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Brown, Smith Wallace Consulting White Paper

Raise the Bar on HR:

Improve Efficiency and Gain a Competitive Advantage

With a Human Resource Management System

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A graphic element consisting of a solid black square with three horizontal white bars of varying lengths extending from its right side, positioned to the right of the company name.

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ABSTRACT

In today's volatile, unpredictable, and competitive business environment, long-range planning is taking on a more crucial role than ever before in organizations of all shapes and sizes. Today, business leaders must think ahead, adopting a forward-looking attitude companywide that will allow them to take decisive actions on key strategies to propel their organizations forward. This requires access to a wide range of business intelligence that can help them make informed decisions in an efficient, timely manner—more so than ever before. Much of this information already resides in your human resources (HR) department, and gaining access to it, mining it, and analyzing it can mean the difference between turning right or left at a crucial point in your company's journey.

A good Human Resource Management System (HRMS) is an indispensable tool in achieving these goals. More than just a way of organizing, managing, and automating human resources data, an HRMS helps elevate the role of your human resources department in two important ways: by freeing midlevel HR representatives from administrative tasks so they can focus on their *real* job of serving employees, and by giving senior-level HR professionals the tools they need to become strategic business partners within your organization.

This white paper will explain the value of an HRMS beyond just the advantages of automating and managing your organization's core workforce administrative duties and transactions. It will discuss why you should invest in an HRMS—specifically, to improve your overall business by building a better HR department, populated with key business partners that can help executive leaders make better, more informed decisions and strategic plans. Starting with a background on HRMS, then explaining the mechanics of the system and what it can do from an administrative, cost-saving perspective, this paper will then discuss the two primary ways an HRMS helps raise the bar on HR—from the midlevel employee perspective as well as the senior-level manager's standpoint.

INTRODUCTION

A Human Resource Management System is an integrated software solution that helps companies electronically manage all the documents, data, and transactions associated with their workforce, covering the following areas:

- Government Compliance
- Employee Benefits
- Time and Attendance
- Payroll
- Recruiting
- Employee Development, Compensation, and Retention
- Planning, Analysis, and Reporting

Managing this vast amount of data is a complicated task for even the smallest organization. The tough economy of the past few years has only exacerbated the situation for companies of all sizes, as staffing cutbacks threatened to overtax already busy HR departments around the world. Consequently, finding ways to improve results, increase efficiency, and lower costs has become a central issue in HR departments everywhere. Automating the routine administrative tasks associated with this job can help companies achieve those goals. At a glance, 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 rising costs of employee benefits.
- Improve workforce retention by providing a high level of service to employees while controlling the cost of providing that service.
- Make the best possible decisions regarding your workforce with accurate, timely reporting and analysis.



- Reduce the cost of compliance and risks associated with increasingly complex and burdensome regulations, including avoiding fines, penalties, and costly litigation.
- Improve recruiting, developing, and retaining processes to ensure that you attract and keep people with the required skills to meet current and future needs.
- Reduce routine administrative duties and paperwork, freeing HR employees to focus more on workforce and business strategy.¹

In essence, these individual improvements can help companies reduce overall costs, improve operational efficiency, and better manage their core asset—their *people*. What's more, companies everywhere are looking to their HR departments for help in gaining a competitive advantage in their marketplaces. Preliminary results from a 2010 survey by consulting firm Jeitosa Group International show that the globalization of human resource technology is growing rapidly, as more and more firms seek to unify their HR systems under one worldwide technology umbrella. The point is to leverage cost savings, promote efficiency, and get a better handle on “talent management” globally. This shows that not only are more companies investing in HR technology these days, but many are raising the bar on those investments in an effort to capitalize on even more human resources-related business opportunities. Sixty percent of companies surveyed by Jeitosa International Group said they have implemented a single, global HR technology system.²

Human resources expert Catherine Hentges agrees that HR technology systems are a must in today's business world—whether you run a midsized organization with just a few hundred employees or a large company with thousands of workers around the world. Hentges has more than 17 years' experience in

human resources, having worked for a \$25 billion manufacturing company, where grooming HR professionals as “good business partners” was the norm. She is now a principal and human resources director for consulting practice Brown Smith Wallace LLC in St. Louis, a job she says she could not perform without an HRMS.

“My ability to be efficient in the delivery of my work is crucial,” says Hentges. “It [would be] a deal-breaker for me if [a company] did not have an HRMS.

“It is such an invaluable tool. Not having one in place [for your human resources professionals] would be similar to hiring a senior-level tax manager and telling them that they would have a table-top calculator as their only tool in terms of the delivery of their work. As a result, they would struggle with everything.”

