

How Do You Measure the Value of a Human Capital Management System?



Find out why it's worth the investment

Making the decision to implement new technology can be challenging. On one hand, most companies have existing systems that can get the job done even though they often require multiple, time-consuming manual workarounds. The costs associated with operating legacy systems is often spread between various departments, thereby not causing a visible, large profitability impact to any one area. Additionally, the soft costs can be difficult to measure accurately such as unnecessarily long processes, errors from data inaccuracies, or extra headcount to offset inefficiencies. On the other hand, although implementing new systems can require an upfront investment, when one analyzes the return on investment or the total cost of ownership over time, the benefits of a new system can be far greater than the arguments for continuing to use an existing one.

While it is hard to predict how the economic landscape will change in the coming years, it is certain that successful companies will be the ones that can attract and retain the next generation of workers with an engaging, advanced technology environment. Fortunately, human capital management (HCM) solutions have evolved to address the challenges HR and payroll face when operating in a fast-paced, complex, global world. But how do you know if a new HCM system will be worth the cost? In a world where every dollar counts, HR and finance executives need to be clear on how the success of a new system will be measured before committing to implementation.

The Value of an HCM System

To compete in the new economy, companies must invest in technologies and tools that align with their overall strategy, empower better business decisions, and support their ever-changing workforces. The right human capital management platform can empower workers at all levels, thereby improving productivity, profitability, and opportunities for long-term success. More specifically, the right solution will transform how an organization leverages its most important asset – its people; it will streamline operational processes; and it will help the entire organization make more insightful, accurate, information-based decisions.

A More Productive Workforce

With the right human capital management application, even before they start, prospective workers can complete new hire paperwork online such as identifying emergency contacts, setting up direct deposits or reviewing and electing benefits. Pre-hires can also complete online training courses or even review job procedures – all from remote locations on mobile devices. Preparation prior to the first day of work reduces the amount of time needed for onboarding, and getting them up to speed so that they can start focusing on what they were hired to do.

HCM systems foster employee productivity through smart performance management practices such as goal alignment and incentive-based compensation. They also support employee engagement and development by enabling ongoing feedback and recognition. In addition, they help employees

A Better Experience for Your People, Across Your Organization

improve performance by matching skill sets with job profiles or open project assignments and helping recommend development opportunities to close skills gaps. And these benefits need not be limited to full-time employees. They may be applied to part-time workers, freelancers, contingent workers or even interns.

The right HCM system should provide a great experience for your entire workforce.

It should deliver value to everyone—from human resources and finance, to employees, contractors, administrators, managers, and executives.

One of the biggest challenges already facing human resource departments is changing workforce demographics. By 2020 over 50% of the workforce will be millennials (PwC, Millennials at Work). These ‘digital natives’ have spent most of their lives surrounded by technology. They want to work for companies that offer tools like those in their personal lives – applications that provide easy and quick access to the information they want, when and where they want it. Next generation HCM systems offer the type of access to and control over information these younger workers are demanding.

Once hired, workers can use online employee portals to view, update, and maintain their information including completing open enrollment each year. Should a life event occur, HCM systems automatically guide workers through necessary changes such as adding benefits for a new spouse or child, or changing benefits contributions (e.g. HSA, 401k). This interactive experience gives workers control over their own lives and delivers a more engaging experience.

From a management perspective, next generation HCM systems place responsibility for data accuracy in the hands of the person who owns it (i.e. the source). Workers enter and maintain their own information, which lowers the chance for human errors during data entry. According to leading consultant Jason Averbook, “the number of times an HR person should enter an employee’s name into an HCM system is never. It should be entered once, by the applicant during the recruiting process, and automatically flow through the HCM system along the employee lifecycle” (HR Technology

Conference presentation 2016). Self-service portals also reduce the amount of time HR teams spend answering repetitive, straight-forward questions or performing basic data entry.

Freedom from Costs and Compliance Risk Associated with Paper Pushing & Manual Processes

Human resources and payroll departments are buried in paper and related manual processes, often preventing them from being flexible and agile enough to quickly and easily support the changes that come from complex workforces. Even in today’s technology-intensive environment, most HR processes are manual. Paper forms are used for everything from applications and direct deposits to performance reviews and employee status changes. And, even if files are originally electronic, many are consequently printed, signed, copied, mailed, and stored in folders with sticky notes attached. The sheer volume of paper is staggering. In fact, the average office worker uses 10,000 sheets of copy paper each year, according to research by reduce.org. Unfortunately, many HR and finance departments continue to use paper-based processes despite their best efforts to change.

