

INSIDE: ePAYROLL PROVIDERS BUYER'S GUIDE!

www.americanpayroll.org

PAYTECH

The Official Publication of the American Payroll Association

December 2004

Implement a New Payroll System the *Right* Way

The Payoff in Payroll Training

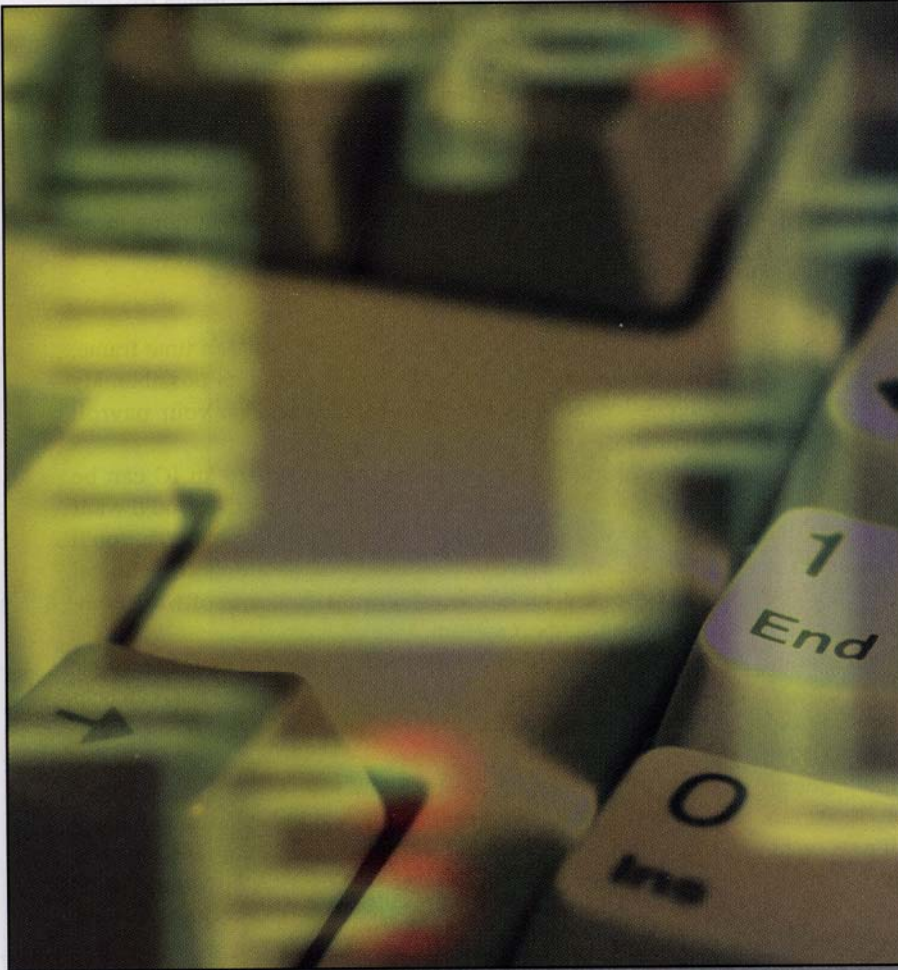
APA DALLAS CHAPTER

Wins

2004 COTY Award

Do Your Homework Before You Implement a New System

BY GWENDOLYN K. HANNAH



The selection and implementation of a major software system is one of the biggest financial decisions a company will ever make. Major software implementations can take years from beginning to end.

The vendor selection phase alone can take up to 18 months. It makes sense, then, to spend the time and resources necessary to make it successful.

Many companies rush headlong into an implementation without doing any groundwork. Avoid this mistake by following four steps: analysis and preparation, choosing the right vendor, managing the implementation, and follow-up.

Analysis and Preparation

Know where you are now. This includes analyzing your business processes. Even the best managers receive a shock

when the analysis begins. It's not uncommon for "phantom" business processes to emerge where functional areas have "ad-libbed" to meet their own business needs.

The "phantom" business processes occur because the policies or procedures didn't work in the first place. As Albert Einstein once said, "We can't solve problems by using the same kind of thinking we used when we created them."

Document the existing technical infrastructure and determine what hardware and software are needed in the future. Utilize your information technology (IT) partners in this step.

Research other projects currently under way that will compete with, enhance, or support the project. Often, another project can be leveraged to get the project approved or project dollars can be shared to realize a common goal.

