



## IMPROVING RESULTS AND LOWERING COSTS WITH A HUMAN RESOURCE MANAGEMENT SYSTEM

BY LISSA JOHNSEN, CPA, CMC, CITP

**A**ll businesses and organizations need a strong, talented workforce. Businesses and corporate executives face a range of human resources challenges, from competition for top talent to spiraling benefits costs. Rapid advances in technology coupled with increasing competitive pressures in an extremely tough economy require new skills and accelerated development of the workforce. The changing business environment is putting more pressure on businesses to address human resources as a key part of the strategic plan. Business planning must address the following human resources challenges as a key factor to overall success:

- **Human Capital Management**

A key to your company's success is the ability to attract, retain, and develop talented employees. As the Baby Boom generation retires, an estimated 70 million employees will leave the workforce over the next twenty years. Shortages of executives, senior managers, and other leaders will be acute, and competition for talent in many fields will become fierce.

- **Escalating benefits costs**

The cost of health insurance premiums rose 74% from 2000 to 2006, compared to total inflation of less than 20%.<sup>1</sup> Year after year of spiraling employee benefits costs have left businesses scrambling for cost containment options.

<sup>1</sup>Per the Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits 2006 Annual Survey*, p. 12.

### THE BOTTOM LINE ON HR TECHNOLOGY

- **Limited HR resources**

*HR staff is consumed with administration, spending over 30% of their time on benefits and 50% processing employee information and answering questions, while only spending 14% of their valuable time on strategic objectives.* HR Technology can re-engineer the "administrivia" and create more time to focus on strategic HR, like placing the correct person in the job the first time, helping create a motivated and efficient workforce, maximizing return on payroll costs, and keeping good people in your organization longer.

Many businesses have limited staff and resources to manage the many aspects of human resources. With the valuable HR resources dedicated to this "administrivia," it is necessary to identify ways to improve results, increase efficiency, and lower costs. A Human Resource Management System (HRMS) helps organizations find such opportunities and capitalize on them.

### Compliance and risk of litigation

Compliance with governmental regulations requires a great deal of specialized reporting, and mistakes can risk costly fines and other governmental actions. Employee lawsuits create another significant business risk.

### Fundamental goals of HR Technology solutions

- Eliminate the use of Excel® spreadsheets or other manual reporting tools to reach business decisions more effectively.
- Ability to stop entering the same data in more than one solution (eliminate duplicate data entry).
- Move toward paperless HRMS and payroll.
- Ability to grow business with improved processes without adding more employees.

### THE ROLE OF HRMS TECHNOLOGY

A Human Resource Management System (HRMS) provides an integrated solution for automating and managing your organization's core human resources requirements, including:

- compliance and government reporting,
- new hire processing,
- employee benefits,
- compensation management,
- performance appraisals and reviews,
- time and attendance,
- payroll,
- recruitment,
- employee development and retention, and
- planning, analysis, and reporting.

A well-planned HRMS can:

- Drive costs out of your business by automating core HR, benefits, and payroll processes for increased efficiency and productivity.
- Help contain and reduce the spiraling costs of employee benefits.
- Increase retention by providing a high level of service to employees while controlling the cost of providing it.
- Make the best possible decisions regarding your workforce with accurate and timely reporting and analysis.
- Reduce the cost of compliance and risks associated with increasingly complex and burdensome regulations, including the avoidance of fines, penalties, and costly litigation.
- Improve processes for recruiting, developing, and retaining people with the required skills and aptitudes to meet current and future organizational needs.
- Reduce routine administration and paperwork, enabling you to focus more on workforce and business strategy.

### Core HR Administration & Compliance

To achieve productivity gains in HR, businesses must eliminate as many routine administrative tasks as possible. Administration consumes the HR department. Forrester Research found, on average, over 50% of a human resource department's time is spent processing employee information and answering questions. Implementing an HRMS eliminates much of the routine paperwork associated with HR.