Paper is not the only, or even best, way to track information. According to statistics by ForestEthics, \$120 billion a year is spent by U.S. companies on printed forms (which are mostly outdated in 3 months); and large organizations lose a paper document every 12 seconds. Eventually, these paper processes can lead to inaccurate reports, inaccessible information, and high storage costs.

BY 2020, OVER
50%

of the
workforce will
be millennial.¹

¹ (PwC, Millennials at Work)



Supplementing, or replacing, HR and finance paper-based, manual processes with a next generation, fully-automated HCM system can not only eliminate many inefficiencies, but also provide previously unavailable insights into operations, and greatly improves data accuracy and integrity. First, modern systems provide a central, master data management core for all relevant and important employee data. With a trusted, single core system of record for HR, benefits and payroll data, if a change is made, it is instantly updated for all to access securely in real-time. Furthermore, access to records is available through cloud-based applications, which puts content in the hands of people when it is most needed from any location or device. Cloud-based solutions also are the most cost-efficient to deploy and manage HCM technology. A Sierra-Cedar HR Systems Survey found that organizations with a Cloud (Software-as-a-Service – SaaS) HRMS required one-third the staff of those with a licensed on-premises HRMS.

The latest fully-automated systems deliver smart workflows and automated calculations which lead to dramatic improvements in inefficient processes. Consider this typical scenario posted by an actual payroll manager on reddit:



Every 2 weeks, I run payroll for 200 employees; 39 of them are salaried, and about 50 of the hourly employees work in 24 hour programs...

Here's what I do on the morning after the end of a pay period:

- 1 Import the clock ins/outs from our phone-based timekeeping system into the software.**
- 2 Run the software's calculation of wages, taxes, and deductions.**
- 3 Copy each employee's regular and OT hours worked from the software into an Excel spreadsheet. Manually. Without breaks or interruptions, this process would take approximately 6 hours. I've never done it in less than 8. It's exhaustive and exhausting.**
- 4 Once the spreadsheets bottom line matches the software's, I print checks and send the direct deposit to the bank.**
- 5 The relevant portions of the spreadsheet are then printed out and manually entered into our accounting software. This takes about an hour of data entry.**

Currently, processing payroll takes me about 12 hours from start to finish.

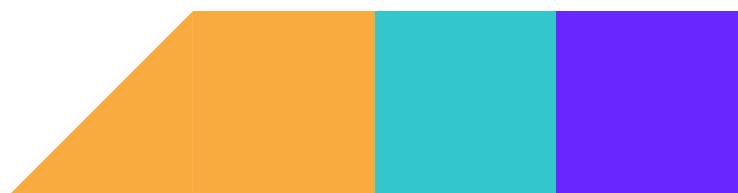
With a next generation system, payroll/finance teams are no longer constrained by how long it takes to process and validate payroll. Instead, they can instantly fix past payroll issues (yes, go back in time to make changes), run current payroll, and even start to load future payroll entries if you have them available, to be proactive – all with confidence that the information is accurate. This automated and streamlined process allows them to focus on mission-critical work rather than error-prone, data entry.

When looking at HCM solutions, HR and payroll managers should begin with analyzing how many paper processes exist and how many processes are performed manually. Leveraging a single core system of record can truly automate your processes and workflows, which translates into real cost savings through increased productivity, and less need for additional headcount to support growth.

Balancing Multiple Organizational Perspectives

Human resources and finance have different perspectives when it comes to setting up the company's organizational structure. HR aligns staff along work lines and skill sets (i.e. customer service staffed with communication skills, software development with programmers, sales with relationship skills, etc.), finance needs to report human resource cost along marginal lines such as the "cost by product" perspective, to be able to perform profitability analysis. The sales organization break out becomes "Software Sales", "Hardware Sales", "Project Sales" for example. Finance usually wins out so the HR perspective morphs to match financial reporting roll ups.

