

# **The Future of Core HR**

Building the Business Case for Automation and Integration

August 2010

Jayson Saba

## Executive Summary

This report, based on data from more than 160 organizations, builds on Aberdeen's previous research by examining how Best-in-Class organizations enable their decision-makers to leverage core HR data to drive business results. Analysis of survey data, collected in July and August of 2010, **builds the business case for automation, integration and self-service**. Best-in-Class organizations are able to balance the need to manage the costs of HR service delivery with the need to improve employee satisfaction with HR and relieving the administrative burden placed on HR personnel. The study also shows that collaborating with business managers and monitoring the effectiveness of these functions are differentiating top performers.

### Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

### Best-in-Class Performance

---

Aberdeen used three key performance criteria to define the Best-in-Class. These organizations achieved the following outcomes:

- On average, 90% of employees are satisfied with HR service delivery
- Decreased the monthly number of manual HR transactions by 7%
- On average, experienced 0.5% error rate in payroll processing

### Competitive Maturity Assessment

---

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- Better compliance with HR laws and regulations
- Reduced cost and alleviated administrative burden on HR personnel through self-service and automation
- Improved ability of business leaders to make better decisions by providing the business with critical HR data

### Required Actions

---

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Automate processes and workflows, as well as integrate core HR functions with other elements of human capital management
- Manage the performance of HR functions by reviewing the key effectiveness metrics frequently
- Regularly obtain employee feedback regarding satisfaction with HR processes and services provided

**Table of Contents**

Executive Summary..... 2  
 Best-in-Class Performance..... 2  
 Competitive Maturity Assessment..... 2  
 Required Actions..... 2  
 Chapter One: Benchmarking the Best-in-Class..... 4  
 Business Context ..... 4  
 The Maturity Class Framework..... 5  
 The Best-in-Class PACE Model ..... 7  
 Best-in-Class Strategies..... 7  
 Chapter Two: Benchmarking Requirements for Success..... 10  
 Competitive Assessment..... 11  
 Capabilities and Enablers..... 12  
 Chapter Three: Required Actions ..... 20  
 Laggard Steps to Success..... 20  
 Industry Average Steps to Success ..... 20  
 Best-in-Class Steps to Success ..... 21  
 Appendix A: Research Methodology..... 23  
 Appendix B: Related Aberdeen Research..... 25

**Figures**

Figure 1: Top Pressures Driving Core HR Initiatives ..... 5  
 Figure 2: Strategic Actions ..... 8  
 Figure 3: Centralization of Global HR Functions..... 9  
 Figure 4: Best-in-Class Automation of Core HR Elements..... 13  
 Figure 5: Automation Impacts Compliance and HR Burden..... 14  
 Figure 6: Best-in-Class Integration of HCM systems ..... 15  
 Figure 7: Integration Impacts Compliance and HR Burden..... 16  
 Figure 8: The Best-in-Class are More Likely to Adopt Self-service ..... 17  
 Figure 9: Managerial Tools Impact Business Outcomes..... 18

**Tables**

Table 1: Top Performers Earn Best-in-Class Status..... 5  
 Table 2: The Best-in-Class PACE Framework ..... 7  
 Table 3: The Competitive Framework..... 12  
 Table 4: Advantage of Automation ..... 14  
 Table 5: Advantage of Integration ..... 16  
 Table 6: The PACE Framework Key ..... 24  
 Table 7: The Competitive Framework Key ..... 24  
 Table 8: The Relationship Between PACE and the Competitive Framework  
 ..... 24

## Chapter One: Benchmarking the Best-in-Class

### Business Context

Aberdeen's 2009 study on *Core HR Systems*, found that Best-in-Class organizations understood the value of automation and self-service. In fact, organizations that streamlined workflows through automation and empowered employees through self-service were 41% more likely to achieve Best-in-Class results. This year's study will highlight the maturity of Best-in-Class adoption of these critical enablers, and also show that integration and reporting play crucial roles in evolving core HR from the depths of tactical administration to the strategic realms of enabling business performance. It will also explore the impact of HR service on employee engagement and the burden to HR staff.

At the very least, for core HR functions to be adequate, employees must be paid accurately and on time, and benefit enrollments must be completed and tracked. From the organization's perspective, core HR functions are the frontline of defense against regulatory and compliance risk. To be effective, however, core HR must also act as the strategic enabler to the business. From housing and maintaining critical HR and talent data, to providing appropriate access and distributing reports to key stakeholders, the core HR function is essentially the intelligence agency that disseminates workforce and talent data necessary for short term optimal deployment and long term sustainability.

### Pressures and Challenges

While the economic situation is still forcing organizations to keep a vigilant eye on cost, there is evidence that businesses are cautiously focusing on growth. This is reflected in the pressures that are driving core HR investments. A year ago, cost was overwhelmingly the predominant driver of core HR, but now, while cost control remains a factor, there is a heightened focus on growth. Thus, HR - like the rest of the business - needs to play a larger strategic role in the organization. This is reaffirmed by findings from *The Aberdeen Business Report* where analysis of over 1,200 business leaders that showed an average anticipated organic revenue growth of 8% while they expect headcount to increase by just 2%. Therefore, even as job duties of the HR role have steadily increased, organizations expect to capitalize on existing resources across the workforce; a key element of which is empowering business leaders with workforce intelligence to make better decisions that impact operational objectives.

### Fast Facts

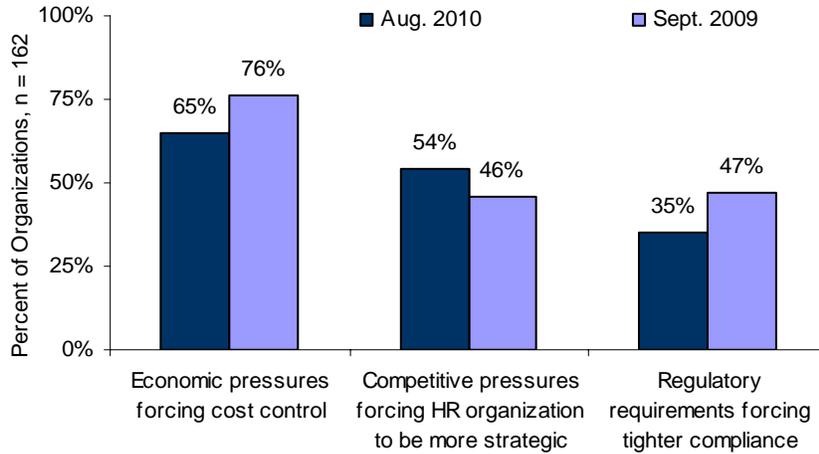
Top two internal challenges organizations face with respect to managing core HR:

- √ Inability of business leaders to leverage workforce data to make better operational decisions - **48%**
- √ Too much time spent on manual HR transactions - **41%**

### Defining Core HR

Aberdeen's Human Capital Management practice defines core HR as the processes and workflows to manage the following elements: payroll, benefits, health and safety, compliance, taxes, employee records / HR data, and labor (time and attendance, and scheduling).

