

The Business Case for Implementing Self Service

Executive Summary

This Briefing Paper explores the business case for investing in employee and manager self-service, from the widely-anticipated efficiency gains for HR functions, line managers and individual employees to the broader business benefits that come from better access to information. It also addresses the challenges organisations face as they attempt to roll out self-service. In particular, it argues that:

While the business case for investing in self-service typically centres on cutting administrative costs and improving process efficiency, the focus is also starting to fall on the broader people management benefits, from improving performance and absence management to broadening access to training. These benefits also include improved information management, impacting everything from operational efficiency to long-term trend analysis

- The argument that automation frees up HR to do more value-added work is borne out by practitioners' experiences. By reducing the administrative burden on HR, organisations have been able to free up their HR functions to focus on more proactive people management initiatives.
- Not all cost savings derived from self-service will drop to the bottom line. For example, introducing self-service may raise the bar in terms of HR service level expectations, so some savings may be consumed in meeting new quality demands.
- Self-service capability is also beginning to play an important role in organisations' ability to introduce flexible working, not least by providing access to central HR systems for remote workers. Tying employees into central systems plays an important part in keeping them connected to the organisation, both in practical terms and perception
- The business case for self-service rests in part on a credible "guarantee" of high user adoption levels, so the rollout plan must focus on the functionality that's most likely to encourage take-up among employees and managers. As with most HR IT projects, organisations are usually advised to take a phased approach to implementing self-service, piloting projects to secure employee buy-in and focusing first on tackling the biggest pain points and generating the biggest wins
- The cost of self-service will be influenced by a number of factors in addition to the software licence fee, including ease of implementation and ongoing maintenance and support fees. However, with more HR system suppliers offering self service via a hosted environment, and paying an annual rental fee, the initial cost impact is negligible, and the ongoing support and maintenance inclusive. The cost therefore to an organisation's IT department is negated.

It's important to calculate the true cost of ownership when making selection decisions.

Introduction: Concept to Implementation

Take-up of HR self-service may remain patchy in some sectors, but there's little doubt that the concept has now won widespread acceptance. Compared to just a few years ago, when early pioneers could expect to encounter resistance both from inside the HR function and among line managers and employees, today's self-service projects tend to be less fraught with political and cultural opposition. The change management challenges are still significant – after all, self-service fundamentally transforms roles – and some of the core technology is still relatively new. But the adoption cycle has shifted from early pioneers to mainstream business practice.

In some respects, this shift reflects broader acceptance of the principles of self-service in the consumer and business-to-business environments. Most internet users are familiar with web-based customer service applications, ranging from sites that answer 'frequently asked questions' (FAQs) about your telephone bill or PC problems, to more sophisticated websites that offer live online 'chat' with a service agent through instant messaging. As an alternative to calling a service centre, navigating through an automated voice directory and listening to hold music while you wait for an agent, customer self-service has a lot going for it.

The same benefits have now become apparent in the HR field. At its most basic, the aim of self-service is to remove one or more layers of administrative HR bureaucracy, primarily by allowing employees and managers access to systems that were once the preserve of the HR function. Instead of filling in a paper form or Word document to change their bank details or home address, employees can enter their own information through secure online access. No rekeying is required, which cuts down HR administrative overhead and also reduces the potential for errors.

Some of the early resistance to self-service was based on the fear that HR was using it to push its administrative burden onto line managers and employees. Today, however, many employees simply expect to be able to interact online. For 'Generation Y', brought up in a world of social networking and 24-hour online banking, the idea of filling in paper-based forms to change their address or waiting days to get sight of a past-month payslip is simply arcane.

As acceptance of the concept has grown, so the capability of HR systems has increased, and self-service applications now cover a wide range of functions. Some of these are informational – allowing employees to check their outstanding holidays, check their benefit entitlements, or access and print-out their payslips. Others are more interactive. Many self-service applications allow employees to book their own holidays, directing the request to their manager for approval, or apply online for an internal vacancy.

As the concept of self-service spreads, it becomes embedded in the way that organisations carry out their day-to-day activities. Managers can input summary information and action points from performance reviews via self-service, triggering follow-up actions (such as training requests) and providing a central information pool

where they, their employees and HR can check on progress. At this point, self-service is no longer an HR application – it's a mechanism for more effective people management and a tool for generating workforce intelligence.

Cost and Service Quality

While the potential benefits of HR self-service expand into core people management disciplines such as recruitment, absence management and training, most business cases start (and often end) with the basics – cost reduction.

In broad terms, the cost savings come from several different sources, including:

- Eliminating re-keying of data, which cuts HR data processing time. Traditional HR set-ups require data to be transferred from paper or electronic documents into the core HR management system. This step is eradicated by allowing employees to enter data direct
- Cutting administrative time spent on error correction, again by eliminating re-keying. There's an assumption with self-service that employees will take greater care inputting personal data such as bank account details than an overworked HR administrator. In fact, self-service data entry is an effective way of improving data quality – rather than attempting to clean up the HR database prior to introducing self-service, organisations are usually better served by allowing employees to amend their own information
- Streamlining and standardising processes. Because paper-based processes are inherently inefficient, many departments evolve their own ways of gathering basic HR information such as absence or holiday data. Self-service gives organisations an opportunity to standardise on best practice and ensure data consistency
- Replacing the volume of support calls handled by HR by providing access to information online.

