

## White Paper



### Thoughtful HRIT Strategy and Preparation: Indispensable Precursor to HCM Solution Adoption

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Human resource costs represent a significant portion of the total operating expenditure of a business. In the current competitive business scenario, companies driven by intense cost pressure realize that the workforce represents a largely unexploited source of competitive advantage. Better management of human capital is seen as a key strategic and competitive differentiator for organizations to excel. Appreciating this, organizations often view the combination of HR business and technology transformations as one of the key strategic initiatives.

HCM solutions are key enablers of such transformation initiatives. Companies embarking on the adoption of new HR applications or to augment the existing automation in specific HR functions, or seeking to obtain more value from the current solution must have an insightful HRIT strategy and prepare themselves well in advance for better business value realization.

This paper highlights some of the key points to be considered in an HRIT strategy and the functional aspects of people preparation in the adoption of a package-enabled HCM solution.

## HRIT Strategy: Points to Ponder

### Clear strategic goal definition

*Goals and business drivers* - Lack of clarity on the business goals to be achieved through the HRIT strategy and lack of cognizance of key drivers of system implementation are the major pitfalls in HRIT strategy implementations. Since the decision to adopt an HCM solution is with the expectation of solving a business problem or with the aim to gain a competitive edge in the market, the definition of the central theme of the HCM solution and the business drivers are the essential building blocks of the HRIT strategy. Some of the common themes of an HCM solution are: empowerment of employees, providing 'single-truth' of human resource information, supporting the growing organization size or offering quality and consistency in human resource services across geographical boundaries and cultures.

*Metrics* – It is important to define pertinent HR key performance indicators and metrics in key processes or transaction areas. This will serve as a means to measure the accomplishment of the desired result as an outcome of the HCM solution.

Some examples of HR metrics are: Cost to hire, Time to fill, ROI on recruitment spend, Employee turnover, Training effectiveness and Compensation as percent of revenue unit (e.g. Labor Cost of Sales). It is also important to define a process for continuous measurement and improvement of pertinent HR Key Performance Indicators and Metrics to constitute a feedback mechanism for the HRIT strategy.

### Alignment of automation priorities to match the goals: Phased system enablement

Prioritization of HR processes that need to be system-enabled to match the strategic goals is important to achieve incremental and quick wins from the business perspective. Balancing the needs of individual units or functions and prioritizing the processes that need to be system-enabled in order to meet the corporate goals is a challenging proposition. Involving all the key stakeholders in the early stages of this decision is critical to get early buy-in and support in order to execute the HCM solution strategy. Addressing stakeholder concerns and expectations at the outset significantly increases the likelihood of widespread acceptance of the process and system adoption.

With time and money being the key constraints in most strategic initiatives, identification of processes that need to be covered by each phase of the HCM solution business release is imperative. In addition to this, the definition of high-level scope for each of the identified processes in a specific business release will provide clarity on the HCM solution roadmap to the different stakeholders and process owners. Generally, organizations automate transaction and effort-intensive HR operations and administration functions, prior to the rest of the processes. However, depending on the criticality of the process and its impact on strategic goals, industry characteristics and expected business value, HRIT strategists may prioritize the automation of specific tactical and strategic HR processes in the initial business releases.

An illustration: A large retail company with customer service focus will typically prioritize automation of HR operations and administrative functions to bring in process efficiency. Simultaneously, given the fluctuating workforce demand-supply situation in the retail industry, a recruitment management system and/ or a workforce scheduling and optimization system will also find a place in the first business release of its HR process automation roadmap to optimize the recruit-hire-deploy cycle time. Whereas, in the case of a knowledge-based telecom services and product company, in addition to automation of operations, a well-established competency-based talent management system will also be given high priority in order to gain a competitive advantage.

