

White Paper



Diligent preparation paves way for a successful Retail WFM Implementation

Sriram Ramanujam, Dinakaran G

Abstract

The last three years have seen a spurt in the number of WFM implementations in the retail space. With 55% (Ref 1) of retailers surveyed in a recent RIS Study indicating a major revamp of their WFM systems in the near future, WFM implementations have reached the tipping point.

However the outcomes of WFM implementations have been a mixed bag of successes and failures. Even the successful ones have a significant number of learnings and a long list of “things that should have been done differently”. Factors such as large number associates being impacted, iterative/multi phased implementations, relatively large number of interfacing applications and complexity of business requirements makes landing a successful WFM program a tricky proposition.

But the journey can be made predictable if sufficient preparation and ground work is done prior to embarking on the journey. This paper, aimed at the CIO, Operations Heads and members of Programme management office of WFM implementations, describes the upfront preparation and the basic foundation that should be put in place before starting the implementation.

Why is a WFM implementation Imperative to Retailers Now

Continuous pressure on margins that are already razor thin, a well-informed, increasingly mobile customer base whose loyalties have fallen to irredeemable depths, huge costs of recruiting, training and retaining associates who can meet the customer expectations, technology that undergoes revolutionary changes every few years characterize the situation in which most retailers operate today. The store managers today handle more and more non routine tasks aimed at getting various promotions ready on time and as expected by the promotion managers. In this situation the store level management staff have their hands full juggling the day to day workforce management tasks leaving little or no time for focusing on the customers or for improving operational efficiencies.

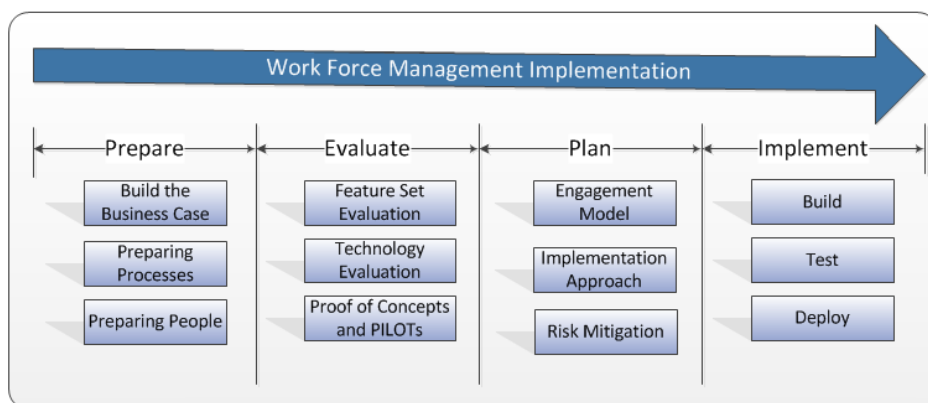


The situation in which the middle and top management find themselves in is not any better. They lack the right level of information at the right time to aid decision making because it is residing across multiple legacy application. Retailers are realizing that workforce being the second biggest cost after inventory can no longer be neglected and that they have to move fast and give their managers the right tools to bring in efficiencies in workforce management. Business and IT have to partner to put in place a state of the art WFM solution which will provide the organization a competitive edge for the next five years.

However it is important to recognize that WFM projects are an entirely different ball game compared to other re-platforming / transformational programs. This paper takes a look at the characteristics of these programs and the key factors that organizations planning to run such programs should think through before embarking on the journey

Embarking on the Journey

WFM implementations require pre implementation preparation, package evaluation and planning that is perhaps as rigorous as the actual implementation itself. The decisions and the quality of deliberations leading to these decisions determine how smooth the actual implementation is, how well the solution is adopted by the end users and whether the benefits envisaged are actually reaped by the business.



