# HRMS: STRATEGIC ASSET OR LIABILITY?

PART I

INTRODUCTION

How many of your most effective managers or salespeople will leave voluntarily or retire during each of the next 10 years? What will it cost to recruit, train and retain their replacements? What is the difference in productivity, quality, or other relevant performance measures between your most satisfactory employees and those in the lowest acceptable performance range? Are the highest level performers adequately compensated? How much would it cost in severance pay and other expenses to reduce headcount (however you define it) by ten percent while retaining the highest level performers?

Management needs immediate access to this and much more human resource information. Not only must the information be accurate and timely, but the human resource management system (HRMS) must provide tools for forecasting as well as analyzing historical HRM trends and demographics. You must be able to compare your key HRM performance measures - by product line, geography, or organizational cuts - to those of your labor market and business competitors.

Is your HRMS a strategic asset or a liability? Can you do the basics cost-effectively and well, while providing true management decision support? Is it time to put your HRMS out of its misery and start over?

BY NAOMI BLOOM
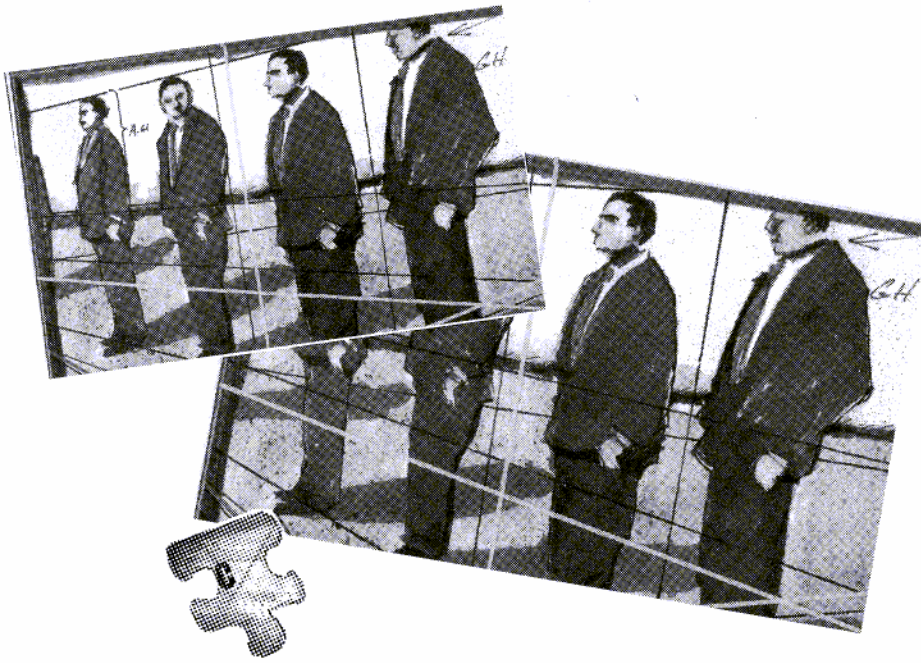
But First, Some Definitions

Human resource management is a pervasive business function, like financial management or marketing, that helps ensure the long-term survival and success of the organization. Human resource management contributes to organizational success by planning for, acquiring, deploying, maintaining and developing a productive and cost-effective workforce. The primary objective of the HRM business is to ensure that the right person is doing the right work effectively at the right time and at the right price.

Carrying out this primary responsibility is not just the work of a corporate or divisional HRM department. Rather, HRM encompasses all of the activities performed to sustain the workforce by corporate, divisional, plant, field office and/or site HRM and staff departments, by senior management and most importantly, by line managers. The business of HRM is independent of how your organization assigns the various responsibilities.

The HRMS is the primary vehicle for carrying out these responsibilities. It is a tool which extends (or may constrain) each participant in the human resource management business. The HRMS consists of all the data and processes, both manual and automated, which are needed to develop and administer the policies, programs and all other aspects of managing human resources. The HRMS, including its manual and automated components, collects, records, processes, stores, analyzes, manages, disseminates and communicates the data used by and/or created by the conduct of HRM activities.

With the inclusion of expert systems, the HRMS' automated components can now perform some of the very complex thought and decision-making processes which actually conduct the business of human resource management. Using expert systems technology, the HRMS' automated components can leverage (and in some cases replace) scarce, fallible and hard-to-retain HRM professionals.

Human resource management cannot be successful, and thereby contribute to the organization's success, unless the HRMS works efficiently and reliably. Although a substantially manual HRMS is no longer viable, even in very small organizations, a poorly automated HRMS is almost worse. Therefore, we must learn how to use information technology to create a truly strategic HRMS and to reinvent the business of human resource management.

