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MANAGEMENT

## Modern HR in the Cloud



### Modern Workforce Management: Impacting the Bottom Line

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*At many organizations, employees have become the most costly asset. Personnel costs for salaries, benefits, training, temporary staff and consultants often exceed 50 percent of the total operating budget. Despite this significant financial commitment, most business leaders admit that they dedicate 10 percent or less of their time to enhancing the effectiveness of WFM practices.*

## **A well-crafted workforce management strategy empowers HR leaders to optimally manage their human capital.**

Workforce management technology encompasses all the activities needed to maintain a productive workforce. It addresses a critical business requirement by aligning HR activities to organizational business goals. The objective is to provide strategic insight into the strength of the workforce, to determine where change is needed, and to positively impact the bottom line. Being able to track and retrieve workforce information and provide the right forward-looking analysis to support strategic initiatives is key to HR success.

Beyond workforce insight and analysis, organizations need to respond to constantly changing market, legislative, and industry conditions stemming from an increasingly diverse and dispersed workforce. Governance and compliance laws are continually changing. These laws vary from place to place, posing particular challenges for multinational firms. Organizations that don't keep up with these regulations expose themselves to serious legal ramifications.

Today's social and mobile computing practices are an essential component of workplace computing. A company that supports this demand with an information-driven, social, and mobile culture creates an engaged and connected workforce that contributes to the bottom line of modern workforce management.

Legacy information systems further complicate the HR landscape. Entrenched organizations must often contend with a broad base of disparate, redundant systems, many of which don't accommodate modern computing practices demanded by savvy employees. A lack of standardization and the inability for the workforce to stay connected and remain productive prohibits these organizations from effectively managing their labor assets. Keeping the workforce engaged and reducing labor costs while improving productivity, efficiency, and technical capability has never been more critical. Most employees seek more than just monetary rewards. They want to feel valued as contributors to the organization. They also want the opportunity to continuously improve their skills and enhance their careers.

Professional development opportunities are key differentiators in attracting and retaining good workers. The best talent is often found right inside the organization. But this potential base of expertise is worthless if you can't identify talented individuals when you need them. WFM technology keeps an organization in touch with its continually shifting



*Statistics show a gradual but steady decline in worker productivity worldwide. Organizations face serious ramifications if they don't accurately account for labor spending, or monitor the consequent impact on financial results and productivity levels.*



human capital through the systematic assessment and tracking of the abilities of each individual employee. These information systems also help to instigate professional development activities to nurture and grow each employee's potential, so individuals can be matched with positions that enhance their careers and improve the overall value of the organization.

## Modern Workforce Management Defined

Workforce management (WFM) systems have evolved to include functions for time and attendance, absence management, labor budgeting, forecasting, scheduling, task management, and project management. HR professionals leverage workforce management systems to match business demand with an appropriate labor mix. Successful workforce management stems from a combination of budgeting, planning, analytics, collaboration, and rules-based scheduling solutions. Data is reconciled with the availability, skills, and eligibility of workforce personnel.

WFM processes have predominantly been used by organizations with high percentages of hourly employees that need to schedule workers for specific business hours and locations. However, WFM is also helpful in organizations that have an exempt workforce, especially for managing and monitoring productivity and absenteeism. For example, a bioresearch organization that has exempt employees can leverage workforce management applications to schedule employees. This is a good way to monitor Paid Time Off (PTO) liability to ensure that it is recorded properly. Managers often face an extremely large PTO liability for exempt employees if they don't monitor PTO as it is taken—a common problem for organizations with large exempt populations.

Today's WFM systems are enriched with analytics, support for mobile devices, and social networking technology to enable real-time collaboration and insight. Keeping the workforce engaged through mobile capabilities and social networking permits more effective collaboration, significantly increasing productivity. For example, if a worker can easily collaborate among peers before going on vacation, then co-workers can keep track of critical work that needs to be performed while that worker is away. Support for mobile technology allows these employees to perform workforce management tasks while they are on the go.

While few organizations have calculated the loss to their businesses from suboptimal workforce management, many have identified the upside of instilling good workforce management practices. It's no surprise that experts consider workforce planning and workforce analytics as strategic aspects of a workforce management solution. WFM



### TALLYING THE BENEFITS

The benefits of adopting good workforce management practices include the following:

- Lower labor costs
- Fewer payroll errors
- Fewer compliance violations
- Elevated productivity
- Increased sales
- Improved customer service
- Increased employee engagement and satisfaction



tools can take a very complex problem—such as scheduling a large and diverse workforce—and make it as simple as matching workforce supply to business demand.

## Assessing Your Readiness for WFM Technology

Managers need to be able to monitor key performance indicators (KPIs) related to time and labor management, absence management, project tracking, task management, and scheduling. A complete workforce management solution includes both transactional and analytic functionality, with business intelligence tools for planning, budgeting, monitoring, and compliance. Effective measurement begins with an assessment of the current state. Organizations should assess WFM business processes to determine the steps needed to fully unlock the strategic value that workforce management solutions can provide. The business drivers depend mostly upon where that organization falls on the maturity scale as well as its tendency to be a leader or laggard in leveraging technology.