**Figure I: Top Pressures Driving Core HR Initiatives**



"It is the responsibility of HR to provide high-value tools and expertise to allow organizational management to maximize and leverage the value of human capital."

~ Don Collins, MBA, HRIP, HRIS & Support Services Manager, Stamford Hospital

Source: Aberdeen Group, August 2010

With respect to the top internal challenge organizations aim to address with investments in core HR elements, the *inability of business leaders to leverage HR / workforce data to make better operational decisions* topped the list with nearly half the sample (48%) citing it as a top two challenge, followed closely by *too much time spent on manual HR transactions* (41% of respondents). In short, organizations believe that investments in core HR functions are instrumental in enabling the strategic goals of the business if they can overcome the tactical barriers of manual administration and lack of access to critical data. This is consistent with findings from the [2009 HR Executive's Agenda](#) report, which revealed that the top barrier to making the HR department more strategic is *too much time spent on tactical HR activities*.

### The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. The three metrics reflect efficiency, quality of data and the service delivered to employees.

**Table I: Top Performers Earn Best-in-Class Status**

Definition of Maturity Class	Mean Class Performance
<b>Best-in-Class: Top 20%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 90% percent of employees are satisfied with HR service</li> <li>▪ 7% year-over-year reduction in number of manual HR transactions per month</li> <li>▪ 0.5% error rate in standard payroll processing</li> </ul>

Definition of Maturity Class	Mean Class Performance
<b>Industry Average:</b> <b>Middle 50%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 75% percent of employees are satisfied with HR service</li> <li>▪ 6% year-over-year reduction in number of manual HR transactions per month</li> <li>▪ 1.7% error rate in standard payroll processing</li> </ul>
<b>Laggard:</b> <b>Bottom 30%</b> of aggregate performance scorers	<ul style="list-style-type: none"> <li>▪ 48% percent of employees are satisfied with HR service</li> <li>▪ 5% year-over-year <u>increase</u> in number of manual HR transactions per month</li> <li>▪ 4.1% error rate in standard payroll processing</li> </ul>

Source: Aberdeen Group, August 2010

### Employee Engagement and Compliance

While employee engagement and compliance were not used to define the Best-in-Class framework, these two metrics are critical. On a scale of 1 to 5 (where 1 is very negative, 3 is neutral, and 5 is very positive), Best-in-Class organizations on average rated the impact of delivering HR service on employee engagement a 4.0, while Industry Average and Laggard organizations gave it a rating of 3.6. This shows that all organizations - especially top performers - understand the strategic impact of core HR on retention and employee output. To this point, when asked about this metric, Best-in-Class organizations indicated that, on average 84% of employees rated themselves “engaged” or “highly engaged” based on the last engagement survey, compared to 73% of Industry Average and 66% of Laggards. According to Aberdeen Group's July 2009 benchmark research study, *Beyond Satisfaction: Engaging Employees to Retain Customers*, employee engagement drives business results. Eight-two percent (82%) of executives surveyed in that study attributed changes in their organization's profitability and / or revenue directly to their company's employee engagement initiatives.

Compliance is another key element that cannot be overlooked. As shown in Figure 1, it is the third most pressing driver of core HR initiatives, cited as a top two pressure by 35% of the sample. Since this metric is not tracked uniformly across all organizations (as it usually depends on who performs the audit and what methodology is used), Aberdeen asked responding organizations to rate improvement in compliance scores based on the most recent audit as compared to the previous audit. Best-in-Class saw 8% improvement, Industry Average organizations experienced a 7% increase while Laggards saw a 4% increase. This reveals that regardless of where they fall in the Maturity Class Framework, all organizations have seemingly mastered the basics. Ensuring compliance minimizes external risk and allows the organization to focus on working with the business to accomplish strategic objectives.

"We need to do the basics right first before becoming more strategic. However, when we reach that point, to gain credibility our HR department needs to better understand and show the organization how HR provides a return on investment (using metrics and baseline/post intervention information). Part of this investment needs to be made in staff development (particularly leadership) and also in systems and processes that add value and reduce bureaucracy."

~ HR & Project Manager,  
Large-sized Public Health  
Organization based in New  
Zealand

## The Best-in-Class PACE Model

Analysis of key findings shows that automating core HR processes will eliminate redundant workflows and, therefore, free HR personnel to be more strategic. In addition, the core HR function can provide operational managers the data necessary to make better decisions that grow revenue and reduce operational costs.

Based on Best-in-Class analysis, the next chapter will show that organizations must combine strategic actions, capabilities, and key technologies to ensure proper execution of core HR functions to achieve:

- Reduced tactical and administrative burdens on the HR department through integration, automation, and self-service
- Improved ability of business leaders to make better decisions by providing access to critical HR data
- Better compliance with HR laws and regulation

**Table 2: The Best-in-Class PACE Framework**

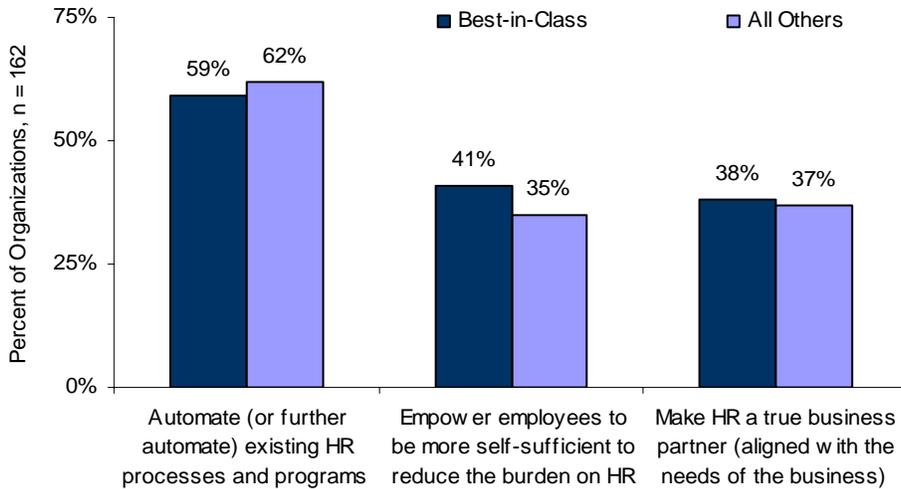
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> <li>▪ Economic pressures forcing the organization to better manage labor and control costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Automate (or further automate) existing HR processes and programs</li> <li>▪ Empower employees to be more self-sufficient to reduce the burden on HR</li> </ul>	<ul style="list-style-type: none"> <li>▪ HR policies and procedures are clearly communicated to employees</li> <li>▪ Mechanism to secure HR data to maintain compliance and privacy</li> <li>▪ Employee policy handbook or manual is up to date and regularly reviewed by a legal expert or professional</li> <li>▪ Clearly defined process to properly escalate HR inquiries</li> <li>▪ PTO / Leave management system is integrated with payroll</li> <li>▪ Employees have access to own data (payroll, benefits, HR, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Automated payroll (whether internally processed or done via third-party)</li> <li>▪ HR Management System / HR Information System</li> <li>▪ Time and attendance system</li> <li>▪ Employee self-service tools</li> <li>▪ HR manager self-service tools</li> </ul>

Source: Aberdeen Group, August 2010

## Best-in-Class Strategies

When it comes to core HR strategies, automation overwhelmingly leads the list of top actions cited by six in 10 organizations in the sample - regardless of maturity. However, Best-in-Class organizations are 17% more likely than their counterparts to focus on empowering employees to be more self-sufficient (Figure 2). As we will see in Chapter Two, this goes beyond providing employees with the ability to update their HR data, or modify their benefit elections. Best-in-Class organizations are implementing self-service for managers - at all levels - to allow them to access the data and generate the reports they need to make the necessary decisions to meet short term and long term business objectives.