Why HRM Professionals Look Frazzled

There are four major sources of challenges facing the HRM business, each of which has significant implications for the HRMS:

• **EXTERNAL TRENDS,** such as rapidly changing labor demographics, increasingly complex governmental regulations, and global competition, over which the organization has little control;

• **INTERNAL TRENDS,** including major organizational restructuring and decentralization, mergers and acquisitions, strategic alliances and the deliberate changes to corporate culture, the frequency and extent of which often represent organizational responses to the external trends;

• **NEW RESPONSIBILITIES** have been added to traditional HRM roles, ranging from providing basic skills training to offset the failure of public education for increasingly minority and/or disadvantaged entry level workers to designing individual and work unit productivity and quality-enhancing programs; and

• **HRM (AND EVERYONE ELSE) MUST DO MORE WITH LESS,** primarily by using information technology (i.e. an increasingly sophisticated HRMS) to provide leverage and to support a flatter, leaner, and more responsive organization.

All organizations are facing these same challenges; how they respond will determine not only their profitability, but also their survival. The key to an effective response lies within the HRMS.

EXTERNAL TRENDS

"It will always be a buyer's market for qualified entry-level workers." "The United States will always dominate the world economy." "At worst, regulatory compliance may impose new reporting requirements." These and many other bits of conventional wisdom have been overtaken by events during the last decade. From Workforce 2000 to the growing role of government in shaping the employment contract to the shifting tides of international trade, American industry can no longer rely on proven rules of thumb to shape HRM policy decisions. Managers need reliable data to measure the impact of these external trends on the workplace and workforce, and they need forecasting tools to plan their responses. Without an effective HRMS which provides these capabilities, organizations will not be able to compete successfully.

CHANGING LABOR DEMOGRAPHICS

The challenge for the next two decades will be finding enough *appropriately*-educated entry level workers regardless of sex, race or ethnicity. Lower United States birthrates and immigration restraints are combining to reduce the size of the entry level age cohort. In addition, the educational preparation of these scarce young people is inadequate for the increasingly technical, information-intensive, analytical and/or service-oriented jobs which will dominate American industry into the next century. With fewer young people to choose from, a substantially degraded public education system, and tougher job requirements, organizations will have to work much harder to attract, retain and develop a productive and cost-effective workforce.

To be successful, organizations must know more about their existing workforce, about their applicant pool, about projected workforce requirements and about the effectiveness of various recruiting and developmental approaches. Such information will be a major strategic advantage for

organizations whose HRMS can provide easy access to and analysis of this type of demographic data. No longer just a payroll and personnel recordkeeping system, the effective HRMS must support workforce planning, development and deployment.

REGULATORY COMPLIANCE

There was a time within memory when the only regulatory "burden" on the HRM function was ensuring, through Payroll, that withholding taxes and FICA were properly collected, remitted and reported. Since the 1960's, when equal employment opportunities became a legal reality, government at all levels has played a growing role in the increasingly complex relationship between employer and employee. From the use of employee pre-income tax dollars for financing retirement savings and other government-approved and socially desirable outlays to much closer monitoring of environmental hazards in the workplace, corporate America now collects, processes and reports data against a vast, confusing and often overlapping array of federal, state and local regulations. Regardless of your personal views as to their effectiveness and social value, HRM-related regulatory compliance has added greatly to the cost of doing business.

Since all firms are subject to the same set of regulations, varying only by the location and range of their activities, the more efficiently an HRMS can meet compliance requirements and support the design of compliant yet effective HRM program and policies, the greater the organization's competitive edge. In fact, compliance strategies can only be developed where there is adequate data to assess the effects of alternative strategies. In the absence of such data, costly over-compliance or the penalties of noncompliance are the only choices.

GLOBAL COMPETITION

The United States no longer dominates world markets in such fundamental industries as automobiles and electronics. We are the largest debtor nation. Even our currency is no longer the presumed currency of international trade. While by no means eclipsed as an economic power, we must share that honor with European and Asian trading partners. With the economic unification of Europe in 1992, the spread of economic growth in Asia, changes in the Communist world toward greater economic freedom, and renewed

third world initiatives, American companies will face even greater competition.

Global enterprises require many new job skills and greater decentralization of decision-making. Because improved transportation and communications systems can support rapid relocation to take advantage of better regulatory or labor climates, only the nimblest global enterprises will flourish. Relocating employees across cultural as well as political borders involves more than their physical movement. Such geographic dispersion can only be held together to achieve needed economies of scale and company-wide synergy by utilizing the global village approach to sharing information via telecommunications. And at the heart of the successful, geographically dispersed enterprise lies the HRMS' ability to span the workforce regardless of its location, language or current organizational structure.
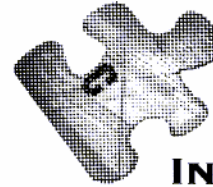

INTERNAL TRENDS

Centralize, then decentralize, then matrix. Organize by product, by region, by function and then again by product. Grow by acquisition and downsize by divestiture. Join your competitors in a consortium to exploit new technologies or offset foreign competition. And when all else fails (or to ensure that all else succeeds) become customer-oriented and speed up everything. Largely in response to the external trends that it cannot control, American business is trying every conceivable approach to managing itself - including some approaches that not even management gurus can discuss with a straight face.