Preparation - The Business Case:

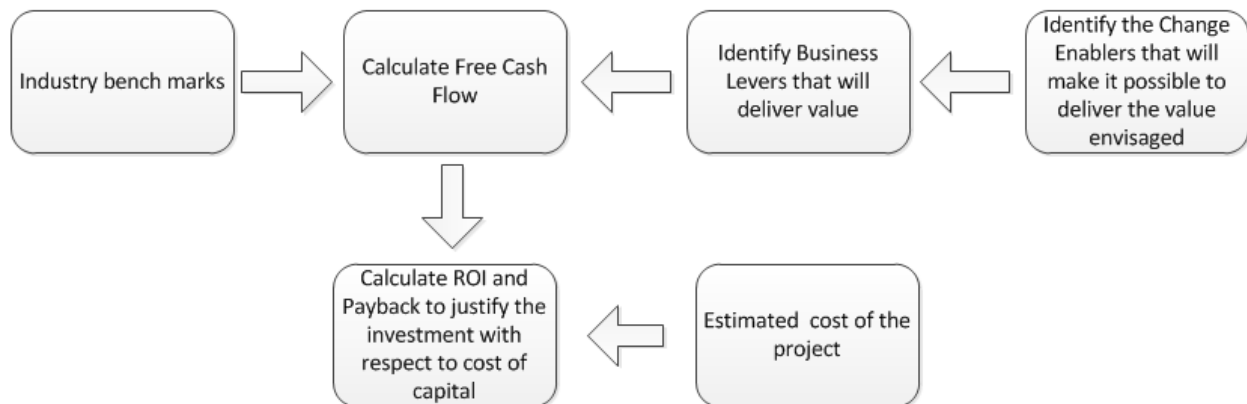
Though it is easy to see the need for a WFM Solution in Retail Organizations, the actual process of building a business case requires a significant amount of time and effort. This is because of the following reasons:

- The immediate pain point(s) driving the WFM implementation vary from organization to organization.
- The benefits shared by the product vendor(s) are based on Industry Benchmarks may not be directly applicable to the organization
- WFM packages are one of the most sophisticated packages in the market now (especially if they involve forecasting and optimization of schedules).
- Difficulty in measuring the tangible value delivered by the solution, that is acceptable to a diverse stakeholder population

A methodical approach to articulate the business value and return on investment is important as WFM programs involve large investments and significant commitment from all levels of the organization. The first step is to identify the Business Levers that deliver value. An indicative list of business levers in a WFM program would be

1. Customer Retention and Satisfaction
2. Employee Retention and Satisfaction
3. Labour Costs

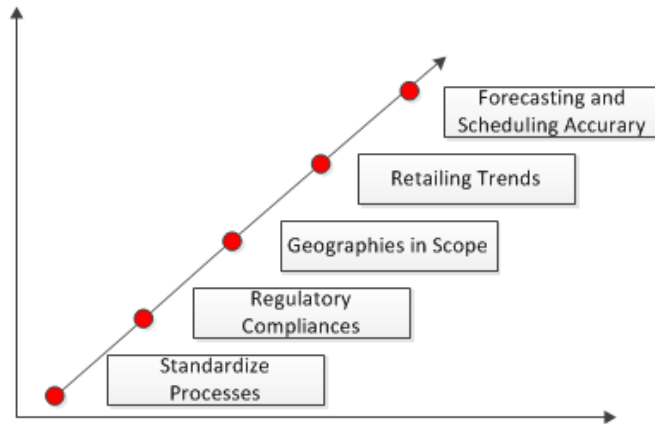
The value expected to be reaped from each business lever should be quantified and be translated in terms of free cash flow. The expected value that will be delivered should also be compared with industry benchmarks. Any difference from the industry benchmarks should be validated with appropriate justification.



The next step is to identify the change enablers that will drive the value proposition in the business levers. For example the change enablers for the Labour Cost business lever would be schedule optimization functionalities that would ensure that there the premium payment for Sundays or Overtime is minimized.

Preparation - The Process perspective

Before embarking on a large transformation exercise it is important to relook at the relevance of the various processes in the organization and tune them appropriately. It is also necessary to ensure that the processes are largely capable of supporting the various changes that are on the organizations road map in the near future. It is also necessary to make a reasonable attempt to future proof the processes for emerging trends in retail and more specifically the sub vertical in which the organization operates.



Retailing Trends: There are a number of retailing trends like self-service checkouts, RFID and Omni channel sales that were emerging trends a few years back but are the norm today. Each of the trends influences the WFM process in their own way. For example the checkout scheduling process has changed significantly with the implementation of self-service checkouts. In stores with self-service checkouts the volume of sales impacts the number of people in the checkout department only marginally, but has created a new set of fixed effort tasks like the daily maintenance activities for the self-service machines.

