

eHR Strategies White Paper

**“Developing a Winning eHR Strategy with
Employee Self-Service”**

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Introduction

Leading organizations during tough economic times requires smart thinking, decisiveness, the ability to adapt to constantly changing conditions, as well as to promote change within the organization. Today's environment also demands excellence from human resources departments in order to attract, retain, and support a competitive workforce that can achieve business success while reducing costs.

Technology has transformed entire industries and economies, yet companies were initially hesitant to adopt the Internet for HR purposes. Now, business executives across the country are turning to practical, innovative Web-enabled solutions to help reduce HR transaction costs, improve productivity, and attract and retain qualified employees.

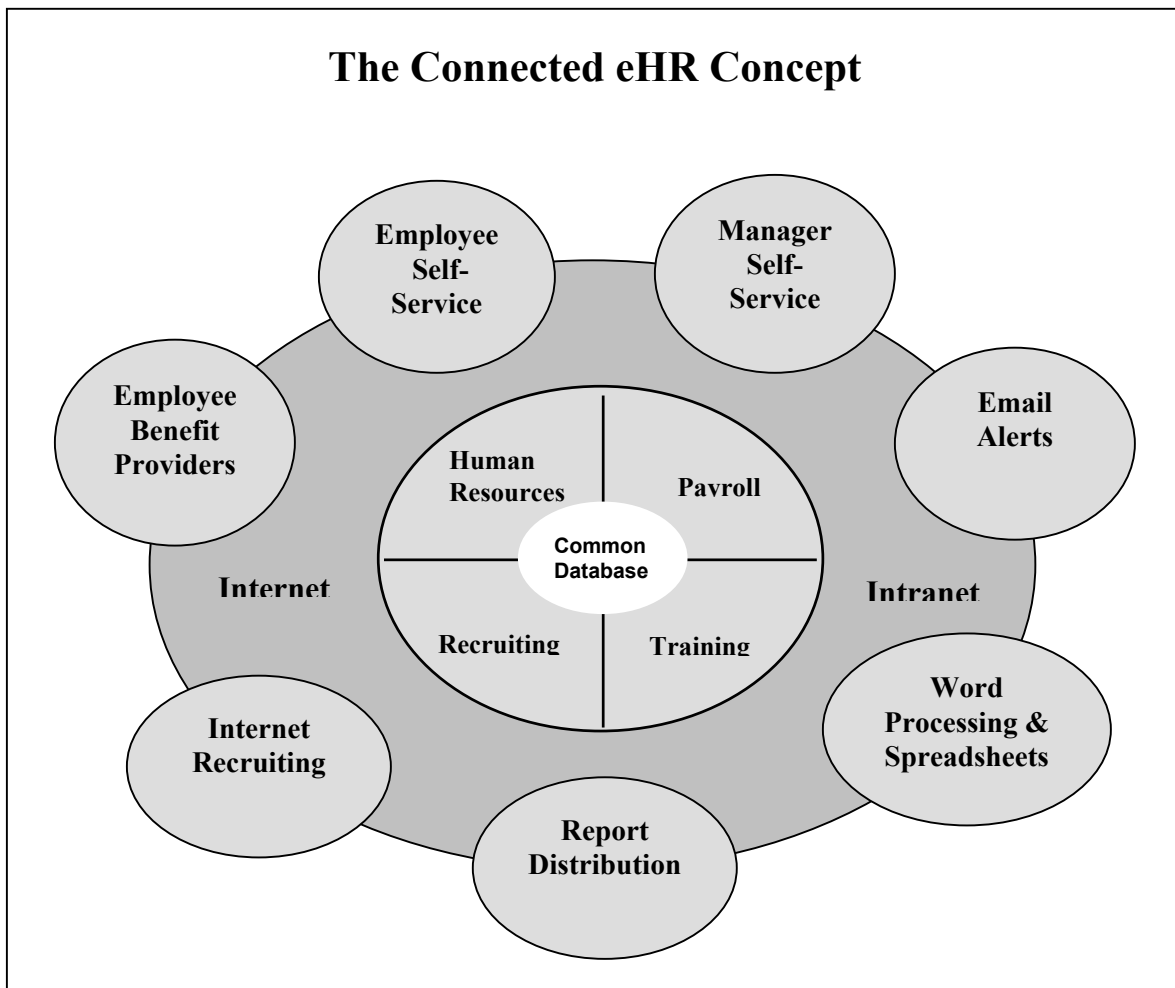
Companies are using the Internet, corporate intranets, and other e-business tools to manage workforce information and deliver services to employees more efficiently and effectively than ever before. The goal of providing programs and services to employees in an integrated, strategic fashion—in a way that links HR practices with business goals—is to reduce costs and improve service levels. In fact, companies who have moved to an electronic Human Resources (eHR) model to further reduce administrative burdens and costs have also successfully increased employee satisfaction and HR's strategic contribution to the organization.