Prior to implementing an HRMS, most small and midsized businesses rely on paper to manage employee processes. **Most employee information is tracked via a combination of homegrown spreadsheets and office file cabinets.** Hiring information, payroll records, benefit plan elections, and training certifications for a single employee might be stored in four or more different locations. This invites errors, as well as lost and outdated information. Each change to an employee's data needs to be replicated across the variety of files and record-keeping tools. Paper files and non-integrated software tools also make it tedious, if not impossible, to create timely reports and analysis.

An HRMS centralizes employee and payroll data and helps to formalize the processes. This improves accuracy, and helps to improve efficiency. Because the data in an HRMS system is centralized, there is no need to duplicate data in order to use it for multiple HR tasks. HRMS provides executives and HR managers with access to timely and comprehensive reports and analyses to make more informed decisions about the workforce.

Government laws and regulations form an increasingly burdensome and complex compliance environment for many midsized businesses. Mistakes can lead to penalties and fines from the government, as well as expose your company to risk of costly employee lawsuits. An HRMS will help you determine which employment laws apply to your company and track the necessary information to comply with record keeping requirements. Regular legislative and compliance updates from your HRMS vendor help keep your organization in compliance with changing tax and employment laws.

### Employee Self-Service

Employee Self-Service (ESS) solutions provide an opportunity to reengineer workflows in order to reduce the routine administrative tasks in the HR department. ESS alleviates part of the burden of administration by giving employees and managers online access to their benefits, personnel, and paycheck information. Employees view, create, and maintain information using a Web browser over the Internet or the company intranet.

ESS produces productivity gains, lowers transaction costs, and improves the level of service to employees. It reduces the paperwork burden on the HR department, while retaining the ability to control and approve processes. Self-service is far from a burden to employees—in fact, surveys show employee satisfaction increases with access to ESS.

### Benefits Management

For most of the past decade, the cost of employee benefits, and particularly the cost of health insurance, has risen at a staggering rate. Year after year of 8% to 14% increases in premium costs have caused employers to implement a number

of cost containment strategies. Recently, the increases in health insurance premiums have been slowing, but continue to run well above the rate of inflation.

In pursuing strategies to contain costs, most employers pass a larger share of premium increases to employees, and many plan for further increases. Changing carriers is probably the most frequently used cost containment strategy for midsized businesses. Benefits managers shop comparatively for affordable insurance plans. To win new business, carriers usually under price the first-year premium. But renewal quotes raise premiums substantially, often by 25–35%.<sup>2</sup> It is no wonder **HR spends up to 30% of its time on routine benefits administration activities.** Nothing generates more employee questions and requests to HR than benefits. Most employers offer multiple benefits such as health, life, and disability insurance. This requires multiple carriers, often offering several plans within each package. Each individual plan must be set up and administered by HR, and each plan requires an employee enrollment with transmission of census data to the benefits carrier.

<sup>2</sup>Robert Young, "Group Health Insurance Bid Rates: How They Can Be So Enticing That First Year And What HR Professionals Can Do To Strengthen Their Roles"

Providing employees with satisfying benefits packages may increase success in recruiting and retention efforts. In fact, more than half of employees surveyed by the American Payroll Association<sup>3</sup> said health benefits were more important than higher wages.

<sup>3</sup>American Payroll Association, "National Payroll Week 2006 Survey: Getting Paid in America," 2006.

Online benefits management and open enrollment automates each step of the benefits management process. Benefit solutions eliminate paper-based processes, improve efficiency and accuracy, and greatly reduce routine administration. These solutions can lower the overall cost of providing services to employees while helping address the fastest-growing source of rising costs. Carrier Connectivity Services create formatted electronic files that automate the submission of your employee benefits data to your benefits providers. Automating the data submission process increases accuracy, which can lower your benefits costs.