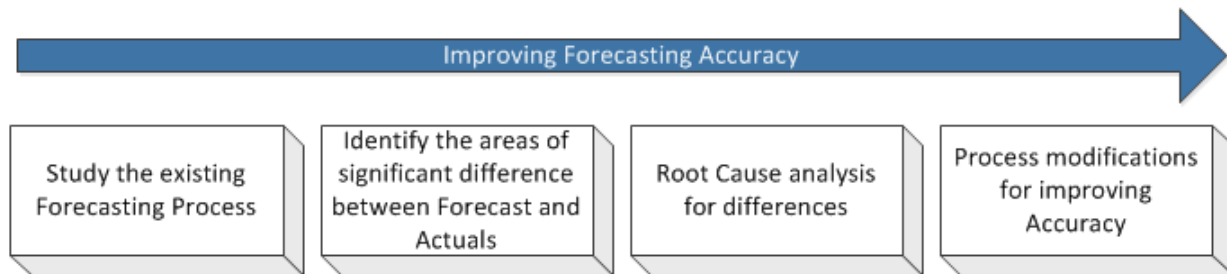


There is no doubt that more technologies and customer driven trends such as Mobile POS systems, Shelf edge TVs, Digital Signage, Tablet Commerce etc. will become mandatory for retailers in the near future to survive in the competitive world.

Digital Signage for example will do away (or at least significantly reduce) with activities around ordering, planning, receiving and replenishment of hundreds of pamphlets and brochures. Instead a new activity of promotions jockey who is responsible for creatively sequencing the Digital signage content in the store may become necessary. Mobile POS systems on the other hand may have a more disruptive effect on the WFM application because the algorithm for Tills and checkout forecasting and scheduling will have to change to account for Mobile POS.

It is important to study the list of all such technologies on the organization's roadmap and their potential impact (or non impact) on the WFM solution being deployed to ensure that it is future proof.

Improve accuracy of Forecasts and Schedules: Accurate Forecasts and Accurate Schedules are some of the primary short and medium term objectives of a WFM implementation in most cases. The quality of the schedule depends heavily upon the accuracy of the forecast driving it. It is necessary to ensure that the process is amply tuned to deliver an optimal level of forecasting accuracy



The forecasting ecosystem has to be considered in its entirety for the root cause analysis. Some of the constituents of this ecosystem are

- Level at which the forecasting is done (Store vs. department vs. activity)
- Integrations with promotion and other store events
- Integration with one off tasks (for e.g. planogram changes)
- The algorithm used for forecasting
- The volume and static drivers being used

The root cause analysis forms a significant input into the product feature set evaluation during product selection. For example the root cause analysis may conclude that the moving average forecasting algorithm currently in use does not give sufficient weightage to recent events and hence the forecast is not reacting nimbly enough to a fast changing scenario. Identification of this root cause will result in the search for alternative algorithms such as exponentially smoothed forecasts that give higher weightage to recent events. Hence the product capabilities around exponentially smoothed algorithms will be given sufficient weightage during the product evaluation.

Standardize the processes: Another important step is to standardize the business process across the different divisions for which the WFM is being implemented. Many of today’s retailers have histories of inorganic growth. It is common to find division or group of stores or employees have their own processes. Method of payroll calculation i.e. pay to contract or pay to actuals is an area where significant scope of standardization exists in a many organizations. Similarly there might a large number of labour standards for processes and activities that no longer exist or have undergone significant change. It is important to relieve the organization of this burden of legacy and move over to the new WFM solution with a clean set of standardized processes.

