Aberdeen *Group*

A Harte-Hanks Company

Core HR Systems

Flawless Execution Enabling Strategic HR Management

September 2009

Jayson Saba

Executive Summary

In August and September 2009, Aberdeen surveyed more than 300 organizations regarding their core HR management capabilities. The study showed that the state of the economy is driving organizations to invest in core HR systems to manage costs, ensure compliance, and allow HR personnel to be more strategic. Analysis showed that the use of technology and the integration of workforce management solutions with payroll and other core HR elements yields substantial gains. The study also showed that standardizing HR processes, working with the business units on establishing metrics, and regularly monitoring the effectiveness of these functions are elemental in reducing the burden on HR personnel, improving employee satisfaction with HR services, and decreasing the cost of HR administration.

Best-in-Class Performance

Aberdeen used three key performance criteria to define the Best-in-Class. These organizations realized the following achievements:

- Decreased the monthly number of manual HR transactions by 11%

- Shortened HR service delivery cycle times by 5%

- On average experience 0.3% error rate in payroll processing

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- Standardizing HR policy and procedures across the enterprise

- Involving the business leaders in defining the pain points of the existing system and the metrics to measure

- Embracing technology and automating workflows to reduce error and redundant workflows

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Clearly define an HR issue escalation process

- Implement a mechanism to secure HR data to maintain compliance and privacy

- Utilize employee self-service portals to minimize the burden on the HR department

- Use manager self-service portals to enable better decisions related to workforce deployment and leave management

---

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

"We currently use the same HR system for our payroll, taxes, HRIS data, self-service, and the time and attendance system. There is value in being able to utilize the same vendor for all of our HRIS needs."

~ Genise Boettcher, Human Resource Analyst, ACIST Medical Systems, Inc.

Table of Contents

Figures

Tables

Aberdeen *Group*
A Harte-Hanks Company

Chapter One:
Benchmarking the Best-in-Class

Business Context

Every day, Human Resources (HR) professionals are tasked with ensuring that employee needs are fulfilled and employer interests are protected. Core employee data management is the cornerstone of every HR operation. From basic record-keeping, to benefits management, time and attendance, and payroll processing, the means through which organizations collect and maintain accurate standards and controls about the basic building blocks of employee data is critical. To better understand this essential balance and determine the use of HR data for organizational gain, in August and September 2009, Aberdeen surveyed more than 300 HR and non-HR professionals regarding their organization's utilization of core HR management capabilities and systems.
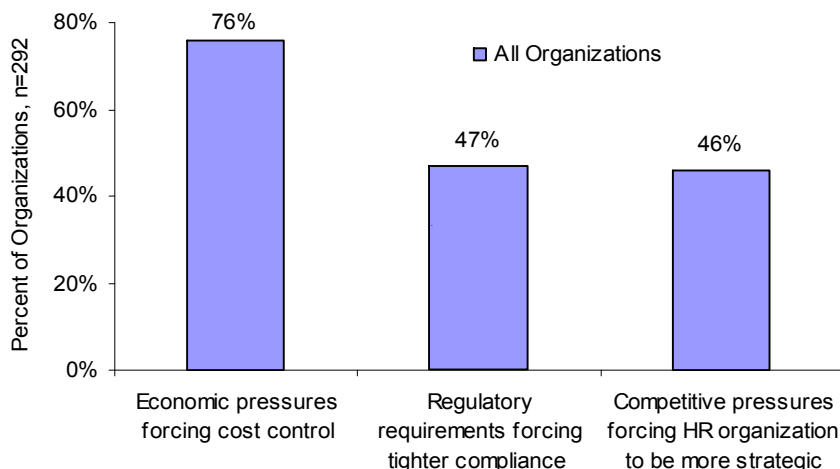
Pressures and Challenges

From making sure payroll arrives on time, to providing employees with benefit information, and enrolling them in benefit plans, the burden of these essential services falls on the shoulders of the HR department. There is no denying the strategic imperative that HR must fulfill. However, there has been no stronger force impacting business during the past 18 months than the economy, and HR executives are certainly feeling the economic crunch when it comes to core HR activities (Figure 1).

Figure 1: External Pressures Driving Core HR Investments

Source: Aberdeen Group, September 2009

In addition to external pressures forcing the organization to manage the cost of HR as well as manage and mitigate compliance concerns, organizations still face internal challenges that they hope to address with

---

Fast Facts

√ **76%** of organizations surveyed cite economic pressures are forcing them to focus on core HR management

√ **Automation** of core HR functions is the top strategic action pursued by all organizations

√ **29%** of organizations manage core HR for expatriates

---

investments in core systems. The top internal challenge cited by **58%** of the organizations surveyed for this research is *too much time being spent on manual HR transactions*. As essential as benefits management and payroll services are, one theme that has resonated from all of Aberdeen's 2009 HCM research and was emphasized time and again by speakers at Aberdeen's 2009 HCM Summit is that HR must become a strategic enabler to the business' ability to execute its strategy. This was echoed by previous findings from the December 2008 study, *The 2009 HR Executive's Agenda*, which revealed that the top barrier to making the HR department more strategic is too much time spent on tactical HR activities. Lastly, *data integrity for reporting purposes* and *disparate systems requiring redundant inputs and updates* were the second and third challenges, cited by 35% and 33% of the sample respectively.