Finally, determine the cost of doing nothing. For example:

- Limited vendor support for old product
- Data redundancy—duplicate data entry
- Numerous interfaces
- Heavy reliance on paper
- Poor data validation and editing routines
- Inadequate reporting capabilities
- Outdated technology with limited functionality

Know where you want to go. What features are working in the current system, and which ones will be needed in the future? While the old system may not meet basic needs, you can always learn something from it to avoid similar mistakes when selecting a new system.

Know how to get to the end result. This step is all about strategy. Here, the team should know what those processes, policies, and practices will look like in the future. Who will support and approve the changes? How will they be communicated? How will the team manage resistance?

Know how to mitigate risks. There are always risks. The key to success is understanding risks and having a plan to lessen their effect. Here are a few:

- *Unrealistic expectations by sponsor and users.* Being enthusiastic about your project will help you sell the project. However, do not oversell the new system's capabilities by setting unrealistic expectations with your sponsor and users.
- *Lack of organizational support.* What can you do to get and maintain organizational support throughout the implementation?
- *Failure to identify broken processes and recommend solutions.* A system is a tool—a tool that is useless without policies and procedures to provide direction and structure. Unfortunately, if policy issues aren't addressed before the project begins, you will return at a later date faced with far greater costs.
- *Lack of alignment between policy goals and objectives.* Another potential pitfall is selecting a system that is misaligned with company policy goals and objectives. For example, say the team is promoting process consolidation when the company's direction is to push control and ownership to the field. You may have little success even though you have a compelling case for consolidation. Point: pick your battles.
- *Failure to understand the strengths and weaknesses of the new technology.* Companies commonly fail to understand the true capabilities of new technology. This is especially true if the company is behind the technology curve.

Choosing the Right Vendor

In the previous step you laid the groundwork for your project. You are now looking for the right vendor. Remember, it's not just about choosing a vendor; you are choosing a long-term business partner.

The first step in this process is to prepare a request for proposal (RFP) or a request for information (RFI) to get information from the vendor that will help you understand its product functionality, implementation approach, and long-term support strategies. In many companies, the IT department prepares the document. Here is a framework for the RFP:

Proposal summary. In the proposal summary, clearly state the business case, focusing on business needs. State reasons for change, but avoid expressing how technology can solve the problem. Let the vendor explain how its technology can address your needs. Discuss your timeline and evaluation criteria.

Business rules and required features. In the business rules and required features section, give specific examples of current rules and expected changes in the future. Prepare a grid with each required feature where the vendors can indicate whether it is a standard feature or will require customization.

Nice-to-have features. In the "nice-to-haves" section, indicate functions and features that would be nice but are not going to be a deciding factor. Many times a vendor will have features already in its product line that fall into this category.

Technical requirements. The IT department should prepare the technical requirements section, indicating internal standards, platforms, and security requirements.

Estimated cost of implementation. Outline the budgetary criteria for software, implementation, and training costs.

Tell the vendor the selection process you will employ (references, site visits, demos, etc.). Ask the vendor to summarize the following:

- Software costs
- Customization costs
- Installation and training
- Annual maintenance

General information. For best results, give vendors at least one month to respond. Contact all vendors prior to sending out the RFP to let them know it is coming. Make sure you let prospective vendors know what vendor you are currently using. Don't waste time by sending the RFP to vendors you know you can't afford.

Managing the Implementation

According to research by The Standish Group, only 16.2% of software projects are completed on time and on budget. In larger companies, only 9% of their projects come in on time and on budget.

Further research showed that projects completed by the largest American companies have approximately 42% of the originally proposed features and functions. Smaller companies did better—78.4% of their software projects were deployed with at least 74.2% of their original features and functions.

The Standish Group research also shows that 31.1% of projects will be canceled before they ever get completed. Further results indicate 52.7% of projects will cost an average of 189% of their original estimates.

What can you do to prevent being one of these statistics? Understand that projects fail if they don't solve a problem. Here are a few pitfalls to be aware of:

Lack of corporate sponsorship

When projects lack sponsorship from upper management, they seldom receive adequate funding and support. Someone at the executive level must understand what problems will be solved, how long the project will take, and what funding is required over the life of the project.

This person should be willing to go before budget committees to campaign for funding and support. Your corporate sponsor should be identified early in the process and should remain actively involved during the project to maintain momentum at this level.

It is important for the corporate sponsor and the project team to understand the strengths and limitations of the new technology so the right expectations can be set with upper management. If problems arise, the corporate sponsor should keep upper management aware of any changes. If not, they may deem the project a failure if it doesn't meet the original goals.

Competing project initiatives

Every major project has a set of stakeholders with conflicting demands and expectations. Workforce management projects, human resources, finance, IT, and payroll are probably all involved, using different perspectives and approaches.