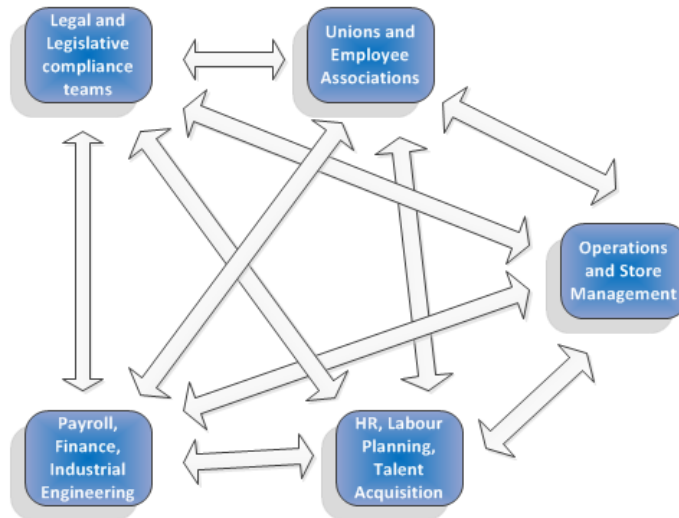
Regulatory Compliances: It is also important to come up with the list of the regulatory compliances that the organization is expected to comply with. The interpretation of these legal compliance requirements and their implications on the WFM solution has to be studied in detail. For example the EU working time directive is enforced through national legislations by different EU Members in different ways and hence have to be interpreted specifically for the country it which it is being implemented. It is also common to start implementations without taking a comprehensive view of these mandatory compliance requirements. As these regulatory requirements start surfacing during later phases of the program, it becomes impossible to proceed without addressing them and become the first seeds of inappropriate practices/scope creep slowly derailing the entire program.

Geographical Scope: Another dimension of preparation is identifying the geographies that are in scope of the WFM program. If the scope spans across multiple countries/geographies, then there are bound to be a set of regional/country specific differences in dealing with absences, Schedule compliances, Accruals, compliance and financial reporting. It is important to include such factors during the business process preparations.

Preparation - The People Perspective

Stakeholder management: By virtue of their far reaching impact, WFM programs usually have a large number of stake holders. While the success of the Programme is jeopardized if any of these stake holders are alienated, each of

them come to the table with widely differing and sometimes even conflicting objectives. On this front it is important to identify the key stake holders for all the affected functions early in the program. A single point of contact for each process or division should be identified. A “C Level” commitment for the program will be indispensable for balancing the interests of multiple stake holders and landing the program successfully.



Preparation for standardization: The process standardization done as a preparation for the WFM implementation will impact the work force. For example, a rationalized set of labour standards will need a buy in from associates and their Unions in some cases. Similarly rationalization of Employee Contract Types will need some employees to be moved from one contract type to another. This will require a significant amount of upfront effort in identifying the associates whose contract types will change, communicating the change to them and getting their acceptance and redrawing the contracts and getting them signed off by the associates.

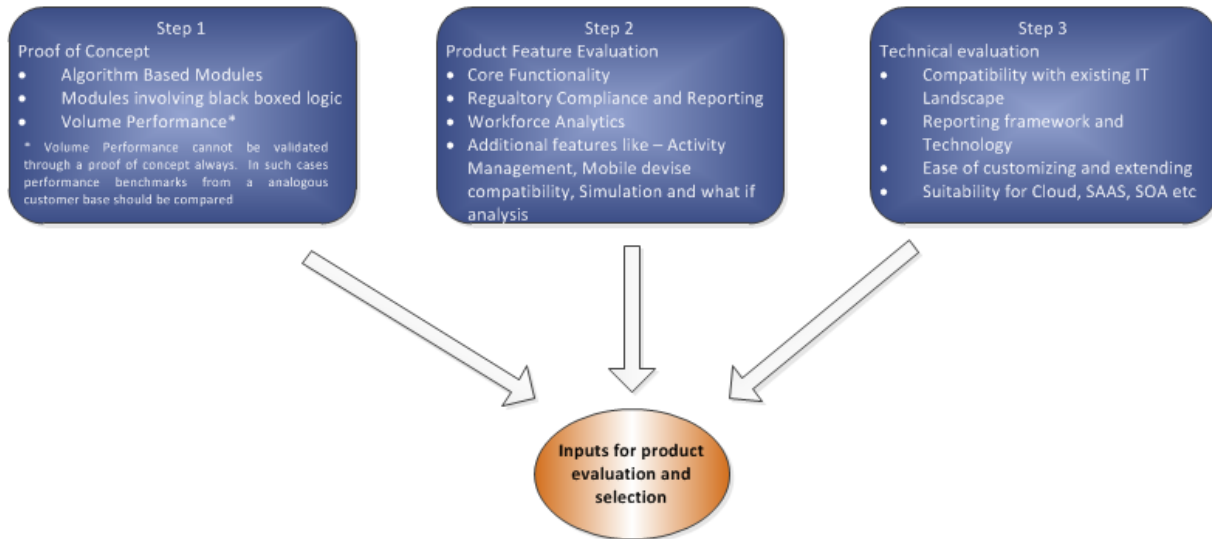
Building Acceptance for the new solution in the Organization: A number of primary objectives of any WFM involve plugging of payroll leakages, build capabilities to increase/measure compliance to contracts and organizational policies. In the short term this could be interpreted by associates as an attempt to police the employee behavior. For example most WFM products allow automated and sophisticated rule based rounding off of associate time records. Earlier the rounding of hours for colleague punches might be based on manual reviews or simpler rules allowing colleagues to get away more lenient enforcement of penalties for late arrival. Proactive preparation and associate education on the rationale behind these rules and how they will impact them with special focus on areas that will have a positive impact for the colleagues prove very valuable in the long run.