Organizations in emerging economies or in the mid-market space need basic solutions to deal with the business necessities of governance and compliance. Solutions for this space include HR, payroll, time and labor, and absence management.

Organizations that have already implemented the basics need to leverage their existing investments so they can extend the features of those solutions to further reduce back office costs and increase efficiency. These organizations should consider rolling out self-service systems for web-based time capture rather than maintaining costly time clocks. Such systems simplify scheduling while enabling employees to request permission to work overtime or take a vacation.

Organizations on the high end of the maturity scale often turn their attention to real-time analysis of HR data. They need systems that let them investigate KPIs related to labor costs and productivity so they can hold the workforce accountable to corporate goals and expectations. Workforce management technology in conjunction with business intelligence technology provides the solution they need to achieve these objectives.

In all three cases, seamless integration with HR and payroll systems helps HR pros track the implication of changes when calculating accurate pay for each worker. Of course, while these information systems can help to simplify administration and reduce labor costs, true progress requires a cultural change as well: the organization must embrace the WFM system, with support from the most senior levels.



### **SIMPLIFY ADMINISTRATION**

Automated time/labor, absence, and scheduling functionality can enable your organization to improve productivity and simplify administration:

- Reduce data-entry errors with self-service time reporting systems and automated time-capture systems
- Automate the tracking and monitoring of absences against planned schedules to allow managers to gauge productivity lapses on a near-real-time basis
- Automate the calculation of gross pay based on rules
- Automate the calculation of absence accruals, eligibility, and pay based on rules.

### **REDUCE LABOR COSTS**

- Reduce the administrative costs of manually scheduling employees
- Reduce overstaffing costs by utilizing employees to the best of their ability and availability
- Align employees to the demands of the business
- Reduce the impact of productivity loss due to unplanned absences
- Monitor worker adherence to schedules in near-real-time

## **Business Benefits of Workforce Management**

Benefits from any HR system typically fall into three categories:

- Expense savings/operating cost savings
- Labor productivity savings
- Revenue, service delivery, and related improvements

There are numerous ways to reduce operating costs with workforce management applications. One of the more common techniques—and the one with the biggest payback—is a reduction in labor costs by minimizing overstaffing. Administrative personnel will reduce costs and increase productivity by making fewer payroll errors and spending less time researching and correcting those errors. There may be corollary savings associated with fewer bank fees generated as the result of errors, reduced overtime pay, and reduced payroll costs through optimized scheduling

Improvements in worker productivity can be measured by examining the impact of technology improvements from three perspectives:

- Employees
- Managers
- HR support staff

Employee productivity is increased through more intelligent scheduling, which tends to boost employee satisfaction and reduce absenteeism. Manager productivity is achieved through reduced time spent scheduling the workforce and processing timesheets. HR productivity is largely a function of a reduction in manual processes. This is achieved by implementing self-service capabilities for both employees and managers. Providing this autonomy to the workforce reduces the administrative burden on the HR staff.

## **Leverage WFM Data to Create a Talent Management Strategy**

A solid talent management strategy is a key to ensuring a high-quality workforce. How do you know what talent to acquire, to develop, and to retain? What skill-sets and other attributes are necessary to meet the business objectives at hand? How can you pinpoint deficiencies in your current workforce? Workforce management applications can track this critical information to reveal the gaps in your workforce and drive a successful talent management strategy.



*Rigorous change-management procedures are essential when rolling out new processes and systems. These procedures require buy-in, support, and enforcement from the top down.*

For example, a call center manager might recognize that she is short-staffed for the 8am to 12pm shift on Monday mornings. With the WFM application she can drill into the employee data to discover the root cause of the shortage. Perhaps the company doesn't have enough technicians with the right skill-sets available during that time period. Once she understands the cause of the shortage, she can take action, whether it involves training existing technicians with the requisite skills or submitting a requisition to hire new technicians who are available to work during those hours.

## The Impact of Workforce Management: Some Statistics

Even minor adjustments to a large workforce can have a huge impact on the bottom line. Such were the conclusions of a Cedar Crestone ROI study. Here are a couple of takeaways from this report:

- An organization with 5,000 employees and a \$300 million payroll could save \$6 million per year by reducing labor costs by 2 percent through better workforce management.
- Santos Inc., a major Australian oil and gas exploration and production company, automated error checking and detailed time tracking to recover more than A\$529,000 (US\$391,000) in labor expenses while reducing timesheet rework.
- A retailer with \$5 billion in annual revenue and 60,000 employees could save \$2.5 million each year by implementing a time and labor solution that simplifies time entry administration.
- One such company saved more than \$600,000 in labor productivity savings by eliminating manual processing of absence requests (estimates based on a five-year ROI calculation).



## Conclusion

Whether you're a CEO, CIO, CTO, CFO, COO, VP of HR, VP of Operations, VP of Finance, you are measured in part by how big of an impact your organization has on the bottom line. Whether that impact comes from business process change, technology change, policy change, or employee culture change, it's important to have a workforce management strategy in place to sustain continual improvement. If your organization has not yet tapped into the wealth of strategic data that workforce management applications provide, take the time to assess potential solutions. WFM technology will have a decisive impact on the long-term viability of your organization.



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