Most Challenging Tasks

We asked organizations to rate their ability to perform several core HR activities. The data shows that on a scale of 1 to 5, where 1 is *awful*, 3 is *average*, and 5 is *excellent,* it became clear that organizations are challenged primarily by workforce management issues. This is not surprising since cost control is achieved through better labor management from planning and budgeting to scheduling and tracking. With regard to other core HR management elements, organizations appear most challenged by tuition reimbursement and change management communications (Figure 2).

Figure 2: Ability to Perform Core HR Tasks

Task	All Organizations
Create work schedules for hourly employees	3.25
Fill open shifts	3.28
Approve timecards	3.43
Approve tuition reimbursement	3.45
Communicate changes to HR processes company-wide	3.46
Add a childcare flexible spending account benefit	3.65
Change the corporate match percentage for 401k's	3.65
Implement a new health care provider package	3.69

Average ability rating on a scale of 1 to 5, n=292

Source: Aberdeen Group, September 2009

Sense of Urgency

Upon closer examination and analysis, there is a sense of urgency among end-user organizations to focus on improving core HR management. This urgency is highlighted by budget allocation and intentions to invest in technology:

- When it comes to cost-effectiveness, less than a third of organizations characterized in-house core HR function as "very cost effective," and only 18% characterized them as "very efficient." As a result, only 17% are "very satisfied" with their current systems.

- Nearly a third of all organization will be allocating *new* budget for core HR functions. Moreover, 32% indicated that in the process of buying, upgrading, or adding core HR technology within the next 12 months, and another 23% are budgeted to do so in 12 to 24 months.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. The three metrics used reflect the efficiency of the process, the effectiveness of the technology, and the accuracy of the data. Considered together, these metrics contribute to reduced costs, lighter administrative burden on HR personnel, and increased employee satisfaction with HR services.

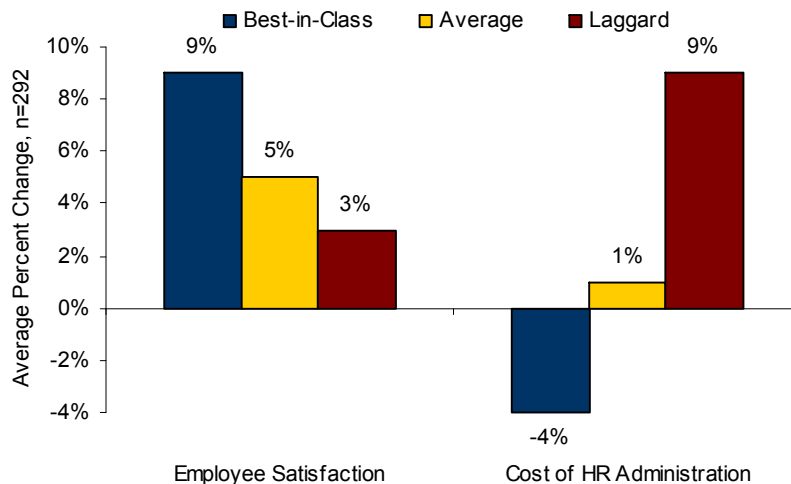**Table 1: Top Performers Earn Best-in-Class Status**

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	▪ Decreased number of manual HR transactions per month by 11% ▪ Shortened HR service delivery cycle times by 5% ▪ On average experience 0.3% error rate in payroll processing
Industry Average: Middle 50% of aggregate performance scorers	▪ Increased number of manual HR transactions per month by 1% ▪ Experienced 0% change in HR service delivery cycle times ▪ On average experience 1.0% error rate in payroll processing
Laggard: Bottom 30% of aggregate performance scorers	▪ Increased number of manual HR transactions per month by 19% ▪ Lengthened HR service delivery cycle times by 15% ▪ On average experience 4.0% error rate in payroll processing

Source: Aberdeen Group, September 2009

Aberdeen *Group*
A Harte-Hanks Company

Cost of HR Administration and Employee Satisfaction

While employee satisfaction and cost of HR administration were not used to determine Aberdeen's Best-in-Class, these critical metrics cannot be overlooked – especially considering that the economy is forcing many organizations to cut budgets and sustain (or grow) revenue. Maximizing employee satisfaction with HR services and minimizing the administrative cost per employee is a balancing act that can be achieved through effective core HR management. In fact, Best-in-Class organizations also managed to increase employee satisfaction with HR services while reducing the administrative cost of HR (Figure 3).

Figure 3: Employee Satisfaction and Cost of HR Administration

Source: Aberdeen Group, September 2009

"Several years ago our prior CFO set up a system as the database of record. In the last few years, HR has been working on installing the functional pieces of the HR modules to ensure business processes sync across the board and functional units. The system has helped us to avoid redundancies and ensure data was accurate and timely."

~ Manager, Human Resources, Clinical Research Organization

Execution of core HR management will be discussed in more detail in Chapter Two of this report.

