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Evaluating Workforce Management Solutions

A Seven-Step Plan for Selecting Human Resources and Payroll Management Technology that Meets Your Company's Needs Now – and in the Future

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Introduction

Workforce management is a multi-faceted and dynamic group of processes that typically combine comprehensive human resources (HR) management with payroll processing to manage the entire employee lifecycle, from application through retirement.

Organizations today face increasing challenges related to workforce management, including the pressure to remain in compliance with ever-changing government regulations and contain benefits costs while competing for top talent.

For small to mid-sized companies, using manual processes or disconnected solutions to handle everything from recruiting and benefits administration to compliance reporting and payroll tasks, (not to mention the information demands made by upper management) are pushing HR personnel to their breaking point.

When this happens, mistakes are made, costs escalate and good HR and payroll people leave for greener pastures – and integrated technology solutions.

The Need for Automation

Automating workforce management using integrated HR and payroll technology is imperative for companies that want to control costs by increasing efficiency, reducing the risk associated with errors, and securing their place in a competitive talent market.

Reducing paper-based processes is another factor that drives the need for automation. More companies are moving toward paperless workflow as a way to support “green” business practices. While helping the environment, these companies also help themselves: sharing information electronically saves time – and money.

According to a study conducted by Boston, MA-based Aberdeen Group, the top pressures that drive HR and payroll technology initiatives are the need to adapt to market changes, better management of

complex employee relationships, rising costs associated with workforce management and employee retention amid a shrinking labor pool.

The study indicates that the actions required to meet these pressures include:

- Increasing the efficiency of HR and payroll management by adding strategic functionality to core processes
- Improving data accuracy and security
- Integrating business systems to consolidate functions
- Educating HR and payroll staff, and the end-users of self-service systems, on how to optimally utilize the programs that are put in place

Yet, while the need to automate workforce management isn't argued, the challenges related to evaluating and selecting a solution often keep companies from breaking free of the burden created by their current processes and moving toward full automation utilizing an integrated system to manage HR and payroll.

With so many products on the market, and an HR and payroll team that is already over-loaded with work, who has time to sort through the myriad of choices and make an informed decision?

A Roadmap to Technology Selection Success

Choosing a workforce automation solution that meets your company's needs now – and in the future – doesn't need to be daunting. With a bit of pre-planning and a methodical approach to due diligence, you can quickly narrow your choices to create a technology shortlist that is deserving of further evaluation.

Although there are many variables that go into making a final decision, this discussion outlines seven key steps to evaluating workforce management solutions to integrate your critical HR and payroll processes. By using these seven steps as your initial evaluation roadmap, you will increase your chances of successfully achieving your HR and payroll automation goals and selecting the system that provides the best overall value.

Step #1: Set Realistic Goals for Your Search

Before researching HR and payroll solutions, it's important to set basic goals and guidelines for your new technology initiative. First and foremost, however, it's imperative to get complete buy-in on the project from both upper management and the end users of the technology. Upper management buy-in is important because of the financial investment required to implement new technology. End user support is needed to help speed adoption of new processes.

You should also establish a way to define the initiative as successful. In other words, what do you hope to achieve with an automated workforce management solution? If you don't establish your desired end results, it will be difficult to assess whether your goals are realized. Other factors to consider include:

Budget. When establishing your budget, look beyond the basic purchase price and estimate total cost of ownership (TCO). Budgetary line items should include things like hardware purchases if needed, training expenses (an area that is often under-funded), data conversion services, annual support costs and monthly fees for outsourcing if applicable.

Timelines. Setting specific timelines for each step in your search will help you create a basic schedule to follow. If preliminary review and shortlist creation is scheduled to take just two to three weeks, for example, you'll be less likely to put the task on the back burner – and more likely to reach that milestone.

Internal Resources. When selecting the internal resources to serve on your selection team, consider:

1. Who has the skill sets required?
2. Who realistically has time to devote to the project?
3. Who has the most to gain from successfully completing the HR and payroll conversion?

While an outside consultant may provide useful guidance, your own HR and payroll staff are the primary stakeholders in the project. Choose people from this group who can devote the time and leadership needed to achieve desired results.

Step #2: Map Your HR and Payroll Processes

At a core level, HR and payroll systems are tools that facilitate the automation of processes. To get the most from these tools, you need to understand the processes that need to be automated. That's where process mapping comes in.

Although taking the time to map every process within your HR and payroll department may seem tedious, it's a vital – and extremely insightful – step in technology selection. Not only will this exercise help you determine where there's room for process improvement, it will also help you create a blueprint for selecting a system that meets your strategic needs.

