

I D C E X E C U T I V E B R I E F

Automating Workforce Management: Optimizing Resources, Lowering Costs in a Challenging Economy

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Adapted from Spring 2008 Talent Pulse Survey: Focus on Talent Still on the Rise by Lisa Rowan, IDC #212642

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Introduction

At many organizations, workforce management processes have yet to benefit fully from automation. Processes for scheduling, tracking time and attendance, and managing absences are not automated and therefore tend to be disconnected from each other as well as from payroll and HR processes. Typically at these organizations, the payroll department — using largely manual, paper-based processes — is primarily responsible for handling workforce management tasks. With processes frequently mired in data reentry, gaps among departments, a lack of employee self-service abilities, and manual checks, workforce management is prone to errors, which can result in costly workarounds, unmanaged employee absences, inaccurate or late payroll, and a general lack of management oversight and control.

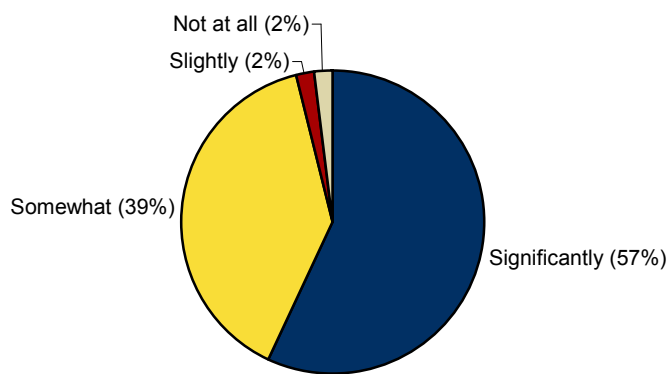
Eliminating such issues can positively influence employee satisfaction, resulting in improved retention, which is a key concern for HR. In addition, those organizations that don't have automated workforce management solutions — or those that are not optimizing the solutions that they do have — are spending too much time on the day-to-day requirements of scheduling and tracking employees rather than focusing on identifying the right people and resources in order to retain employees, increase productivity of limited staff, and save money. This paper examines the capabilities of workforce management solutions and discusses how organizations can use automation to save money, improve efficiencies, and facilitate talent retention — critical objectives during an economic downturn.

The Need for Better Workforce Management

In a weakened economy, it is important that the potentially fewer talent resources available are as strong as possible in order for organizations to achieve their key objectives. According to recent IDC research, organizations reported that competition for talent is increasing dramatically. With the challenges associated with filling vacancies on the rise, retention increases in importance (see Figure 1).

Figure 1

Degree to Which Competition for Talent Is Increasing



n = 50

Source: IDC's *Talent Pulse Survey*, 2008

Talent retention, while dependent on numerous factors, does rely to an extent on strong and visible workforce management processes, including accurate payroll checks, ease of employee scheduling, the ability of employees to request scheduling preferences, and an understanding of employee absences in order to quickly identify and correct performance problems that may present themselves as unplanned absences. Workforce management capabilities are varied and include timekeeping, employee scheduling, and absence management — all of which can have a positive impact on employee retention.

In a similar vein, allowing managers to view employee schedules gives them insight into workforce data — insight that can allow managers to optimally establish schedules in light of their changing business requirements. In addition, providing managers with information about absences, planned and unplanned, can enable trends analysis and highlight potential performance issues that in turn can be used to make business decisions regarding staffing.

The market growth for workforce management tools is fueled by the recognition that employees — who are seen as assets — and the information about them need to be managed with automation just like any other valuable asset. For businesses deploying automation to make workforce management processes more efficient and then optimizing those workforce automation deployments are especially critical now.

Underautomated and outdated workforce management processes can set off a chain reaction that is costly both from a productivity standpoint and from actual additional dollars spent. This chain reaction starts with workforce management processes that lack connection and integration; this in turn often leads organizations to enter data into two or three different systems, which is a costly productivity loss. Multiple data entries can result in scheduling errors, leading to workers who either are not scheduled or are deployed incorrectly.

In addition, manual data entry and reentry introduce the potential for errors and inaccuracies and/or delays related to payroll, employee scheduling, and absence management, all of which can have a detrimental effect on employee satisfaction. Moreover, issues with employee satisfaction can result in poor morale and eventually can lead to problems with retention that can adversely impact the business.

Adding to the need to better manage workforce processes is the economy. The current downturn in the economy is creating an environment in which resources are constrained and significant cost savings are required. Without automation (or with limited automation), organizations are missing opportunities to analyze trends, plan workforce strategies, and empower employees. Automation can also significantly reduce the risks associated with noncompliance with legislation including the Family and Medical Leave Act and the Fair Labor Standards Act by accurately recording absences and hours worked. In addition, more accurate records related to workforce data can help organizations respond to union grievances as well as reduce costs related to error-prone systems. Manual scheduling, timekeeping, and absence management processes are disconnected, leading to inaccuracies, errors, and an inability to achieve management insight and oversight.

