

## **IDC TECHNOLOGY SPOTLIGHT**

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# **Unifying Human Resources for Greater Business Value**

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Adapted from *IDC MarketScape: Worldwide Integrated Talent Management 2010 Vendor Analysis*, by Lisa Rowan, IDC #221561

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*The Human Resources (HR) department is responsible for everything related to the management of the employee life cycle, from recruiting and hiring, to retaining and development, and finally separation or retirement. For HR, the benefits of implementing integrated systems are fairly clear, and include improved efficiency and enhanced effectiveness, particularly for functions that historically relied on siloed or standalone processes, as well as sharing common business rules and data models for analytics.*

*However, there is an additional key benefit of integrated HR processes — a clearer demonstrable value to the company's business goals. HR needs to consider both the benefits it directly realizes from integrated processes, as well as benefits the business derives from having greater visibility into and insight about its workforce. All too often, HR requests for system investments are declined because HR managers don't build a convincing business case around the technology.*

*IDC believes that the single most important facet of automating human resource processes is the interplay and needed integration among the various functions. For many employers, the various HR functions are managed separately and exist in silos both procedurally and technically. This needs to change as each, progressive investment in technology will beg for interaction and to be part of a comprehensive HR system. This Technology Spotlight presents the business case for a holistic approach to HR systems, and discusses the benefits of such an approach to both the HR department and the business overall. The paper also looks at the role of Ultimate Software in this important market.*

## **Introduction**

Most HR organizations have a number of separate and disconnected software applications that only automate and manage individual human resources functions. For example, it's typical for an organization to have a recruiting team that is distinct from the training team. In response to this, system and service providers historically offered solutions addressing a single function. The most mature of the siloed systems are applicant tracking systems (ATSs) and learning management systems (LMSs), where both areas have been served by specialized vendor systems for the past 20 or more years.

In the past three to five years, vendor-provided solutions have emerged for most of the segments within what IDC calls the "HR Value Cycle". These include integration between core human resource management systems such as payroll and benefits administration, and recruitment, performance, and learning management systems. The HR Value Cycle is segmented according to specific processes within the HR function (see Figure 1), and includes the following areas:

- **Core HR management functions.** These include payroll and payroll tax administration, paycheck production and distribution, electronic funds transfer, health and welfare benefits administration, pension and retirement benefits administration, employee communications, employee and manager self-service administration and related HR management system and/or HR/employee portal functions.
- **Recruiting and staffing functions.** These include end-to-end hiring process automation and hiring-process support (e.g., new-hire testing, assessment, and selection).
- **Performance management functions.** These include employee testing and assessment, employee satisfaction surveys, performance reviews and appraisals, variable compensation administration, and career and succession planning. Performance management has expanded recently to include HR scorecards and more comprehensive measurement of HR and its contribution to the organization's business goals.
- **Learning and development functions.** These include management of the learning infrastructure necessary to deliver content; and the professional services required to develop, deploy, manage, execute, and support a learning solution.
- **Workforce management functions.** These include employee time management, employee scheduling, attendance and leave management.

**Figure 1**

The HR Value Cycle



Source: IDC, 2010

## Benefits of Integration

Integration of the HR functions can deliver the following wide-ranging benefits for both the HR department and the business it serves:

- **Central repository of all HR information.** A single integrated human capital management (HCM) solution is the "system of record" for all key HR data -- no concerns over which module or system has the "right" information; there would be only one source of data for all HCM and talent management functions. Also, there are no batch data updates and no interfaces to maintain -- everything is in one place.
- **Elimination of manual entries.** With integrated HR systems duplicate entries into multiple systems such as core HR, recruiting, benefits management time and attendance and payroll can be eliminated saving enormous amounts of HR staff time. In addition, by limiting manual intervention this reduces the potential for errors and improving efficiency. Furthermore, such systems can reduce if not eliminate compliance issues by enforcing consistent, accurate, and auditable HR processes.