There are, however, some important caveats when it comes to assessing these cost savings.

Firstly, additional costs may be incurred during the transition to self-service. For example, encouraging employees to use the Web rather than call HR or a contact centre can be a prolonged process. In many cases, it may make sense in the short-term for HR employees to spend *more* time than normal with a caller walking them through the website capabilities, as this will reduce the volume of calls in the long-term.

Secondly, the business case needs to take account of the infrastructure requirements to cater for employees who don't have easy online access – an issue that affects a range of roles including field service agents, sales assistants in retail stores and shop-floor workers in manufacturing plants. There are usually practical solutions to these kinds of issues, especially as self-service access is rarely time-sensitive. Some organisations use shared PCs in break rooms or staff cafes, for example, or

standalone “kiosks”. While it’s essential from a political and cultural perspective to be inclusive in providing access to self-service, many of these challenges are becoming less and less problematic as home-based access to the internet becomes more pervasive.

Thirdly, while employee self-service typically reduces HR administrative workload, it doesn’t always translate into headcount reductions. In some cases, HR teams are simply overloaded prior to the introduction of self-service, and reducing their administrative work really only frees them up to do tasks that are currently being ignored. In addition, some organisations choose to retrain HR administrators to carry out more value-adding roles wherever possible, a transition that has cost implications in its own right.

Finally, expectations of service quality among employees and line managers are likely to increase as self-service starts to improve HR service quality. While there may be an assumption within HR, and across the broader business, that this is a positive trend, it’s important to bear in mind that service improvement in its own right is not a strategic goal: the real objective is to deliver improvements that benefit the business.

Customer service is a good analogy. While it’s generally assumed that better customer service will translate into additional revenue, the link can’t always be guaranteed – investing in additional call centre agents to cut call waiting times from 40 to 20 seconds, for example, won’t necessarily make a customer any more loyal. Likewise, giving employees access to their pay history online is unlikely to improve retention in its own right. There may well be an impact in terms of reduced call volume for the HR function – but that’s an efficiency rather than service quality argument. Service improvements, therefore, typically need to be assessed in the context of their broader impact.

The People Management Perspective

While cost savings will always be a key component in building a business case for investment in HR self-service, the longer-term impact in streamlining and improving core people management disciplines can be just as significant. This is not simply a process management issue. One of the benefits of automating manual activities is that it generates data that can be used for a range of business intelligence needs, from day-to-day operational analysis to workforce business trends. Because self-service tends to improve data accuracy – by eliminating rekeying and putting data accuracy into the hands of the beneficiaries – it also improves the quality of the resulting analysis.

a) Employee development and performance management

Training expenditure is often loosely managed within organisations, and HR self-service can make a significant difference in improving efficiency, not least by imposing controls on the authorisation process through automated workflows. But the potential benefits extend beyond process control. To begin with, allowing employees and

managers to browse training libraries and course outlines often improves the chances of matching real need to supply – one reason training budgets are often poorly spent is the difficulty of getting access to up-to-date information about relevant programmes.

Similarly, self-service makes it easier to connect training administration to performance appraisals, helping to tie together two disciplines that are always closely associated in principle but often poorly connected in practice. Manual performance management systems tend to be front-loaded – a training request may be triggered after an appraisal, for example, but administrative delays and other work priorities mean that development programs are often not fully implemented. By logging appraisal data and supporting documentation online, it becomes much easier for both managers and employees to monitor follow-ups.

b) Absence management

At an administrative level, self-service applications make it much easier for employees and managers to log and monitor absence centrally. Generating accurate data – particularly on sickness – is critical in managing long-term absence and providing evidence for action in the case of abuse. It also provides data for trend analysis. Some organisations use employee portals as a tool to manage absence, configuring systems so that employees see their own sickness and holiday data whenever they log in to check HR-related information. This serves as an incentive to use up holiday time – and an implicit warning that absence is being monitored.

c) A tool for flexible working

Flexible working is emerging as a key competitive differentiator in several industries, and as organisations broaden their search for talent, the ability to cater for part-time employees, home workers and demand for flexible hours will continue to grow. While much of the focus on flexible working has been on the line management and cultural challenges, the IT implications are also far-reaching. Alongside the voice and data communications capability required to connect home and remote workers, there are significant benefits in enabling internet-based access to self-service HR applications – not least in ensuring that home workers enjoy the same employee benefits and information access as their office-based peers. The HR function has always played a central role in helping build a comfortable, attractive work environment for office-based employees: by staying connected to remote workers online, that role can be extended outside the office.

System Selection and Implementation

a) Cost of ownership

No business case for HR self-service is complete without analysing the outlay on the supporting IT systems. However, with new technology advances in the last few years, organisations no longer have the sole option of purchase and implementation. The

choice is now available to organisations to either stay with the established method of purchasing software or to move to the new facility of hosting.