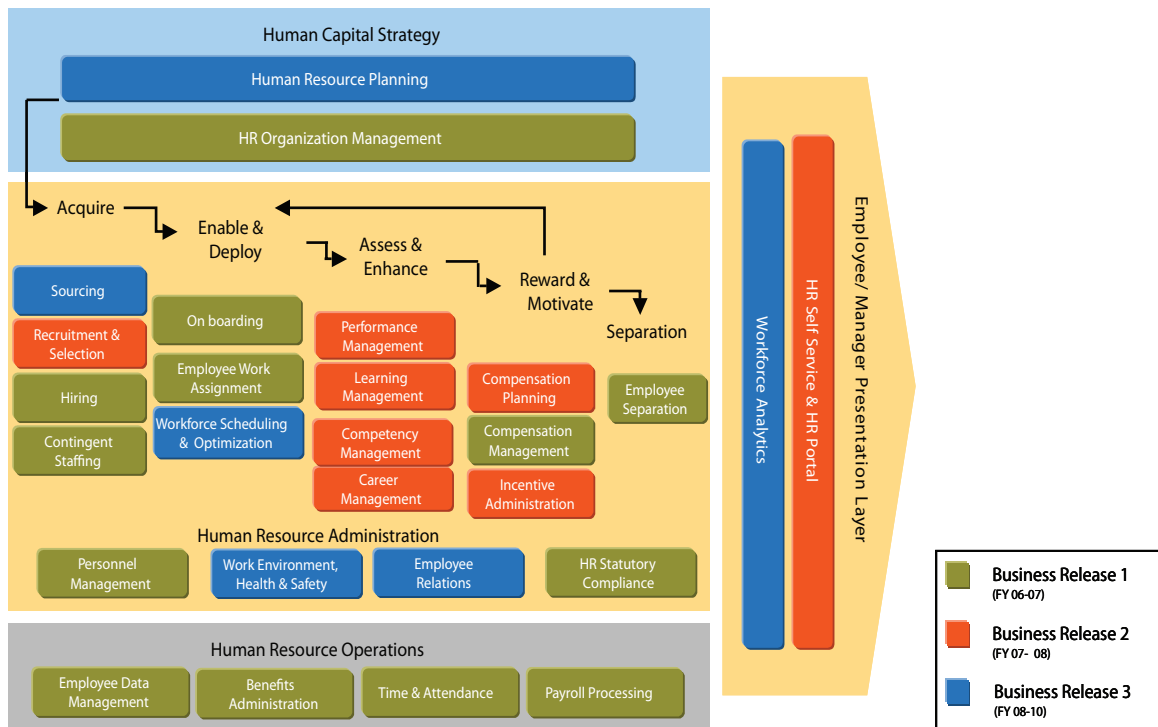


Figure 1: Sample HCM Solution Business Release roadmap

A sample of a phased HCM Solution implementation roadmap is given in Figure 1.