Process mapping is a great time to create your "wish list" of functionality that will make your job easier and more productive. Adding employee self-service capability, for instance, will save valuable administrative time while providing employees with immediate access to useful information. And integrating HR functions with payroll processing will eliminate redundant data entry and ensure accuracy.

When mapping each process, define what the process does, who it involves and the steps required to complete the task. Highlight areas of duplicate effort and note how the process contributes to the overall department workflow. If you're currently using a paper-based system, for example, calculate the number of times that employee files are accessed each day and how much time it takes to retrieve and replace those files.

Once you understand the goals around your technology search and the processes that need automating, it's time to consider the type of functionality you need to accomplish your objectives.

Step #3: Define High Level Functionality Needs

The most important factor when evaluating workforce management solutions is integration. The ability to handle every aspect of your HR and payroll operations using a fully automated system is the fundamental platform for building the ideal solution to meet your needs now, and in the future. This integration means that you enter employee information once and it is available for both the payroll and HR applications. Additionally, employee self-service does not require a separate sign-on.

With the need for integration established, identifying the core functionality needed to automate the processes mapped in Step #2 is next. According to Gartner, Inc., a leading information technology research and advisory company, mid-market companies don't necessarily have the same needs when it comes to HR and payroll technology. Some companies have simple requirements, such as benefits administration and e-recruiting, while companies with more sophisticated requirements may also need capabilities like performance management.

As you determine where your company fits on the simple to sophisticated scale, try not to focus on specific features. Instead, define your needs at a high level. Some examples include:

- Benefits management and administration
- Employee self-service functions
- Compliance reporting
- Attendance tracking
- Comprehensive payroll management, including complex tax calculations, deductions and benefits
- User-based data security with protection of sensitive information
- Audit trails for all entries and transactions
- The ability to move closer to a near-paperless workflow
- Data import and export capabilities
- Comprehensive reporting

You'll also want to ask clarifying questions like:

Is the program flexible enough to meet our needs out-of-the-box, or will we require custom programming?

Is the interface intuitive and easy to use, which will cut down on training costs and minimize employee ramp-up time?

Is payroll outsourcing – in full or in part – an option, or would I have to involve a third party vendor to meet this need?

Once you have these high level functionality needs established, evaluating solutions at the feature level becomes much easier because you have a basic framework for applying features to functions and processes. This helps ensure that you don't buy based on the latest trendy technology – unless that technology is the means to your end.

Step #4: Establish Reporting Requirements

HR and payroll reporting is as complex as the operations themselves, providing executive insight around things like the costs associated with benefits compensation, creating compliance documents like quarterly payroll tax returns and worker's compensation, EEOC and HIPAA reports and handling on-demand requests from managers and employees.

If you're currently using disconnected or manual solutions for managing HR and payroll, making the move to an automated, integrated solution will immediately – and significantly – improve your reporting ability. But, when evaluating the capabilities of various solutions, what you really need to know is how easy it is to get the information you need in a format that you can readily use.

Look for a system that has a significant number of preformatted reports (with user-defined sorting and presentation features) that will meet most of your standard detail and summary reporting requirements. In addition, make sure that the program has a built-in custom report writer or is compatible with software such as Crystal Reports® so you can design the additional reports needed to satisfy your company's unique reporting needs.

It is also a good idea to identify whether data can be exported to spreadsheet programs for further manipulation as desired. Programs like Microsoft® Excel allow you to transform your HR and payroll data into charts and graphs while easily creating complex statistical reports such as trend analyses and forecasting metrics.

Step #5: Identify Forward-Looking Technology

If you want this conversion to new HR and payroll solutions to truly be your last, align with a solution provider that has documented plans to continually enhance its products to meet the ever-

changing requirements of today's business environment. In short, find out what capabilities are currently in development or planned for the near future.

Gartner has identified three primary trends for HRMS within the U.S. mid-market:

- Outsourcing of payroll functions and benefits administration
- Talent management functionality, primarily for more sophisticated buyers
- On demand software-as-a-service (SaaS) delivery for lowering TCO

Gartner says that, "By 2008, more than 50 percent of new HRMS purchases by U.S. mid-market customers will be made with vendors through the on demand software-as-a-service model . . ."

Hosted SaaS solutions, which used to be called the application service provider (ASP) model, negate the need for in-house IT support and eliminate corresponding hardware purchases. When new versions or program corrections are available, the software is updated automatically. Because of these hard dollar benefits, the SaaS delivery model is generally considered to be the software deployment technology of the future. If you're considering a technology purchase from a vendor that doesn't offer this capability now – and doesn't have it in development – you might consider looking elsewhere.

The point is, technology developers that are addressing these trends, as well as issues like scalability and database architecture, by putting significant dollars into development are your best bet for a long-term solution provider. If a company has a strong vision around future product development, it is likely to meet your long-term goals, even if small pieces of the puzzle are not yet available.

