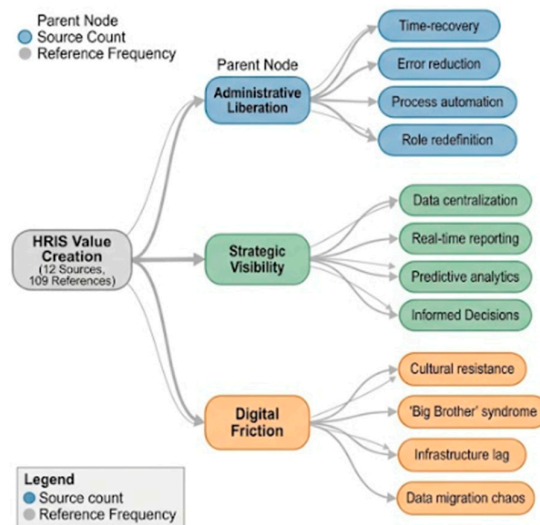


Figure 2. NVivo Project Coding Map.

The visual weighting indicates that “Administrative Liberation” and “Strategic Visibility” were the most densely populated themes, suggesting that while the implementation hurdles are significant, the perceived value of the transition is the dominant narrative among UK SME managers.

Figure 3 illustrates the SME Value Trajectory, a processual model derived from the analysis of relationship queries within NVivo. This map transitions the study from descriptive findings to a Conceptual Framework for Value Creation within the Input-Process-Output (IPO) logic.

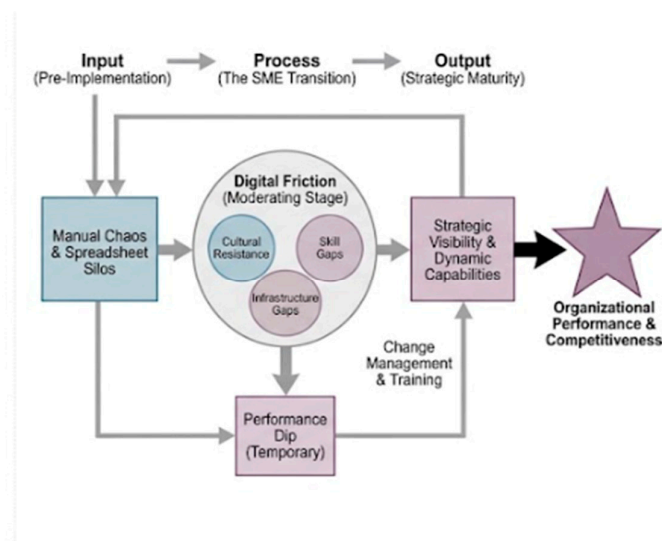


Figure 3. Thematic Conceptual Map: The SME Value Trajectory.

- **The Input Stage:** Defined by the baseline of fragmented manual administrative processes
- **The Moderating Stage (Digital Friction):** A critical finding of this study is the non-linear nature of implementation. The map visualizes “Digital Friction” as a mediating variable. The arrows indicate that without proper change management and training, SMEs experience a “Performance Dip” before reaching maturity.
- **The Output Stage:** Represents the realization of “Strategic Visibility,” where HR functions transition from a cost-center to a dynamic capability.

The star at the end of the trajectory denotes the final state of Organizational Performance and Competitiveness, confirming that the HRIS is only a “Strategic Asset” once the digital friction is successfully navigated and intuition is replaced by evidence-based decision-making.

#### 4.4. Theme 1: Administrative Liberation and the “End of the Spreadsheet”

This theme was the most densely coded node, with all 12 participants describing their pre-HRIS state as one of “manual chaos.” The primary finding was a fundamental shift in professional identity, where HR roles transitioned from clerical data entry to operational management.

**Time-Recovery as an Asset:** Participants reported substantial reductions in administrative cycles. P5 (Apparel Retail) noted that monthly holiday reconciliation dropped from three days to 20 minutes, stating, “It felt like I was a clerk, not a manager.”

**Dissolving “Spreadsheet Silos”:** In the Grocery sector, P8 described the liberation of store managers from three hours of daily paperwork: “We moved from reactive troubleshooting of manual errors to proactive decision-making.”

**Role Redefinition:** For Recruitment (P11), the system allowed a return to human-centric work: “We finally stopped being data entry clerks and started being recruiters again... focusing on relationships rather than fighting VLOOKUPs.”