(1) Costs of implementation on premise:

Licence fee and annual maintenance costs In addition to the upfront costs, most applications carry a maintenance fee of up to 20+ per cent per year to cover ongoing product enhancements

Implementation fees The cost of installing a system and tailoring it to your specific work environment will be influenced by numerous factors, including:

- How much you choose to change the system. Most organisations adapt new IT systems to the specific way they work – how much it costs to do so will depend in part on the way the system was designed. In particular, it's important to establish how much your needs can be met through configuration (e.g. changing fields and screens) rather than customisation, which involves changes to the underlying software code. Extensive customisation can be expensive and may complicate future upgrades.
- How much integration is required to connect to other systems, both within HR and in other business functions

(2) Cost of hosted self service

- With hosted self service the major cost saving is that of time for an organisation's IT department. They no longer have to support or maintain the system, nor do they have to manage any future upgrades. These actions are now managed by the hosted service provider and are included in the ongoing costs.
- A hosted self service system would involve small initial costs, as the system would be rented on an annual contract.

(3) Training

The cost of training is routinely underestimated in IT implementations. Worse, training is often the first item to be cut when budgets come under pressure – which is usually a false economy, given how significantly training influences user adoption. Where self-service systems offer access through a browser-style interface, the user training requirements will be significantly reduced.

(4)Support

The cost of support provided by both IT and HR should be factored in throughout the implementation and beyond

b) Phased rollouts

The 'Big Bang' philosophy towards IT rollouts, widely favoured in the 1990s, has gone out of fashion in recent years, and most organisations today prefer to take a phased approach. For one thing, this allows them to pilot new systems among a small group of users and iron out any technical problems early on, particularly in terms of usability. Just as important, it lets them prioritise, focusing on tackling key pain points within the organisation or on capability that will deliver the most tangible short-term benefits.

Prioritising investment on the basis of direct cost-savings isn't always easy, especially as people management processes cross multiple company departments and it's hard to establish how much resource is being consumed in non-HR functions. But in-house research often helps. Options include:

- Surveys of the HR, payroll, and training functions, as well as line managers, to find the biggest pain points in their people management processes. Identifying the most unpopular process bottlenecks doesn't just help establish a business case for investment – it will also help generate buy-in from executives, which is a big factor in the success of any IT rollout
- Resource analysis. Which transactional activities take up most time in the HR function during a "normal" week? Which are the easiest to automate?
- Support query analysis. What are the top ten most common enquiries, and which of them take up most of HR's time? How many of them could be solved simply by posting "Frequently Asked Questions" on the intranet?

c) Securing user adoption

One of the most common causes of failed IT implementations – across the whole IT sector, not just in HR – is lack of buy-in from stakeholders, whether senior executives or line managers and employees. This is a particular risk for self-service, where the whole rationale behind implementation is to reach out beyond the HR function and encourage participation at every level of the organisation. There are a number of well-established techniques to encourage adoption, including:

- Involving representatives from relevant parts of the organisation. Self-service projects shouldn't get bogged down in lengthy consultations, but building an inclusive steering committee from the design phase onwards helps broaden buy-in and gives a voice to all constituencies
- Harnessing critical users and enthusiasts at the start of the project and letting them shape the project. These "power users" play a big role in evangelising the concept and assisting in the physical rollout
- Focusing on the people who matter most in a change management process, not those with the loudest voices. Michael Hammer, the management consultant most famous for developing the concept of business re-engineering, argues that in any change management project 20 per cent of people will be enthusiastic, 20 per cent will fight it and 60 per cent will be undecided. Most

companies focus on the 20 per cent who resist it – but the battle is really won among the 60 per cent who can be swayed either way

- Carrying out usability testing
- Generating quick wins that bring tangible benefits to end-users and senior management as well as the HR or finance department. Providing online payslips and encouraging employees to post emergency contact information online are both effective ways of encouraging adoption. The order in which self-service applications are implemented can also be important. Allowing employees to change their name and address is relatively simple, but it's also relatively low-value, since employees move house so infrequently. Distributing payslips online, by contrast, is a relatively simple one-way transmission process, yet it has tangible benefits all round. Employees usually receive their pay information earlier, which allows errors to be corrected sooner (something that's also important to Finance). From the organisation's perspective, online payslips reduce print and distribution costs and are an effective means of encouraging employees to use the self-service systems. It's also important to bear in mind that different employees have different priorities. Speed and process efficiency will appeal to some, particularly in areas such as faster error correction in payroll or quicker approval of training course enrolment, while others will appreciate 24x7 access to their compensation history or benefits so they can study their options from home. These different drivers need to be aggregated and weighted. Organisations that conduct extensive surveys of their workforce prior to rollout are often surprised by the findings, so this kind of preparation may deliver results in the long-term. Finally, while these issues are important in securing buy-in, organisations should also prepare themselves for the opposite reaction – overwhelming enthusiasm. Many self-service adopters have found that once employees and line managers begin to see tangible benefits in one area, demand for new services rapidly escalates faster than they can be delivered.

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