The Best-in-Class PACE Model

As highlighted earlier, Core HR initiatives, if implemented and managed successfully will yield great benefits to the organization. Automation plays a huge role in reducing the administrative burden on HR personnel and in decreasing redundant workflows and data entry. Nonetheless, organizations must combine strategic actions, capabilities, and technologies to supplement technology investments to ensure proper execution and results. Key elements include:

- Securing HR data in a central repository
- Standardizing HR processes across the organization
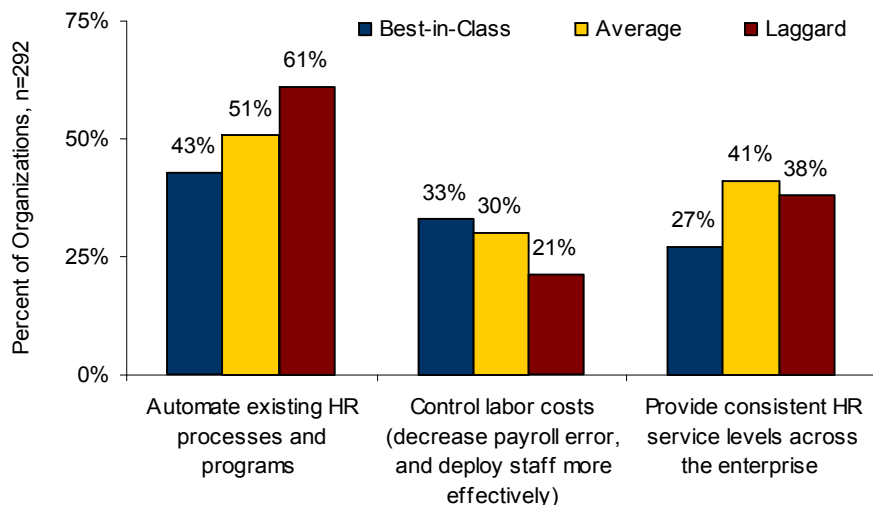- Clearly communicating HR policies to all employees

Aberdeen *Group*
A Harte-Hanks Company

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
▪ Economic pressures forcing the organization to better manage labor and control costs	▪ Automate (or further automate) existing HR processes and programs ▪ Control labor costs (decrease payroll error and inflation, manage and deploy staff more effectively)	▪ HR policies and procedures are clearly communicated to all employees ▪ Mechanism to secure HR data to maintain compliance and privacy ▪ All HR data (e.g. employee records) is maintained in a central repository ▪ Clearly defined process to properly escalate HR issues / inquiries ▪ Standardized HR processes across the entire company	▪ Employee communications portal / intranet ▪ Alerts or flags that automatically detect potential payroll errors ▪ I-9 verification tools ▪ Salary planning and budgeting tools for decision makers ▪ HR compliance tracking / risk management tools ▪ HR data analytics tools ▪ Employee self-service portal

Source: Aberdeen Group, September 2009

Best-in-Class Strategies

Economic pressures and reducing manual HR transactions performed by HR personnel are the top external and internal drivers of core HR initiatives. Not surprisingly, the top two strategies currently pursued by Best-in-Class organizations are increasing automation and better labor management through controlling payroll and optimizing deployment (Figure 4).

Figure 4: Top Core HR Strategies

Source: Aberdeen Group, September 2009

Fast Facts - Outsourcing

√ **50%** of organizations currently outsource some core HR elements (e.g. payroll, benefits administration, compliance tracking, etc.)

√ **47%** currently manage all core HR functions in-house (including: cutting their own paychecks, housing employee data internally, drafting their own policies, track HR compliance ourselves, etc.)

√ **3%** of organizations surveyed currently outsource all HR functions to an HR outsourcing provider or a shared service

Interestingly, Industry Average and Laggard organizations are nearly 50% more likely than Best-in-Class organizations to focus on providing consistent

Aberdeen *Group*
A Harte-Hanks Company

HR policies and services across the enterprise. This is evidence that Best-in-Class organizations are more adept in implementing organizational capabilities and processes to supplement technology investments and financial management systems. This internal organizational prowess will be expounded upon in Chapter Two of this report.

Aberdeen Insights — Strategy
Twenty-nine percent (29%) of organizations in our sample have expatriates on staff. Expatriates are employees that reside and work in a country other than their country of origin or citizenship. For organizations with expatriates, it is critical to have a global HR strategy that is still compliant with local regulations. Looking at these global organizations, the Best-in-Class are 47% more likely than other organizations to have a single HRIS for all employees. Having a single HR platform facilitates automation and integration, and also eliminates redundant workflows and processes. In addition, reporting capabilities for compliance purposes and analytics for financial planning and budgeting become easier as data access is centralized.

In the next chapter, we will see what the top performers are doing to achieve Best-in-Class performance in managing core HR functions.

Aberdeen Group
A Harte-Hanks Company

Chapter Two:
Benchmarking Requirements for Success

The selection of core HR technology and integration with workforce management systems (such as time-keeping) plays a crucial role in the ability to turn these strategies into profit.

Case Study — YMCA of the Twin Cities, MN

The YMCA of Greater St. Paul / Metropolitan Minneapolis (the YMCA) is a non-profit organization that manages six camps and 24 clubs in the twin cities area under two associations (Minneapolis and St. Paul). At any given time, the YMCA has approximately 5,000 employees on payroll, virtually all of whom are hourly. On average, 8,000 employees are on payroll throughout the year. The HR department acts as a shared-service for the two associations.

