



## Quantifying The Setting Up Of An e-HR System

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## Driving Forces

### External

- Intensifying competition locally and globally
- Demand for increased level of service and quality
- Aggressive and dynamic advancement in technology
- Mergers and Acquisition

### Internal

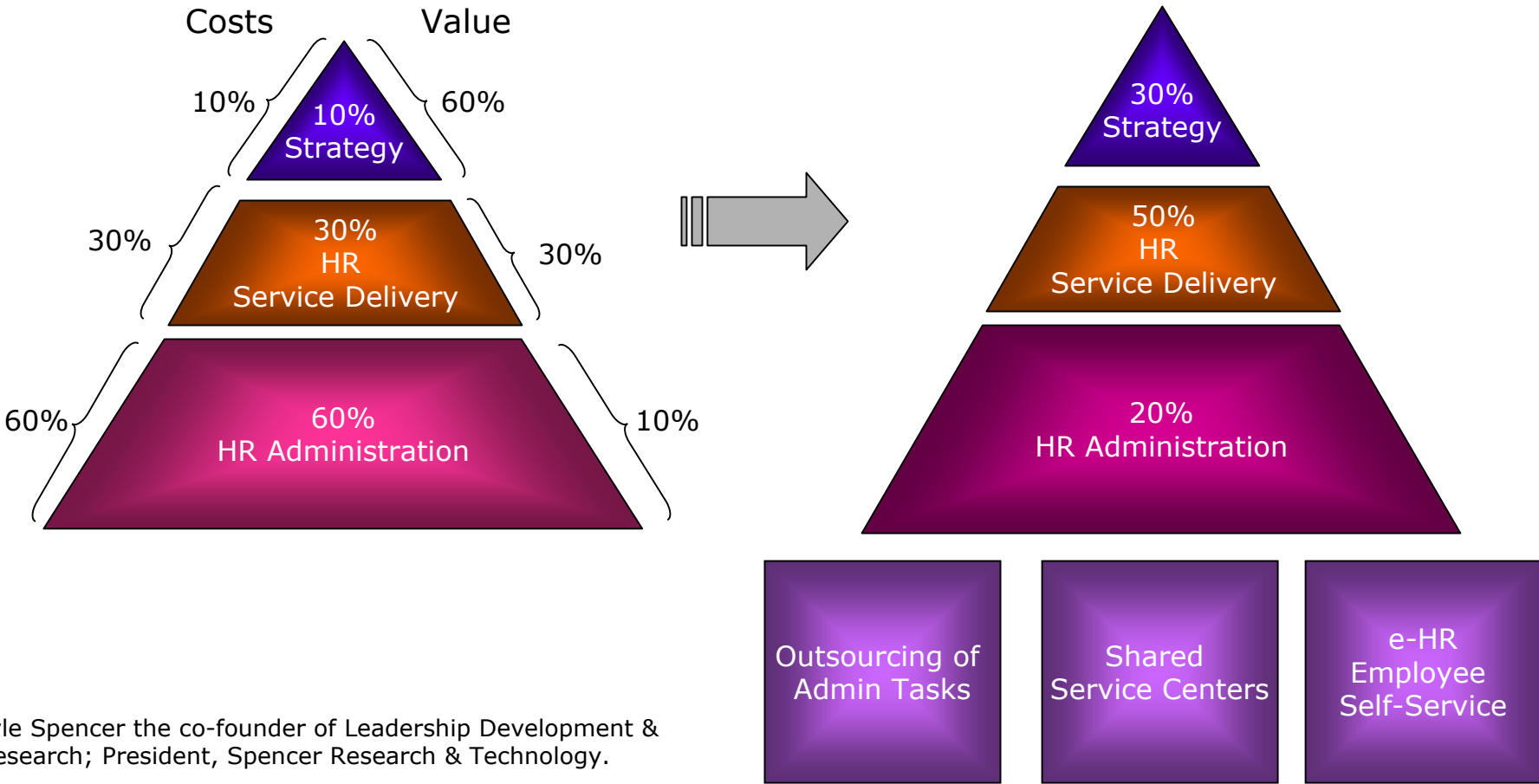
- Reduce HR services costs, improve service quality
- Build workforce with right portfolio of skills and knowledge
- Identify skill and competencies to meet vision
- Manage workforce on global basis
- Develop retention programs

## Current Situation

- HR largely operates as back room function
- Internal functions and processes not effectively managed
- No measurement of value and non-value adding functions
- Lack of technology utilization



# HR Transformation \*



\*Lyle Spencer the co-founder of Leadership Development & Research; President, Spencer Research & Technology.