Next generation HCM systems have multiple organizational perspectives. That is, one person can have an HR organization for "Sales" and split that into any ratio among "Software Sales" (50%), "Hardware Sales" (30%) and "Project Sales" (20%). In addition, this same person can contribute 30% of time to an internal project, say "New SFA tool Implementation". Next generation HCM platforms accommodate all of these perspectives and assignment of person to organization. As a result, HR has the ability to track performance along work lines, finance gets accurate cost data along product or other relevant pivot lines, and the executive suite can see EXACTLY what is transpiring in the corporation related to the "one-offs", "New SFA Tool Automation" in this example. Older HCM systems are forced to align with finance and lose the ability to provide real analytical information and insights about all of the activities occurring in today's modern companies.





Taking Impactful Action from Analytics, Driven by Improved Data Accuracy & Integrity

With multiple organizational perspectives, the ability to capture all of an employee's associations in the organization, and the real-time nature of eliminating paper processes, modern HCM solutions now have the ability to provide what executives have always expected from their application investments. For example, managers always ask "Can I make a new hire?" With access to relevant data such as budgeted headcount, actual and current staff, managers can make these decisions in minutes, rather than wait weeks for a paper-based requisition authorization process to move up the chain as superiors fish out original approved, budget spreadsheets, evaluate requests against current staff asking "Has anyone been let go?", among other information searching. Superiors now have the same dashboard information as the manager and can easily see that a new hire request is in line with current staff planning and actual headcount.

Other examples using information-based insights, derived from accurate, real-time data, to make better decisions include:

- Allocating resources based on comprehensive payroll details and summaries.
- Retaining high performers by using data analytics to identify them and determining if anything should be done to retain them (e.g., spot bonus, promotion).
- Attracting top talent using market compensation comparisons to determine the appropriate salary offering necessary to attract top talent based on position, industry, geographical location and many other factors.
- Determining where, and where not to invest by analyzing headcount by geographic area for insight into the cost of staffing compared to budgets and forecast.
- Analyzing the effectiveness of training programs by correlating performance reviews to training classes.
- Using a comprehensive view of the existing workforce to optimize how talent is allocated across multiple locations.

Moving from Reactive to Proactive

There are many ways HR and finance departments are starting to use data and information to improve bottom-line profitability and move from tactical to strategic or from reactive to proactive. Furthermore, once previously manual processes are automated, HR teams can allocate their time to higher-level functions such as greater employee engagement and service. To make data actionable and use it for smart decision making, an HCM platform must feature:

- 1. FLEXIBLE, ROBUST REPORTING CAPABILITIES.** Access to real-time reports allows action to be taken where and when it is needed. Personalized dashboards, pre-defined reports, ad-hoc report-building tools, portals, and integration to other data systems make it possible to take action in context.
- 2. PURPOSE-BUILT FOR HUMAN RESOURCES AND FINANCE NEEDS.** Newly developed human capital management platforms (built from the ground up in the cloud) leverage advanced technologies and are generally designed to be more open (from an API perspective) so that they can easily integrate with point solutions that tend to change frequently (e.g., performance management, recruiting, etc.). They deliver automated, 'timeless' core system of record functions for HR and finance while also being flexible enough to play well in an ecosystem that needs to share data with them and access their data.
- 3. USER-CENTRIC, INTUITIVE INTERFACE.** Making it easy for people to interact with equipment, sensors and networks through an intuitive, natural and graphical interface is important so that the right data can be accessed by the right people at the right time. It also helps increase adoption and engagement, regardless of role.
- 4. INFORMATION SHARING THAT STARTS WITH THE CORE.** Giving employees access to an integrated technology system creates a connected, collaborative environment. Leveraging a master data model for managing employee information delivers more accurate information that can be used by and can talk to other systems in real-time. In this way, companies can capture and store the knowledge of employees so that it can be easily shared with others and used for workforce planning and optimization.
- 5. COMPLIANCE.** Making data actionable requires integration with information outside a company. For HR, this means integration with the employment labor laws and regulations of all locations in which workers are deployed. Also, lower compliance and fraud risk (FLSA, ACA, SOX, etc.) can be achieved when decision-makers have real-time data management capabilities that are accurate, centralized, and automated.