**Figure 2: Strategic Actions**



Source: Aberdeen Group, August 2010

"Technology has evolved to the point where HR administrative functions (the 'old' personnel tasks that still plague us) can be fully automated. This will also serve to allow HR to provide business metrics just as finance, for example, is required to do every month. This way, HR practitioners can truly partner with the line of business and weave development, talent management, career and succession planning into the line's operations. Of course, this requires HR practitioners to understand business and be able to transition into this new role."

~ Cassandra Patrovani  
Sylvester, Group Executive -  
HR & Corporate  
Communications, One  
Caribbean Media Limited

While there isn't significant variance between Best-in-Class organizations and their counterparts in terms of the strategic actions they have set forth, the next chapter will show how top performers execute these strategies to achieve the gains presented in Table I. It will also build a case for automation, integration and self-service by showing how Best-in-Class companies adopt certain capabilities and tools that improve employee satisfaction, reduce the burden on HR personnel and enable the business to leverage HR data in everyday operations.

**Aberdeen Insights — Strategy**

Survey respondents for this research included 66 organizations that employ a global workforce - defined as having employees that are geographically dispersed across multiple locations around the world. The survey asked respondents to rate the administrative burden on HR personnel (*no burden, somewhat minimal, moderate, somewhat heavy, or extremely heavy*). Fifty-eight percent (58%) of these organizations cited a heavy (*somewhat or extremely*) administrative burden on HR personnel. Those that cited a manageable burden (*moderate, minimal or no burden*) were 36% more likely to indicate that HR is more strategic to the business. Organizations that do not experience a heavy administrative burden on HR are also:

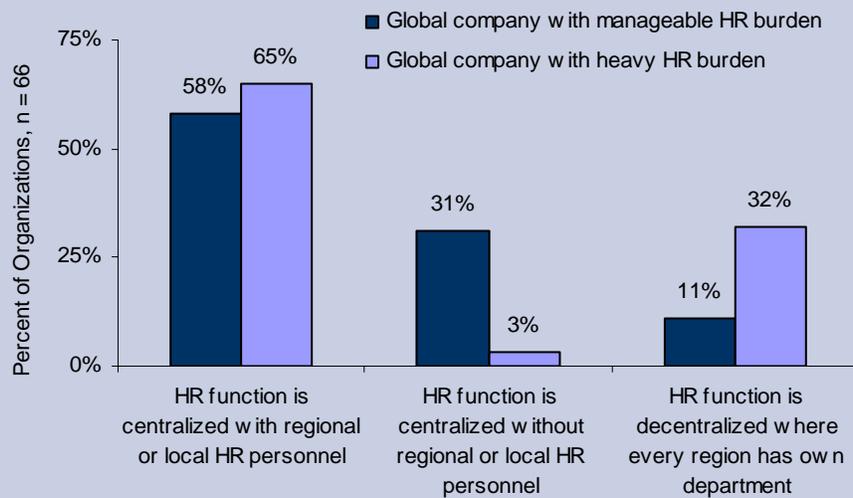
- 68% more likely to experience efficient HR functions
- 54% more likely to experience quality HR service
- 36% more likely to indicate core HR is cost effective

*continued*

**Aberdeen Insights — Strategy**

A deeper analytic dive into that data revealed that when it comes to HR strategy, global organizations that experience a slighter burden on HR are 29% more likely to have centralized HR functions. In fact, they are also 10-times as likely to have centralized HR *without* any local or regional representatives. This shows that as technology evolves, the need to have fragmented HR departments decreases. It also suggests that a shared-service model of providing HR functions can be successful if implemented effectively and supported by the right tools and knowledge management capabilities.

**Figure 3: Centralization of Global HR Functions**



Source: Aberdeen Group, August 2010

In terms of the technology used to manage core HR, one thing clearly evident is that the majority (63% of global organizations) prefer a fully automated core HR solution that is integrated with a third party payroll processor. When it comes to selecting a solution, the highest rated solution criterion considered after cost is the system's *ability to support a global employee base with respective localization and/or legislative support capabilities* cited by 44% of global organizations in the sample.

## Chapter Two: Benchmarking Requirements for Success

From a technology standpoint, automation, integration, and self-service play a critical role in streamlining core HR functions and improving employee satisfaction. From an organizational perspective, the key to success lies in the ability to recognize areas of weakness, understand the needs of the business, and identify the processes that can most benefit from a core HR investment.

### Case Study — Cal Poly Pomona Foundation

The Cal Poly Pomona Foundation (CPPF) is a not-for-profit organization with an objective to support the educational mission of the university (Cal Poly Pomona). Managing and operating student housing, dining services, and a campus bookstore – among other elements - CPPF currently employs approximately 180 full-time employees and over 250 part-time employees. In addition, at any given time, the foundation employs 400 to 700 student workers.

In 2006, CPPF decided to examine its core HR functions, and found two primary challenges that turned into areas of great opportunity:

- From a workload perspective, processing payroll biweekly required 4.5 FTEs and five days to complete every period
- From a system's perspective, the organization had four separate systems; one each for payroll, time and labor management, paid time leave / absence management, and HRIS; this created redundant workflows and manual processes, which reduced efficiency and increased the risk of errors

In addition to the above challenges, the make up of the workforce – between full timers, part timers and student employees – required a system that handled rules and different fund sources. After an internal audit and extensive due diligence, in 2007, CPPF opted for an integrated core HR solution that kept payroll in-house. Key capabilities and features included employee self-service and manager self-service. Additionally, the solution integrated payroll, HRIS, labor management, leave management, performance management, and recruiting. Integrating core HR systems with a recruiting / applicant tracking system provided a completely automated application process, and allowed CPPF to decentralize the front-end of workflows, where operational managers can help with the onboarding process and reduce ramp up time. According to Dennis Miller, Director of Employment Services, “With manager buy-in and empowering this group with the tools that helps speed up hiring and onboarding, new employees get up to speed much quicker.”