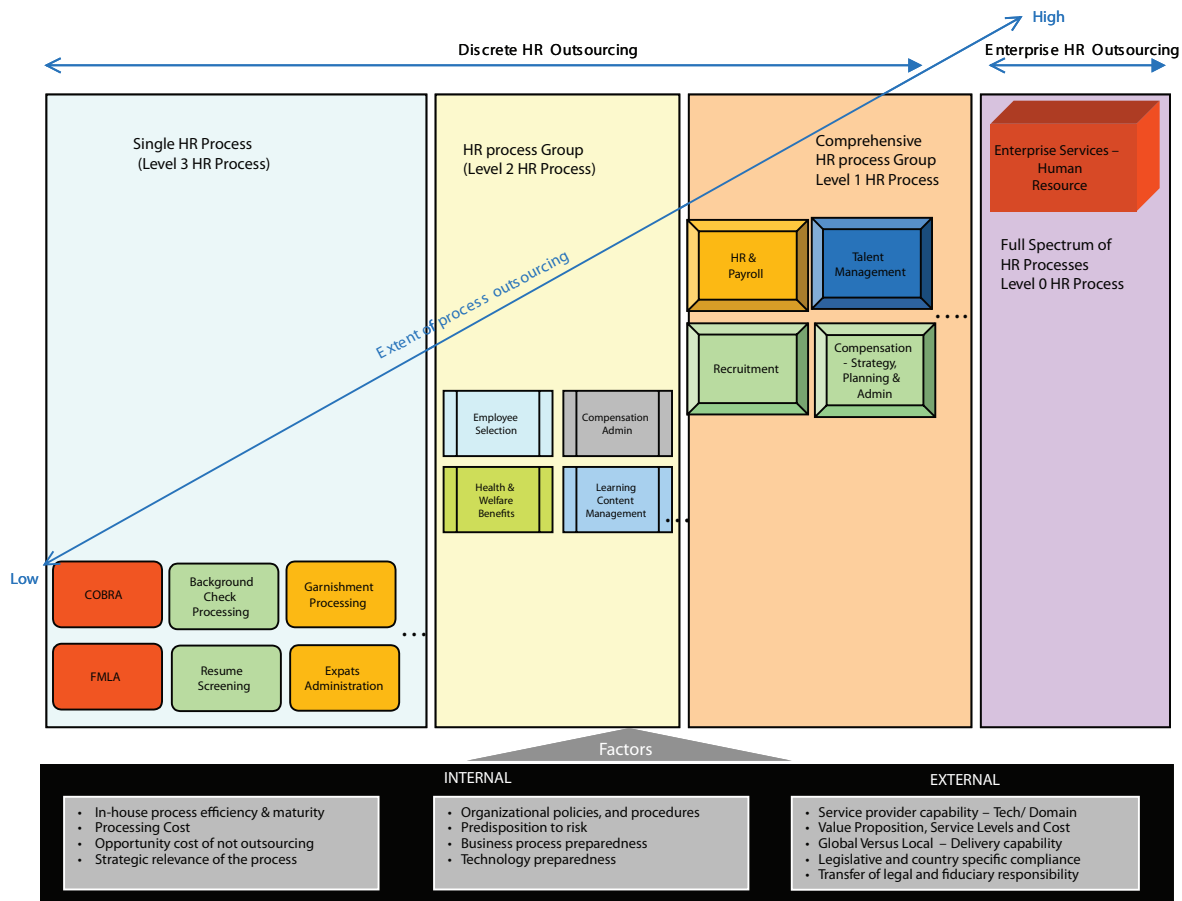
## In-house versus Outsource

Having decided on the automation priorities, the next concern encountered by every HR & IT strategist is – ‘Inhouse or Outsource?’. Traditionally, non-core yet critical HR processes like payroll processing, benefits processing, employee data management have been outsourced by buyers. In recent years, companies are further broadening their footprint of HR outsourcing footprint to include core tactical and strategic functions such as recruiting (including planning), compensation planning and administration, and learning management.

As far as the outsourcing models are concerned, apart from resorting to the hosted application services, companies also have the option to choose either discrete outsourcing or Enterprise outsourcing models. Over the last few years, companies have progressed from outsourcing transaction-intensive processes like COBRA and background check processing in isolation to outsourcing groups of related processes, like health and welfare benefits, contingent worker management, attendance and leave administration. Some of the companies opt to outsource entire processes or significant portions of a comprehensive process, for example, HR & Payroll, Benefits, and compensation administration and planning.

Even though the process outsourcing footprint is expanding, most companies still favor lower-cost Discrete outsourcing options over the comprehensive Enterprise HR outsourcing. Companies are doubly cautious when contemplating to outsource the complete HR function due to apprehensions of losing the in-house expertise and control and the strategic risk of disruption of service. Many are inclined to adoption of automation of services as opposed to outsourcing.

Outsourcing must be a strategic initiative that enables the organization to spend more effort and time on specialized strategic functions of human capital management. The different options available for outsourcing and some of the typical factors for consideration in the outsourcing decision are shown in the Figure 2.



Note: Processes listed above are illustrative examples of common HRO processes, and by no means this is an exhaustive list

Figure 2: HR Outsourcing model and decision matrix

## Technology Decision - Single HCM suite (on ERP or mid-segment HCM Suite) Vs Best-of-Breed Solutions

While defining the HRIT strategy, many companies including the global and multinational corporations deliberate on the technology platform for the globally unified HCM solution – either an ERP package or a combination of well-integrated best-of-breed solutions.

Best-of-breed applications typically provide depth and robustness in functionality on a specific function or a group of functions within HR like Performance Management, Applicant Tracking and Recruitment System, Workforce Scheduling and Optimization, and Learning Management System. In general, best-of-breed applications are on open standards architecture as compared to ERP packages that rely on proprietary standards. However, in the recent days most of the ERP vendors are gearing up and moving towards the Open Standards Architecture framework.

At the other end of the spectrum, an ERP package is capable of bringing together all aspects of the value chain. Out-of-the-box data and process integration, standard user interface, and global and multi-language capabilities provide leading ERP packages an edge over the best-of-breed solutions which are packaged with extended features in specific functions. ERP application offerings have robust functionalities in administrative functions like core HR, benefits administration as well as good processing capabilities in operational areas like Payroll and Time and Attendance Processing. With the advent of web-based architecture and with the increasing importance of the HR function in the market, ERP applications are now covering the entire spectrum of the HR function, particularly in the areas of Recruitment, Talent Management, Learning Management, and self-service. However, best-of-breed players in Human Capital Management solutions market have the ‘early-mover’ advantage in some niche areas.