The primary challenge that the HR department was faced with was the complexity of payroll rules. Specifically, an individual's payroll is assigned to different roles, multiple job codes, and different hourly rates for certain activities. From grants to school districts, there are multiple sources for an employee's pay. A secondary challenge was the legacy payroll system not being supported by the provider. Compliance was also a driver to evaluate existing core HR functions as the YMCA partnered with other non-profits and public entities, such as the Minneapolis School District. Elements like HIPAA, Equal Opportunity Employment, and employee privacy laws must be adhered to.

After looking into outsourcing the payroll process and evaluating several in-house systems, the YMCA decided to manage payroll internally. In 2005, the organization implemented a HRIS to help with payroll processing. Two years later, the organization rolled out self-service portals for benefits enrollments. The time-keeping system is fully integrated with payroll. The system requires one person to administer payroll for all employees. Payroll for both associations (Minneapolis and St. Paul) is processed bi-weekly on an alternating schedule to reduce the tactical burden on the payroll administrator.

"Our new in-house payroll system has proven to be very efficient and saves a substantial amount of time," said Sharon Berglund, VP of Human Resources, YMCA Administration and Training Center. "Payroll errors and re-dos are minimal." Lastly, in terms of compliance, the YMCA is audited annually by a third party entity. In 2009, for the first time, the organization had a perfect score. Within several weeks, the YMCA will complete the implementation of a cost-effective and environmentally-friendly paperless payroll process, thanks to the new system. Berglund concluded, "We are very pleased with the system; now our personnel can focus on other strategic elements of human capital management such as recruitment, training and succession planning."

Fast Facts

√ **90%** of Best-in-Class organizations secure HR data to maintain compliance and privacy

√ **65%** of Best-in-Class organizations formally review the effectiveness of the core HR functions

Aberdeen *Group*
A Harte-Hanks Company

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

"Our new in-house payroll system has proven to be very efficient and saves a substantial amount of time. Now our personnel can focus on other strategic elements of human capital management such as recruitment, training and succession planning."

~ Sharon Berglund, VP of Human Resources, YMCA Administration and Training Center

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Clearly defined process to properly escalate HR inquiries		
	82%	52%	41%
	Standardized HR processes across the entire company		
	69%	50%	48%
Organization	HR policies and procedures are clearly communicated to employees		
	94%	78%	67%
	HR collaborates with business unit management to define HR data that the business requires access to		
	68%	52%	39%
Knowledge	Mechanism to secure HR data to maintain compliance and privacy		
	90%	79%	59%
Enablers	The following tools are currently being used to support core HR functions and services:		
	▪ 78% Employee communications portal / intranet	▪ 64% Employee communications portal / intranet	▪ 56% Employee communications portal / intranet
	▪ 67% Alerts or flags that detect potential payroll errors	▪ 46% Alerts or flags that detect potential payroll errors	▪ 28% Alerts or flags that detect potential payroll errors
	▪ 60% I-9 verification tools	▪ 39% I-9 verification tools	▪ 27% I-9 verification tools
	▪ 58% Salary planning and budgeting tools	▪ 38% Salary planning and budgeting tools	▪ 28% Salary planning and budgeting tools
	▪ 57% HR compliance tracking / risk management tools	▪ 30% HR compliance tracking / risk management tools	▪ 11% HR compliance tracking / risk management tools
	▪ 54% HR data analytics tools	▪ 24% HR data analytics tools	▪ 14% HR data analytics tools
	▪ 52% Employee self-service portal	▪ 39% Employee self-service portal	▪ 31% Employee self-service portal

Aberdeen Group
A Harte-Hanks Company

	Best-in-Class	Average	Laggards
Performance	HR effectiveness metrics are defined and agreed-to by the business		
	60%	26%	17%
	Formally review the effectiveness of the core HR functions at least annually		
	55%	41%	40%

Source: Aberdeen Group, September 2009

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen's analysis of the Best-in-Class reveals that in order to execute the strategic actions highlighted in Chapter One, organizations must standardize processes, involve stakeholders, monitor the performance of their initiatives, and communicate to employees.

Process

Best-in-Class organizations are 44% more likely than Laggard organizations to standardize all HR processes across the entire organization. This ensures consistency and minimizes the risk of unfair treatment among employees. For example, if an organization has an overtime policy in one location that restricts hourly workers from accumulating more than 10 hours of overtime in one week, the same policy must apply to all other locations for all other relevant employees. This minimizes the risk of litigation and increases satisfaction among workers due to fairness and equality.

Moreover, Best-in-Class organizations are twice as likely as Laggards to have clearly defined a process and procedures to escalate HR issues and inquiries through the department. From a personnel standpoint, this shapes the role of HR staff and helps deploy and optimize resources. When employees understand where and how to go about resolving certain issues, turnaround time will decrease and their satisfaction will increase.