This paper will examine how small and mid-sized companies can bring new independence to employees, improve efficiency, and improve the company's bottom line by adopting an Employee Self-Service HR system.

What are eHR and ESS?

eHR is a means of electronically integrating and communicating HR-related data, information, tools and transactions. For mid-size businesses it simply means evolving traditional human resources transaction processing methods by using powerful HR software combined with two widely available and inexpensive business communication

technologies: E-mail and the Internet. The first step in automating HR is substituting software for manual paperwork, file cabinets, and spreadsheets. eHR is the next logical step in HR automation – that is, using intelligent email alerts and Web-based Employee Self-Service to automate the key information and process flows that are critical to successfully managing your human capital. eHR basically says to the small and mid size business: “You already invested in e-mail and the Internet. They are not expensive or complex. Why not put them to work for you in HR?”



An Employee Self-Service (ESS) system gives employees and managers online access to their benefits information, company and personal information, paycheck information, and more. Employees view, create, and maintain information from work or home by using a Web browser over the Internet or the company intranet. ESS is an effective and low cost way to make HR services available to employees. It can also be used to automate

procedures online, from benefits enrollment to performance reviews, with electronic forms and workflow.

At the core of eHR is the automation of the most manual and time-consuming human resource functions: payroll, recruiting, new hire processing, benefits and compensation management, employee development, internal and government reporting. An eHR-ESS strategy integrates the core business data, the applications that process the data and workflow among employees, managers, and administrators. By automating these manual processes, businesses will reap real immediate cost savings that drop straight to the bottom line.

“Technological change is a key driver for HR transformation, providing the foundation to support HR’s growing strategic focus. In particular, Web technologies have already given workers direct access to each other, to HR, and to business information with such ease and intelligence that every worker can contribute more directly to business results.”

– Watson Wyatt Worldwide

Evolution of eHR and ESS to the Smaller Business

The movement toward eHR did not occur overnight. During the late 1980’s and early 1990’s, the HR functions of large companies were suffering under the weight of rapidly increasing bureaucracy and government regulations. Meanwhile, employees were increasingly frustrated by the information bottlenecks and poor service. The overwhelmed HR administrator simply wasn’t able to provide integrated, personal service to each individual in the organization.

Companies were also realizing the impact of the booming economy on the workforce; and organizational success became more and more intertwined with an increased need for better, more personalized service to employees. On the technology front, the ability to process, store, and communicate data was growing at a phenomenal rate.

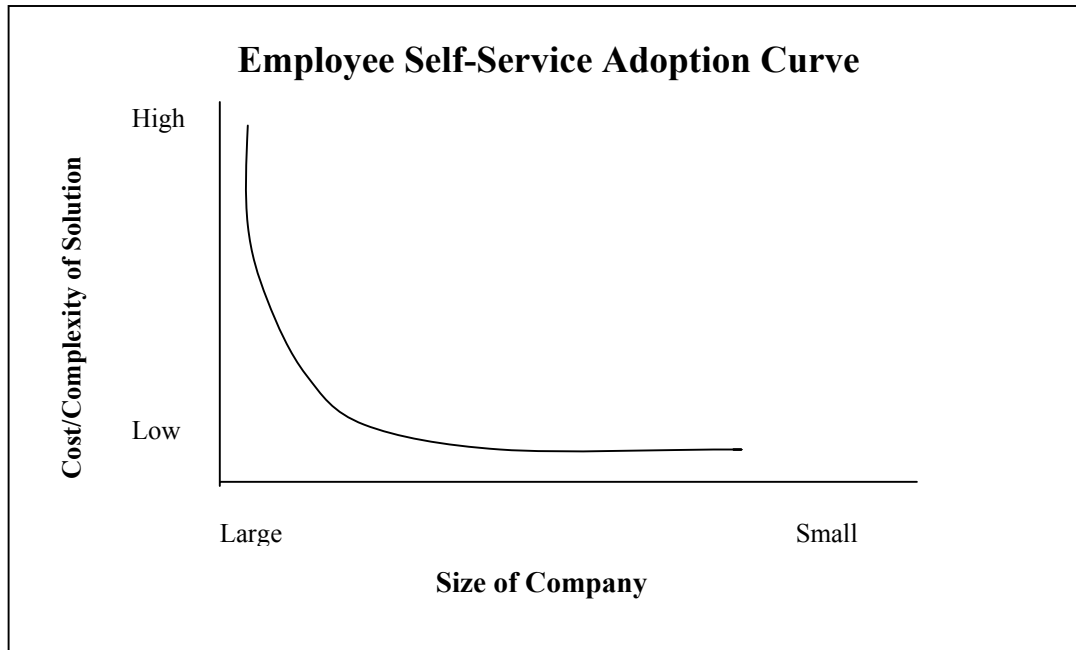
During this period enterprise resource planning (ERP) solutions were being widely adopted by large companies. Many ERP systems included HR ESS applications as a way