Step #6: Evaluate the Vendors as Technology Partners

Although it may be tempting to choose technology based on number of installations or market share, these factors don't guarantee success. A large company with tens of thousands of clients (or more), for example, may have problems meeting even your most basic customer service requirements. That's why you should thoroughly evaluate vendors to determine what kind of technology partners they will make over time. Several points of consideration follow.

Does the vendor target your market? Small to mid-sized companies have different needs than Fortune 500 firms. Look for a vendor that targets your particular market, both in the services it provides and in the complexity of the solutions it develops.

What services are offered to ensure a smooth implementation process? Find out if the vendor has a clearly defined, step-by-step implementation process for you to follow and whether or not you have access to a designated conversion manager for quick resolution of questions or problems. Ask if data conversion is available, and what types of training are offered (on-site, Web-based, telephone-based, etc.). An easy implementation will set the stage for a smoother transition to your new solution.

How does support work? Many questions should be asked around support and maintenance, including: Is support available in a variety of formats (telephone, Web-based, e-mail-based, etc.) and during an extended workday to account for time zone differences? What are the average response and resolution times for support issues and how are complex problems escalated up the chain of command? Is there a searchable knowledge base available to look for answers? How often are program corrections released? How often are major product upgrades delivered? Consider putting a vendor that offers great customer service and solid support on your shortlist, even if they don't currently offer everything on your "wish list."

Are a variety of references available? Ask to speak with references that have businesses similar to yours. To get a more complete picture of the end user experience, talk with new customers that have just completed conversion as well as established clients that can provide feedback around ongoing support services.

At the end of the day, a company that takes time to understand your business needs and provides the personalized service needed to guarantee success – and eliminate frustration – is far more valuable than market share.

Step #7: Determine the Best Overall Value

By now, you've discovered that a valuable solution for automating your HR and payroll processes is fully integrated, meets your functionality requirements, provides flexible reporting options and is developed by a vendor that incorporates forward-thinking technology with solid customer service.

But you may be thinking, what about price? Although the cost for integrated workforce management technology will vary greatly depending on things like components needed, number of users and deployment method, as mentioned in Step #1, TCO goes beyond the basic purchase price. And when determining overall value, price even goes beyond the hard dollar costs associated with things like hardware and annual support agreements.

Can you put a price on the time saved by achieving greater productivity throughout your HR and payroll operations or mitigating the risk of payroll reporting errors? How about the benefits of partnering with a company that will continue to meet your needs year after year?

To truly define value as it relates to your organization, you need to identify the key, time-intensive functions within your company's current HR and payroll operations that would benefit most by automation. These functions might include:

- Manually creating reports or enrolling employees in benefits programs
- Frequently reconciling payroll processing errors or manually managing payroll taxes
- Duplicating data entry to keep your time-keeping or 401k systems up-to-date

Once your key functions are identified, calculate a dollar value associated with each one. For example, if Key Function #1 takes three hours a day to complete manually, at a conservative, fully-burdened rate of \$27 an hour, that task is costing over \$400 per week.

If, by automating that task, you can save two hours a day or more, then you have measurable return on investment (ROI).

Answering employee questions around things like vacation time accrual or tax filing status takes an enormous amount of human resources. It makes sense, then, that putting an employee self-service system into place would offer tremendous value to your operations and potentially high ROI. Plus, in a competitive labor market, giving employees ownership of their data via self-service access is a great recruiting tool and can help reduce turnover by creating a more personally satisfying work environment.

Although there is no one, single system that will meet every need on your wish list, the best value will be the vendor and product that resonates with your current needs and company culture while

growing with your organization – even if it's not the least expensive solution on your shortlist. And with the time that is saved by automating your workforce management, your staff can tackle those strategic projects that always seem to be on the back burner, like updating your employee handbook or initiating much-needed training programs.

Next Steps

If you're diligent about following the steps outlined above, by the time you complete Step #7 you should have a better understanding of the integrated workforce management solutions that are on the market and the two or three products that are best suited to meet your needs. The creation of this technology shortlist is quite an accomplishment –congratulations on getting to this point! You're now ready to enter the demo phase of your selection process.

The demo phase is when the rubber meets the road, so to speak, and you get to experience how each shortlist solution would drive your HR and payroll processes. By fully engaging in the demo process, a clear winner should emerge. This will be the solution that meets your HR requirements and makes payroll processing painless and less prone to error. It will fit within your budget constraints and deliver the automation that is required to accomplish more in less time. And it will be developed by a forward-thinking technology partner that is committed to meeting your company's needs now – and in the future.

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