#### 4.5. Theme 2: Strategic Visibility (The “Intelligence” Process)

This theme represents the highest-value transition, where the HRIS output directly influences business-wide strategy. The analysis revealed a profound shift from Intuition-Based to Evidence-Based logic.

**From “Gut Feeling” to Data:** P1 (Restaurant) highlighted that staffing was previously based on a “gut feeling” of a busy Friday, often leading to waste. With HRIS, they now use a “evidence-based workforce planning” to adjust procurement and labor in real-time.

**Predictive Precision:** In the Recruitment sector (P11), the focus shifted from superficial metrics (phone time) to Outcome-Based Strategy, identifying which candidate sources yielded the highest long-term retention.

**Mitigating Risk:** Apparel Retailers (P6) used strategic visibility to reduce end-of-season markdowns by aligning stock-turn with real-time customer behavior patterns.

Table 4. Cross-Sector Comparison of Strategic Asset Utilization.

Sector	Pre-HRIS (Intuition)	Post-HRIS (Evidence)	Impact
Food	Guessing” staff levels	Real-time staffing alignment	15% reduction in churn (P3)
Retail	Personal bias in stock	Customer behavior patterns	Reduced markdowns (P6)
Recruitment	Call volume/Activity	Conversion funnel analytics	Source-retention optimization

#### 4.6. Theme 3: The “Digital Friction” (Implementation Hurdles)

A critical finding of this study is that the path to value creation is non-linear. Every SME reported a temporary “performance dip” categorized as Digital Friction.

1. **Cultural Friction (“The Big Brother Syndrome”):** Participants (P12, P10) noted that staff initially viewed the system as surveillance. In recruitment, this led to “data ghosting,” where consultants withheld information to maintain personal control.
2. **Infrastructure Friction:** In the Grocery sector (P6), Wi-Fi bandwidth issues created a “digital bottleneck,” causing staff to “check out mentally” when faced with loading screens.
3. **Legacy Friction:** P5 (Apparel) described the “chaos” of migrating “dirty data,” which caused staff to lose trust in the “digital truth” for months until manual audits were completed.

#### 4.7. Synthesis: Sectoral Variance and Theoretical Linking

The findings indicate that HRIS value creation is shaped not only by technological adoption but also by sectoral context and organisational capability. Although all participating SMEs experienced some degree of administrative efficiency, the extent to which these efficiencies translated into strategic outcomes varied significantly across sectors.

Recruitment firms demonstrated faster progression toward strategic HRIS utilization due to their existing KPI-oriented cultures and stronger digital literacy. These firms were more capable of interpreting HR analytics and integrating data into workforce planning decisions. In contrast, hospitality and retail firms experienced prolonged periods of digital friction because operational workflows remained heavily dependent on manual coordination and face-to-face communication.

These findings reinforce Dynamic Capability Theory by illustrating how organisational capability mediates the transition from technological adoption to strategic reconfiguration. Similarly, the findings extend RBV by demonstrating that HRIS alone does not generate competitive advantage. Rather, advantage emerges from the organisational ability to transform digital information into actionable managerial capability.

Importantly, the study also reveals that digital transformation within SMEs is socially embedded. Organisational culture, trust in technology, and employee attitudes toward monitoring significantly shaped implementation outcomes. Consequently, the effectiveness of HRIS should be understood as contingent upon both technical integration and socio-organisational adaptation.

#### 4.8. Conclusion: The Mediated Path

The analysis concludes that HRIS is not a “plug-and-play” solution. Its evolution from a burden to an asset is mediated by the organization’s ability to navigate Digital Friction. Strategic value is only realized when the “Time Reclaimed” from administration is intentionally reinvested into data-driven decision-making.

## 5. Discussion

### 5.1. Addressing the Research Questions

This study was guided by four research questions examining how HRIS integration transforms HR functions within UK SMEs, the strategic outcomes associated with HRIS implementation, and the organisational barriers affecting digital transformation processes. The findings collectively demonstrate that HRIS value creation is a non-linear and capability-dependent process shaped by organisational readiness, managerial interpretation, and socio-technical adaptation.

The first research question explored how HRIS transforms traditional HR administration within SMEs. The findings reveal that HRIS significantly reduced fragmented manual administrative processes through automation, centralized data management, and improved workflow coordination. This transformation enabled HR personnel to redirect time and resources toward more strategic organisational activities.