- **Cost reductions.** Integrated HR can reduce the costs associated with benefits administration and payroll. There are fewer local systems to support, which translates into reduced costs and lower IT overhead to manage multiple systems.
- **Data Analytics.** Multiple HR systems can make it difficult to generate reports which have an enterprise-wide view, but HR can gain that seat of the executive table with integrated analytics which give insight and actionable employee information that can be used for corporate decision making. By assessing productivity trends, analytics provides visibility into where the top performers are. Analytics also facilitate daily monitoring with up-to-the minute updates. An integrated system offers a common data model for reporting and business intelligence. Users wouldn't have to deal with unifying data from different modules and data models.
- **Employee and manager self-service.** Providing employees with self-service access for such things as open enrollment in healthcare insurance, retirement distributions, and requesting paid time off has mutual benefits. For HR, such self-service options reduce the burdens associated with managing benefits. On the business side, managers also can reduce the time they spend on administrative tasks. Managers can become more productive as they have expanded span of control due to flatter organizations; they have more multitasking they are required to do and automated self-service tools can enable them to respond more quickly to employees.
- **Enhanced candidate experience and employee morale.** Integrated talent management systems include functionality for critical tasks such as recruiting, training and development, compensation planning, performance management, and career and succession planning. Again, integrating these functions can benefit HR as well as the business. For example, the recruiting function is not just for external hiring; it can help redeploy existing internal resources -- something particularly important if there is a reduction in the workforce.

It's critical, especially during economic downturns, to retain top talent and maintain their morale, and talent management systems can help identify top talent and enable HR to establish fair and accurate compensation strategies. Integrated talent management facilitates identifying and hiring the best candidates, and in turn retaining them through compensation plans and training programs. Well-integrated systems enable a company to be opportunistic in recruiting personnel, as the top talent from competitors may be looking for new opportunities.

To attract and hire top talent, the candidate experience has to be perfect. Organizations with a strong need to identify successors require visibility into their workforce, and an ability to track and develop skills in order to reduce turnover. For the business, there is an added benefit of increasing sales and customer service by having a well-motivated and experienced workforce with a vested interest in the company.

Finally, an integrated system is just easier to use by providing users a more consistent user experience as all parts of the solution have the same familiar user interface, rather than a "cobbled together" look of separate modules, each of which requiring separate user training. Likewise, an integrated solution can be accessed by seamless sign-on and single authentication. It would also share common security rules, business rules, and workflow across the various software modules

## Technology Adoption Spectrum

HR professionals intuitively grasp the business value of integrating the various automated functions of their departments. Yet companies are still at widely differing stages of technology adoption. The

following four scenarios reflect the full range of integration possibilities, from little or no integration to a fully unified HCM solution:

- **Manual tracking of HR/payroll and talent management information.** Despite automation in certain areas, there are companies -- particularly smaller organizations -- that still track some or all of their employee HR data and talent management information manually.
- **Interfaced system from multiple vendors.** An interfaced approach is one where the organization acquires best-of-breed HCM vendors based on expertise in specific areas such as recruitment or performance management. These disparate systems then require manual entries between systems or batch interfaces to transfer information between and among the unrelated systems.
- **Integrated HCM system from one vendor.** An integrated HCM system approach is one that acquires all the components of the organization's HCM needs from a single vendor. However, the underlying systems are different in design (often having been acquired by the vendor and not updated or modified). These systems are integrated through batch processes, and often have limited reporting capabilities across the systems.
- **Unified HCM solution from one vendor.** This is an HCM solution that addresses the organization's core system of record for employee information, talent management, time management, and payroll. This is seamlessly done by a complete solution, which offers a similar look and feel for all parts of the system, comprehensive reporting analytics and with similar business rules residing on one database.

As companies progress in their use of technology to assist their HR processes and business, they are seeing compelling benefits from integration. If the company has reached the point where it is serious about HCM, adoption of a single, unified HCM solution is the pinnacle of what is offered in today's market.

