

Creating an Environment of Continuous Improvement Through Enterprise WFM



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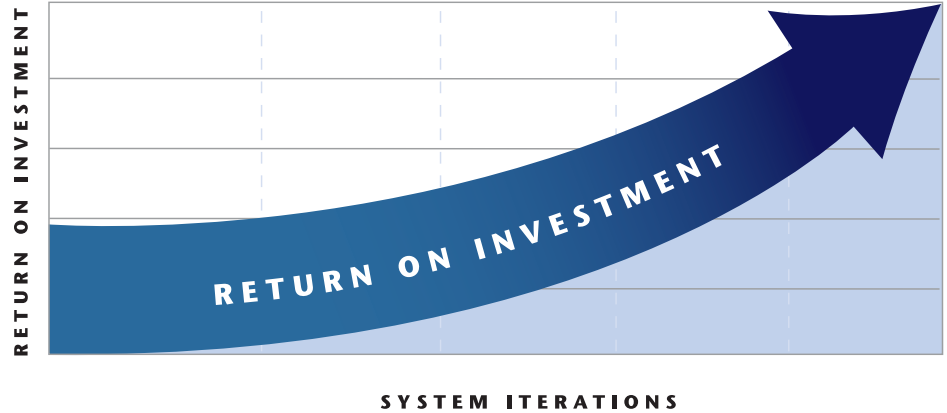
More and more organizations are coming to the realization that enterprise Workforce Management (WFM) solutions offer the greatest opportunities to gain competitive advantage over the long term. Regardless of the amount spent annually on labor costs, these organizations understand that lasting success is impossible without having a best-in-class performing workforce.

Unfortunately, some companies that invest in a WFM system believe simply implementing a centralized system is “the end of the road.” Once on-line, the company can just sit back and enjoy the benefits of this new technology, and re-assign implementation personnel to new projects.

Industry-leading organizations recognize that establishing competitive advantage is one challenge, but maintaining or enhancing that advantage is another challenge altogether. Implementing a WFM system is merely an important first step in creating an environment of continuous improvement.

Like most new technologies, WFM is subject to the law of increasing returns, perhaps the most important economic theory in the knowledge industries. Economist W. Brian Arthur described this economic commandment as “the tendency for that which is ahead to get further ahead; for that which loses advantage to lose further advantage.” Simply put, an investment in a WFM solution not only creates a competitive advantage, it creates an opportunity to maintain and expand that advantage, but not without additional work on the part of the host.





Example: Company ABC

A large organization with 10,000 hourly employees, Company ABC invests \$750,000 to implement an enterprise time and attendance system to consolidate a number of disparate legacy systems and manual processes. The company estimates the new system will generate annual labor cost savings of \$1million per year. With annual operating and maintenance costs factored in, the five-year return on investment is expected to be in the order of 250 per cent.

With the initial investment made and the implementation complete, Company ABC has two options. Slide effortlessly into support and maintenance, and re-assign implementation personnel to the next project. Or retain personnel to create an infrastructure to identify additional opportunities to optimize the WFM solution and drive even greater benefits.

Assuming that Company ABC chooses the second option, it will discover a steady stream of opportunities for labor cost savings, productivity improvements and revenue increases that produce greater incremental returns on investment. The company in this example could discover the following new opportunities:

- With the addition of an automated leave management application, the cost of paid leave and associated administrative overhead can be driven down.
COST: \$75,000
ANNUAL SAVINGS: \$360,000
- The development of a Business Intelligence Strategy through targeted delivery of data to managers, supervisors and executives can uncover opportunities to reduce overtime and unplanned absences.
COST: \$40,000
ANNUAL SAVINGS: \$500,000
- Advanced analytics capabilities within the Time and Attendance application allow the company to re-engineer pay practices to promote increased productivity.
COST: \$25,000
ANNUAL SAVINGS: \$500,000

- The addition of automated scheduling helps eliminate unnecessary overtime and under-staffing, while enhancing the customer experience and increasing sales during peak periods.
COST: \$150,000
ANNUAL SAVINGS: \$600,000
- Automation of pay rules to eliminate risks from changes in regulatory compliance.
COST: \$0
ANNUAL SAVINGS: Eliminates on-going threat of litigation and regulatory penalties.

The opportunities are there for Company ABC, but only if it embraces an environment of Continuous Improvement. This will require more than just simple desire and intent on the part of the company. There needs to be a concerted effort to identify and capitalize on WFM improvement opportunities. In undertaking this challenge, several important issues should be kept in mind.