*continued*

### Fast Facts

- √ Best-in-Class organizations are 22% more likely than Laggards to have HRIS / HRMS and automated payroll
- √ Best-in-Class organizations are 43% more likely than Laggards to integrate core HR and workforce management (scheduling and time and attendance)
- √ Best-in-Class organizations are 42% more likely than Laggards to integrate core HR and talent management systems (e.g. recruiting, onboarding, performance, etc.)

### Case Study — Cal Poly Pomona Foundation

He continued, “Decentralizing these processes and shifting them to those most vested helped us tremendously reduce the burden on HR personnel, who are still responsible for verifications and approvals.” Lastly, the HR, IT and business teams at CPPF worked with the provider to set expectations regarding implementation length, project methodology, and the reports needed by the business to make everyday operational decisions.

Since the overhaul of core HR functions through automation, integration and self-service, CPPF has seen tremendous results. Four systems and related workflows were replaced with one integrated system. Payroll became virtually paperless, and processing the biweekly event was cut down from five days requiring 4.5 FTEs to less than two days and 1.5 FTEs. As a result, CPPF was able to eliminate personnel (through voluntary retirement and closing out positions) and, more importantly, pay employees faster. Miller added, “Reducing the burden of this tactical element alone had a huge impact on satisfaction of HR and payroll personnel.” Moreover, employee self-service enabled CPPF to cut down the new hire packets from 67 pages to two pages, and 75% of the manual workflows associated with the onboarding process were eliminated. This improved ramp up time, which is critical for FTEs and even more critical for hourly workers with high churn. Lastly, the team estimated a 30 month pay-back period from an ROI standpoint. However, the breakeven occurred closer to 26 months, and benefits have been reaped ever since. In summation, Miller said, “This initiative has truly enabled us to evolve from an administrative HR function to a service delivery vehicle entirely focused on employees and the business managers.”

## Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

**Table 3: The Competitive Framework**

	Best-in-Class	Average	Laggards
<b>Process</b>	Process to gauge the satisfaction of employees with HR services provided		
	59%	38%	25%
<b>Organization</b>	HR service delivery metrics are agreed-to by the business		
	47%	30%	19%
	Line of business works with HR to define metrics and goals of workforce management strategy		
	41%	30%	17%
<b>Knowledge</b>	PTO / Leave management system is integrated with payroll		
	66%	57%	51%
	HR performance data is provided to business leaders on a frequent basis		
	66%	42%	38%
	Core HR functions are integrated with talent management systems		
	47%	44%	33%
<b>Enablers</b>	The following enablers are currently being used to manage core HR functions:		
	<ul style="list-style-type: none"> <li>▪ 72% Automated payroll and HRIS/HRMS</li> <li>▪ 66% Employee self-service</li> <li>▪ 57% PTO / Leave management system</li> <li>▪ 56% HR manager portal</li> <li>▪ 53% Operational manager self-service</li> <li>▪ 37% I-9 verification (E-Verify)</li> <li>▪ 31% Workforce analytics (productivity dashboard)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 65% Automated payroll and HRIS/HRMS</li> <li>▪ 61% Employee self-service</li> <li>▪ 55% PTO / Leave management system</li> <li>▪ 49% HR manager portal</li> <li>▪ 40% Operational manager self-service</li> <li>▪ 37% I-9 verification (E-Verify)</li> <li>▪ 24% Workforce analytics (productivity dashboard)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 59% Automated payroll and HRIS/HRMS</li> <li>▪ 47% Employee self-service</li> <li>▪ 48% PTO / Leave management system</li> <li>▪ 41% HR manager portal</li> <li>▪ 36% Operational manager self-service</li> <li>▪ 18% I-9 verification (E-Verify)</li> <li>▪ 17% Workforce analytics (productivity dashboard)</li> </ul>
	Formally review the effectiveness of core HR strategy at least annually		
	65%	29%	29%

Source: Aberdeen Group, August 2010

## Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen’s analysis of the Best-in-Class reveals that seeking employee feedback to gauge satisfaction with HR service and monitoring the performance of core HR initiatives are vital for effectiveness. Furthermore, substantial gains can be achieved through automation, integration, and self-service.

"Increasing automation or outsourcing of purely transactional issues will free up HR to be more strategic to the organization in the future."

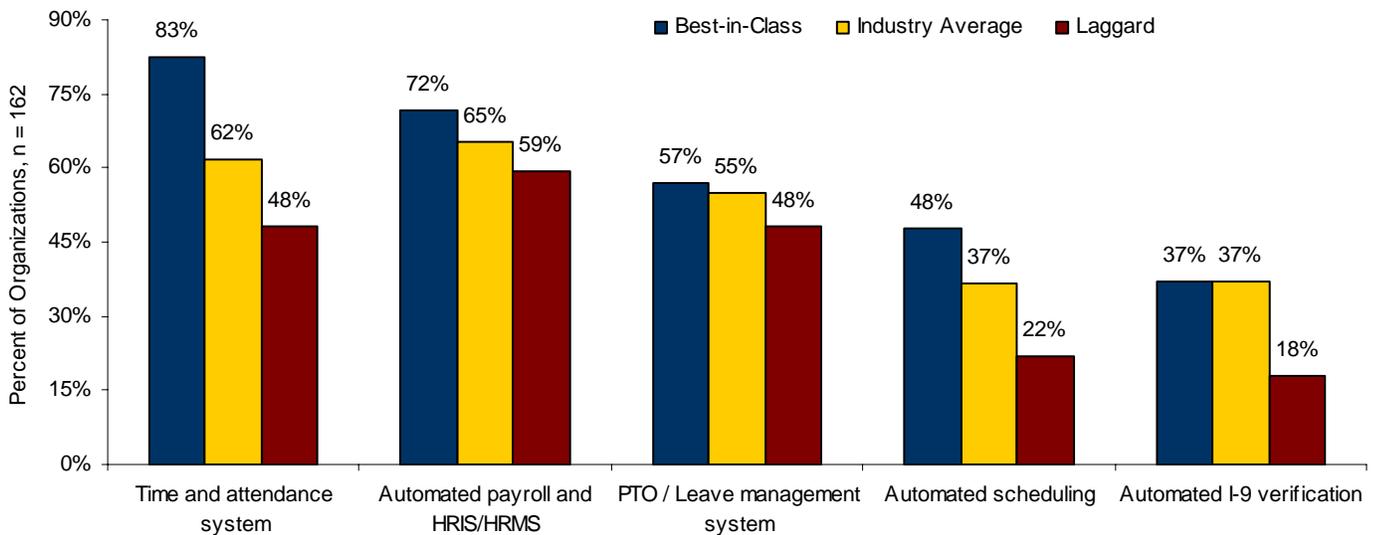
~ Lyn Bulman, Executive Vice President - Global Human Resources, Fellowes

## Process Management: The Case for Automation

When it comes to process management and workflows, all organizations cited automation as a top strategy to address core HR challenges. However,

Best-in-Class organizations are more likely than Industry Average and Laggard organizations to actually execute on it across the board. Having a system of record (HRIS/HRMS) for HR is a good start to address the inability of business leaders to leverage HR data for making better decisions - a top challenge cited by 48% of organizations. When it comes to core HR and workforce management, automation plays a critical role in streamlining processes, reducing redundancies, and minimizing errors as a result of manual workflows. This was exemplified in the case study earlier in this chapter.

