



E-HR: The Technology Revolution in HR - Definition and Benefits

Right Team, Inc.

White Paper Series
May, 2000

This white paper represents a summary of the benefits of implementing an eHR environment. It is not intended to provide a detailed analysis of eHR but does give a general understanding of the direction of e-HR and some potential cost savings if an e-HR environment were to be implemented within your company.

This paper includes two sections:

- Today's State of the Art Human Resource System and
- Potential Cost Savings.

TODAY'S STATE OF THE ART HUMAN RESOURCE SYSTEM

"Technology, a global economy and a shrinking work force are among factors that have converged to push HR managers to the forefront. And while no one really knows what lies ahead for business in the 21st century, futurists say one thing is certain – human resource executives will play a vital role in helping companies compete." ¹ HR executives will increasingly be asked to look ahead and project what things will need to be in place to enable their company to compete effectively. They will be making practical suggestions regarding compensation planning, recruiting and retention strategies, training programs and a myriad of other strategies and programs in an attempt to beat competition. To enable them to perform effectively in the future it is critical that information regarding current trends be immediately available for analysis and forecasting.

Today's state-of-the-art ebusiness Human Resource ERP implementations include three distinct components:

- A core human resources ERP data repository and transaction processing system, such as PeopleSoft, Oracle, SAP or Lawson's HRMS,
- A centralized shared service center, and
- An enterprise information portal.

The following sections briefly explain each of these components.

A HUMAN RESOURCES ERP SYSTEM

A state-of-the-art Human Resource System provides the underlying data, tools and technology to manage and execute human resource activities in an integrated environment. It should provide all of the necessary functions and tools required to "run the business" of HR including:

- | | | |
|--------------------------|----------------------------------|----------------------------|
| - Payroll | - Personnel | - Ad Hoc Reporting |
| - Benefits | - Compensation | - Regulatory Reporting |
| - Applicant Tracking | - Career and Succession Planning | - Security |
| - Time and Labor | - Skills | - Multinational Capability |
| - FSA Administration | - Position Management | - Workflow Capability |
| - Pension Administration | - Health & Safety | - Web Capabilities |
| - Stock Administration | - Grievance Management | - Date Effectivity |

For example, PeopleSoft's version 8, due out in September, 2000, is scheduled to be delivered with a broad set of self-service applications built on an Internet architecture and is designed specifically for the Web. Their HRMS modules are scheduled to come standard with over 120 self-service applications, in the areas of benefits, recruitment, compensation, personal data, employment data, career and training development, paycheck, stock and time management.

A CENTRALIZED SHARED SERVICE CENTER

The handling of routine data transactions, payroll, disbursements, and other administrative or common functions on a decentralized basis, can result in a loss of efficiency and corporate cohesion. Thus was born the concept of shared services, a consolidation of common functions that maximizes efficiency while it frees business units from the burden of routine administration and allows the most effective use of local resources.

Process redesign in conjunction with application integration provides much of the economies of scale achieved by shared services organizations. As such, a failure to eliminate redundant systems and provide adequate application integration could doom a shared service implementation.

The most effective service centers not only provide for a consolidation of functions and resources but will also incorporate self-service technology. HR self-service and shared service centers need to be closely linked. Some people will not use an IVR or web application for self-service, while others will simply not have access to the technology. Additionally, some issues will always require human intervention for resolution.

Below are some interesting excerpts obtained from papers written by PeopleSoft and the Gartner Group

- Five significant business trends as they relate to service centers²:
 - Standing still is not an option – timeliness, flexibility, adaptability – all are key qualities of a successful service center model.
 - Organizational disaggregation – The trend is towards greater business unit autonomy along with more business integration, harmonization and best-practice standards.
 - Core Business competencies – service centers concentrate administrative and other expertise in an efficient, cost-effective pool, setting the stage for enhanced productivity on both sides (business unit and service center).
 - Customer centricity – Focus is on the internal as well as the external customer. Promoting buy-in from the customer is crucial for effectiveness of a service center implementation.
 - Use Information Technology as a competitive weapon – WAN/LAN, Internet, client server processing, reporting tools, etc., all provide the means for a single cohesive shared services unit.
- An essential aspect of a service center's responsiveness and adaptability is implementing systems that drive standardization and uniform workflow, while allowing for uniqueness in client unit needs. Building in flexibility can make the difference between a successful implementation and an imposed bureaucracy.³
- Shared services organizations are often described as centers of scale or centers of expertise. Centers of scale enable companies to do more with less. Centers of expertise enable companies to provide consistently, high-value service. A combination of both centers of scale and expertise provides quality solutions at competitive costs.⁴
- The concept of shared services is a cultural change and effective change management is essential to a successful implementation. Consensus and cooperation among units is essential for planning and implementing a shared service center model.⁵

AN ENTERPRISE INFORMATION PORTAL

What is an enterprise information portal?