In addition, the workarounds for workforce management inefficiencies and errors related to scheduling, timekeeping, and absence management are time-consuming and costly. Specifically, unmanaged absences can cost money because managers may miss potential performance problems arising from unplanned absences or may not have the insight needed to accurately staff as business requirements dictate.

In many organizations, employees are not responsible for their own timekeeping, which can result in added costs and inefficiencies, particularly for remote employees. By enabling employees to keep their own time with intuitive automated tools, organizations can both empower their workforce and eliminate errors and delays. With paper-based, manual timekeeping processes, errors often occur, which in turn can result in inaccurate or even late payroll. Payroll problems can be costly in terms of both money (if companies are not taking the appropriate deductions) and employee morale.

In general, organizations are at varying stages of workforce management maturity, ranging from little or no automation marked by unintegrated manual processes and paper- or spreadsheet-based systems to optimized workforce management capabilities characterized by full integration of workforce management processes with HR and payroll processes. In general, the more mature an organization is in terms of workforce management capabilities, the greater the cost savings will be – an important benefit in and of itself during a recession.

Essentially, the three key maturity factors are as follows:

- Engagement (regarding the level of staff engagement in workforce management processes)
- Automation (related to the level of human versus machine involvement)
- Integration and intelligence (in terms of the level of automated data interchange and other electronic links among timekeeping, payroll, and other HR systems and the ability to get meaningful information from the system to support business decisions)

In addition to these maturity factors, there are five stages of maturity, ranging from no integration among workforce management processes, HR, or payroll; to limited engagement from managers and employees; to total self-service, in which employees are able to manage their time and managers have the oversight and insight they have been lacking.

The Case for Optimizing Workforce Management

Many organizations are in the early stages of maturity, allowing managers to be engaged somewhat in workforce management processes but not yet giving employees self-service capabilities in terms of managing their own timekeeping. As a result, these organizations are not fully engaged across all of the stakeholders, and many of the pitfalls of manual intervention — lost productivity, human error, and less than optimal accuracy and satisfaction — are a daily reality.

These pitfalls can drive up costs considerably. For organizations, therefore, the goal is to move up the maturity curve, specifically to increase the level of self-service and the degree of automation and integration and to ultimately enable management oversight through universal engagement. By pursuing an interest in gaining access to better and more sophisticated reporting related to workforce management issues, as well as gaining greater control over absences, organizations can drive toward full optimization.

Organizations are aware of the inefficiencies that plague workforce management processes. In an IDC survey, the most pressing challenges cited by respondents are the inability to focus on strategic initiatives (due to workload issues) and an inadequate link between IT and business processes. In another survey conducted by the American Payroll Association, top priorities for organizations specifically are absence management and reporting.

Some organizations that have deployed workforce management solutions are realizing significant benefits in terms of costs and employee morale, such as the following use cases:

- A long-term care company automated paper-based timekeeping processes, which resulted in a savings of \$130,000 by eliminating "hour creep" and cutting overtime by 60%.
- A food distribution company automated time entry on behalf of truck drivers, a process that streamlines payroll administration and enables the company to create routes and better manage compliance. In turn, the company has reduced its tax burden by accurately reporting gross earnings and taking appropriate deductions.
- A food manufacturer has boosted employee morale through automation of the collection of time and attendance data. With time and attendance now accurately collected and accrued, employees are confident that rules and policies are applied consistently across the organization, leading to higher morale. Management no longer needs to rely on a single individual who informally possesses all of the knowledge on scheduling and employee preferences.
- A hotel and entertainment company has reduced the number of hourly employees from 1,100 to 875 following deployment of a workforce management system that tracks attendance. According to the firm, accurate attendance tracking has enabled managers to reduce staff because employees attend work as attendance policies prescribe. The organization is now in the process of implementing analytics tools that will enable management and finance to do labor analysis. As an example, management will be able to review staffing and track workday variances from week to week. Management will also be able to discover inconsistencies, such as whether more staff work on a Tuesday rather than a Saturday, which presumably would be busier with customers.

Conclusion

For many organizations that haven't automated their workforce management processes or haven't optimized the use of automation, the benefits to do so now in a down economy are compelling. Optimizing workforce processes through automation can result in integrated processes among management, payroll, and HR, and thereby provide an overall level of oversight into an organization's workforce management processes, policies, and strategies. In more tactical areas, workforce management solutions can provide benefits as well by enabling companies to match labor to the work for optimal use of resources as well as provide visibility into the real cost of a job.

The importance of high employee morale and satisfaction cannot be overlooked. Even in weaker economic times, there are opportunities for top performers. Securing workforce processes to drive accuracy is an important factor.

Workforce management tools can also empower management decision making in terms of staffing levels, compensation plans, and performance management. By automating workforce management processes that are paper based and manual, organizations can reduce or even eliminate the need for human intervention in such areas as time and attendance tracking, scheduling, and payroll processing. The result for many organizations will be assured compliance, improved employee satisfaction and retention, and the ability to plan for future workforce needs. Ultimately, such capabilities will improve productivity and reduce costs — two critical needs that organizations face during challenging economic times.

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