to solve some of the business problems inherent to processing large volumes of paper transactions as well as positively impacting company culture and employee communications. ERP solutions promised great potential cost savings for the organization. Despite the fact that ERP projects were large, expensive endeavors with significant implementation times, large companies were lured by attractive project ROI's that justified the time and expense of implementation.

By the late 90's large companies were routinely implementing Web-based ESS applications to reduce costs and facilitate high-quality service to employees. ESS has helped define the strategic contributions of HR by automating and streamlining the administrative functions. With ESS, HR can be freed to contribute strategically to the organization by creating initiatives and programs to:

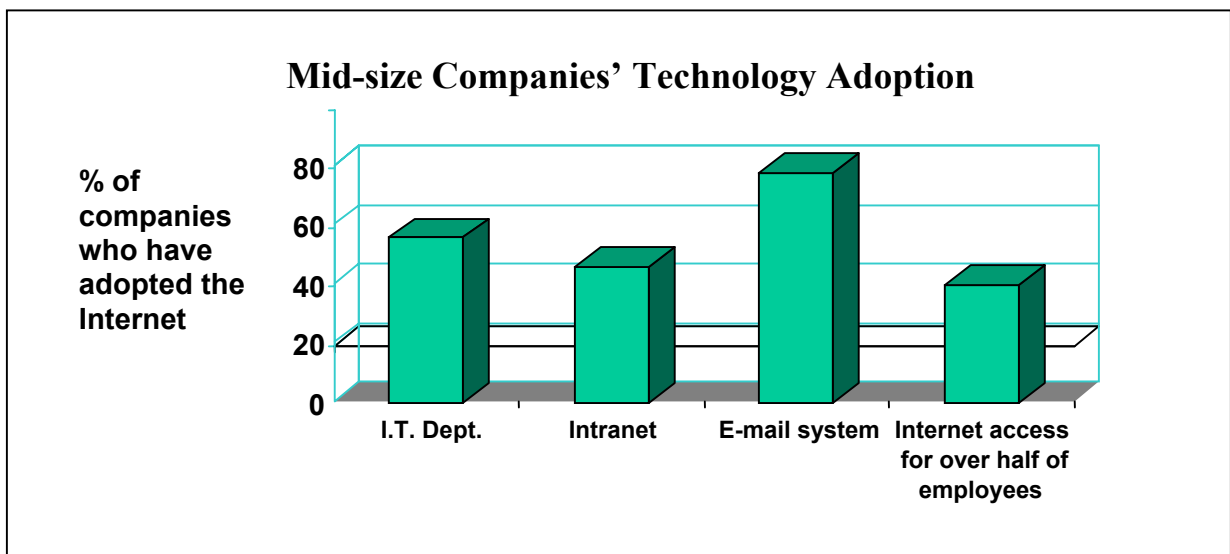
- Attract, develop, and retain the best employees
- Reduce transaction costs
- Improve HR and management productivity

Today there are solutions available to mid-size companies based on technologies they can readily adopt at affordable prices with attractive ROI's. These Web-enabled ESS solutions have more capabilities than their predecessors and are easier to use and implement.



Information technology solutions are adopted by mid-size and smaller businesses as cost and complexity diminishes.

Today over 85% of small and mid-size business have deployed an e-mail system. Over 60% of these businesses have already deployed Internet access and corporate intranets. Recent studies show that as many as half of all Americans have access to the Internet.



A high percentage of small and mid-size companies have adopted Internet technologies.

As a result of rapid technology evolution and business adoption, smaller companies do not have to invest in large sophisticated computing infrastructures in order to realize the cost savings and other benefits that larger companies enjoy from ESS systems.

Why Mid-size Companies are Adopting eHR: Return on Investment (ROI)

Small and mid-sized enterprises that operate “lean and mean” find this particularly important, because the impact of high employee turnover, lower productivity, and difficulty accessing and managing basic information can result in significantly lower profits.