**Figure 4: Best-in-Class Automation of Core HR Elements**



Source: Aberdeen Group, August 2010

From a compliance standpoint, having a core HR system for securing data is vital for privacy and employee data security. From a workflow perspective, automating payroll reduces the time required by a manual process each pay period and frees up HR staff to focus on more strategic elements of HR, and in some cases, it enables the organization to reduce costs by eliminating corresponding roles. Taking automation beyond by adding a leave management / PTO system and I-9 verification (such as E-Verify) will further streamline workflows and improve compliance. Lastly, organizations that currently employ hourly workers, contingent workers, or project-based employees that require time and labor tracking, implementing workforce management systems in tandem with core HR automation will also increase efficiency and satisfaction (Table 4).

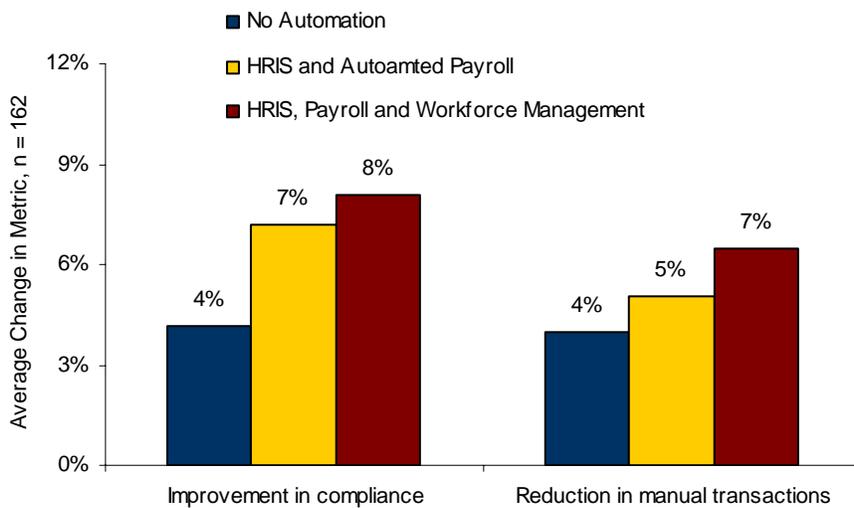
**Table 4: Advantage of Automation**

	HRIS and Automated Payroll	HRIS, Automated Payroll and Workforce Management	No Automation
HR functions are efficient	67%	78%	62%
HR service delivered is of high quality	65%	71%	38%
HR functions are cost-effective	67%	73%	46%
Satisfaction with core HR solution	73%	82%	36%

Source: Aberdeen Group, August 2010

From a quantitative standpoint, automation also pays off in better compliance scores and most importantly in reducing the burden of HR administration. As presented in Chapter One, a top two challenge organizations aim to address is too much time spent on manual transactions. And as shown in Figure 5, the more an organization automates the less the burden of manual transactions becomes. Correspondingly, compliance scores improve.

**Figure 5: Automation Impacts Compliance and HR Burden**



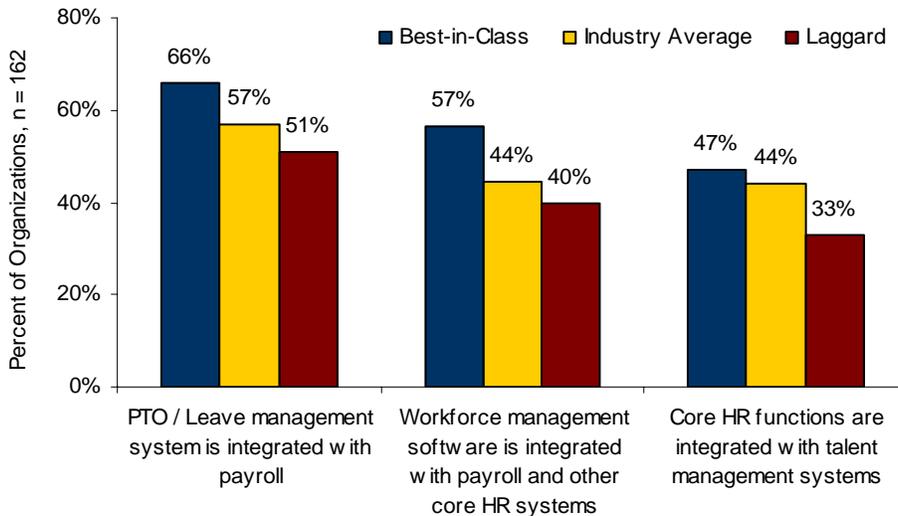
Source: Aberdeen Group, August 2010

**Knowledge Management: A Case for Integration, Reporting, and Self-service**

Automation yields great performance across qualitative and quantitative metrics, but having disparate systems prohibits an organization from reaping the full potential of its technology investment. Best-in-Class organizations

are more mature in integrating core HR with other systems. These organizations are 29% more likely than Laggards to integrate their PTO system with payroll. They are also 42% more likely to integrate core HR with talent management systems like recruiting and onboarding and workforce management systems (i.e. scheduling or time and attendance).

**Figure 6: Best-in-Class Integration of HCM systems**



Source: Aberdeen Group, August 2010

In the 2009 report, [Core HR Systems: Flawless Execution Enabling Strategic HR Management](#), Aberdeen found that organizations integrating workforce management systems with payroll experience a 1.25% payroll processing error rate per pay period compared to 1.42% for organizations that do not. As for tracking actual time worked, the error rate for organizations that integrate these elements is 1.48% compared to 2.58% for those that do not.

Not only does integration eliminate redundant data entry and updates, it also helps make HR processes flow quicker. For example, when candidates accept an employment offer and the change in status from "candidate" to "employee" is reflected in the system, key stakeholders in the onboarding process will be alerted. The system may automatically direct HR to commence the forms management and the provisioning elements of onboarding, supervisors are instructed to set meetings with new employee depending on the start date, and employees are alerted to complete the necessary information required to start work on day one. When the systems "talk" with each other, these rules can be set to enhance the hiring process and reduce the time it takes employees to be productive members of the team.

As with automation, the tighter the degree of integration among disparate or stand-alone systems, the more efficient and effective the HR function becomes (Table 5).

"It is important to understand the business strategy, challenges, environment and culture in order to plan a proactive approach in aligning human resources."