The second research question examined whether HRIS contributes to operational efficiency and organisational performance. The findings indicate that HRIS improved reporting accuracy, reduced administrative delays, enhanced workforce visibility, and supported evidence-based workforce planning. However, the extent of these benefits varied according to organisational digital maturity and employee capability.

The third research question investigated how HRIS contributes to strategic decision-making. The findings demonstrate that organisations with stronger analytical capability and managerial engagement were more likely to utilise HRIS strategically for forecasting, workforce planning, and operational optimisation. Consequently, HRIS evolved beyond an administrative support tool into a mechanism supporting strategic organisational visibility.

The fourth research question focused on implementation barriers and organisational challenges. The findings revealed that cultural resistance, low digital confidence, technological distrust, and workflow disruption created significant “digital friction” during implementation. These barriers frequently delayed or constrained the transition from operational automation to strategic integration.

### *5.2. From Transactional Efficiency to Strategic Capability*

The findings confirm that HRIS adoption initially delivers value through **operational efficiency**, aligning with foundational work by Guest (2011) and Cascio (2015), who conceptualized HRIS as a tool for administrative functions such as payroll and record-keeping. However, this study demonstrates that such functions represent only the **baseline of value creation**.

The theme of **administrative liberation** shows that automation reduces time spent on routine tasks, enabling HR professionals to redirect effort toward higher-value activities. This supports prior work on “administrative liberation” while extending it by demonstrating its strategic implications in resource-constrained SME environments.

From an RBV perspective, the key insight is that **time becomes a reconfigurable strategic resource**. Rather than creating value directly, HRIS enables the reallocation of managerial capacity, which can then be invested in activities such as workforce planning, employee engagement, and performance management.

However, the findings also challenge a simplistic RBV interpretation. While all firms experienced efficiency gains, only some translated these into strategic outcomes. This suggests that HRIS does not inherently constitute a VRIN resource. Instead, its value is contingent upon **complementary organizational capabilities**, including managerial expertise and strategic intent.

Thus, HRIS should be understood not as a source of competitive advantage, but as an **enabling infrastructure** that supports the development of intangible capabilities.

### *5.3. Strategic Visibility and Evidence-Based Management*

Beyond efficiency gains, HRIS enables **strategic visibility**, marking the transition from operational improvement to organizational impact. Participants consistently reported a shift from intuition-driven decision-making to **data-driven management practices**, supported by real-time access to centralized information.

This finding challenges the assumption that SMEs lack the capacity for analytical decision-making due to resource constraints. Instead, the results suggest that HRIS can **democratise access to strategic data**, allowing even smaller firms to engage in evidence-based management.

From a theoretical perspective, this aligns with **Dynamic Capability Theory**, particularly the concept of **sensing and seizing opportunities**. HRIS enhances organisational awareness by making workforce trends visible (sensing), while enabling managers to act on these insights through informed decision-making (seizing).

Importantly, the findings also indicate that data alone is insufficient. The ability to interpret and apply information varies across organizations, reinforcing the argument that **capability, rather than technology, determines strategic value**.

In addition, HRIS strengthens the **legitimacy of HR as a strategic function**. By providing data-backed insights, HR professionals gain greater influence in organisational decision-making, supporting the transition from administrative support to strategic partnership.

#### 5.4. Digital Friction and the Limits of Technological Determinism

While the benefits of HRIS are evident, the findings highlight that implementation is frequently disrupted by **digital friction**—a set of socio-technical barriers that complicate the transformation process.

These include:

- Cultural resistance to change
- Low digital literacy
- Lack of trust in system outputs
- Entrenched work practices

This challenges deterministic assumptions in the literature that digital adoption leads to immediate and uniform performance improvements. Instead, the results show that organizations often experience **temporary disruption and performance decline** during implementation.

A key contribution of this study is the conceptualization of **digital friction as a mediating factor** between technological adoption and value realization. Rather than being a peripheral issue, digital friction represents a **structural constraint** that shapes whether HRIS becomes a strategic asset or remains underutilized.

From a dynamic capability perspective, digital friction disrupts the transition from **seizing to reconfiguring**, preventing organizations from fully embedding new processes and practices. This highlights the importance of **change management, leadership, and organizational culture** in determining the success of digital transformation.