Similar to a myYahoo! site, an enterprise information portal provides a personalized view of data and information and helps to manage and control the plague of information-overload common in today's workplace. The emergence of the enterprise information portal (EIP) has helped provide one source for employees to launch into more detail, for easy to use, easy to find, business transactions and content.

- Key characteristics of an enterprise information portal (EIP) include:⁶
 - *Role based personalization* – providing content that is directly relevant to the employee's job duties.
 - *Self-service transactions* – realtime transaction processing.
 - *Knowledge system support* – providing personalized answers to questions.
 - *Enterprise workflow* – routing of processes across multiple department applications.
 - *Single sign-on security* – moving transparently between systems without re-entering passwords.
 - *Analytics* – realtime metrics based on key business factors that impact competitive advantage.

More on the components of a portal...

- *Role Based Personalization*
 - An HR system is a natural place for personalization, because most of the information about the employee is stored in that system. Employees are inundated with information and organizations are beginning to seek ways to personalize their web applications so that individuals view only what is applicable and relevant to them.
- *Self-Service Transactions*
 - HR self-service systems have typically provided transaction capability, but have not provided decision-making tools or other content. Today, the technology exists to provide all of these functions and is being used by HR organizations to truly provide strategic services to their managers and employees.
Some examples of employee and managerial self-service processing include:
 - ✓ Benefits enrollment and management
 - ✓ Job requisitions
 - ✓ Job postings
 - ✓ Employment Verification
 - ✓ New hire processing,
 - ✓ Accounts payable or expense management
 - ✓ Employee communications
 - ✓ Personal data maintenance
 - ✓ Retirement / 401k services
 - ✓ Time reporting
 - ✓ Electronic paystub
 - ✓ Paycheck services including withholding and deduction changes
 - ✓ W-2 re-issue
 - ✓ Training enrollment and approval
 - ✓ Competency development and skills management
 - ✓ Career management
 - ✓ Employee change transactions, including hires, transfers, promotions, and terminations
 - ✓ Salary planning and changes

- *Knowledge System Support*
 - “A transformation of the HR function from a cost center to strategic weapon, from bureaucratic inertia to global responsiveness is now under way. Like prior transformations of functions, such as inventory management and customer service, this process is enabled by technology. And what drives it is a vision of HR as a knowledge organization, a hub for flows of information throughout the enterprise. As such, knowledge systems take a central role in the IT infrastructure for the new HR.”⁷
Knowledge to be managed could include:
 - ✓ Core HR knowledge, such as benefits and policies, groupings of employees, relevant government regulations and reporting requirements, and policies of other organizations that affect the organization, such as unions.
 - ✓ Knowledge about the employees, such as skills, benefits, job and employment, family, etc.
 - ✓ Knowledge about presenting information such as life events, presentation of a policy manual, etc.
 - ✓ Company specific benefits information
 - ✓ Benefit provider information
 - ✓ Healthcare provider information
 - A knowledge system has three components:
 - ✓ A knowledgebase or specialized database where knowledge is stored,
 - ✓ A set of editing tools for entering the knowledge and keeping it current, and
 - ✓ An algorithm for using the right knowledge in the right way at the right time.
- *Enterprise Workflow*
 - The potential ROI from workflow can be enormous and could lead to other gains that aren’t immediately apparent. Effective workflow is all about the rules or the processes. It is essential to understand how work gets done and who does it. Unfortunately, rules aren’t always clear. Successful workflow implementations incorporate detailed thinking and planning in a way that standard software doesn’t incorporate. Workflow requires a change in employees’ mindset to be successful. Change management and quickly making process improvements with workflow are essential for success.⁸
- *Single sign on and the convergence of content and applications from multiple sources*
 - Organizations using a variety of systems, both internal and external, to deliver services to their employees, will need to consolidate the source of the information, so that it looks like “one system” to the end user. Some integration points to consider include security (single sign-on using tools such as LDAP), realtime data exchange (using standards such as XML), cross-application workflow and search engine capabilities.
- *Analytics*
 - Employee relevant performance data is necessary to monitor the analytic metrics that will drive organizations of the future and provide the competitive advantage from ERP investments.⁹

Just what is e-business? Why e-business for HR?