Evaluation – The Approach

The evaluation process followed for a WFM package is quite different from a purely feature – score based evaluation that is common in traditional package applications. This is primarily because WFM products being closed niche products need an evaluation that is not only limited to features but a wide range of other factors such as

1. Suitability of algorithm based and black boxed functionalities.
2. Extensibility of the process/features embedded in the product.
3. Offerings around Sub Vertical specialty.
4. Scalability of the product and its architectural model.
5. Attractiveness and Usability of the User Interface.

Therefore the evaluation of a WFM product involves a combination of a Proof of concept, feature-score based evaluation and verification/interview with references.



Proof of Concept: The modules of the product that are based on statistical algorithms and functionalities that are black boxed are areas of focus in the proof of concept workshops. It is highly recommended that the POC uses actual data from a store and the output compared with the output of the existing process.

The areas where the performance from the new algorithm is expected to be different from the existing ones, a validation to establish that the variation is along the expected lines is necessary. Some of the aspects to check include

- Validations that accuracy is retained at different time intervals for example the forecast should be accurate at monthly, weekly, day of week and at time of day.
- Shrinkage and the pattern for shrinkages over a period of time should be appropriately reflected
- Should be able to account for seasonal variations and special events.
- Response to changing trends should happen within a reasonable lag.

The evaluation should take into account the volumetric performance of the system with respect to key nonfunctional requirements and performance benchmarks. However this is an area where performing a proof of concept is also significantly difficult due to a multitude of factors such as unavailability of a production like hardware and architecture, the time and effort involved in replicating the volumes of transaction that is expected when the application is live. Therefore it is common to compare the performance benchmarks of the products from an analogous customer base during the product evaluation.

Product Feature and Technical Analysis: Besides evaluation of the core functionality of the product, functionalities around regulatory compliance and reporting, workforce analytics and additional features such as activity management, mobile devices compatibility and simulation and what if analysis should also be compared during the product evaluation phase.

The technical analysis should include compatibility of the new package with the existing IT land scape including the HCM and ERP systems, Hardware size and cost implications, Reporting framework and technology, Ease of customizing and Extending. With the advent of new models of delivering solutions the architectural maturity of the product and its suitability for deployment on the Cloud, SAAS compatibility and SOA capabilities have increased in weightage in the evaluation process.

Plan - Engagement Model

WFM being a niche area, it is very rare for organizations to have the necessary skill sets to implement the solution in house. It is therefore necessary to devise an engagement model that brings together an appropriately rounded team that has all the skill sets necessary for a WFM implementation. The consulting and system integration partner, internal cross functional team and product vendor will form the three critical cogs on which the entire implementation will run.

It is important to capitalize on the synergies generated by the complementing strengths of each of these parties. The product vendors who have built the product will bring in a good understanding of the product features, limitations, functionalities, architecture and future roadmap.

The consulting and system integration partner on the other hand brings to the table a complimentary value proposition includes

1. End to End service offering in terms of technology, consulting, organizational change management, independent validation services, enterprise integration and reporting framework capabilities
2. Knowledge of complementing HCM processes such as Core HR, Payroll etc.
3. Experience in Program Management, Support and Service Delivery for global engagements

The third cog in the implementation – the internal team will provide knowledge of the business processes, challenges and ways of working of the organization. On the change management front this team will be change champions and will aid early adoption of the solution by the end users.