The decision to choose the best-of-breed solution for a specific process or process group may depend on the some of the factors given below:

- Nature of the process – centralized or decentralized.
- Ability of the specific HR function to create a competitive edge in the market and its direct relevance to corporate goals.
- Robustness in product functionality
- Long term approach towards deployment of shared services.
- Total Cost of Ownership of the application.
- Organization maturity and/ or process maturity.

Generally, most companies adopt a mixed bag approach, i.e. implementation of a single global HCM solution for most of the normal HR life cycle processes and operational areas. This is done on either an ERP package or a mid-segment HCM suite product and its functionality is supplemented with best-of-breed packages in specialized HR functions where there is a strong need to gain a competitive edge with either industry-specific solutions or mature processes and best practices. This approach is gaining prominence in the market as both ERP and best-of-breed products move toward the service-oriented architecture framework.

When a company's processes and/or business requirements are so unique that they cannot be fulfilled by either best-of-breed applications or ERP packages without major customization or product extensions, the company may resort to custom-developed software solutions provided it is convinced about the strategic relevance of the process and wants to retain the processes in an 'As-Is' state. After the organization carries out diligence on the above aspects, the downstream steps of its HRIT strategy will include package evaluation and selection, business case preparation, and vendor selection.

## Aspects of Preparation

### Functional Preparation

Before an HCM solution implementation, performing a reality check on functional preparedness and initiating a rationalization exercise in pertinent areas will provide an opportunity to the HR process owners to align themselves to the HCM solution business drivers and goals. This phase will set the platform to incorporate best-in-class practices, and to bring in process efficiency with an aim to shred some of the non-value adding legacy practices. Undermining the significance of this phase can have an exponentially negative effect on benefit realization, solution implementation, user acceptance and adoption, and hence may not be fitting with the overall corporate strategy. The functional preparation is typically a two-step process:

#### *Step 1: Readiness assessment for solution enabled transformation*

In the human resource function, components of such assessment include, but not limited to, core functional framework (e.g. competency framework in case of talent management), key structural elements (e.g. organization structure, departments, jobs, grades), key organizational HR policies, and business processes relevant to the scope of HCM solution.

#### *Step 2: Rationalization exercise*

As an outcome of the readiness assessment, necessary corrective actions or rationalization initiatives pertinent to the solution implementation are initiated and the execution timelines of the same are mapped to the HCM solution implementation timelines.

## Preparation of People

Preparing people is an important precursor to successful HCM solution adoption – be it in-house HCM system implementation or HR process outsourcing. Preparing stakeholders at different levels in the following areas can pave the way for success:

1. Companies are often entrenched in practices acquired over many years which may not be optimal given the change in the ecosystem. One of the biggest barriers to the adoption of an HCM solution is the resistance to relinquish old, ineffective business processes and policies. Management commitment and involvement coupled with appropriate intervention strategies combine to overcome these constraints.
2. Traditionally, HR has been perceived as a record-keeping and data-intensive function; the nature of information recorded and stored is given more importance as compared to the strategic importance of the HR function. Hence it is important to reinforce the HR function's relevance in the accomplishment of the overall organization's goal to the pertinent stakeholders involved in the HR IT transformation exercise. It is also vital to note that HR includes many business processes and policy-intensive sub-functions. Hence orientation towards business processes, role based information needs and workflow will contribute to a large extent towards the conceptualization of an optimal HCM solution.
3. HR is about managing Human Capital in the organization and typically an HCM solution has an impact or a perceived impact with a larger audience in the organization. This makes change management a very vital component in the implementation of HCM solution. Such solution implementations may include change of processes and practices, and institutionalizing such changes is a key pre-requisite for successful adoption of an HCM solution. In managing change it is imperative to appreciate the fact that managing change is a continuous journey.

## Conclusion

An HCM solution can be a vital enabler for HR transformation initiatives. In order to realize maximum value from an HCM solution and to achieve successful adoption of such solutions by different stakeholders, it is important to have a thoughtful HRIT strategy, supported by structured preparation and a detailed Change Management plan.

### About the Author

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