E-business unites the enterprise and the Internet, efficiently connecting people with the information they need. It helps to manage relationships, streamline processes and improves the use of information to make strategic and operational decisions. E-business is a term that describes a new era of technology and underscores the recognition that business strategy and technology approaches can no longer be separate discussions. E-business is about connecting people – customers, suppliers, employees – with information. It’s about making organizations more efficient and more profitable

- “E-business is the most uncertain, fast-paced and mission critical issue facing many industries today. Your people who focus on this issue must be totally engaged, empowered and passionate about success.”¹⁰
- Forces driving e-business in the workplace:¹¹
 - *Managing information and knowledge,*
 - *Transactions with rich content,*
 - *Personalization: making information relevant to the individual, and*
 - *Converging content and applications from multiple sources.*
- Noted HR key strategic objectives:
 - Attracting and retaining the best talent is a top priority for many companies. E-HR makes it easier for the employee and manager to do their job. “Companies are looking beyond compensation to intrinsic job fulfillment and employer branding to solve recruitment and retention challenges.”¹²
 - Improving service to employees and managers, eliminating process steps, approvals and forms, and reducing administrative costs.¹³
 - Providing one centralized data repository, for retrieval, reporting, segment analysis and decision making. Getting the right business information to the right people at the right time transforms data into decision-making information. Companies with 10,000 or more employees, who may also be geographically dispersed, benefit the most from a centralized ERP and call center.

Trends in e-HR and e-business

Today's business trend is to empower customers, employees, managers, suppliers and vendors, with direct access to data at the enterprise level, through self-service mediums such as the Internet. The trend is becoming an essential element of an organization's ability to compete. E-business is expected to:

- Slash administrative costs,
- Maximize value and service to the internal and external customers,
- Leverage net technologies, with dramatic business returns (quicker, easier and cheaper installations),
- Serve customers through easy access, reduced cycle times and error-free processing.

Future technology trends supporting e-business are:

- By 2003, 70% of personal digital assistants (PDAs) will be free or subsidized by employers.¹⁴
- By 2003, \$500 PDA will offer color screen, integrated short and long range wireless communications, location services, speech recognition.¹⁵
- By 2004, 70% of cell phones will have Internet capability.¹⁶
- By 2001, 62% of firms will communicate shipping information over the Internet.¹⁷
- By 2000, 40% of purchase orders will be placed over the Internet.¹⁸
- By 2000, 31% of customer inquiries will be placed over the Internet.¹⁹

POTENTIAL COST SAVINGS

There can be cost savings associated with all three distinct components of a state-of-the-art e-business Human Resource ERP implementation. Some savings will be quantifiable hard dollar savings and some savings will not be as easily quantifiable and will be referred to in this document as soft dollars. While this list is not meant to be exhaustive, it will help you understand areas within your organization that could achieve cost savings. Additional analysis and data gathering would be required to estimate cost savings for a HR ERP implementation at your company. It should not be assumed that any of the potential cost savings listed would apply to your company until additional analysis is performed.

Examples of Potential Hard Dollar Cost Savings

- Reduce excess insurance premium payments due to late or inaccurate notification of employee terminations.
- Reduce payroll overpayments due to late or inaccurate notification of employee terminations.
- Reduce incorrect or missed payroll payments to new hires.
- Reduce penalties, due to late tax deposits.
- Reduce retroactive changes in payroll with automated benefits enrollment.
- Decrease time to recruit the right talent, using an automated recruiting process (resume scanning, searching, etc.).
- Reduce turnover, which would reduce recruiting, training and lost production costs. Having a more sophisticated recruiting process increases your ability to hire the right resources, matching job requirements to candidate skills.
- Reduce penalties for non-compliance with I-9 immigration information.
- Reduce OSHA penalties for not maintaining an OSHA 200 log.
- Reduce penalties for late notification of COBRA benefits for terminating employees.
- Reduce lost time and Worker's Comp premiums, by analyzing lost time due to injury and implementing preventive measures.
- Reduce overpayments for vacation and sick time, with an ability to accurately accrue and track time off.
- Reduce FTE through consolidation of HR processes into a single integrated HRIS operating and centralized service center environment.
- Reduce cost of forms.