The growing acceptance and effectiveness of Web technology for self-service solutions is undeniable within small and mid-size enterprises. With each leap of speed, access, and flexibility, the full potential of Internet technologies for HR purposes brings the concept of eHR to more companies. These companies welcome the opportunity to leverage their current technical infrastructures and service providers to redesign processes and to reorganize what and how work gets done. In this knowledge economy, employees are in control, and companies can succeed or fail depending on how they handle employee relationships and services. Companies are not just implementing Web solutions to cut costs, but to enhance employee communications and improve service levels to employees and managers.

Implementing an ESS solution makes sound financial sense. According to a recent survey by research firm Towers Perrin, the number of companies using human resources self-service applications has increased by more than 200 percent between 1999 and 2000. **HR departments using Web self-services have experienced a 100 percent improvement in timeliness, a 38 percent improvement in accuracy, and reduced workloads by 50 percent.** That translates to a significant return on investment.

Tangible Results, Substantial Benefits

The results are clear—Employee Self-Service reduces the burden on HR and Payroll departments by making information like paid time off, current benefits elections, and addresses or phone numbers easily accessible (within security parameters you define) to employees and managers. ESS helps organizations save money by reducing turnover, delivering employee-centric services that provide relevant information within and outside the context of the job, and by reducing transaction costs.

The following are examples of how small and mid-size enterprises are implementing Employee Self-Service to benefit their organizations:

Reduce Transaction Costs

Using Employee Self-Service to partially or completely replace paper-based transaction processes reduces their costs. Transaction costs include the time required by employees, managers, and administrators, as well as the physical costs associated with copying, routing, communicating, and filing paper. Areas ripe for cost reduction include payroll processing, benefit elections and changes, employee evaluations, time-off requests, and applicant processing.

For example, payroll managers spend an enormous amount of time printing and distributing employee paycheck information. With an Employee Self-Service system, paystubs, direct deposit advices, and paycheck history can be easily posted and securely viewed online, saving the time and money it takes to purchase paper, print, and mail this information to each employee. And by making

Benefits of Adopting Employee Self-Service

- ✓ **Reduce transaction costs** and increase profitability.
- ✓ **Reduce administrative overhead** by enabling employees and managers to make changes and view their personal information, so that your HR department can spend more time on key business tasks.
- ✓ **Improve data integrity, quality and timeliness** by having the employee make changes or verify his/her personal information.
- ✓ **Improve productivity** by reducing the time spent on “administrivia”.
- ✓ **Empower employees, improve service levels, and reduce turnover** by providing access to their own information, which increases employee satisfaction and motivates them to stay longer in organizations.

the information available directly to the employee, less time is spent on routine questions and answers.

Reduce Administrative Overhead

HR and Payroll managers spend the bulk of their time handling routine administrative matters. The Society of Human Resources Management (www.shrm.org) conducted a nationwide study of HR benefits departments in 2000 and found that nearly five out of every eight hours of an HR professional's time is spent doing administrative work. That means that in an average work week only 15 hours are spent on key business tasks such as recruiting and hiring, conducting salary surveys, professional development programs, performing turnover analysis, etc. An Employee Self-Service system reduces overhead costs by giving managers and employees direct access to routine personnel information and connecting them with benefits providers, etc. Service to employees is improved while administrative headcount per employee is reduced.

Improve Data Integrity, Quality, and Timeliness

It is fairly common for HR administrators to get requests for other routine employee information, and to process routine record changes: for example, when an employee moves, changes marital status, or makes a change in his or her 401K elections. By allowing employees to make these routine changes themselves, the quality and timeliness of the information improves. HR spends less time processing the changes and gathering needed information from employees. The bottom-line benefits of improved HR and Payroll information can occur throughout the business. For instance, the accuracy of government compliance reporting is improved, resulting in lessening the likelihood of incurring penalties. Costly errors in benefits premiums are more easily avoided or caught up front, which can reduce the total cost of providing employee benefits.

Improve Productivity

The productivity improvements in HR and Payroll administration made possible by an Employee Self-Service system may be readily apparent. Now consider the number of hours that employees spend away from their jobs while they are handling routine HR and Payroll matters. Or the hours those managers spend administering vacation requests, performance evaluations, etc. Each workforce hour saved by reducing the time spent on “administrivia” flows to the bottom line through workforce productivity improvements.