Hentges also agrees that elevating the role of your HR department is the key benefit of an HRMS. Such a system helps this data-intense group focus on what they were hired to do, she says: keep the pulse of the organization and help business leaders chart a course for growth. The remainder of this paper focuses on these goals as they relate to two distinct groups in your HR department: the midlevel HR professional and the senior-level HR manager.

MANAGING DATA

Start by taking a look at how an HRMS can improve the life of a midlevel HR professional. Many HR departments rely on traditional methods of managing information, including homegrown spreadsheets and paper files that can take an inordinate amount of time to locate, shuffle through, and update manually. Quite simply, this wastes your HR professionals' valuable time. A good HRMS eliminates much of the routine paperwork these employees must deal with and automates the most time-consuming human resources functions: payroll, recruiting, new hire processing, benefits and compliance management, employee development, government reporting, and so on.

¹ “The Bottom Line on HR Technology: Improving Results and Lowering Costs with a Human Resource Management System,” (2007, Sage Software, p.2)

² Karen Beaman, “The Globalization of HR Technology,” (September 12, 2010, Jeitosa Group International, <http://www.jeitosa.com/blog/2010/09/12/the-globalization-of-hr-technology/>, accessed September 27, 2010)



Automating these processes means that information is entered into a central system where it can then be updated regularly. This reduces the chance of errors while also saving time and streamlining each process. Consider employees' personal information, for example. In traditional systems, social security numbers, phone numbers, addresses, and the like may appear in multiple spreadsheets or be stored in various file cabinets throughout your HR department. When an employee needs to update a piece of that information, the HR department must take the time to make multiple changes—not to mention the time it takes to physically locate all those files. Again, this invites errors and wastes time.

"For the midlevel HR professional, [an HRMS] means not having to get up 15 times in the course of an hour to pull a personnel file to respond to any of an abundance of questions from an employee," Hentges explains. "They can use this as a tactical tool to create a consolidated bucket of information that really helps from an expediency standpoint."

This issue can be further detailed in three critical areas: compliance management, employee self service, and benefits management.

Compliance Management

It can be an especially daunting task for large and mid-sized companies to navigate and manage today's complex legal and regulatory environment. From the Occupational Safety and Health Act (which requires employers to maintain records for all workplace accidents, injuries, and illnesses) to the Family and Medical Leave Act (which requires documentation to track employee FMLA requests), there are myriad rules and regulations to which companies must adhere, track, update, and report. Failure to properly report and manage these issues can result in penalties, fines, and, potentially, costly employee lawsuits. A good HRMS can help you determine which employment laws apply to your company and track the necessary information to comply with record-keeping requirements. In addition, regular legislative and compliance updates from your HRMS vendor help keep your company in compliance with changing tax and employment laws.

Employee Self-Service

Employee Self-Service (ESS) is a win for both the HR department and the general workforce because it streamlines routine administrative tasks while improving service to employees. By using an online benefits management tool—delivered over the Internet or through your company's intranet—employees can manage their benefits enrollment, update their personal contact information, handle W-4 elections, manage their 401(k) plans, and so on. From the management side, self-service can be used to handle performance reviews, training programs, recruiting efforts, and so on. ESS also provides some higher-level, overall benefits:

- **Employee Empowerment**—Increased use of ESS for career planning and development gives employees more control over their future with the company.
- **Enhanced Productivity in HR**—By creating a "hands-off" role in the HR department, HR professionals can focus on more strategic tasks.

Benefits Management

Centralizing and automating benefits management is one of the most important administrative achievements of an HRMS. Because benefits are such an important issue to employees and such a costly one for employers, their administration and delivery have become one of the HR department's most important tasks. The cost of providing employee benefits—particularly health insurance—continues to rise, and regulatory issues such as the recent Health Care Reform Act are placing new pressures on employers to manage and control these costs. A recent study by HR consulting firm Hewitt & Associates estimates that per-employee health care costs will triple by 2019 "unless substantial changes to the way health care is delivered and financed are implemented."³ The study shows that employers anticipate an 8 percent increase in health insurance plan costs for 2010, following a 7.1 percent increase in 2009.

³ "The Road Ahead: Under Construction with Increasing Tolls," (2010, Hewitt Associates, p. 9)



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As cost pressures intensify, employers must seek new ways to manage and deliver benefits. Shifting costs to employees, changing insurance carriers, and finding innovative ways to encourage a healthy workforce are just some of the ways companies are handling this issue. This puts pressure on the HR department to better manage and communicate these efforts to employees. An HRMS can help by:

- Automating each step of the benefits process.
- Eliminating paper-based procedures.
- Improving efficiency and accuracy.
- Greatly reducing routine benefits administration tasks.

An HRMS can also integrate ESS functionality, allowing employees to enroll in, make changes to, and research your company's benefits programs online.