#### 5.5. A Non-Linear Model of HRIS Value Creation

Integrating these findings, the study proposes a **three-stage, non-linear model of HRIS value creation**:

##### **Stage 1: Administrative Liberation**

- Automation of routine tasks
- Reduction in errors and inefficiencies
- Release of managerial time

##### **Stage 2: Strategic Visibility**

- Access to real-time, centralized data
- Shift toward evidence-based decision-making
- Increased strategic role of HR

##### **Stage 3: Transformation under Digital Friction**

- Organizational restructuring and process change
- Cultural and behavioral resistance
- Uneven and contingent outcomes

Unlike linear models of technological adoption, progression across these stages is **neither automatic nor uniform**. Instead, it is shaped by organizational context, managerial capability, and the degree of digital friction encountered.

The findings indicate that HRIS value creation is shaped not only by technological adoption but also by sectoral context and organisational capability. Although all participating SMEs experienced some degree of administrative efficiency, the extent to which these efficiencies translated into strategic outcomes varied significantly across sectors.

The proposed non-linear model directly addresses the central research problem identified in this study: why some SMEs successfully transform HRIS into strategic capability while others remain confined to administrative usage. The findings suggest that progression between stages is neither sequential nor guaranteed. Instead, movement across stages is mediated by organisational readiness,

managerial interpretation of data, and the capacity to manage digital friction. This challenges deterministic assumptions within digital transformation literature and demonstrates that HRIS value creation is fundamentally capability-dependent rather than technology-dependent.

### 5.6. Sectoral Differences in Value Realization

The findings further reveal that HRIS value creation varies across sectors. Knowledge-intensive SMEs, such as recruitment firms, were more effective in leveraging HRIS for strategic purposes, while labor-intensive sectors, such as hospitality and food services, faced greater resistance and slower adoption.

This suggests that **the nature of work influences digital transformation outcomes**. Organizations operating in data-driven environments are more likely to integrate HRIS into decision-making processes, whereas those reliant on manual labor may experience greater disruption.

This introduces an important boundary condition: HRIS effectiveness is **context-dependent**, and theoretical models must account for sectoral variation rather than assuming universal applicability.

### 5.7. Theoretical and Practical Contributions

This study contributes to the growing body of literature examining HRIS, SME, DT, and SHRM by providing a nuanced understanding of how HRIS evolves from an administrative support mechanism into a strategic organizational capability within resource-constrained environments. While previous HRIS research has largely concentrated on large corporations with mature digital infrastructures, this research specifically addresses the underexplored context of UK SMEs, where financial limitations, operational pressures, and limited technological expertise significantly shape implementation outcomes. The findings demonstrate that HRIS value creation is not a deterministic outcome of technological adoption alone, but rather an emergent phenomenon shaped by the ongoing interaction between organizational readiness, managerial capability, and localized socio-cultural adaptation processes.

#### 5.7.1. Theoretical Contributions

First, the research significantly extends the RBV by reconceptualizing the HRIS not as an inherently valuable, standalone strategic resource, but rather as an enabling infrastructure. Traditional RBV literature posited that sustainable competitive advantage emerges directly from resources that satisfy the criteria of being valuable, rare, inimitable, and organizationally embedded (Bals & Rosca, 2022; Cuthbertson & Furseth, 2022).). However, this study challenges that assumption within digital ecosystems, demonstrating that a standard HRIS software package is a commoditized asset that possesses limited value in isolation because identical platforms are widely accessible across industry sectors. Instead, the strategic value of an HRIS is shown to be an emergent socio-technical construct, materializing only when the raw technical infrastructure becomes embedded within the firm's unique, socially complex routines. It is the organizational capacity to exploit the technology—transforming fragmented data inputs into proprietary analytical interpretation, evidence-based workforce planning, and strategic responsiveness—that generates the rare, inimitable attributes necessary for sustainable value creation, moving beyond mere administrative automation (Willie, 2025).

Second, the findings advance Dynamic Capability Theory by providing a granular, empirical taxonomy of how digital tools catalyze organizational agility in resource-constrained environments. Specifically, the study maps HRIS utilization directly onto the core pillars of dynamic capabilities: sensing, seizing, and transforming or reconfiguring (Tariq & Shaikh, 2025; Teece, 2007). Rather than viewing dynamic capabilities as abstract executive behaviors, this research highlights how automated HR analytics allow SMEs to enhance their sensing capability through real-time visibility of workforce trends, absenteeism patterns, turnover risks, and operational inefficiencies. This heightened structural awareness enables managers to identify emerging micro-level challenges faster than legacy

manual operations. Simultaneously, SMEs utilize this data to seize market and operational opportunities through evidence-based decision-making and rapid talent optimization. Finally, the process of reconfiguration becomes evident as small firms dynamically redesign workflows, redistribute HR responsibilities, and embed digital decision-making into everyday practices, supporting contemporary views that technological systems achieve strategic value only when interwoven with broader organizational learning and adaptation (Douglas & Haley, 2025).