Organization

Employee understanding of the organization's HR policies and procedures is imperative to the success of the organization and stability of the work environment. From dress code, to sexual harassment, from telecommuting to technology use, including paid-time off and leave, HR policies must be clearly communicated to all workers. Defining and standardizing policies is not enough if they are not communicated to the workforce. This ensures accountability among workers and in turn boosts satisfaction. For example, the organization must be able to hold people accountable if they take excess advantage of telecommuting policies. Otherwise, other workers will be dissatisfied at best, and at worst they may pursue legal action in the form of discrimination or inequality. Best-in-Class organizations are 40% more likely than Laggard organizations to ensure that HR policies and procedures are clearly communicated to all employees.
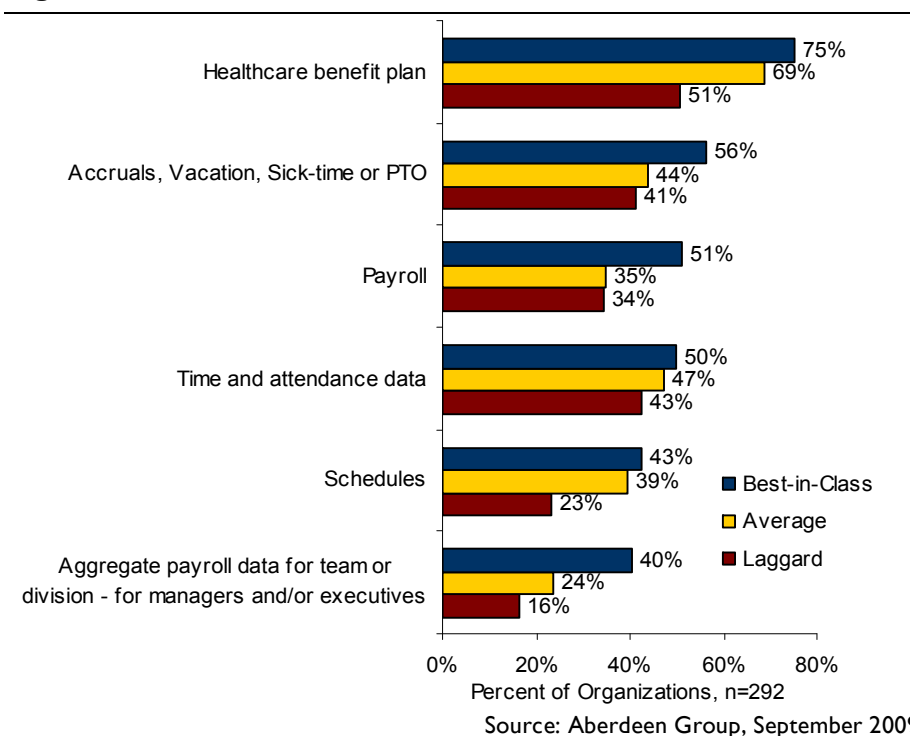
In addition, stakeholder buy-in and collaboration is essential to drive success. Rather than just another HR initiative or policy, these programs should be business initiatives championed by HR and executed through partnership with business leaders and managers. Collaboration with business units on building a

business case for investments in core HR management will secure buy-in and sponsorship in the business units and eventually the blessing of executive leadership. This collaboration should focus on identifying the pain points of stakeholders with the current system or process and crafting a plan to resolve them. For example, if the business unit is struggling to fill specific job shifts, then certain metrics like overtime costs as a percentage of payroll should be tracked by HR to determine why the demand for certain shifts is filled by the same employees. If it was found that absenteeism or fatigue are issues, HR should then work with business managers on shifting resources or building a candidate pipeline that can fill those shifts.

Knowledge Management

Managing knowledge as part of core HR functions should focus on three main elements: security, data entry, and reporting. From a security standpoint, Best-in-Class organizations are 53% more likely than Laggards to have mechanisms in place to secure HR data in order to maintain compliance and privacy. From a data-entry standpoint, the goal is to minimize manual workflows and reduce the risk of error. Eighty-six percent (86%) of Best-in-Class organizations house employee records in a central repository compared to 69% of Laggard organizations. This ensures that data-entry and updates are done only once, thus reducing the opportunity for errors. From a reporting standpoint, when it comes to pulling reports for budgeting, planning, or compliance audits, having accessibility to this data in a single repository facilitates reporting and visibility. Lastly, Best-in-Class organizations are two and a half times more likely than Laggards to allow managers self-service real-time access to aggregate payroll data for team or division (Figure 5).

Figure 5: Self-service Access

Percent of Organizations, n=292

Source: Aberdeen Group, September 2009

Aberdeen *Group*
A Harte-Hanks Company

From an employee standpoint, the data shows that Best-in-Class organizations are more likely to allow employees self-service access to payroll, paid-time accruals, and benefits data. This eases the burden on HR personnel and reduces the number of manual HR transactions on the department. This finding was reinforced in Aberdeen's May 2009 research report on *Workforce Scheduling* in which it was revealed that Best-in-Class organizations were nearly twice as likely as the Industry Average and nearly five-times more likely than Laggard organizations to enable workers to view or change their schedules in real-time (53%, 29%, and 9% respectively). By providing this real-time visibility to employees Best-in-Class organizations not only empower their workers, but also help managers reduce some of the administrative burden pertaining to schedule changes.

Technology

Looking back at the strategies Best-in-Class organizations have adopted by focusing on core HR, it is not surprising to see that the technology tools they utilize to support core HR functions focus on efficiency and cost control. From an efficiency standpoint, Best-in-Class organizations are more likely than their counterparts to invest in tools that reduce the burden on HR personnel and help employees be more self-sufficient. These tools include employee self-service portals, communication portals or intranets, and automatic I-9 verification tools. For example, Aberdeen's July 2008 study, *Taming the Benefits Management Beast,* revealed that the most successful benefits management programs are those in which employees have a clear view of the program offerings, and how it serves their individual needs.

