HR/PC

COMPUTER TECHNOLOGY FOR HUMAN RESOURCE MANAGEMENT

Couldn't We Just Add A GUI And Distribute Data Entry?

By Naomi Lee Bloom

Suddenly, nearly every change, however modest, in the human resource management system (HRMS) is described as Business Process Reengineering (BPR). The term is also known as business reengineering, core process redesign, business process transformation, process innovation, and process redesign, and there are authors, academics, consultants and vendors jumping on the bandwagon.

Add a GUI and distribute data entry. Eliminate reports that no one ever used. Scan unsolicited resumes so that you can store them electronically until they are purged. But true BPR is not:

- Taking the usual cast of characters and assigning them to new boxes on the organization chart, e.g. consolidating payroll, benefits and personnel administration functions by grouping together all of the people who have never worked cooperatively and without changing any of their business rules or systems

- Rearranging the boxes on the organizational chart, e.g. thinking you've taken a total compensation approach by putting your compensation and benefits staffs under a new director of compensation and benefits

- Creating electronic paper flows to eliminate paper-based systems, e.g. scanning every resume (whether you need it or not) so that you can perform the exact same applicant tracking functions as before but without the cost and burden of moving the paper;

- Automating existing processes with snazzy technologies, e.g. taking the same HR-centric HRM system and adding a GUI

- Eliminating copies of forms that no one really uses and/or reports that are simply filed by automating the forms and/or reports for online inquiry, e.g. creating

an online compensation planning report, payroll register, or standard job descriptions.

While all of these changes may reduce costs and provide enhanced service — and may therefore be very worth doing — they are just business as usual, continuous process improvement. These are the changes which, if justified, we should have been making for years. But none of these are likely to achieve breakthroughs in the performance metrics of the HRM business.

Business Process Reengineering may have gotten its greatest boost from the now classic article on the subject by Dr. Michael Hammer (Harvard Business Review, July-August 1990), but it really is an idea whose time has come. Unfortunately, many firms, under the banner of BPR, are just rearranging the deck chairs on the Titanic. So what's the real story? And what role is assigned to information, information technology, and, most importantly, to HRM and the HRMS in this still unfolding tale?

What It Is

Business process reengineering is intended to achieve real breakthroughs in the performance metrics of your business by fundamentally rethinking that business starting from its basic objectives. It's a clean slate approach to envisioning how you could achieve those objectives, and information and information technology often plays a pivotal role in opening up the possibilities. The goal is to achieve world class performance metrics, not merely to improve your performance incrementally.

Reality Check

Very few firms have succeeded thus far in a truly clean slate approach to reinventing their business rules and the systems and organizational designs which deliver them. Although the breakthroughs achieved by those who do

succeed are substantial (and widely reported!), the majority of firms doing projects labeled "reengineering" are in fact doing a range of process improvements activities, very few of which are grand design or unconstrained. The reality is that it takes incredible incentives, executive commitment and project management expertise to pull off the really breakthrough reengineering efforts. Starting small may not result in as glamorous results, but it has a much higher probability of achieving something positive while building skills for the larger undertakings.

What's The HRM Connection?

Human resource management plays two very different roles in BPR: (1) no BPR effort anywhere in the organization has a hope of success without the involvement and leadership of the HRM business, and (2) HRM is itself interested in achieving breakthroughs in HRM performance metrics. The biggest payoff to HRM is when these two roles are combined.

For example, most BPR efforts involve increasing the decision-making latitude and effectiveness of employees at every level and removing organizational barriers to quick action, especially in support of customer-focused processes. There's a real dilution of this empowerment message when those same employees must secure someone's approval to change beneficiaries or notify the organization of an address change. Unless the HRM business sends a message to employees and their managers that is consistent with the BPR work, BPR will fail. And that message must be consistent across every HRM function, from staffing to total compensation to development, etc.

On its own, HRM must seek ways to deliver more bang for the buck, and the reengineering mindset has much to offer. For example, why do we ask for six references on every applicant when we never check more than three and then only when we've gotten very close to making an offer? Why do we insist on signatures and approvals for so many employee-initiated business events? Why do we presume that every employee wants life insurance and require some coverage in even the most "flexible" benefit packages? And why does payroll think they "own" certain employee data, e.g. W-4 data and an employee's charitable deductions? Doesn't the employee "own" this data? Just challenging our own business rules, many of which originated when the telephone was new, can identify opportunities for improving our service to internal and external customers.