Expanding the Solution Scope: Adding Functionality and New Employee Populations

There are a variety of factors that may require a company to expand the scope of a WFM application after the initial roll-out is complete. This may include the need to add functionality, or capture employee populations that were previously considered out of scope. Regardless of the specific need, it is safe to assume there will be new requirements identified post-implementation.

The most common post-implementation functionality enhancements include the addition of reports and alerts, new interfaces and the addition of scheduling, leave management or attendance control modules.

Example Two: Company XYZ

A multinational media and entertainment company, XYZ implements an enterprise time and attendance (T&A) system for its 30,000 employees. During the testing phase of the project, the Company XYZ chooses to reduce scope and eliminate the planned implementation of an automated leave management module. The company felt its managers and employees had enough on their plate learning the basics of the new WFM system, particularly the processes for reviewing and approving electronic timesheets.

Six months after going live with the T&A system, however, Company XYZ, Company XYZ found it was having significant problems around leave management. Manual leave management processes - including verbal approvals, emails, phone calls and paper forms - were inefficient and prone to error. With some careful analysis, the company discovered it was losing millions of dollars per year in lost time, time-off overpayments and excess overtime because it could not track scheduled leave and its impact on staffing levels.

With a relatively small incremental investment, the organization was able to implement the previously de-scoped leave management module, thereby capturing significant labor cost savings and productivity improvements.

Adding New Employee Populations

In addition to expanding functionality, there can be benefits from expanding the WFM solution to different employee populations, many of which may have been left out of the initial deployment. Most WFM solutions tend to focus, initially, on hourly employees in large part because they represent the greatest opportunity for labor cost savings. However, that does not mean the solution should not be expanded to include types of employees, including salaried workers, temporary all or seasonal staff, contract workers, international employees and other groups covered by collective bargaining agreements.

- **Salaried workers** are often excluded from initial deployments. And yet, there are savings to be had from tracking this group's paid and unpaid leave, and time worked. The data captured from exempt employees can help with critical labor costing, activity tracking and various labor allocation purposes and can also help eliminate FMLA and FLSA compliance risks.
- **Contract, temporary and/or seasonal workers** represent a significant opportunity to drive additional labor cost and productivity improvements. Many organizations overlook these worker populations because of their relatively short or varying employment lifecycle as well as the fact that the relationship is typically managed through a third party agency. However, the risk of undetected overpayment errors can often be even greater with these populations than with full-time hourly employees and can be easily accommodated within the core WFM system.
- **Call center, engineering, and specific knowledge workers** are often overlooked because of the unique nature of their jobs and the erroneous opinion that these employees should not "waste their time" tracking their hours worked. These same organizations often discover post-production that the benefits that can accrue from including them in the WFM system scope are significant.
- **International employees and operations** are usually excluded from scope until domestic operations are properly supported. And while supporting international pay rules, processes and practices carries its own unique challenges, including international operations can deliver significant benefits. The key to implementing WFM on an international scale lies in ensuring the right mix of local subject matter experts are involved at the project team level to address these issues.

Empowered Users Will Add "Fuel to the Fire"

If an organization is struggling with the basic challenges of manual time and attendance tracking, the benefits of an enterprise WFM solution may be difficult to conceptualize. But post-implementation, most organizations find their appetite for new modules and functionality is almost limitless. The real challenge is successfully completing that first deployment. Once line managers, employees, payroll and HR personnel begin experiencing, first-hand, how an enterprise WFM

can simplify their daily jobs, their mindset shifts from avoiding and fighting the resulting change to searching out new ways to expand the WFM solution. Without doubt, requests will come in from end users for additional reports and functionality that was not part of the initial rollout, but which are within the scope of the solution originally deployed – changes to screens, improvements in navigation, enhanced automation of pay rules, more dynamic reports and analytics. This appetite will come from questions that arise in natural order in the minds of the users. These may include:

- Can the system not only track but also enforce attendance policies?
- Can we track intermittent FMLA?
- Can the system help reduce overtime costs?
- If I have an idea for a report, can the system support it?
- Can we automate the month end labor cost accrual process?

Articulation of these new features, and careful data-driven analysis of potential benefits, will ensure the organization's WFM infrastructure continues to aid overall business performance as both the system and the business evolve over time.

Business Intelligence Fuels Continuous Improvement

Business intelligence (BI) enables an organization to collect, analyze and act on WFM data that is integrated with hard data from other areas of the company. Traditional reporting of workforce data can tell an organization what problems it has, but BI, done properly, can graphically and proactively illustrate why it happened and what needs to be done to eliminate the problem or capitalize on the opportunity. With the deployment of an enterprise WFM solution, the organization will, within a relatively short period of time, have at its disposal a centralized repository of consistent and reliable information on the performance and activities of its workforce. The "Ah Ha!" moment for many organizations happens several months after implementation when it realizes this data can be utilized to fuel continuous improvement.