Because workforce systems touch everyone in the organization, team members from other departments may need to be included. It doesn't take long for 50 or more team members with

(continued on page 46)

different perspectives and agendas to make it challenging to reach an agreement.

How can you successfully manage conflict within a cross-functional project team? The first step is to work with the project sponsor to develop a solid project plan and scope document. If there are sub-teams, make sure they are also cross-functional so everyone stays on the same page.

Meet as a group frequently and update project goals as conditions change. Maintaining flexibility is important. When issues arise, discuss them openly and develop a system to address them.

Henry Ford once said, "Coming together is a beginning, staying together is progress, and working together is success." That statement is as true today as it was in his day.

Scope creep

Scope creep occurs when the project's scope has out-reached its original intent. With a large project team, it is easy for the project scope to get out of control. Sometimes one project acquires another project on the basis of "natural fit" or efficiencies.

For example, suppose the Company X payroll department wants to implement a time and attendance system. The company's retail group wants to coordinate the time and attendance project with its point of sale (POS) system.

Then the call center learns of the project, and wants to coordinate or add scheduling to the project for its group. All of a sudden, the project has gone beyond its original intent. Sound far-fetched?

This happened to one of my projects when I was the payroll director at a telecommunications company. To the novice, it may sound logical to coordinate all of these areas with one system. However, it can be the death knell for a project.

How can you avoid scope creep? Controlling scope creep can be a daunting task with a large cross-functional project team. When a project team member brings up an enhancement or add-on that wasn't part of the original project, the project manager should reinforce established timetables.

The team should be asked what it is willing to give up by adding the enhancement to the project. In the early stages of a project, the team should review features and enhancements and determine if they are "must-haves" or "nice-to-haves."

The team should include the "must-haves" in phase one and the "nice-to-haves" in later phases. This will show that the team is willing to consider additional features at a later date.

Lack of internal and external resources

Companies typically underestimate time and labor requirements for payroll and human resource information system (HRIS) projects. Already overloaded managers are assigned the role of project manager. These managers probably embrace the idea of managing the project to further their career, gain experience, or do something challenging beyond the normal routine.

However, who will take over the manager's responsibilities while he or she acts as project manager? Managing a major software implementation is usually a full-time project and not something someone can work into their schedule.

Why do companies do this to their managers when it likely will result in project failure and manager burnout? The most common reason is budgetary constraints. The rationale is that they can't afford outside project management assistance or temporary replacement staff.

This reasoning is shortsighted given the previously discussed repercussions. Wasting the best resources through overutilization, multitasking, and burnout is a recipe for failure.

Internal procedures don't support the new system

Trying to solve a people and process problem with technology often compounds a problem. Policies and procedures must be in place to support a new system. A company with manual processes will need to completely reevaluate its processes.

Systems need foundation and structure from the company's policies and procedures in order to be utilized to their fullest extent. If policy and procedure issues are not addressed, the project team will be forced to address them later in the project, causing extensive delays.

If your project team can avoid these common pitfalls, you are ahead of the game. Being aware of pitfalls is the first step to solving them. Create contingency plans and methods for dealing with change.

Communicate effectively. You may think you are communicating well, but you are probably only communicating 50% of what is needed. Set expectations early.

Follow-Up

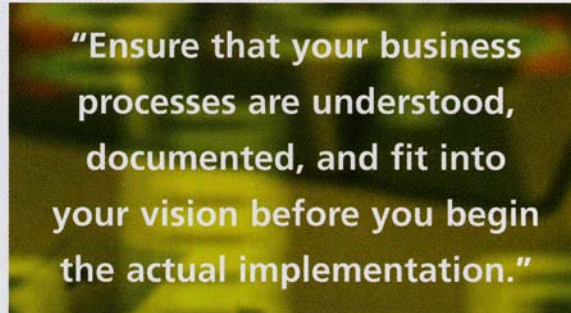
Phase four usually gets skipped. You've had a successful implementation, so why revisit it? First, you prepared your financial and business objectives in the business case, outlining objectives that were important at the time. Did you meet them?

Preparing a postmortem will outline the project's successes and challenges and lay the groundwork for future projects. It will also add to your credibility if you were able to manage a project on time and within budget.

Plan Now or Pay Later

The importance of outlining and defining business processes prior to a system implementation cannot be overstated. Ensure that your business processes are understood, documented, and fit into your vision before you begin the actual implementation. Spend time in the beginning to understand the processes' implications, or you will almost certainly revisit them later at a far greater expense.

Gwendolyn K. Hannah is President of Trillium Consulting Group.



"Ensure that your business processes are understood, documented, and fit into your vision before you begin the actual implementation."