What's The Process Of Reengineering?

Although approaches differ widely, all begin by defining the objectives, performance metrics and target values, constraints and critical success factors, and the internal and external customers for the enterprise or business area under study. Then, using these business descriptors to drive the analysis, the best approaches recommend modeling the target business as it should be, free from the constraining influences of historical business rules, organizational design and systems. The business model addresses the organizational roles, work locations, data and processes that are really needed to meet the objectives subject to the constraints.

With this business model as a foundation, the reengineering study must determine how to deliver the business, i.e. what combination of manual and automated "systems" could support the business model. Formulating this concept addresses not only the obvious issues of technology infrastructure, and data and applications architectures, but also considers how best to organize, motivate, lead, develop, etc., the human resources whose roles and responsibilities comprise the critical organizational architecture of the planned "system." While the business model describes what the business must do and why, the concept proposes how to accomplish it.

The final step in a reengineering study is to develop a plan for moving from the current situation to the desired business model as delivered through the overall system concept. Such a plan addresses needed changes in everything from policies and practices to organization and systems. Clearly, none of the desired changes can be made unless the relevant human resource management issues have been considered throughout the reengineering study, and needed changes in HRM policies, programs and practices are implemented along with (and often in advance of) the other planned changes.

The best reengineering approaches put a very heavy emphasis on managing the diverse elements of massive, disruptive change. They also stress careful and innovative analyses of costs and benefits, including many non-financial and hard-to-measure items. But clean slate BPR is usually driven by the business need to achieve performance breakthroughs rather than by purely precise return on investment calculations. And all too often, HRM plays a reactive rather than a proactive role in making the needed changes in its own business area.

Should HRM Be A Direct Target For Reengineering — Yes And No!

For most organizations, HRM isn't the first business area that senior management thinks of when (or if) they consider clean slate reengineering. The more usual focus has been on the "value chain" — manufacturing processes (physical or service-oriented), distribution processes, external customer service, etc. However, because of HRM's dual role in BPR, the extreme cost pressures on all staff functions, and HRM's tradition of creating non-value adding procedures and business rules, the HRM business is an excellent candidate for true reengineering — when there's sufficient leadership from the human resource executive — or, at a minimum, for the more modest (and often more successful) process improvement flavor of BPR.

Several large, international and very diverse corporations have already searched for breakthroughs in their HRM performance metrics. They have been willing to rethink completely their HRM business in order to:

● Achieve major reductions in the cost of HRM, e.g. by reducing dramatically the ratio of human resource staff to overall staff

- Change their corporate cultures from hierarchical, bureaucratic, centralized and risk-averse to matrixed, agile, decentralized and entrepreneurial

- Shorten dramatically the time needed to fill key positions, deploy new compensation plans, or identify employees with the relevant background and experience for a new project

- Use their human resource management business rules and "system" to support, and in some cases to drive, desired changes elsewhere in their business

These HRM business reengineering and systems planning projects, while very different in terms of organizational setting and original impetus, developed very similar HRM business models. Even when their target performance metrics emphasized very different aspects of the HRM business, their vision of how best to deliver that business had much in common. For example, a common, perhaps obvious, finding was that most HRM data originates with employees, applicants, managers, retirees, i.e. with the persons who have an HRM-related role to play in the organization. This data has always been captured directly from its source (and information provided to that source), but until now we have relied heavily on paper forms, the intervention of administrative personnel, and many manual review and approval processes to ensure that the captured data was accurate before we stored it in manual and/or automated files.

A common recommendation, therefore, of these HRM reengineering projects is to institute true, automated source data capture and access, not just for some HRM business events (e.g. changing fund allocations for a 401K plan) but for all HRM business events.. This approach provides each person with a direct mechanism, including PC-based, telephone-based, and a broad variety of kiosk-type interfaces, for inputting the business events they initiate (e.g. an address change or request for applicant status) and obtaining the information they need to play their HRM role (e.g. what positions are open or what courses are appropriate). Automated edits can substitute for reviews and approvals if there is sufficient automated entity and reference data to provide a business context for the edits and if the business rules can be expressed completely. Even more important than the positive cost and data quality implications of this approach is the empowerment message.