Properly designed and implemented, a BI model provides the raw materials for constant root cause and effect analyses that can explain the cause of workforce-related trends and manipulate them on a go-forward basis. Operationally, daily BI reporting can ensure day-to-day decision making of line managers is consistently aligned with the strategic goals of executive management.

Through trend analysis, benchmarking and analytics, an organization can identify problem areas that can drive significant savings. For example, a large company could identify a division that has higher rates of overtime per employee or unit output than other divisions, and use that information to then develop a plan to address the problem.

Conversely, BI trend analysis can identify areas that boast higher productivity or lower total labor costs, and then produce the hard data to show why. This analysis can form a road map for other lagging areas, while providing those laggard divisions with performance targets to meet.

Interdependent Applications

Downstream or upstream systems that can potentially integrate with the WFM solution are really just another opportunity to increase benefits. Moving from a mainframe HR/Payroll system to an enterprise ERP can unlock greater functionality that provides enhanced capacity to handle retroactive adjustments. These application changes need to be assessed for alterations to existing interfaces, addition of new interfaces, and data conversion.

For example, once an organization gains greater insight into and control over, labor costs with a WFM implementation, there are frequently changes to the downstream financials system and processes. A recent implementation of an enterprise time and attendance application at a pulp and paper manufacturer allowed the company to quickly and easily cost labor appropriately for each work order. Prior to this functionality, the company was not able to cost labor on each order because its paper-based tracking system made the task too cumbersome and time consuming. Once the WFM solution was in place, however, the company was able to accurately report labor costs and plan, budget and assign tasks to optimize labor costs.

System Upgrades

For software vendors, the industry credo is “perfect is the enemy of good.” In the WFM sector, leading vendors are always rolling out new versions of their applications as they attempt to improve the product. This means they offer less and less support for older versions. Software customers who have the vision to keep up with the improving technology will see limitless benefits accrue; complacent customers who are satisfied with the initial version of the software will ultimately find that something that solved problems five years ago cannot solve the problems of today.

When contemplating an upgrade, consider that the next release of an application may not only have the functionality to meet existing business needs, but unrealized needs as well. It also provides a prime opportunity to fix known defects. A greater level of customer support is guaranteed by utilizing the latest version of the application.

New Legal or Regulatory Requirements

All organizations must be nimble enough to respond quickly to a changing regulatory environment. Failure to keep up with changes can result in significant penalties. A well-designed WFM business intelligence solution can help by rapidly assessing the scope of any regulatory change, implement a solution and measure the results of the changes. Although not all organizations take the time to consider this variable, legislation governing the workplace is constantly evolving and collective bargaining agreements are becoming more and more complex. This visionary approach can be a key factor in avoiding fines, penalties and class-action lawsuits.

WFM Center of Excellence

Once you've identified the additional functions and employee populations you wish to build into your WFM solution, you may be left with a critically important question: Who is going to help make all this a reality? The answer for many companies is so obvious, it may be overlooked.

The team assembled for the initial deployment is one of the most important resources for any company that has recently deployed a WFM solution. But too many companies allow this critical mass of knowledge and experience to evaporate after initial go-live. Visionary organizations retain the key personnel from this team and transform them into a Center of Excellence (COE), a rapid-response troubleshooting and analytical force dedicated to getting the biggest bang for the WFM buck.

A COE can not only monitor performance of the WFM programs, but collect and analyze data that flows through the new solution to better understand how your human resources are performing, and what additional functions may be necessary to take productivity to the next level. The COE is your guarantee that return on investment will be fully realized.

Conclusion

The reality of business is that conditions in every sector of every industry are constantly changing. That is particularly true of the need to manage labor costs. However, the most effective techniques for keeping a lid on labor costs will evolve along with WFM solutions. Failure to identify and address labor challenges can handicap a company and cause it to lag behind its competitors.

But even those companies who have implemented WFM solutions cannot afford to rest on their laurels. WFM vendors are constantly innovating, offering enhanced products and services. Employing a WFM solution can help a company become competitive. But that company's ability to remain competitive requires agility and a commitment to a culture of continuous improvement.



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For More Information

Axsium Group

Phone: (888) AXSIUM1

Email: info@axsiumgroup.com

Web: www.axsiumgroup.com