To aid in the communication of benefits offerings, 75% of Best-in-Class organizations for this particular research on core HR systems provide employees with access to the full benefits menu and offering descriptions, as compared to 58% of all other organizations. As for I-9 verification (such as e-Verify), the study shows that organizations that have these tools in place are two and a half times more likely to achieve Best-in-Class performance that those that do not. One conversation with a large national women's retailer revealed that it had an estimated 850 missing or incomplete I-9 forms that exposed the company to $1.3M in potential liability. All of this liability was eliminated via automated I-9 verification.

From a cost management standpoint, Best-in-Class organizations are more than twice as likely as Laggards to utilize tools that alert personnel for potential payroll errors. Other technologies that help manage costs and finances include analytics tools and reporting tools. These enablers assist decision-makers in financial planning, forecasting and budgeting.

Performance Management

Before investing in a human capital management initiative, there usually is a business case that was made or a challenge to address. And data from *The 2009 HR Executive's Agenda* showed that Best-in-Class organizations are 35% more likely that Laggards to have HR and talent leadership work with the

Fast Facts

√ **63**% of Best-in-Class organizations indicated that core HR management as *very cost-effective* compared to just **12**% of Laggard organizations

√ **45**% of Best-in-Class organizations indicated that core HR functions as *very efficient* compared to just **7**% of Laggard organizations

business on defining these pain points. Once the investment is made, it is critical to regularly review the success of the initiative to determine if the benefits of the initiative are realized quickly and fully. This allows organizations to make adjustments to the technology, adopt change management capabilities, or review certain workflows. In order to successfully monitor such a program, organizations must define metrics that they can formally track on a regular basis. Establishing a baseline and aiming for a benchmark enables stakeholders to work together on closing the gap and continuously improve the program to achieve intended results.

Best-in-Class organizations are 38% more likely to review the effectiveness of core HR functions at least once annually; and are more than three-times as likely as Laggards to have defined key metrics to track during the review process. It is one thing to ask HR personnel to rate their satisfaction with the new programs and another to track elements like payroll errors, number of manual transactions per month, cost of HR administration, and employee satisfaction with HR services. When asked to rate the cost effectiveness of core HR functions, 63% of Best-in-Class organizations cited that core HR functions are *very cost-effective*, compared to a quarter of Industry Average Organizations and just 12% of Laggards.
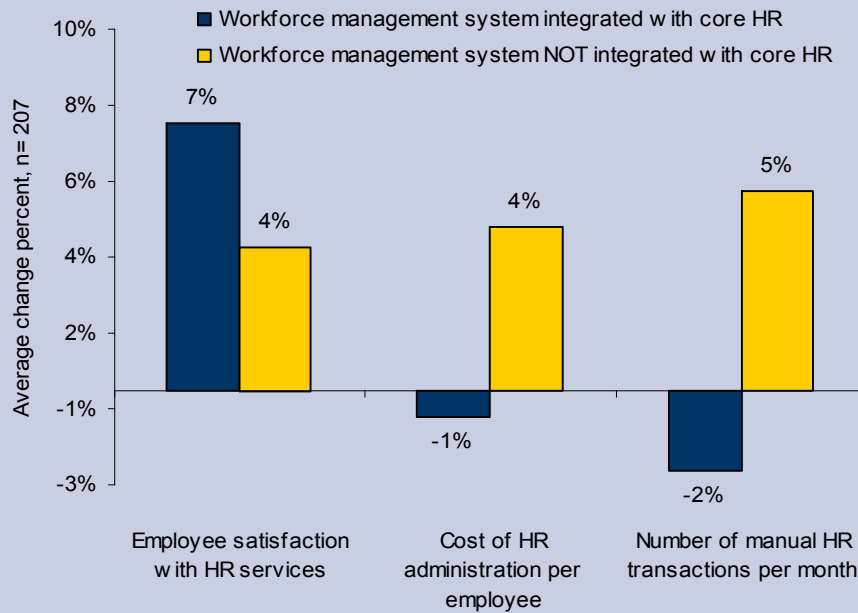
Aberdeen Insights — Technology

The primary challenge that organizations aim to address via core HR system investments is to minimize the amount of manual transactions on HR personnel. Additionally, the tactical burden of administrative activities was cited as the number one barrier to making HR more strategic to the business in Aberdeen's *The 2009 HR Executive's Agenda* study. Automation reduces manual workflows and data entry. Best-in-Class organizations are 20% more likely than others to use software systems to manage elements of core HR rather than spreadsheets and paper.

Integration, on the other hand, reduces errors and allows organizations to make more strategic decisions that contribute to the financial success of the organization. Organizations that currently integrate workforce management systems with payroll experience 1.25% payroll processing errors per pay period compared to 1.42% for organizations that do not. As for tracking actual time worked, the error rate for organizations that integrate these elements is 1.48% compared to 2.58% for those that do not. In addition, integrating core HR data with workforce management systems (scheduling, time and attendance) yields tremendous returns for organizations in other key performance criteria (Figure 6).

continued

Aberdeen Insights — Technology

Figure 6: Average Change in Key Metrics

Source: Aberdeen Group, September 2009

As a result of these performance figures, organizations that currently integrate workforce management systems with payroll and other core HR elements are 36% more likely to achieve Best-in-Class status.

Aberdeen *Group*
A Harte-Hanks Company

Chapter Three:
Required Actions

Whether a company is trying to move its performance in managing core HR functions from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements.