Indeed, as a tactical tool, an HRMS is invaluable at all levels. To take this a step further, Hentges points to the importance of a robust, integrated system that allows midlevel HR professionals to quickly generate information so they can spend more time on core employee relations activities. A case in point: A business manager preparing for an employee appraisal meeting is looking for key information on that particular employee—other recent appraisals, documented disciplinary actions (if any), commendations, training and development achievements, and data on whether the employee is current on any relevant certifications. With an integrated HRMS, the HR representative can access that information quickly and easily, providing the manager with the tools he needs to conduct an effective employee review and allowing the HR department to focus on other, more strategic tasks.

"This isn't just about making HR's life administratively easier," Hentges explains. "It's about allowing them to do the job you hired them to do—walk the floor, take the pulse of the employees, see the smoke before it becomes a fire."

BECOMING A BUSINESS PARTNER

A robust, integrated HRMS is even more helpful at the senior level, where HR professionals can analyze and deliver the kind of information executives need in order to make strategic business decisions.

"Hands down, this is the most valuable tool in being a business partner," Hentges says of an HRMS. "HR's responsibility beyond just employee relations is to provide leadership—giving [business leaders] the best possible information in order for them to make the most well-informed decisions."

She points to two important areas in particular: financials and talent management.

Financials

Human resource leaders must be able to access and analyze financial data so that business leaders can make important decisions on everything from compensation plans to department or branch expansion.

"I grew up having to know what my competitors pay as an average hourly rate for individuals we were both recruiting," Hentges says, referring to her days working for a large manufacturing company. "I needed to know what my local competitors paid to ensure that from a cost standpoint we were priced competitively. We needed the ability to present very fine, detailed financials to local management, division management, and corporate management."

That task would have been impossible without a centralized, automated source of information, she explains. A good HRMS allows HR managers to store, track, and update this data, extracting it and running reports for top company leaders—sometimes on a moment's notice. Hentges emphasizes that time is of the essence, especially in today's fast-paced, competitive business world.



“[Executives’] ability to ask for an ad hoc report is directly related to my ability to provide that data to them in a timely fashion,” she explains. “This is where you define yourself as a business—by making well-informed decisions in a timely manner. If it takes us four days to pull some detailed analysis together so that an executive can make a decision on whether they want to go left or right, we have not served them well.”

Talent Management

The same scenario applies to talent management, which is the process of recruiting, hiring, developing, and retaining the employees that are fundamental to your company’s success. Here, an HRMS plays an important role in managing complex recruiting and development programs. A good HRMS program can help manage both processes.

On the recruiting side, an HRMS helps managers:

- Analyze personnel usage within their organization.
- Identify potential applicants.
- Recruit through company-facing listings.
- Recruit through online recruiting sites or publications that market to both recruiters and applicants.

On the training and development side, an HRMS provides a system for administering and tracking employee training and development efforts, allowing HR to:

- Track employees’ education, qualifications, and skills.
- Outline what training courses, books, CDs, web-based learning, or other materials are available to develop specific skills.
- Offer date-specific training sessions.
- Allow managers to approve training, budgets, and calendars.

In addition to recruiting and training, the talent management portion of an HRMS helps HR managers provide information business leaders can use to develop succession plans, manage headcount, and model compensation strategies. And here again, Hentges points out the need for an integrated HRMS that allows HR managers to pull together a wide range of data from one central source.

“It needs to be a robust, integrated product,” she explains. “[The system] needs to understand the natural, symbiotic relationship between how talent management drives compensation modeling, how it drives succession planning, and how it drives managing my projection for headcount.”

She uses a recent example from her own business to illustrate this point: One of her company’s business leaders e-mailed her asking for a spreadsheet that would list prior salary, current salary, prior W2 information, total compensation, health savings account information, and 401(k)-match splits for a particular job description within the company.

“I’ll be able to do that within hours because all of that information is in my HRMS,” Hentges explains. “I am able to go in, select just that slice of our entire business, export all the data to Excel®, make it look pretty, and get it to him in a timely manner.”

“Again, my job is to provide [business leaders] with the information they need to make a well-informed decision.”

Without the proper tools, this becomes an impossible task.