Empower Employees, Improve Service Levels and Reduce Turnover

To be competitive, businesses must attract, develop and retain a talented and motivated workforce. An Employee Self-Service system helps create the type of working environment that more and more workers expect: instant information, little bureaucracy, empowerment in their work and careers, and a feeling of connection with the business. Employee Self-Service empowers the workforce to participate more directly in HR processes online. Empowerment leads to improved productivity, job satisfaction, and retention. Employees can now more easily manage their jobs and careers. For example, companies can guide employee development and career growth by personalizing training programs and certification needs to each employee. The employees can access the programs online, select training schedules, and automatically register. Employees can update their own skills profiles, view internal job openings, and apply online. The result: an effective employee retention tool that prepares staff for future growth at your company.

Developing and Adopting ESS for Your Company

Mid-size companies that implement an eHR strategy often begin with Employee Self-Service as a central component. Employee Self-Service solutions put information in the hands of employees, provides a Web site that connects systems, applications and databases, and allows employees and managers to access all of their payroll, benefits, career, and personal information, 24 hours a day, 7 days a week from virtually anywhere.

Within the company, this relieves an enormous administrative burden and creates a new efficiency that has real impact on the bottom line.

Readiness Checklist for Adopting

Employee Self-Service

Before you move ahead with adoption of ESS, use this readiness checklist to see where your company is, and take steps accordingly:

- ✓ **Determine how many employees and managers have access to the Web or the company intranet at work or at home.** If a significant portion of your workforce has computers at work or at home, then you can realize the cost savings and other benefits of ESS.
- ✓ **Assess the workforce's level of computer literacy.** To adopt and use ESS, employees should feel comfortable using a PC and a Web browser.
- ✓ **Document how your organization is processing HR transactions today.** Evaluate your organization's HR procedures and processes. The more decentralized and autonomous the organization is, the more time it may require implementing ESS across the company.
- ✓ **Review your organization's history and culture.** The company has made certain decisions in the past about its HR service delivery model, which may

Phased Approach to ESS

Once you've made the decision to adopt ESS at your company, you don't have to automate every workflow process at once. Instead, follow this timeline:

1. **Make information available to employees and managers through the ESS system.**

First, get them used to the concepts but allow them to make some data changes, link to your Intranet, connect to benefits providers, etc.

Result: Improves HR staff productivity right away.

2. **Begin automating transaction workflows.**

For example, start by allowing employees to make time-off requests online, move employee reviews online, and then automate your open enrollment benefits process.

Result: Further improves HR staff and management productivity and reduces transaction costs.

impact how quickly your employees and managers adopt ESS. Culture is relevant in terms of the organization's willingness to be more innovative and open to change.

Accelerate Your Transition to ESS

Once you have reviewed the readiness factors and made the necessary adjustments and preparations for your transition to ESS, you will want to get the organization moving as quickly as possible. These steps will help to accelerate the process:

1. **Communicate a clear vision, strategy, benefits, and project goals.** Explain why you chose a particular system and emphasize the benefits the system will offer. This will help to create “champions” for the system before it’s even installed.
2. **Get some early successes to build on.** Start small and create incubator projects, and start with just a few departments or managers. Call them team pilots, prototypes, or experiments—whatever your organization will accept. Organizations that experiment with new technologies and tools tend to create a climate for change and transition more quickly. Use these incubator projects to encourage experimentation and risk taking.
3. **Make employees central to your strategy.** Expect your ESS projects to include cross-functional teams, lots of communicating, options to evaluate, and issues to resolve. HR staff will develop their skills around process, technology, and partnering (with vendors, managers and employees).
4. **Schedule interactive training sessions.** The key is to have multiple levels of training so that the entire workforce is trained to the level they will use. The environment should be very open and casual.

5. **Arrange for “brown bag” practice runs.** Over lunch have key staff members actually request information and plug in data to see what common user errors may occur (and develop instructions on how to avoid these situations.)

eHR: A Winning HR Strategy

Empower your workforce by adopting an eHR strategy, starting with an Employee Self-Service system. ESS will help you control costs, manage resources with fewer employees, and shrink HR transaction expenses with an affordable, easy-to-use system.

Forward-looking companies are already benefiting from the efficiencies and savings of ESS. Why not join companies like Intellution, a mid-size software company with 300 employees and a lean HR staff, in saving time and effort to manage your HR activities?

“Our employees are really enjoying the convenience of the new ESS system, and having direct access to their records. It saves them time from having to manually check with HR, and it saves us time from answering questions. It also helps ensure the accuracy of the data,” says John Somatican, Intellution’s Director of Compensation and Benefits.

A Web-enabled ESS system will not only help you reduce and control transaction costs related to employee benefits plans, attendance programs, administration, and recruiting, but also revolutionize the way your company communicates HR information with employees and managers.

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