~ Agnes Itote, HR Analyst -  
HRIS/Workforce  
INTRUST Bank

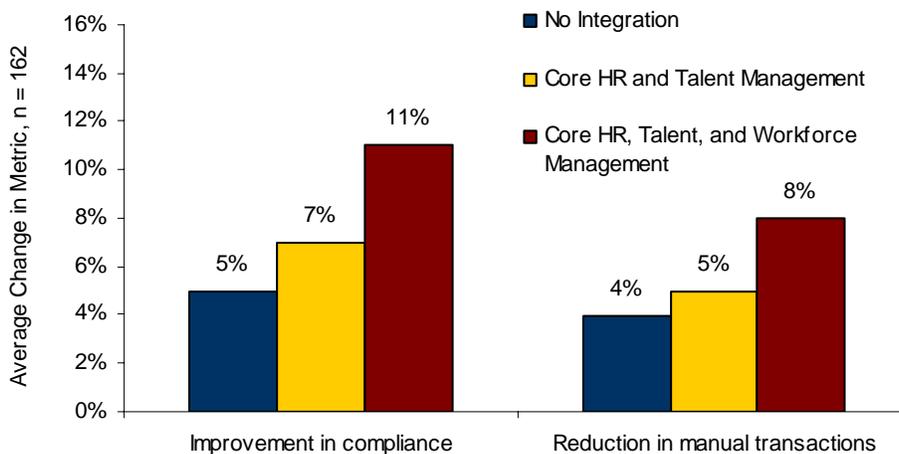
**Table 5: Advantage of Integration**

	Core HR and Talent Management	Core HR, Talent, and Workforce Management	No Integration
HR functions are efficient	74%	70%	61%
HR service delivered is of high quality	79%	83%	44%
HR functions are cost-effective	71%	79%	56%
Satisfaction with core HR solution	72%	80%	45%
Satisfaction with workforce management solution	n/a	53%	24%

Source: Aberdeen Group, August 2010

Lastly, when updates and entries are only done once, the manual burden of HR personnel is reduced and it becomes easier to track compliance-mandated leaves and absences. Not surprisingly, organizations that integrate disparate systems managed to increase compliance and at the same time reduce the tactical aspect of manual HR transactions.

**Figure 7: Integration Impacts Compliance and HR Burden**



Source: Aberdeen Group, August 2010

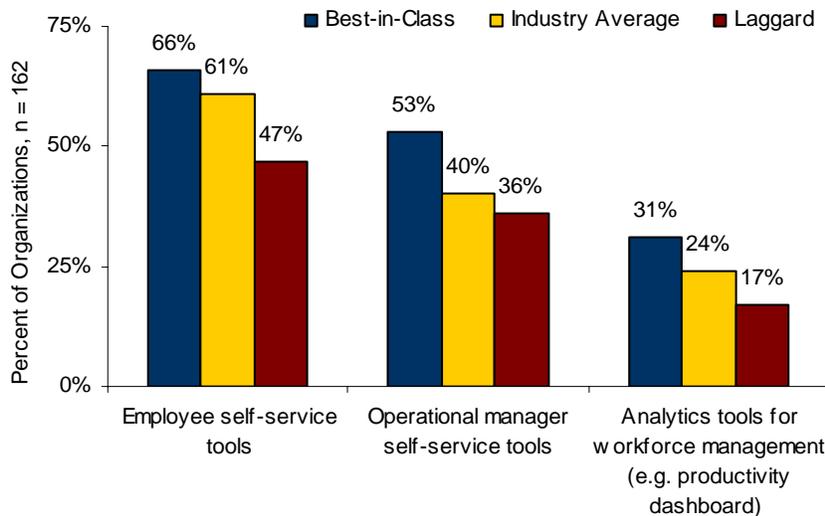
### Reporting and Self-service

In addition to freeing up HR staff to be more strategic to the business, automation and integration lay a foundation for Best-in-Class reporting capabilities. Self-service and reporting are critical for distributing the data and making it available to key stakeholders. In the 2009 study on core HR, Aberdeen recommended all organizations take advantage of employee self-service. In fact, companies that used these tools were 67% more likely to be Best-in-Class. Looking at this year's data, we found that adoption of employee self-service tools grew from 39% to 58% - nearly a 50% jump. This

was great news as one of the top strategic actions taken by 41% of Best-in-Class organizations is empowering employees to be more self sufficient.

When it comes to enabling the business, however, managers require quick and easy access to HR data. Knowing where the team stands on headcount, overtime costs, key vacancies, etc. helps improve agility and alignment with the goals of the organization. Coupling these enablers with analytics tools (such as productivity and optimization dashboards) helps decision makers see an educated picture of the future based on an accurate picture of the present. Last year, Aberdeen's [Core HR Systems](#) research revealed that 40% of Best-in-Class organizations adopted self-service reporting tools for managers. Thus, a key recommendation outlined in that report for organizations to follow was to continue adopting self-service – since organizations that did were 21% more likely to achieve Best-in-Class status. This adoption rate grew to 53% – a 32% increase from 2009 to 2010.

**Figure 8: The Best-in-Class are More Likely to Adopt Self-service**



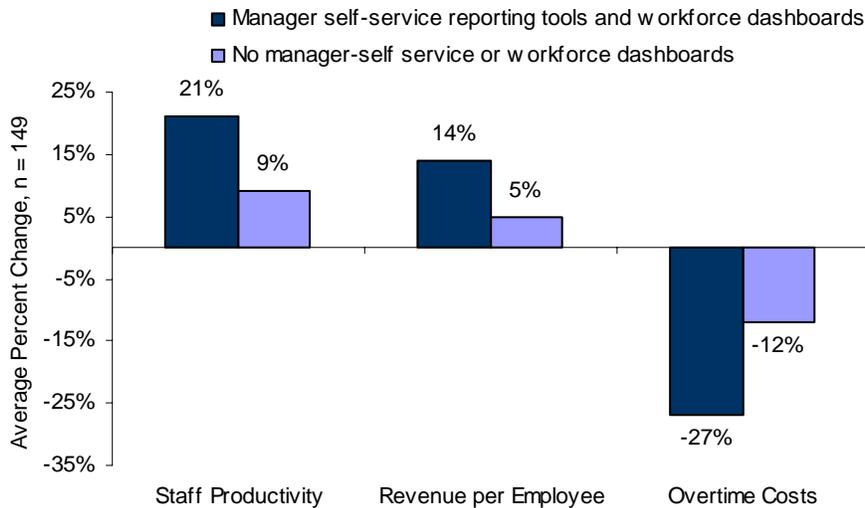
Source: Aberdeen Group, August 2010

Organizations that combine all three enablers (Figure 8) are more than twice as likely to achieve Best-in-Class status as organizations that have adopted none of them. Furthermore, on a scale of 1 to 5 - where 1 is a very light burden, 3 is moderate, and 5 is an extremely heavy burden - organizations that have these tools in place rated the administrative burden on HR an average 2.84 compared to 3.60 for those that do not use any of these tools.