Third, this research introduces and operationalizes the construct of digital friction as a vital mediating variable explaining the variance in digital transformation outcomes. While mainstream technological adoption models often project a smooth, linear trajectory where deployment naturally results in performance enhancement, this study captures the structural and behavioral resistance occurring at the intersection of physical workflows and digital mandates. By documenting how labor-intensive operations (such as food and retail) experience prolonged operational bottlenecks and systemic disruptions compared to knowledge-intensive sectors (such as recruitment), the study establishes digital friction as a distinct organizational phenomenon. This construct bridges the gap between purely technical and purely psychological adoption frameworks. By positioning digital friction as a central explanatory mechanism rather than a peripheral implementation issue, the study provides a more realistic, context-sensitive model of how financial limitations and structural inertia shape technology lifecycles in the SME sector.

Finally, this study challenges the deterministic, sequential assumptions dominant in historical digitalization literatures by proposing a non-linear, staged model of value creation. Conventional paradigms frequently depict adoption as an evolutionary ladder progressing uniformly from basic automation to strategic alignment. In contrast, this study uncovers an iterative, often erratic pathway within UK SMEs. Small enterprises do not experience value as a steady, cumulative baseline of efficiencies; instead, they navigate intense periods of administrative liberation, followed by structural plateaus or temporary operational regressions driven by shifting employee attitudes, technological mistrust, and cultural bottlenecks. This non-linear perspective recognizes that digital lifecycles are inherently unstable and that value realization is deeply dependent on navigating ongoing behavioral adjustments rather than merely clearing technical milestones.

### 5.7.2. Methodological Contributions

In addition to its conceptual insights, this study contributes methodologically to the wider HRIS domain by adopting an interpretivist qualitative approach that foregrounds organizational experience, managerial meaning-making, and socio-technical complexity. Much of the existing HRIS literature relies heavily on quantitative methodologies focused on macro-level adoption rates, static efficiency metrics, or system performance indicators. While useful, such approaches frequently flatten or overlook the lived organizational realities and localized friction that shape implementation success or failure. Through semi-structured interviews across divergent SME sectors, this research successfully captures the nuanced ways in which organizational culture, employee perceptions, parental managerial attitudes, and daily operational pressures influence HRIS integration. Consequently, the study enriches empirical scholarship by demonstrating that the internal micro-foundations of an organization are as determinative of digital outcomes as the macro-technological features of the system itself.

### 5.7.3. Practical Implications

For industry practitioners, founders, and human resource executives, the empirical findings yield several actionable insights, emphasizing that an HRIS deployment must be managed as a fundamental strategic realignment rather than a simple software or technical upgrade.

To begin with, the study reveals that the true return on investment from an HRIS is realized not through the act of technical adoption itself, but through deep, continuous system utilization and cross-functional integration. Organizations frequently fall into the trap of measuring deployment success by technical milestones or “go-live” dates, neglecting the long-term optimization phase.

Because value creation is deeply contingent upon socio-organizational adaptation, leaders must recognize that technical features are meaningless without a parallel strategy to foster technological trust and address employee anxiety regarding surveillance, performance monitoring, and digital tracking. Therefore, senior management must explicitly position the HRIS as a tool designed for strategic visibility and operational empowerment, rather than an administrative mechanism for micro-management and worker compliance, aligning the system with long-term human-centered implementation strategies (Wibowo & Rifani., 2025).

Furthermore, the striking divergence observed between knowledge-intensive and labor-intensive sectors underscores the necessity for highly customized change management and training initiatives. Practitioners operating in fast-paced or manual working environments cannot rely on generic, out-of-the-box software implementations. Instead, they must proactively audit existing physical workflows to anticipate and mitigate localized digital friction before deployment. This requires investing heavily in tailored upskilling programs that treat digital literacy as a core competency. By acknowledging that organizational culture and employee attitudes are powerful mediators of technology, managers must dedicate equivalent institutional resources to cultural readiness and psychological safety as they do to vendor selection and technical configuration.