Summary

In conclusion, next generation HCM systems are helping companies of all industries address the many challenges faced by human resources and finance teams in today's complex, global business world. Whether it is attracting workers, planning for and managing a flexible workforce, streamlining payroll processes or giving teams the tools they need to make smarter decisions, next generation HCM systems are providing value that saves real time and money. In today's business environment, every dollar counts. Investments must deliver measurable results and positive business impact. Teams willing to embrace this technology will help their organizations maintain profitability and market leadership for many years to come. Other considerations include:

- **MILLENNIAL USEABLE:** By making HCM systems millennial-friendly, you solve two key areas – millennials are engaged, and your core employee data system is collecting real-time, actionable data that impacts your organization.
- **ELIMINATION OF PAPER:** Obviously increases efficiency, but more importantly improves data quality and accuracy by N². Ex. with paper-based processes taking weeks to gather and input, it isn't possible to calculate payroll accurately 1st time out and the ripple effect of the inefficiency can become quite costly over time.
- **HR FINANCE NEXUS:** Modern HCM systems give you the ability to produce report-ready HR and payroll data so that all teams work better together to make well-informed and more accurate decisions for the company.
- **ORG PERSPECTIVES:** The ability to view workforces from different perspectives - HR, finance, and something like a "Project" or "Ad-hoc perspective" - enables better workforce planning, utilization, and analysis.
- **ANALYTICS AND REAL-TIME DASHBOARDS & REPORTING:** The goal should be to leverage predictive analytics to make well-informed and actionable business decisions whose impact can be tracked and measured in the same system.

**PrimePay's next generation
HCM platform delivers maximum value to the
entire organization. Your system should too.**

Next Steps

Review the demographics of your current workforce. Ask yourself if attracting millennials will be necessary in the future to maintain operations. If so, determine if you offer the type of access to and control over information these younger workers are demanding. Will you be prepared to manage the unpredictable and changing dynamics of your future workforce?

Assess current HR and payroll processes to determine which ones are manual and rely on paper documentation. Determine how many places within your existing system is information manually entered. Finally, calculate the storage costs and time spent looking through paper forms or reports. How and where should you let technology take care of the core HR and payroll processes so that your teams can focus on the planning and engagement of your current and future workforce?

Ask your payroll manager to calculate how much time it currently takes to process payroll from start to finish, every pay period. True payroll innovation eliminates the burden of paper pushing and manual calculations, and delivers a new level of automation for complex transactions and processes. Payroll processes do not have to be the way they have always been.

Review how data is shared between finance and human resources. Ask yourself if there is any hidden tension between these two departments that could be alleviated through greater collaboration and information sharing. How would having a core master data management system for employee data improve accuracy, efficiency, and collaboration across the organization?

Determine the type of information that managers need to make better and faster decisions. How and when do they need to access it?

Analyze existing processes and identify which manual processes could be more efficiently handled by automated technology.



Taking Impactful Action from Analytics, Driven by Improved Data Accuracy & Integrity. Get it all with PrimePay.

PrimePay – Next Generation HCM Application

PrimePay is defining and delivering the next generation of HCM technology. We have reimagined, automated, and simplified HR and payroll processes—and turned them into reality for our customers. The breadth and depth of the automation PrimePay delivers is unparalleled, and ushers in new levels of innovation not seen before. We are also providing industry-leading implementation times and customer care that is second to none.

To find out more about how you can take advantage of PrimePay's unprecedented HCM innovations visit www.PrimePay.com or contact us sales@PrimePay.com.

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to learn more about how **measure the value of HCM** and eliminate blind spots in your organization and enable faster, more efficient human capital management operations.

About PrimePay

PrimePay is the Human Capital Management (HCM) cloud-based technology leader streamlining core HR, benefits, payroll and reporting in a single, enterprise-class application for mid-sized businesses. Founded in 2010, the PrimePay team of industry veterans and visionaries has developed patented technology that saves time, increases productivity, and delivers a superior economic value by simplifying the complexity of HCM through one robust application. The company's dedicated services and customer care teams deliver industry-leading implementation times, and the intuitive interface creates an enhanced user experience for employees and administrators. PrimePay has created a new reality in HCM by making centralized, interrelated data easy to access, correct, control, and analyze - anytime.