ORGANIZATIONAL RESTRUCTURING

In the middle of all these changes lies the HRM business. Whether integrating the benefit plans from an acquisition or monitoring the recruitment behavior of competitors in each strategic alliance, HRM faces the formidable task of knowing where everyone is and who's doing what to whom. Just keeping track of headcount, however you define it, seems to defy gravity at most organizations. While the HRMS stamps each employee with a single
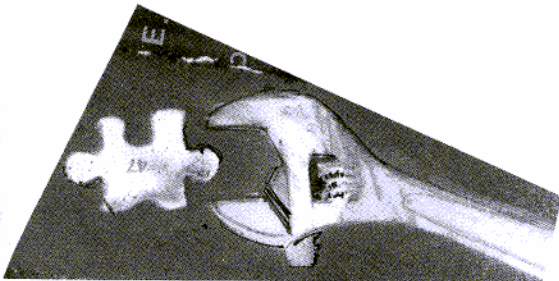
organizational code, it is impossible to describe the myriad matrix relationships emerging in many firms as they flatten their hierarchies and try to respond more quickly to market pressures. Without an HRMS that can describe these complex organizational relationships and respond quickly to changes, management resorts to the backs of envelopes for organizational and HRM planning.

CULTURAL CHANGE

Perhaps the greatest internal trend challenge to HRM and the HRMS is the deliberate attempt by many companies to change their corporate cultures in the face of competitive pressures. Whether through greater decentralization of decision-making, increased entrepreneurship, just-in-time philosophies or encouraged risk-taking, American companies are trying to increase their flexibility, reduce their response time, and avoid becoming economic dinosaurs.

The key to cultural change is consistent communication. Risk-taking stressed in a management briefing will fall on deaf ears as long as the performance evaluation system that governs salary increases rewards longevity and failure-avoidance. Entrepreneurship cannot succeed when the HRMS forces everyone into huge organizational boxes in order to pay them correctly. Without solid, historically accurate performance and organizational health metrics, there is no way of knowing whether or not the proposed (and even implemented) cultural changes are helping or hurting.

NEW RESPONSIBILITIES

Not too long ago, the personnel and/or payroll departments kept records of births and deaths, filed tax returns, calculated and paid salaries, ran want ads, and organized the company softball league. While this grossly understates their broader mission, it is only during the last 20 years that the personnel profession has matured into the human resources management leadership role at many organizations. Just as 1989 marked the change in name of the venerable American Society of Personnel Administrators to the Society for Human Resources Management, it also marked the accretion of new responsibilities to many payroll and personnel departments.

These major new responsibilities

design new compensation plans that encourage desired productivity and quality behaviors, to experiment with work group compensation, and to offer ergonomic and human factors guidance in everything from office to equipment design. As partners with facilities management, security and environmental departments, the HRM professional is tailoring everything from recruitment campaigns to training courses to meet corporate needs for a better educated, equipped and motivated workforce.

To carry out these new responsibilities, HRM must turn to the HRMS to locate under-skilled employees and applicants, to detect patterns of productivity and quality which could be replicated, to measure the effects on business outcomes of various HRM programs, and to anticipate (and prevent) work environment hazards. Even where the HRMS does a good job of supporting traditional HRM functions, meeting these new responsibilities will require significant investments.
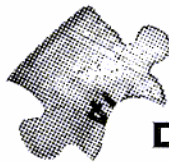
DO MORE WITH LESS!

Organizations must look to information technology as a potent tool for enhancing the usefulness and cost-effectiveness of their HRMS. Information technology, when properly applied, can leverage scarce labor dollars and people skills while improving the quality of human resource management. Furthermore, an effective HRM can provide the data needed to assess the cost-effectiveness of HRM in general and of specific HRM programs and policies.

Central to any attempt to do more with less is the ability to measure the effects of various productivity and quality programs. Unless there are well-defined, defensible and easily captured metrics that measure both inputs and outcomes, there is no way to determine which programs have desirable effects and at what cost.

By tracking labor inputs, i.e. hours of productive versus non-productive time along with the fully loaded cost of that time under various compensation and benefit scenarios, the HRMS provides one side of the productivity and quality measurement equation. Without this data, management is flying blind.

ABOUT THE AUTHOR

Naomi Bloom has nearly 25 years experience in strategic planning and design, development, implementation, audit, and support of financial, data analysis, administrative and, especially, human resource management systems. Her experience includes resolving the organizational, functional, technical, and project management issues related to these systems. She is also trained in the use of state-of-the-art life cycle productivity tools and techniques, including CASE concepts and principles. Using her formal systems planning methodology, Bloom leads large corporate clients from strategic systems planning for HRM through the life cycles of recommended projects. Bloom, who holds an MBA in finance and accounting systems from Boston University, can be seen nationally on the PBS television course, "The New Literacy: An Introduction to Computers."