Another common result of taking a fresh look at the HRM business is to recognize and eliminate the historical but artificial distinction between labor dollars spent on so-called cash compensation and those same dollars spent to provide employees with various services and protections (e.g. a subsidized cafeteria or life insurance). Although tax laws may make certain types of total compensation more desirably paid out as services and protections rather than as cash, tax laws change and, in any case, are just one consideration in the design of the organization's total compensation strategy. As the workforce grows more diverse and as more organizations become transnational in their operations, it's important to consider what combination of rewards and remuneration would provide each employee with the greatest incentives and protection while keeping the organization's labor costs (and compliance exposure) to a minimum. Isn't the real issue finding what combination works best for the employer, in terms of creating and maintaining a high quality, productive workforce, rather than retaining these artificial distinctions?

Increasingly, sophisticated information systems are enabling total compensation planners to analyze workforce demographics, model the likely behavioral affects of various combinations of total compensation plans, and design truly custom plans. Is more time off a legitimate incentive for greater sales productivity? Would a more generous 401K match help us retain critical engineering talent? What about compensating workers who achieve specific outcomes with team bonuses to be divided by the team as they see fit? Should we pay for "skill" acquisition? These and many other total compensation options become possible only when greater and more integrated use is made of HRM information and information processing technology. And when the traditional role of payroll — zero to gross and gross to net — is not allowed to constrain the process.

Sounds Good, But Where Are The Pitfalls?

Long before BPR was the rage (and long before today's information technologies had become so powerful an enabler), I did a project for a Boston-area computer firm which was experiencing tremendous difficulty generating and "processing" enough qualified applicants to support their rapid growth. Hiring plans were not being met, and senior management was furious.

After some analysis, it became clear that, among other problems, there was a significant mismatch between the characteristics of applicants being generated by conventional means (e.g. agencies, advertisements, and even referrals) and the characteristics desired by technical managers. Not enough really strong programmers were applying, and those that did were being screened out by their preliminary interviews in Personnel, either because Personnel felt their social skills weren't adequate or because the otherwise qualified applicants were put off by having to talk to someone in Personnel.

Enter reengineering and the world of information technology. We eliminated the middleman, a classic technique in contemporary BPR. By using a commercially available call-in computer bulletin board (a very new thing at that time), we connected prospective applicants directly with the firm's technical managers. Without the stress of direct, personal contact, information could be exchanged about position responsibilities, corporate culture, the applicant's experience, etc. Furthermore, this method of communication really appealed to the very people the firm was trying to attract. After all, if they couldn't handle a PC well enough to use the bulletin board (or if they didn't even have a PC), the chances were high that they wouldn't make a really strong programmer. When both applicant and technical manager felt ready, the applicant was referred to Personnel for follow up and more formal interviewing. But by then, only qualified applicants had to be "processed," and they already had a good enough sense of the company

not to be put off by the minimal administrative work required to check their references, complete their interviews, and get them hired.

Although dated, this example is classic reengineering. It challenges all the business rules against their role in achieving business objectives. It uses information and information technology to enable fundamental change in how business is conducted. It improves time-to-market and cost while producing higher quality results.

Was I a heroine? No such luck. The Personnel department's recruiters were relegated to what they saw as a less important role, and fewer of them were needed. The Director of Personnel was concerned that the company would be staffed against an inappropriate yardstick; technical competence might be given too much weight. I was chastised by the IS manager for not seeing the promise of an in-house custom systems project or the justification for an expanded dial-in network. Even the technical managers for whom the reengineered process worked very well wondered aloud if it didn't work too well. Suddenly they were seeing applicants that made them feel slightly dated technically. The moral is that Machiavelli was right.

Getting Started

Before undertaking any BPR effort, or labeling any normal process improvement activity with this tag, it's helpful to get a perspective on this latest attempt to find the proverbial silver bullet. Included here are suggested sources of additional information. You may also want to attend one of several newly minted reengineering seminars; the ones by Hammer are reportedly excellent. I would also suggest that you take a rejuvenating vacation before starting — or even suggesting — a BPR study. Once such a project is underway, there'll be no time to catch your breath!

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