It is important that the engagement model also contains a strong governance structure with appropriate participation from all the parties involved. The structure should clearly define issue resolution mechanisms, escalation channels.

Solution and Architecture Review committee: Considering the large number of interfacing applications in a typical WFM implementation, multiple technical teams and product vendors involved it is imperative that a Solution and Architecture Review Committee is constituted sufficient in advance. This committee with participation from all the teams and product vendors should meet at regular intervals. All solution and architectural decisions should be brought to and signed off by this board to keep the technical and functional direction of the program aligned to the objectives of the program.

Organizational Change Management Team: The organizational change management team is another important entity that should be constituted early in the program. This team would prepare for an organization wide communication and training rollout. The training plan should have provisions built in for on demand refresher courses and deep dive sessions for enabling the core group working on the WFM application. It is important to have tailored training programs for different groups. The vast majority of the users just need to understand which fields to enter the buttons to push. But a carefully chosen subset of the population needs to understand the why and how of the solution.

Plan – The Implementation Approach

Speed is of essence in the commercial success of any IT transformational program. However it is imperative that the speed is appropriately matched with the risk taking appetite, preparedness and culture of the organization. Most of the applications being replaced by WFM can be characterized as rigid, black boxed, rule based legacy applications that have evolved over the years in a unstructured collaboration between business and IT. Considering this it is difficult to come up with the right end state design in a single go. This risk has to be mitigated by making appropriate decisions during finalization of the implementation approach.

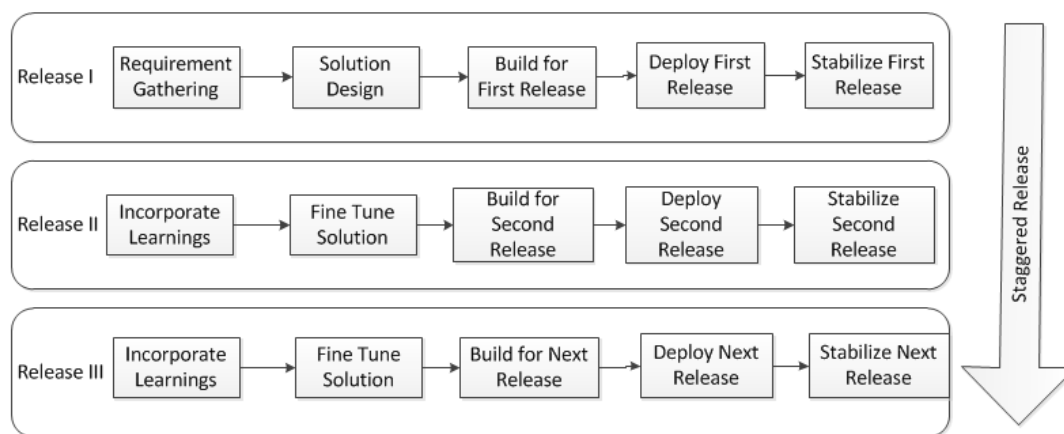
Adoption of a Staggered Implementation Strategy: Adopting a staggered implementation approach is a good way to mitigate the risk described above. There are multiple approaches to stagger the implementation it could be based on

- Employee type - Associates and hourly paid colleagues in one phase followed by Management and other support functions in a separate phase

- Business units – Super markets is one phase followed by Convenience and Discount stores in a subsequent phases. This could also be extended to units that have similar business process are included in a phase. For example recently merged/acquired stores may be working on a different application stack or with a different business process and could be taken up in a separate phase.
- Region and Geography – Regions with similar regulatory requirements are taken up in a single phase.
- Distribution Centers, Logistics and other support functions in the first phase and Stores in a separate phase

A staggered approach to the implementation offers multiple benefits including

1. Return on Investment starts earlier
2. Retain flexibility to changes in solution, implementation approach, Architecture, Business Climate, Management Direction and learning's from previous releases
3. Exposes end users, support team, testing team to product for a longer time before go live
4. Lower upfront investment - Phased ramp up of hardware, Support Teams
5. Helps to balance what is achievable in the short term and work towards the long term objectives