For All Organizations

- **Utilize self-service portals.** Currently, only 39% of all organizations have these tools in place. Conversations with end-users revealed that employee self-service portals - especially those for benefit enrollment, updating records, and accessing payroll data - play a tremendous role in lightening the burden on HR personnel. In addition, they help organizations move to paperless transactions, specifically in eliminating paper stubs for employee paychecks and W-2 forms. Also, this helps organizations communicate the benefits the company makes available to its employees. The strategic importance of employee self-service portals to support core HR activities and programs is reinforced by the fact that companies that use these tools are 67% more likely to be Best-in-Class.

Laggard Steps to Success

- **Standardize HR processes.** Best-in-Class organizations are 44% more likely than Laggards to have standardized HR processes and procedures across the entire company. Although for a global organization there still needs to be adherence to local regulations, ensuring the same policies apply to all workers in the same country increases fairness and minimizes the risk of litigation. This consistency also enables organizations to defend its decisions in elements such as hiring, termination, compensation and promotions. Lastly, currently two thirds of Laggards clearly communicate HR policies and procedures to employees compared to 94% of the Best-in-Class. Having an employee communications portal or an intranet facilitates that process. Organizations that have an employee intranet are nearly twice as likely to achieve Best-in-Class status.

- **Define HR issue escalation process.** Currently only 41% of Laggards have this capability in place. Ensuring that employees understand which personnel can resolve an issue and how long it would take to get a resolution sets expectations and increases satisfaction with the HR services provided. Furthermore, HR employees will better understand the responsibilities of their roles and how they contribute to the success of the department and the organization. As a result, they become more engaged with their jobs and more satisfied with the organization.

Aberdeen *Group*
A Harte-Hanks Company

- **Secure HR data.** Employee privacy and data security are critical elements of compliant HR functions. Four in 10 Laggard organizations currently do not have a mechanism in place to secure HR data. This poses a huge risk and puts the organization in a vulnerable position with respect to privacy laws such as the Employee Privacy Act and the Health Insurance Portability and Accountability Act (HIPAA).

Industry Average Steps to Success

- **Define metrics to monitor effectiveness.** Only 26% of Industry Average organizations have defined HR effectiveness metrics that were agreed-to by the business compared to 60% of Best-in-Class organizations. In order to determine if any process or technology investments are yielding the intended results, organizations must define and measure key metrics that are relevant to the business. From payroll errors to overtime and paid-time accruals, these metrics impact the financial bottom line of the organization and are directly affected by core HR management.

- **Regularly review effectiveness.** After defining key metrics, Industry Average organizations must ensure that there is a formal process to review the effectiveness of core HR functions. Less than half of Industry Average organizations have formal periodic reviews of the effectiveness of core HR functions compared to nearly two thirds of the Best-in-Class. These reviews enable organizations to continuously evolve policies and core HR management by identifying areas of improvements and their impact on employees and the organization.

- **Measure employee satisfaction with HR services.** The HR department is, in a way, a customer service organization for the employees. Two important goals of HR management should be increased employee satisfaction and retention. Best-in-Class organizations are more than twice as likely as the Industry Average to have a process in place to obtain employee feedback on the services provided by the HR department. Organizations that currently measure employee satisfaction with HR services have, on average, improved it by 5% since the previous time it was measured.

Best-in-Class Steps to Success

- **Use analytics to plan and budget.** Best-in-Class organizations have solidified core HR management capabilities and taken advantage of enabling technologies to achieve their prowess. Nonetheless, rather than resting on their laurels, they have a huge opportunity to make the HR department more strategic. The data is there. Now is a good time to begin using planning and budgeting tools to optimize payroll, improve deployment, and achieve 100% compliance. Moreover, integrating core HR systems with financial

Aberdeen *Group*
A Harte-Hanks Company

planning tools or business management software will increase
visibility and enable analysis of payroll and time worked as part of
the overall finances of the organization. Currently, less than 60% of
the Best-in-Class are taking advantage of these tools. The data
shows that organizations that do so are more than four-times as
likely to achieve Best-in-Class status.

- **Integrate with workforce management.** Fifty-seven percent
  (57%) of Best-in-Class organizations currently integrate workforce
  management systems (scheduling, time and attendance) with payroll.
  Streamlining this workflow via integration reduces the burden on
  HR personnel, and minimizes the potential for error, by eliminating
  manual input and redundant data entry. One quarter of
  organizations that have this capability in place rate their core HR
  functions as "very efficient" compared to just 11% of their
  counterparts.

> "The biggest obstacle we encounter is the lack of a centralized HR function. To assist with this, we have provided self service for our employees to enter time sheets, view paychecks and training records, and update basic information."
>
> ~ Joe Schopfer, State of Montana Department of Administration, State Human Resources Division

Case in Point — Winona Health

Headquartered in Winona, MN, Winona Health (WH) is a health care
system with approximately 1,200 employees. The organization includes a
hospital, physician clinics, a pharmacy, assisted living, long-term care,
home care, and hospice facilities. One of the biggest challenges that the
HR department faced was the heavy reliance on manual paper-based
processes in payroll and time-keeping.