Examples of Potential Soft Dollar Cost Savings

- Increase manager effectiveness.
- Increase employee productivity.
- Increase payroll accuracy.
- Increase HR process efficiencies.
- Strengthen labor relations.
- Improve employee morale.
- Increase quality.
- Increase of information availability to managers may increase job satisfaction, which may lead to a reduction in turnover and potentially an increase in production.
- Decrease the time it takes to read, analyze and match resumes to job requisitions and increase your chances of hiring available candidates. The best candidates are hired quickly. A delay in the process could result in a missed opportunity to hire the best candidate.
- Realign some HR staff from administrative tasks to strategic tasks. HR strategic work may include benefits plan design, compensation plan design, recruiting and retention plan design, etc. Caution: HR departments do not necessarily reduce their HR staff due to the implementation of a HR ERP.
- Decrease cycle times, including time to enroll in or change employee benefits, time to change employee status, time to hire, time to enter pay changes, etc.

NEXT STEPS

We believe that planning is a primary key to success. Implementations need to be part technology, part functional and part cultural, with a focus on improving customer service and management of the resulting change. HR and IT must collaborate on the implementation and business process design or re-engineering. Also, a commitment and understanding by top management are crucial to success.

We recommend that you consider the following as you move forward with your HR ebusiness planning:

- Definition of an HR e-business direction that supports the corporate e-business strategy.
- Completion of a detailed analysis of your current HR business environment to determine opportunities for improvement and cost savings.
- Development of a high-level implementation strategy and potential cost savings model.
- Definition of project scope and timetable.
- Development of detailed implementation plans and costs.

Right Team's strength is in full life cycle support of package software implementations. We have experience in and are prepared to assist you with HR ebusiness strategy, detailed analysis of HR business processes, process design and re-engineering, cost savings modeling, project scope definition, packaged software evaluation and selection, project management, staff supplementation, quality assurance, and project justification or ROI estimates, to name a few.

We have specific experience with PeopleSoft, workflow, self-service and call center implementations and a number of PeopleSoft add-on products including IVR, web enabled front ends, and resume scanning. We believe that e-HR is the backbone for the future success of the HR organization and the primary focus for future HR implementations.

We would appreciate the opportunity to provide you with more information and discuss this further with you at your convenience.

CONTACT INFORMATION

Right Team, Inc.
651 Orchardview Avenue
Seven Hills, Ohio 44131
216-642-1388
216-642-1638

Brenda Leisinger
leisinger@rightteam.com

Gwen Braverman
braverman@rightteam.com

References:

- ¹ Bob Calandra, "Looking Ahead", Human Resource Executive, March 16, 2000.
- ² B McNee, "IT Investment: Rethinking the Paradigm", Gartner Group Report reference number IGG-052197-02), May 21, 1997.
- ³ "Shared Services, Cohesion, Efficiency, and Expertise", PeopleSoft White Paper Series, September 1997.
- ⁴ "Shared Services, Cohesion, Efficiency, and Expertise", PeopleSoft White Paper Series, September 1997.
- ⁵ "Shared Services, Cohesion, Efficiency, and Expertise", PeopleSoft White Paper Series, September 1997.
- ⁶ David Link, "HR Systems Fuel New EIPs", Human Capital Magazine, February/March 2000.
- ⁷ Avron Barr and Shirley Tessler, Stanford Computer Industry Project; Robin Lissak, PricewaterhouseCoopers; Tod Loofbourrow and Larry Kurzner, Authoria Inc, "Knowledge Technology: Transforming Human Resources Management", September 1998.
- ⁸ Pramod Mathur, "Overcoming the Barrier of Workflow", IHRIM.LINK, June/July 1999.
- ⁹ David Link, "HR Systems Fuel New EIPs", Human Capital Magazine, February/March 2000.
- ¹⁰ Blake Darcey, CEO, DLJdirect, E-business Summit, November 1998.
- ¹¹ "The eBusiness Imperative for HRMS", PeopleSoft White Paper Series, March 2000.
- ¹² Towers Perrin, "Internetworked Organization Survey", April 18, 2000.
- ¹³ The Hunter Group 2nd Annual Survey, "1999 Human Resource Self Service Survey".
- ¹⁴ Gartner Group Spring Symposium / Itxpo 2000, Gartner Group Web Site, May 2000.
- ¹⁵ Gartner Group Spring Symposium / Itxpo 2000, Gartner Group Web Site, May 2000.
- ¹⁶ Gartner Group Spring Symposium / Itxpo 2000, Gartner Group Web Site, May 2000.
- ¹⁷ Ron Shevlin, Forrester Research, E-Business Summit, November 1998.
- ¹⁸ Ron Shevlin, Forrester Research, E-Business Summit, November 1998.
- ¹⁹ Ron Shevlin, Forrester Research, E-Business Summit, November, 1998.