Deploying to a PILOT population prior to the rollout: The mission critical nature of workforce in a retail environment makes it risky to deploy a solution directly to a large user base without testing it with a sample population. It is advisable to deploy the solution for a PILOT population and iron out any minor problems before rolling out to the rest of the population. If a PILOT is intended to be used then a number of decisions around

1. Identification of a suitable PILOT population.
2. The duration of the PILOT
3. The exit criteria of the PILOT and the metrics based on which the Go - No Go decision for the rollout will be taken
4. The process for handling changes emanating out of the PILOT deployment
5. Is a PILOT necessary for each phase of the Staggered release

Finalizing the cutover approach: The cutover approach, finalizing the decommissioning strategy and a well thought out rollback strategy are other important factors that need to be nailed down as a part of the implementation approach. These strategies are strongly influenced by whether a staggered release is planned and whether a PILOT deployment is planned. The decommissioning and rollback strategy tend to become more complicated if a staggered release or a PILOT deployment is planned. There might be a need to develop intermediate interfaces or data fix scripts specifically for the cutover. This need should be identified sufficiently in advance.

Finalizing the validation strategy: WFM applications include a number of algorithm and black boxed processing logic. The implementation methodology should factor in considerations for continuously validating such components over the duration of the project. Similarly retail organizations consist of a large number of organizational structure entities and a large number of associates. Hence the implementation methodology should be finalized after taking a view of the number of test iterations, go live dress rehearsals and parallel runs planned.

Plan - Risk Mitigation

In addition to a number of risks common to all IT programs like Scope Creep, insufficient involvement of stake holders and focus on Organizational change management, there are a significant number of risks that are unique to WFM programs. It is important that these risks are identified proactively and a mitigation plan put in place.

WFM products are inherently closed products offering little or no scope for extending functionality. This amplifies the risk around any customization or extension. The first and foremost approach is to prioritize the requirements and see if process modifications or changing the solution design can do away with the customization or extension. If this is not possible then the risk should be mitigated by engaging the product vendor closely in the design and build of the extensions. There should be periodic reviews to ensure that the design and build are aligned with the overall product roadmap and meet the scalability mandates of the project.

Retail organizations are typically characterized by a large employee base and wide geographic dispersion. This makes performance degradation a key risk. It is a good idea to stick to the core product functionality and do package enabled process changes wherever possible. However where extending the process is unavoidable because it provides a competitive edge periodic reviews should be planned to ensure that the functional, technical design and the actual coding are done keeping performance considerations in mind. Getting the hardware size and the network architecture right is another important step towards de-risking volumetric performance.

Conclusion

The Workforce Management is an indispensable tool for managing retail operations of any size. Thoughtful preparation encompassing building the business case, preparing the people and processes, objective product evaluation and planning of the engagement model, and the implementation approach prior to embarking on the WFM journey will be enormously beneficial. In the absence of such a preparation it is easy to lose the way and deliver a solution that is suboptimal and does not meet the objectives that were set at the start of the journey. The resulting schedule and cost overruns is something that can be easily avoided.

References

Ref 1: WFM on the Fast Track – RIS News Custom Research by Joe Skorupa

About the Author

Sriram Ramanujam is an Industry Principal with the Retail Consulting and Systems Integration group of Infosys Limited. He has rich experience in the Retail domain across US and Europe and has worked across Human Capital Management and Supply Chain domains in different capacities. He currently heads the Workforce Management practice at Infosys and also heads the Consumer and Package Goods group for Oracle Services.

Dinakaran G is a Lead Consultant with the Retail Consulting and Systems Integration group of Infosys Limited. He has rich experience in the Retail Domain and has been involved in consulting and solution design in Workforce Management and Supply Chain functions. He is involved in implementing complex WFM solutions for large retail customers.



For more information, contact askus@infosys.com

About Infosys

Many of the world's most successful organizations rely on Infosys to deliver measurable business value. Infosys provides business consulting, technology, engineering and outsourcing services to help clients in over 30 countries build tomorrow's enterprise.

For more information about Infosys (NASDAQ:INFY), visit www.infosys.com.