Moreover, data from Aberdeen's May 2009 study on [Workforce Scheduling](#) showed that organizations that utilized manager self-service reporting tools as well as workforce analytics tools / dashboards experienced huge positive impact on the business (Figure 9). From reducing overtime costs to increasing revenue and improving staff productivity, these key enablers

provide operational managers with the visibility needed to meet business objectives. These knowledge management enablers and capabilities impact administrative cost, efficiency, service delivery and the strategic imperative of the HR department.

**Figure 9: Managerial Tools Impact Business Outcomes**



Source: Aberdeen Group, May 2009

### Other Technology Enablers

There are a couple of other enablers that are noteworthy. Best-in-Class organizations are 37% more likely than Laggards to have in place a portal for HR managers that enables them to track the progress of tasks and activities. This portal can act as a command center where certain tasks and alerts are automatically fed to managers and practitioners. For example, alerts regarding new employee start dates, progress track of benefits enrollments, scheduling exit interview, etc. can all be summarized and presented to the HR manager in one place as soon as actions are taken or events are triggered. Another enabler that differentiated the Best-in-Class is the software used to maintain and update employee manuals / handbooks. Aberdeen found that nearly 50% of Best-in-Class organizations have these in place compared to just 17% of Laggards.

### Organization and Performance Management

In order for any core HR initiative to be successful, HR must work with the business to address the pain points of existing processes and define metrics to track them. Best-in-Class organizations are nearly two and a half times as likely as Laggards to have HR service delivery metrics that are agreed-to by the business. They are also more than twice as likely to *formally* measure the effectiveness of core HR functions at least annually. A good place to start is by conducting periodic (annual or semi-annual) surveys to gauge employee

satisfaction with the services provided by HR. The result can be used to monitor progress and continuously improve service, offerings and workflows. Nearly 60% of Best-in-Class organizations have this feedback mechanism in place compared to just one quarter of Laggards. In fact, Aberdeen found that organizations that have all three capabilities in place (metrics that are agreed to by the business, process to gauge employee satisfaction, and formalized performance reviews of core HR function) are nearly seven times as likely to achieve Best-in-Class results as those that have none of them.

### Aberdeen Insights — Technology

Aberdeen's research has revealed that technology provides substantial performance gains in supplementing core HR processes. The previous chapter has shown the impact of automation, integration and self-service reporting. When considering core HR solutions, two elements must be considered:

- **Cost.** Two-thirds of Best-in-Class organizations indicate price as a top consideration when evaluating core HR solutions. This might not come as a surprise to some given the state of the economy and the competitiveness of markets. Cost is usually a factor when considering HR solutions. However, supplementing a technology with the right capabilities can add tremendous value to these investments. As we saw in the case study in the beginning of this chapter, Cal Poly Pomona Foundation set a breakeven point early in the implementation process. The organization began realizing positive return on investment at the 26-month mark, four months ahead of expectations.
- **Scalability and adaptability.** Many core HR solution providers offer a fully integrated solution that has modules for everything from payroll and benefits to labor management and self-service. Still, one-half of Best-in-Class organizations cited the provider's *ability to adapt (configure) the solution to address the organization's specific needs* as a top two criterion after price. The ability to determine which processes can benefit from automation is critical. Furthermore, if the organization has an existing labor management / time and attendance system or an HRIS in place, it must ensure that the new solution can be easily deployed and integrated with existing systems. Lastly, in some cases depending on the needs of the organization, outsourcing may be a viable option as long as the outsourced processes still fit with existing systems and workflows that are kept in house.

## Chapter Three: Required Actions

Whether a company is trying to move its performance in core HR from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

### Laggard Steps to Success

---

- **Automate.** Chapter Two of this research report highlighted the benefits of automating core HR and other workforce management processes. Laggard organizations are substantially behind when it comes to adopting enabling technologies. Supplementing core HR processes and workflows with automated solutions yields tremendous gains across the board. Only 59% of Laggards have automated payroll and implemented a HRIS/HRMS compared to nearly three quarters of top performers. And for those Laggards that have hourly workers, less than half of them have automated time and attendance and only 22% automated scheduling. Organizations that have a HRIS/HRMS with automated payroll are 37% more likely to achieve Best-in-Class results.
- **Utilize employee self-service.** This was a recommendation for all organizations in last year's study, and since that study, adoption of employee self service grew among Laggards from 31% in 2009 to 47% - almost a 50% jump. Still, less than half of the bottom-performing organizations have these tools in place. Self-service portals have proven their instrumental role in freeing up HR staff and enabling them to be a true strategic entity to the business. Though not as large as a differentiator as in 2009 - where the likelihood of achieving Best-in-Class with this enabler in place was 67%, it is still significant as organizations that utilize employee self-service are nearly 50% more likely to achieve Best-in-Class status.
- **Measure employee satisfaction with HR service.** Employees are the ultimate consumers of HR services. Paychecks, health benefits, dependent care, time off tracking and other HR services are important to the individuals on the receiving end. Ensuring they have a voice in the HR processes and the services provided goes a long way in improving the programs and the workflows. It also impacts engagement, a critical element for retention and alignment. Organizations that measure employee satisfaction with HR services reported, on average, 10% higher engagement - 79% vs. 72% - than those that don't.

### Industry Average Steps to Success

---

- **Integrate core HR functions with workforce management.** Although the business unit is the primary user of workforce management systems, the data feeds into payroll, PTO, and other

#### Fast Facts

- √ 66% of Best-in-Class organizations adopt employee self-service tools
- √ 53% of Best-in-Class organizations adopt self-service reporting tools for managers

core HR elements. Integrating these systems will eliminate redundant workflows and will reduce the margin of error in tracking actual time worked. Fifty-seven percent (57%) of Industry Average organizations currently integrate leave management / PTO system with payroll, and 44% of those with hourly workers integrate core HR and workforce management. Organizations that integrate core HR (including HRIS, PTO, and payroll) and workforce management (scheduling and time and attendance) are 80% more likely to achieve Best-in-Class.

- **Utilize manager self-service.** In 2009, this was a Best-in-Class recommendation as just 40% of those top-performing organizations had this enabler in place. Industry Average companies were even less mature in 2009, with 24% adoption of manager self-service tools. In 2010, however, adoption of these tools among the Industry Average increased to 40% - a 67% jump. These organizations must continue leveraging these tools to empower managers to make better decisions. Arming decision makers with reporting tools dashboards streamlines day-to-day activities and helps optimize the deployment of workers, as well as provide real-time visibility into vacancies, leave and absence.
- **Define metrics and monitor effectiveness.** Only 29% of Industry Average organizations have defined metrics to monitor the effectiveness of core HR initiatives and formally review core HR functions at least annually. These reviews enable organizations to constantly adapt policies and processes by identifying areas of improvements and their impact on employees and the organization. Organizations that have defined these metrics and have formalized periodic reviews are four times as likely to achieve Best-in-Class performance levels.

“(Adopting an integrated solution) has truly enabled us to evolve from an administrative HR function to a service delivery vehicle entirely focused on employees and the business managers.”