### Talent Management

"Talent management" refers to the processes for recruiting, hiring, developing, and retaining the employees that are fundamental to the success of your business. Recruiting is one of the most complex processes in most companies. There are many stakeholders involved in each hiring decision (internal and external applicants, hiring managers, HR, external recruiters, executives), creating slow and cumbersome paper processes. And a large percentage of talented applicants are conducting their job searches online—an area not well addressed by paper-based processes. Eliminating routine administration and paper-based processes with talent management software can achieve more

timely hires with lower recruiting costs. Recruiting solutions automate recruiting and new hire "onboarding." Training solutions facilitate planning and management of employee skills development.

Recruiting solutions optimize recruiting processes by automating the workflow and more accurately tracking sources of hire, enabling recruiters to better analyze which efforts produce the best results. Self-service technology enables all recruiting participants (recruiters, HR managers, hiring managers, and applicants) to interact with the software at appropriate stages of the recruitment processes. A recruiting solution will help integrate traditional recruiting tactics with the most advanced and effective online recruiting methods. Online recruiting has become an important part recruiting, providing nearly one in three new hires. Companies seeking top talent must be able to easily post job openings on Internet job sites, accept online employment applications and résumés, and accurately track online sources of hire.

Training solutions help HR and management plan skills development that creates a competitive advantage for your organization. Approximately one-third of job requisitions are filled by the promotion or transfer of a current employee. It is less costly to recruit from within your ranks, and promotions encourage retention of your best talent. Because your current workforce is such an important source of future leaders for your business, it is essential your HRMS system helps you plan for and manage training. A training solution enables you to plan, track, and report on the career development of each employee.

## IMPACT OF HRMS TO THE BOTTOM LINE

The cost savings associated with HRMS reach into many areas of the business. The savings can be defined and measured. It is possible to **realize a quick return on your HRMS investment, often in less than fifteen months.**

HRMS positively impacts the bottom line through:

- **Increased productivity—**  
The time and effort saved through enhanced efficiency and the reduction of routine administration and elimination of duplicate data entry.
- **Direct cost savings—**  
The savings associated with the costs of printing, mailing, and faxing, as well as avoiding costly errors through increased accuracy.
- **Better compliance—**  
Avoiding fines, penalties, and costly litigation.
- **More strategic opportunity—**  
The better alignment of HR and corporate objectives, achieved by your staff having more time to focus on what matters most.

*Core HRMS automation raises productivity throughout the organization.*

HR staff will spend much less time on data entry, routine administration, and reporting. Employee self-service functionality reduces the volume of employee questions and requests to the HR staff. These efficiency gains allow companies to deliver a high level of service to their workforce without adding HR staff.

*Eliminating cumbersome, time-consuming paper processes achieves direct cost savings.*

Online benefits enrollment saves the paper, printing, and postage expenditures associated with a paper-based enrollment. SHRM estimates the paper costs associated with benefits enrollment at \$27.50 per employee. Online benefits enrollment shortens the open enrollment process by up to 50%. Improved data accuracy and reporting helps catch billing errors from benefit providers.

*Recruiting solutions shorten the time open positions go unfilled.*

They also provide easy integration of online recruiting methods, which can reduce an organization's cost-per-hire. A SHRM study found the cost-per-hire using Internet recruiting averaged \$377 while advertising in a metropolitan newspaper averaged \$3,295 per hire. An efficient recruiting process also enables HR to conduct more candidate searches in-house, lowering external recruiting costs.

*HRMS helps companies achieve compliance and avoid lawsuits.*

Regular legislative updates, automated record keeping, and specialized reporting help companies stay compliant with government regulations. By ensuring organized, centralized data and thorough record keeping, an HRMS helps avoid fines, penalties, and threats of lawsuits.

*HRMS frees HR staff to focus on strategic objectives.*

The time saved with an HRMS will enable companies to deliver higher levels of service to employees. Companies benefit from timely reports that help forecast and plan for an optimized workforce. And smooth, efficient processes allow HR to spend more time focusing on strategies that secure the long-term success of the organization. **IR**

Some of the content for this article was utilized from the Sage Software white paper titled "The Bottom Line on HR Technology." The contributions from Sage Software are greatly appreciated.