REINFORCING THE “HIGH-LEVEL” VIEW

The bottom line is that the human resource professional’s role is changing; what was once primarily viewed as an administrative function is taking on new importance as a strategic role in today’s ultracompetitive business environment. A recent report from the Society for Human Resource Management (SHRM) illustrates this point. “Future Insights: The Top Trends According to SHRM’s HR Subject Matter Experts,” highlights trends across 12 key areas of human resource management:

1. Corporate Social Responsibility and Sustainability
2. Employee Health, Safety, and Security
3. Employee Relations
4. Ethics
5. Global
6. Human Capital Measurement/HR Metrics
7. Labor Relations
8. Organizational Development
9. Staffing Management
10. Technology and HR Management
11. Total Rewards/Compensation and Benefits
12. Workplace Diversity

This list illustrates the far-reaching issues with which HR professionals must deal regularly—issues that touch every aspect of your organization. What’s more, trends identified within each group take this even deeper, pointing to an even wider range of issues that cross your HR manager’s desk every day. Planning for, managing, and communicating these issues to executives, managers, and rank-and-file employees is an immense task for which today’s HR professionals require a range of business tools. As outlined in this paper, an HRMS is an important place to start because it organizes and automates the basic information HR representatives need to do their jobs, and provides a framework

for developing advanced techniques for analyzing the business and providing decision makers with important information.

A closer look within the subjects noted above reveals just how advanced the human resources role is becoming and just how important technology tools are to the department and its employees. SHRM’s panel pointed to the following trends in Human Capital Management/HR Metrics, for example:

There will be an increasing demand by organizations to measure and assess the value of their human capital and the HR activities, initiatives, and practices that support it.

Increasing use of more sophisticated human capital planning techniques and tools will support a broader review of human capital sourcing—beyond just employees.

The increasing emphasis on the use of empirical data and evidence-based management tools in “people decision-making” challenges HR practitioners and some line management staff to significantly strengthen their business acumen and quantitative analytical skills.

The increasing need to use business intelligence, visualization, and workforce planning technologies to support data integration, reporting, analysis, and presentation challenges HR and HRIS professionals to evolve their HR technology platform and show the return of implementing these technologies.⁴

The traditional, paper-based, spreadsheet-focused HR department simply is not equipped to handle such heavy lifting. Today, business success requires a much more sophisticated, dynamic HR department.

“So much of our role today is about being a good business partner to our leadership group,” Hentges emphasizes. “My ability to develop a succession plan, look at compensation modeling, look at assisting the senior management in a budgeting process—all of that feeder data once could be kept manually in a file, but it can’t in today’s world.”

⁴ “Future Insights: The Top Trends According to SHRM’s HR Subject Matter Experts,” (2009, Society for Human Resource Management, p. 6)



CONCLUSION

Investing in an HRMS can help you raise the bar on HR in your organization. In the end, you can streamline administrative activities, become more efficient and productive, and find new ways to move your business forward. An HRMS is an invaluable tool for both midlevel and senior-level HR professionals. The following lists include some key points to remember.

For midlevel managers, an HRMS:

- Eliminates routine paperwork.
- Automates the most time-consuming human resource functions, including payroll, recruiting, new-hire processing, benefits and compliance management, employee development, and government reporting.
- Is especially helpful with compliance management and benefits management.
- Helps encourage employee empowerment with the use of employee self-service programs.
- Frees HR representatives from routine, administrative tasks so they can focus on more strategic, workforce-related issues.

For senior-level HR managers, an HRMS:

- Provides reporting and analysis tools they can use to help executive leaders make better, more informed business decisions.
- Is especially helpful in providing financial analysis and talent management data that can aid business leaders in key areas such as compensation, succession planning, and budgeting.
- Reduces the time it takes to deliver information to business leaders—in some cases from days or weeks down to hours—creating a more nimble organization.
- Frees HR leaders from routine tasks so they can focus on more strategic business issues and become true business partners within the organization.

Human Resource Management Systems allow you to harness the power in your HR department to propel your business forward. By implementing an HRMS, you gain efficiency, productivity, and access to valuable data that can give your company a competitive advantage in today's marketplace.



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ABOUT THE EXPERT

Catherine Hentges

Catherine is the director of human resources at Brown Smith Wallace, where she is responsible for the overall human resources strategy and direction within the firm. She has 17 years' experience in corporate human resources and development, working in numerous industries including professional services and manufacturing. Catherine earned her bachelor's degree at the University of Northern Iowa and earned her master's degree in Business Administration at The University of Iowa. She is currently enrolled in the Executive Development Seminar Series through the Olin School of Business at Washington University.

ABOUT THE AUTHOR

Victoria Fraza Kickham

Victoria has 17 years' experience in journalism, serving as a general assignment reporter for several Boston-area newspapers before joining *Industrial Distribution* magazine in 1996. She was an associate editor at ID from 1996 to 1999, senior editor from 1999 to 2000, and served as the magazine's managing editor from 2000 to 2010.

While at ID, she covered distribution sales, management, operations, and technology as well as industry news and analysis. She continues to cover the manufacturing and distribution industry as a freelance writer.

Victoria holds a bachelor's degree in English from the University of New Hampshire and a master's degree in English from Northeastern University.

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