~ Dennis Miller, Director of Employment Services, Cal Poly Pomona Foundation

## Best-in-Class Steps to Success

---

- **Enable HR and business collaboration.** Especially when it comes to reporting, often times template reports are not sufficient for business managers to operate their teams effectively. To overcome this, HR must work closely with line managers to define the data that the business needs access to. Currently, only 50% of Best-in-Class organizations do so. Moreover, only 41% of these top-performers enable collaboration between HR and line of business to define the measures and goals of a workforce management strategy. Organizations that have these capabilities in place are 56% more likely to achieve Best-in-Class status.
- **Train the business.** Only 37% of Best-in-Class organizations train line of business managers to utilize workforce management systems, reporting capabilities and dashboards. As shown in Chapter Two, reporting tools and dashboards yield tremendous benefits to organizations that use them. Therefore, ensuring that key stakeholders - such as operational managers - are equipped to

leverage them is crucial to successfully leveraging them to their full potential. Organizations that have implemented these training programs are 18% more likely to achieve Best-in-Class levels of performance.

- **Integrate core HR with talent management (such as recruiting, onboarding, and performance).** While Best-in-Class organizations are more aggressive than their counterparts at integrating core HR systems and data with other elements, less than half of them currently do so with talent management systems. This integration can streamline workflows during the hiring process and plays a huge role in evolving core HR functions to be more strategic. Eventually as integration matures, when an employee is identified in the system, decision makers will be able to open that file and learn where he/she stands across all elements of talent management, including whether they met their performance goals and/or earned their bonuses. Organizations that integrate core HR with talent management are 35% more likely to achieve Aberdeen's Best-in-Class designation.

"HR must truly partner with the business in order to drive success, which means sitting at the table for future planning, as well as focusing on talent and people processes and programs that support/lead positive growth."

~ Gary Willis, PHR, Director, Human Resource Center & HRIS, Americas, HR Shared Services, ACCO Brands

#### Aberdeen Insights — Summary

This report builds a case for automation, integration and empowering business leaders. Analysis shows that technology enables Best-in-Class performers to achieve substantial gains across myriad metrics. Especially during tough economic times, making a case for any technology investment can be painful. The data presented should act as a business case for any HR manager or executive seeking to improve or overhaul existing core HR processes. With the right tools in place, an organization's core HR function can emerge from the depths of tactical administration to truly become a catalyst for business performance.

## Appendix A: Research Methodology

Between July and August 2010, Aberdeen examined the use, the experiences, and the intentions of more than 160 enterprises using core HR systems in a diverse set of HR functions to alleviate the burdens placed on the function.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on core HR systems, strategies, experiences, and results.

Responding enterprises included the following:

- **Job title / function:** The research sample included respondents with the following job titles: senior management (C-level, president, chairman) (13%); vice president (VP, SVP, EVP) (17%); director (25%); manager (26%); others (19%). In terms of functions in their respective organization, the majority of respondents (53%) were in human resources (including recruiting, talent management, training and organizational development). Other functional areas represented information technology (13%), corporate management (7%), administration, finance and accounting (6%), and operations (6%).
- **Industry:** The research sample included respondents from a variety of industries. Telecom / hi-tech / IT (including software, hardware, and services) represented 25% of the sample, followed by public sector - including government, non-profit, and education (15%), healthcare (11%), and financial services (11%).
- **Geography:** The majority of respondents (66%) were from North America. Remaining respondents were from Asia-Pacific (14%), Europe (11%), and Middle East / Africa (6%), and South America (3%).
- **Company size:** Twenty-six percent (26%) of respondents were from large enterprises (annual revenues above US\$1 billion); 51% were from mid-sized enterprises (annual revenues between \$50 million and \$1 billion); 23% were from small businesses (annual revenues less than \$50 million).
- **Headcount:** Twenty-eight percent (28%) of respondents had over 5,000 employees; 22% had between 1,000 and 5,000 employees; 23% had between 250 and 1,000 employees; 27% of respondents came from companies with less than 250 employees.

### Study Focus

Responding Human Resources executives and line of business managers completed an online survey that included questions designed to determine the following:

- √ The degree to which technology is deployed to aid in managing core HR functions
- √ The structure and effectiveness of existing core HR implementations
- √ The benefits, if any, of integrating core HR systems with other human capital management system such as scheduling, time and attendance

The study aimed to identify emerging best practices for core HR management, and to provide a framework by which readers could assess their own capabilities.

**Table 6: The PACE Framework Key**

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p><b>Pressures</b> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p><b>Actions</b> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p><b>Capabilities</b> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p><b>Enablers</b> — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, August 2010

**Table 7: The Competitive Framework Key**

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p><b>Best-in-Class (20%)</b> — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p><b>Industry Average (50%)</b> — Practices that represent the average or norm, and result in average industry performance.</p> <p><b>Laggards (30%)</b> — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p><b>Process</b> — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p><b>Organization</b> — How is your company currently organized to manage and optimize this particular process?</p> <p><b>Knowledge</b> — What visibility do you have into key data and intelligence required to manage this process?</p> <p><b>Technology</b> — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p><b>Performance</b> — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, August 2010

**Table 8: The Relationship Between PACE and the Competitive Framework**

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, August 2010

## Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [\*Succession Management: Sustainable Leadership for the Future\*](#); July 2010
- [\*Mobile HCM: Workforce and Talent Management on the Move\*](#); June 2010
- [\*Employee Performance Management: The Alpha and the Omega of Talent Strategy and Business Execution\*](#); May 2010
- [\*Workforce Optimization: Managing the Quality, Cost and Speed Paradox\*](#); March 2010
- [\*Benefits Management 2010: Streamlining Processes and Empowering Employees\*](#); February 2010
- [\*Integrated Talent Management\*](#); December 2009
- [\*Core HR Systems\*](#); September 2009
- [\*Beyond Satisfaction: Engaging Employees to Retain Customers\*](#); July 2009
- [\*Workforce Scheduling\*](#); May 2009
- [\*The 2009 HR Executive's Agenda\*](#); December 2008

Information on these and any other Aberdeen publications can be found at [www.aberdeen.com](http://www.aberdeen.com).

Author: Jayson Saba, Research Analyst, Human Capital Management,  
([jayson.saba@aberdeen.com](mailto:jayson.saba@aberdeen.com))

Since 1988, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.2 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

As a Harte-Hanks Company, Aberdeen plays a key role of putting content in context for the global direct and targeted marketing company. Aberdeen's analytical and independent view of the "customer optimization" process of Harte-Hanks (Information – Opportunity – Insight – Engagement – Interaction) extends the client value and accentuates the strategic role Harte-Hanks brings to the market. For additional information, visit Aberdeen <http://www.aberdeen.com> or call (617) 723-7890, or to learn more about Harte-Hanks, call (800) 456-9748 or go to <http://www.harte-hanks.com>.

This document is the result of primary research performed by Aberdeen Group. Aberdeen Group's methodologies provide for objective fact-based research and represent the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group, Inc. and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group, Inc. (071309b)