

Reasons for Using a HR Management System

ANSWERS HR 

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Overview

This document will consider the benefits of a HRMS (Human Resource Management System) and how it may work for small businesses with less than 100 employees. However, the owners of most businesses large or small want the same thing; to grow their businesses and be successful.



In order to do this they need employees and with these come as many issues as there are benefits. It is an old adage but still relevant today that “employees are our greatest asset” and ensuring that they have clear objectives and are communicated with helps to engender a strong and motivated workforce.

As the business grows in size, the human resource function increases and often involves the appointment of an in-house HR expert to manage the additional employees and their working practices covering policy and compliance issues, recruitment, disciplinary, grievance, holiday and attendance, performance management, salary and other benefits. This usually results in a build up of paperwork and the HR person ends up being an administrator rather than delivering strategic HR to the business which could improve the bottom line and engender more engaged and motivated employees.

HR –v– Personnel

In 2002 IBM found that in companies with an internal HR department, almost a quarter of their time was spent dealing with administration¹. This is an unnecessary waste of a valuable resource and if HR intends to add value it should do so with strategic involvement in the business rather than focusing on the paperwork. Unfortunately, many Senior Managers marginalize the benefit of HR referring to them as the “*Personnel Department*”, although this remains a critical part of all businesses as there are legal requirements to maintain employee records and personal data.

In many cases, as a means of reducing costs, or where the business is too small in size, it chooses not to have internal HR, leaving this function to a Senior Manager or PA. A survey by the Institute of Directors found that in over half of small businesses, MDs are managing the HR process directly, spending up to one day per week resolving HR issues. Of these, nearly 90% found keeping up to date with employment legislation difficult and had to amend their employment policies recently just to keep them relevant and compliant².

¹ Article in HR Magazine 03 March 2010: Technology - Employee self-service - Can HR keep up with the pace of self-service technology?

² The ‘Small Business Recruitment and Retention Survey’ by IOD & Adecco 2005

Saving Time

So, implementing an easy to use system that manages the bulk of the HR administration function automatically and at the same time saves money, would seem attractive to a small business. This not only allows the MD, Senior Manager or PA to focus on the job they should be doing but also returns genuine cost-savings that impact on the bottom line. Where there is internal HR, having access to the metrics and data on employees in a single location makes life considerably easier for them.

More importantly, keeping up to date with the ever-changing legal merry-go-round is considerably easier if this is supported by genuine HR expertise, whether this is internal or external. Making one phone call to access relevant guidance and advice can save substantial stress and worry. The alternative is to spend many hours searching the internet hoping to firstly find the correct information and then to be able to interpret it for the issue at hand.



Self Service

Even with a small business, achieving strong employee engagement means lower staff turnover and greater productivity. The CIPD conducted a survey in 2006 and found that less than a third of employees were engaged in the workplace and that the under-35 years age group were significantly less engaged than older employees³. Ways in which to improve this engagement, increase productivity and reduce staff turnover would be to establish an open communication structure, give employees responsibility and recognise them for their efforts.

A self-service HRMS not only streamlines the basic HR administration but also allows employees to update their personal information, request holiday entitlement and view their own personal records. Additionally, keeping company policies and procedures up to date

becomes easier and these can in turn be communicated efficiently to all employees. Real advantages also occur with employees who work from home or are peripatetic and need access to forms or documentation. Just think about how a delivery driver or sales person would get their holiday forms completed if they rarely go into the office.



³ Chartered Institute of Personnel and Development [CIPD] Survey – Working Life: Employee attitudes and engagement 2006

The Benefits

The use of integrated technology such as a HRMS can help to alleviate many of the administrative tasks faced by a company regardless of size. The size of the company will often determine the complexity of functionality that is required in the HRMS and these functions can automate all aspects of HR & Payroll if required:

- Access by employees to company Policies & Procedures
- Payroll & Benefits
- Time and Attendance
- Employee Performance Management & Development
- Automatic Reports providing detailed metrics on employees
- Compliance reducing the Risk of Litigation
- Automatic Record-Keeping saving and streamlining Administration tasks



With a larger company, the ability to be able to manage the Human Capital within the business can be the difference between attracting and retaining the best talent or not. A system that provides lots of analytical data on employee performance, absenteeism, rewards and benefits may then have real value versus the time to collate this data and make sense of it all.

A smaller business may just want to reduce the administration burden, keep itself compliant and have access to a HR expert to help them when they get into trouble. Each requires some level of system to help them achieve this and the functionality and complexity needs to be considered against the needs of the business.

The Costs

The downside to greater functionality is quite simply the cost and as most HRMS are charged on a per employee basis, this means that these costs vary when the organisation grows. Additionally there is usually a large implementation cost as systems are often situated on servers held within the company's own IT department. Add to this the fact that greater functionality usually means greater complexity requiring longer training time to make best use of the system, which can mean the system is not fully utilised and there is also an additional financial impact for training.

The Solution

One solution to this is the use of web-enabled technology called SaaS [Software-As-A-Service] whereby access to the system and data is via the internet. The advantage to this is that anyone with internet connection and appropriate security access can get logged on.

In addition, systems can be modular offering a “pick & mix” type of system so that the business can choose the aspects of functionality it wants and good design of this will mean delivery of an intuitive and easy to use interface.

If web-enabled tools are also used to provide training to employees direct, training costs are also reduced.



What to look for when choosing a HRMS

So in deciding whether a HRMS is going to add value, consideration needs to be given to what it is that is required of the system and how much it is going to cost. With larger companies, the cost savings can be more easily calculated due to them having a larger internal HR function. As this is often focussed too much on administration and not strategic capability, a system that can deliver information on its Human Capital will have an easily calculable ROI [Return On Investment].

In a small business however perhaps with less than 100 employees, the need for strongly motivated and engaged employees is just as important, but the cost for having “bells & whistles” features-rich software can be cost prohibitive and not give a suitable ROI.

Considerations

- Flexibility – are policies and documents available and/or can you load your own documents and polices into the system
- How easily are these distributed/made available to employees
- Is it a self-service system with employee access or used by the HR team only
- What benefits are there to employees of implementing the system
- Is there dedicated expertise & support available from experienced HR professionals
- How is the system priced – fixed monthly fees or changeable per employee basis
- Is a feature-rich “does absolutely everything” system what the business needs, or will a more simple easier to use system suffice.

About Answers HR

Answers HR is a HRMS web-enabled SaaS self-service system providing simple functionality at a fixed monthly price regardless of number of employees. The system is supported with locally-based experienced HR experts who are available to answers queries and visit in person to help a business in distress. For more information or to book a live tour of the system, visit www.answers-hr.co.uk