In order to automate this important function, in 2005 WH completed the
implementation of two solutions, an automated timecard system and a
core HR system built on a single employee database. Integrating the two
systems allowed the organization to streamline the payroll process and
eliminate a tremendous amount of manual workflows. In addition, the
system provided a manager self-service portal that enabled decision-
makers to generate payroll and time reports quickly.

In addition to integrating core HR and labor management, the payroll
portion is integrated with the financial management portion which allows
business leaders to make better planning and budgeting decisions. The
next step is to have an employee self-service portal, a move towards a
paperless HR department. "Prior to the implementation, processing
payroll was very manual and time consuming," said Michael Skroch,
Director of Human Resources, Winona Health. "We used to have other
HR personnel helping the payroll administrator every payroll period.
Now these resources can focus on more strategic HR projects."

- **Self-service portals for managers.** As shown in Figure 4, only
  40% of Best-in-Class organizations provide manger self-service
  access to payroll, time and attendance and shift data. This data
  empowers managers to make better decisions. Arming mangers
  with dashboards streamlines day-to-day activities and helps to

leverage labor data to optimize the deployment of workers, as well as manage leave and absence. Organizations that take advantage of these tools were 21% more likely to achieve Aberdeen's Best-in-Class designation for this research.

Aberdeen Insights — Summary

The state of the economy hasn't been kind to organizations over the past two years. This pressure and the need to reduce the tactical burden on HR personnel are forcing organizations to look at their core HR functions for ways to reduce overhead costs and payrolls. Best-in-Class organizations in this study have proven that with the right capabilities and technologies, this can be achieved while increasing employee satisfaction with the services provided.

Standardizing procedures and continuously reviewing the effectiveness of core HR functions are critical to success. In addition, knowledge management, automation and integration are paying huge dividends for Best-in-Class organizations. Now it is the time for these organizations to take core HR from the world of tactical administration to the realm of strategic management. Harnessing this data for financial planning and budgeting especially as part of a business management system will yield empowered managers, better workforce deployment, and more optimal payrolls.

Aberdeen*Group*
A Harte-Hanks Company

Appendix A:
Research Methodology

Between August and September 2009, Aberdeen examined the use, the experiences, and the intentions of more than 300 enterprises using core HR systems in a diverse set of HR functions to alleviate the burdens placed on the function.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on core HR systems, strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: CEO / President (10%); EVP / SVP / VP (10%); Director (24%); Manager (35%); Consultant (5%); Staff (11%); and other (5%).

- *Department / function:* The research sample included respondents from the following departments or functions: Human resources (53%); Finance (13%); Information Technology (9%); Business Process Management (5%); Business Development / Sales (5%); and other (15%).

- *Industry:* The research sample included respondents from the following industries; Construction / architecture (14%); Finance / banking / accounting (8%); IT consulting / services (8%); Software / hardware supplier (6%), among others.

- *Geography:* The majority of respondents (82%) were from North America. Remaining respondents were from the Asia-Pacific region (8%); Europe (7%); Middle East / Africa / South Central America and Caribbean (3%).

- *Company size:* Nineteen percent (19%) of respondents were from large enterprises (annual revenues above US $1 billion); 29% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 52% of respondents were from small businesses (annual revenues of $50 million or less).

- *Headcount:* Thirty-four percent (34%) of respondents were from large enterprises (headcount greater than 1,000 employees); 34% were from midsize enterprises (headcount between 100 and 999 employees); and 32% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding Human Resources executives and line of business managers completed an online survey that included questions designed to determine the following:

√ The degree to which technology is deployed to aid in managing core HR functions

√ The structure and effectiveness of existing core HR implementations

√ The benefits, if any, of integrating core HR systems with other human capital management system such as scheduling, time and attendance

The study aimed to identify emerging best practices for core HR management, and to provide a framework by which readers could assess their own capabilities.

Table 4: The PACE Framework Key

Overview
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: **Pressures —** external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) **Actions —** the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **Enablers —** the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, September 2009

Table 5: The Competitive Framework Key

Overview	
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance: **Best-in-Class (20%) —** Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance. **Industry Average (50%) —** Practices that represent the average or norm, and result in average industry performance. **Laggards (30%) —** Practices that are significantly behind the average of the industry, and result in below average performance.	In the following categories: **Process —** What is the scope of process standardization? What is the efficiency and effectiveness of this process? **Organization —** How is your company currently organized to manage and optimize this particular process? **Knowledge —** What visibility do you have into key data and intelligence required to manage this process? **Technology —** What level of automation have you used to support this process? How is this automation integrated and aligned? **Performance —** What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, September 2009

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.

Source: Aberdeen Group, September 2009

Aberdeen *Group*
A Harte-Hanks Company

Appendix B:
Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- *Taming the Benefits Management Beast* July, 2008

- *The Strategic Development of Core HR Systems* September, 2007

- *The 2009 HR Executive's Agenda* December, 2008

- *Fully On-Board: Getting the Most from Your Talent in the First Year* January, 2009

- *Workforce Scheduling: Managerial Strategies for Driving Down Costs while Escalating Customer Satisfaction* May, 2009

- *Beyond Satisfaction: Engaging Employees to Retain Customers* July, 2009

- *Talent Acquisition Strategies 2009: Cutting through Clutter and Proactively Managing Quality Candidates* August 2009

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

Author: Jayson Saba, Senior Research Associate, Human Capital Management, (jayson.saba@aberdeen.com)