## e-HR

Leveraging of technology to deliver HR solutions that brings about convergence in human capital, processes, data and tools as a catalyst towards achieving business strategies.

### Critical e-HR tools

- ✓ e-recruitment
- ✓ e-appraisal
- ✓ e-leave
- ✓ e-claims
- ✓ e-profile
- ✓ e-learning
- ✓ e-attendance
- ✓ e-overtime



### **e-Recruitment**

Allows managing of recruitment and hiring in a systematic manner  
Advertise openings, manage applications and interviews up to hiring electronically

### **e-Leave**

Application and approval of leave managed through defined workflow  
Approving authority will be able to review the history record

### **e-Claims**

Submission and approval of claims on-line  
Submit/scan original receipts to Finance for verification

### **e-Profile**

Employee have access to his/her profile for updating or editing  
Controlled maintained by HR prior to approval

### **e-Appraisal**

Web-enabled appraisal, skills development and career mapping  
Reduces the paperwork and paper-pushing by HR, onus on manager  
Able to conduct appraisal on-time



## **Benefits of e-HR**

### **Business**

- Able to have multiple physical presence, with one virtual HR Department
- React quickly to a continually changing business structure
- Obtain human capital information from anywhere in the world, e.g. China, etc.

### **HR Division**

- Reduce HR service delivery cost by automating key HR business processes
- HR gets to focus on strategic issues more
- Manage workforce with right portfolio of skills and knowledge
- Manage reward programs to attract, motivate and retain skilled workers
- Data Entry – increase error detection/reduce correction cost
- Eliminating cost related to printing and dissemination of information to employees

### **Employees**

- Improved levels of service from HR to meet employees' demands
- Employee self-service allows quick and immediate access to info
- Employees' career development and appraisal done more effectively and efficiently



## Building a Case for e-HR

- Obtain company's business plan and strategies
- Conduct assessment on internal capabilities on meeting service expectation, at low cost
- Map the expected against current
- Understand and leverage the link between e-HR and the business strategies
- Conduct analysis of process, role, technology and cost
- Quantify current cost of HR services vs. with e-HR
- Define how e-HR will change the delivery of HR services – articulate vision in PPT
- Develop Cost Benefits Analysis in close collab. with Finance Department
- Establish measures and targets to maintain focus and assess progress



## Components to Consider in Quantifying Cost

### **Infrastructure**

Encompasses everything necessary to host, manage, operate the application  
Data Security and protection from virus, hackers, etc.  
Transaction bandwidth and capacity, firewall design and architecture  
DRP

### **Applications**

All tools and applications required to interact with or manage the e-modules

### **Implementation**

Complete skills and experience to integrate new infrastructure and application



## **ROI – What and How?**

### **Where is my ROI?**

- Study in US showed 40% of IT projects fail to deliver business results
- Broad range of parameters to measure, many intangible
- Initial investment can be way too high, can't neglect that

### **Quantifying ROI**

- Variance Approach – Changes before and after IT investment
- Cost/Benefit Analysis – Summing of measurable costs and benefits
- Financial Methodologies – ROI, Internal Rate of Return (IRR), NPV, Payback Period
- EVA – Measures return-on and cost-of invested capital
- Real Options – Quantifies value of flexibility and/or potential results
- Statistical Methods – correlation and regression analysis to compare various factors
- Balanced Scorecard – Integration of financial, customer, internal company and other perspectives to align initiatives
- Surveys – Measures critical role of subjective constituency evaluations

**Measure value beyond costs....**



## **Maximizing ROI for HR – HOW?**

### **Measure of Cost Efficiency**

- HR operating budget as a percentage of total company revenue

### **Measure of Staffing Efficiency**

- Number of HR staff relative to total number of company employees

### **Measure of Employee Satisfaction**

- Formally measure and report employee and manager satisfaction with HR services

**Invest e-HR dollars into What Brings Direct Cost Savings and Efficiencies**

**NOT just What Will Improve Communication**



## Simple Cost Benefits Analysis

	Time Taken	
	Manual	e-Leave
Obtain Form, Check Leave Balance and Apply	5 min	1 min
Submit to Secretary for Boss's Approval	5 min	By Pass
Approval by Boss, incl. Review	10 min	1 min
Submit to Secretary and to HR	10 min	By Pass
Inform Applicant	10 min	1 min
Update Database	5 min	3 min
<b>TOTAL TIME TO COMPLETE</b>	<b>45 min</b>	<b>5 min</b>