## Considering Ultimate Software

Founded in 1990, Ultimate Software is a publicly-traded company headquartered in Weston, Florida, that provides HCM solutions to help organizations of all sizes with everything from employee recruitment to termination. The company's flagship product is UltiPro, a strategic end-to-end unified HRMS/payroll and talent management software solution designed to make everyone within an organization more effective. UltiPro's HR and benefits management functionality is integrated with its payroll engine, talent management, reporting, and analytical decision-making tools.

UltiPro is offered in two versions, Workplace and Enterprise. UltiPro Workplace, a one-stop workplace portal, is designed for businesses with 200-999 employees and delivered in a software-as-a-service (SaaS) model. UltiPro Enterprise is a software-as-a service solution for businesses with 1,000 or more employees.

Both versions provide organizations with a unified, high-quality talent management, HR, payroll, benefits administration and time management functionality, with award-winning customer support services — reportedly the most responsive in the industry. The UltiPro solution focuses on improving the user's business by providing total control over talent management, payroll, HR, and benefits processes, enabling users to integrate and streamline these functions to improve efficiencies and reduce administrative costs.

UltiPro provides fully integrated functionality across the following key areas:

- Business/employee portal

- Human resources
- Workforce analytics and reporting
- Global employee tracking
- Recruitment and staffing
- Onboarding
- Performance Management
- Learning management
- Compensation management
- Salary planning and budgeting
- Benefits administration and open enrollment
- Payroll administration and tax management
- Time, attendance, and scheduling
- Self-service for employees and managers
- Tax filing and garnishments processing

Enterprise integration tools provide the ability to interface easily with third-party applications such as general ledger, the user's bank, 401(k) and benefit providers, check-printing services, unemployment management services, point-of-sale systems, and more. Scheduling tools permit users to control how and when their data is transferred from one system to another while monitoring capabilities keep that data secure and ensures successful data exchange.

Ultimate Software has greater than 1,900 customers from industries and organizations as diverse as The Container Store, Elizabeth Arden, The Florida Marlins Baseball Team, The New York Yankees Baseball Team, Nintendo of America, Ruth's Chris Steak House, and SkyWest Airlines. Yet, a common thread running through all these organizations is their desire for integrated HR. Ultimate reports that 90% of its new customers say a key reason they purchased UltiPro was for an ability to get a comprehensive hire-to-retain solution entirely from one vendor.

### ***Challenges***

The company does face market challenges, however. Many HR buyers have made investments in individual niche applications for functions such as recruiting and learning management. It may be difficult for Ultimate Software to unseat such incumbent applications in favor of an end-to-end approach if the function leader is averse to change or heavily invested in the standalone system. Despite the benefits of integrated HR systems, the various HR functions are often separately managed; to take full advantage of a single solution, the various stakeholders need to be brought into agreement on data models and system selection. Ultimate Software may have competing requirements and parochial views to overcome.

Also, organizations are resource-constrained, in many cases due to workforce reductions from the current economic climate. HR has been among the functions hardest hit by the economy, and Ultimate Software will have to help a reduced HR team make the business case for new software investment.

## Conclusion

From the perspective of many HR departments, investing in talent and workforce management systems are an easy sell. By providing an integrated approach to managing the entire employee life cycle, HR automation can reduce errors, improve productivity and efficiency, and mitigate compliance risks.

On the business side, HR integration can provide visibility into, and analysis of, the workforce. By aligning skills with the objectives of the business, and mapping future requirements to training, development and succession planning, HR integration can indeed deliver value to the organization as a whole. This value is particularly critical now as many organizations are resizing and redeploying their workforces.

Indeed, uncertain and volatile economic conditions may hinder adoption of new HR systems. However, IDC believes that now is, in fact, a good time for such adoption because the benefits provided by an integrated solution will more than offset the investment. Some HR departments may choose to augment existing systems only where needed. This can leave the company without the integration benefits discussed in this paper. Integration is imperative for true visibility into key talent, as well as into the workforce as a whole.

To the extent that Ultimate Software can address the challenges described in this paper, the company has a significant opportunity for further success.

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