Additionally, the study highlights the practical value of adopting phased and modular implementation strategies over comprehensive, all-at-once digital transformations. SMEs that gradually introduced core functionalities—such as payroll automation and employee self-service portals—before launching advanced analytical dashboards experienced lower levels of operational disruption and higher rates of employee acceptance. This incremental approach allows organizations to build foundational trust in system reliability, improve baseline employee confidence, and de-escalate behavioral resistance before introducing advanced data requirements.

Finally, the study carries broader implications for policymakers and institutional SME support initiatives. While public policy interventions frequently focus on providing financial support, grants, or tax incentives for raw technology acquisition, the findings suggest that technological investment alone is insufficient to ensure successful digital transformation. SMEs require structured support in developing internal managerial capabilities, digital literacy training, organizational readiness frameworks, and change management expertise. Consequently, national and regional policy interventions designed to improve SME digital competitiveness must adopt a more holistic perspective that addresses behavioral, cultural, and organizational barriers alongside technological adoption.

## 6. Conclusions and Recommendations

This section is not mandatory but can be added to the manuscript if the discussion is unusually long or complex.

### 6.1. Conclusions

This research investigated the trajectory of HRIS integration within UK SMEs, specifically examining the transition from an administrative burden to a strategic asset. The study concludes that HRIS serves as a fundamental catalyst for digital maturity, enabling resource-constrained firms to bridge the national “productivity gap” through enhanced operational efficacy.

The findings confirm that value creation is a non-linear process characterized by three critical milestones: Administrative Liberation, Strategic Visibility, and the navigation of Digital Friction. While automation provides the immediate “input” of time-recovery, the evolution into a “strategic asset” is contingent upon the firm’s ability to convert raw data into actionable intelligence. Crucially, the study identifies that in the UK SME landscape, cultural and cognitive barriers—rather than financial or technical ones—remain the primary inhibitors of successful digital transformation. By moving beyond “spreadsheet silos,” SMEs can achieve a level of strategic agility previously reserved for large-scale corporations.

Ultimately, the study demonstrates that the strategic value of HRIS within SMEs is not determined by technological sophistication alone, but by the organization's capacity to integrate digital systems into managerial practice, organizational culture, and long-term strategic decision-making.

### 6.2. Recommendations for Practice

Based on the emergent findings, the following evidence-based recommendations are proposed for SME leaders and HR practitioners:

1. **Cultivate Data Literacy over Software Proficiency:** Investment in HRIS platforms must be decoupled from the assumption of instant utility. SMEs should prioritize training programs that focus on "People Analytics" interpretation, ensuring HR generalists can translate system outputs into strategic business cases.
2. **Mitigate Friction through "Transparency Framing":** To overcome the "Big Brother" syndrome and cultural inertia, leaders should frame HRIS implementation as a tool for Employee Empowerment. Emphasizing Employee Self-Service (ESS) and transparency in career development can shift the perception of the system from a surveillance mechanism to a value-added resource.
3. **Adopt a "Modular Staging" Strategy:** To minimize the performance dip associated with digital friction, SMEs should adopt a phased rollout. Mastering "Transactional" modules (payroll, compliance) creates the foundational trust and data integrity required before attempting "Transformational" modules (predictive analytics, talent mapping).
4. **Infrastructure Pre-Auditing:** Firms must conduct a thorough audit of their digital infrastructure (e.g., Wi-Fi bandwidth) and data cleanliness prior to migration to prevent early-stage system distrust.

### 6.3. Limitations and Future Research

While this study provides deep qualitative insights into the lived experiences of 12 UK SMEs, it is subject to several limitations. The interpretivist nature of the research prioritizes depth over statistical generalizability.

Consequently, future research should consider a mixed-methods approach, utilizing quantitative surveys to validate the "Digital Friction" construct across a broader, more diverse sample ( $n > 100$ ). Furthermore, a longitudinal study tracking an SME over a 24-month period would offer invaluable insights into the "Sustainability Phase" of HRIS, determining whether the strategic gains identified in this study are maintained or if firms revert to legacy habits over time. Finally, exploring the impact of Generative AI integration within modular HRIS presents a timely and significant avenue for future investigation into SME competitiveness.

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## Abbreviations

The following abbreviations are used in this manuscript:

HRIS	Human Resource Information System
SMEs	Small and Medium Enterprises
BEIS	Department for Business, Energy & Industrial Strategy
EVP	Employee Value Proposition
IPO	Input-Process-Output

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