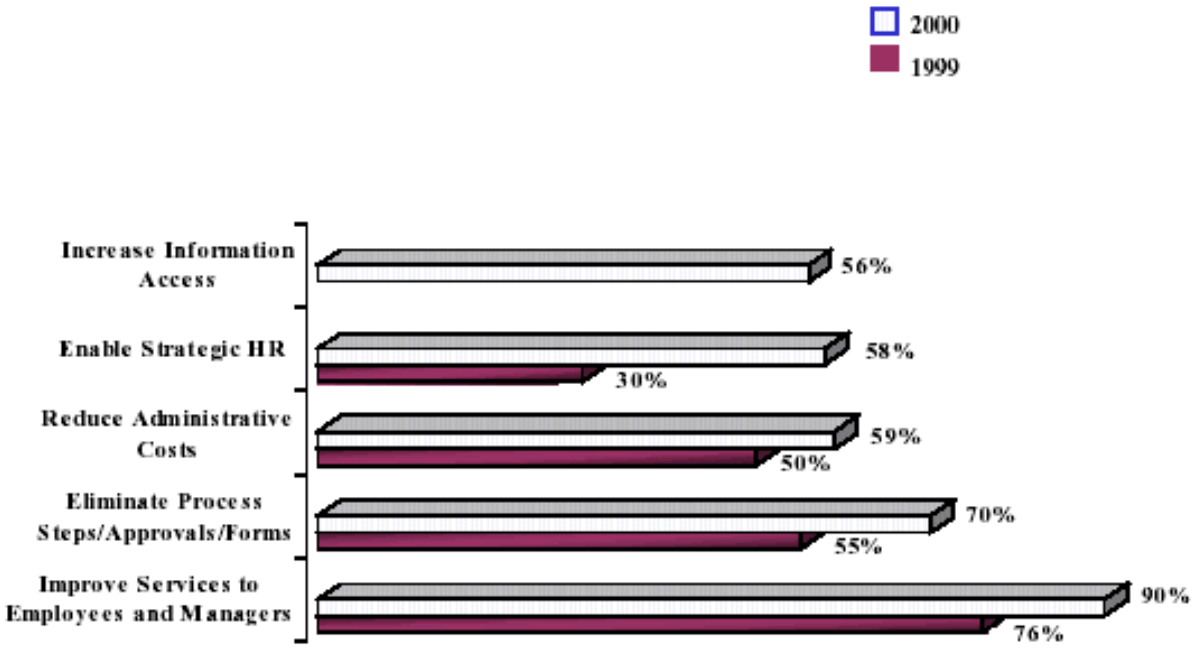
Cost Per Man Hour = **RM 150.00**

Cost for Entitled 14 days leave = **RM 1575.00**

Company with 100 staff = **Direct Savings up to RM 157 500.00 per year !!!**



Exhibit 2: OBJECTIVES OF EMPLOYEE SELF SERVICE



Source: The Hunter Group.



## e-HR Best Practices

- ✓ Develop an enterprise-wide portal - provide greater employee access
- ✓ Develop and document a formal e-HR strategy
- ✓ Develop and document a formal business case for e-HR investments
- ✓ Use single sign-on security for managers and employees
- ✓ Conduct greater transactions – updating share options, medical benefits

## Critical Success Factors

- ✓ Portal content management
- ✓ HR Services Model
- ✓ Change Management
- ✓ Knowledge Management
- ✓ Strategy
- ✓ Speed, Interconnectivity, Scalability, continuous change
- ✓ CULTURE



## Barriers

- Insufficient financial resources
- Lack of skills
- Access to data and security issues
- Lack of Champion or Sponsor
- Insufficiently tangible benefits
- Lack of commitment to HR strategy
- Lack of innovation



## Facilitating performance management via the Internet

- Accelerate performance management and reap optimized business results
- Engage all managers and employees in improving business performance
- Cascade business G&Os to all levels in organization to ensure alignment
- Job position linked to expectations, G&Os and organization and individual performance
- Reinforce link between performance management and development opportunities
- Employee able to track development, performance and succession
- Full-circle multisource feedback, customized templates for each function/division
- Integrate HR information and enterprise business financial data



## E-HRM practices suitable for SMEs?

### WHY NOT???

- Start with an actual headcount for a Strategic HR Manager, not Finance + Admin + Cafeteria + Security + Employee Relations + Personnel Manager
- Management team needs to walk the talk, have to be committed
- Most useful if there are small operations set up in China, Thailand, etc.
- Same principles apply
- Scale down and have a step-up implementation
- Not all modules need to be implemented



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### **Q&A Session**

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