

The runway to HCM implementation



How to prepare for a human capital management system

There are many drivers for implementing a new human capital management (HCM) system.

Some legacy HCM systems lack flexibility and functionality, especially as system developers phase out support and push customers toward newer offerings. These newer single-platform enterprise systems often have better functionality, inspiring IT and finance teams to drive the move away from managing legacy systems with multiple integrations.

But, if your organization has been using the same HCM system for decades, what does that say about your HCM practices?

“Almost as soon as the implementation partner kicks off the project, your system design is mostly locked in around your processes at that point in time,” Hartsock said. “The drive toward the go-live date and all the implementation activities that need to occur for a system implementation to come in on-time and on-budget take on a life of their own, preventing larger transformation of the organization.”

“For all the money that companies invest in software and its implementation, many new HCM systems wind up using the same processes and practices that were built around the old system.”

Janna Hartsock, Grant Thornton
Transformation Manager

The runway to transformation

To make sure that your new HCM system can fully take flight, you need to transform your processes and practices before the system implementation. Here are nine areas that might require transformation to move away from the old system’s limitations:

- 1 Organizational design
- 2 Compensation
- 3 Talent acquisition
- 4 Talent management
- 5 Benefits administration
- 6 Absence management
- 7 Performance management
- 8 Employee relations
- 9 Payroll



1. Organizational design

To set up an organizational structure in a system, most people think about arranging the boxes of an org chart. Figuring out which part of the organization reports to another can be straightforward for some, and complex for others, especially after multiple acquisitions.

But, to deliver on business strategy, your organizational design needs to integrate your structure, people and processes.

Have you evaluated the health of your organization recently, reviewing strategy, governance structures and the current business model? Have you done an assessment of your current leadership team to ascertain strengths, gaps and barriers to achieving your strategy? What is your current business strategy, and what are the drivers in your industry? Are the roles in your organization and your operating model aligned with that business strategy? Is your organization's culture one that maintains the connection of the core values and mission of the organization through business change and growth?

A good organizational structure in an HCM system must support the approvals and reporting that your business needs. HCM systems consultants can give you examples of many different types of organizational structures to choose from. However, if the operating model of your organization needs updating, or if executive leadership can't agree on it, you might end up building out the current organizational structure. To avoid substantial re-building in this and other parts of the system, take 4-6 months to focus on the organizational design and operating model first.



2. Compensation

Today's HCM systems have robust compensation functionality. Besides salary structure design and maintenance (like grades and ranges), market data integration and annual salary planning functionality, there can also be goal-driven and one-off incentives that need approvals delivered in today's standard HCM platform.

“While an HCM system may be robust in its functionality, the value delivered is only as material as the compensation program's ability to attract and retain talent.”

**Janna Hartsock, Grant Thornton
Transformation Manager**

To ensure organizational success, it is essential to align total rewards with your organization's strategy and mission. Leading practice compensation programs can guide you in developing total reward strategies that will advance operational priorities, reflect your organization's culture, enhance talent acquisition and acknowledge cost controls. Your organization might need to go back to the basics with a tune-up of its compensation philosophy, salary administration, job architecture, pay for performance and benchmarking practices. Or you might need to move forward with refining business-specific programs of incentive pay and compensation of highly skilled staff, making sure risks are managed appropriately. Twelve months ahead of an HCM system implementation, the question should not be, “Can the system do this?”, but rather, “Will our compensation practices enable our organization to be competitive in the marketplace?”



3. Talent acquisition

Is your approach to talent acquisition still mostly dependent on posting an opening and waiting for people to apply? Have you already moved into developing a social media presence and building talent pools, but now feel like the stream of talent into those pools has run dry? Can you articulate the competitive employee value proposition for your organization? Would you say your candidate and new hire onboarding experiences are “irresistible”? Is internal mobility the first thought, or an afterthought, for your organization? Is your job model flexible enough to facilitate hiring for skills that could be used in multiple parts of your organization, as well as integrating contingent workers to support the work where needed?

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“When implementing an HCM system with talent acquisition functionality, due diligence must be done to make sure the functionality you are expecting is a part of the system you are implementing,” Hartsock said. “However, beyond an evaluation of features and functions, do your talent acquisition practices facilitate a candidate’s understanding of their future, even beyond the initial job they are being recruited for?” Are your recruiters acting as talent advisors for candidates both inside and outside of the organization? Is your organization one of the few that are proficient at hiring internally, or is it easier for someone to quit and be rehired than transfer internally?

Assessing your talent acquisition practices against leading practices can help your organization move beyond mere replacement when somebody leaves the organization. It can help you build a loyal following that knows their career interests and development are considered beyond the current role they are filling. Matching candidates’ skills and competencies, and assessing their behavior against success profiles, can revolutionize turnover rates and enable organizations to move forward with their strategic business plan rather than spinning their wheels filling positions over and over again.



4. Talent management

Competency management is at the core of many HCM systems today. The evolution of using competencies throughout the entire employee lifecycle has been a major transformation of HCM practices in the last 20 years. Recruiting with competencies in mind requires re-training to evaluate candidates' proficiency levels against the expected proficiency levels of the job. Internal assessments of competencies can facilitate development and guide learning. Assessing against the competencies for the next-level position can inform succession planning with more than a manager's opinion of their staff.

If your organization is not already using competencies and has not built out competency models for each position, the ROI of this part of the system can be years in the making. Competency models can provide transparency and clarity around the skills and capabilities needed to advance and grow within an organization. They can influence learning and development offerings, and support an organization's understanding of skill gaps for resource planning. They can also help organizations retain people who may be quitting for greater career opportunities elsewhere, helping with greater alignment of skills and capabilities to performance.



5. Benefits administration

If you have outsourced benefits administration to a third party, is the cost of that platform viewed as a target of opportunity for cost reduction by your organization? Often, organizations compare this cost to the cost of a benefits administration module on an HCM platform, without an understanding of all the other services the third-party solution is providing. Is there a call center taking calls from your employees on plan benefits? What is the volume of calls received, and the number of staff you would need internally to handle that? Is the third party also performing dependent verification or Affordable Care Act compliance services? Do they have a decision support tool or texting services as part of their enrollment platform?

To get an apples-to-apples comparison and identify true cost savings, you need to assess the cost of moving all services either in-house or to another vendor. Even if some services remain outsourced, bringing benefits administration in-house at a minimum means ramping up staff to service annual enrollment, as well as year-round life events. Have you thought through all the ramifications of leaving a third-party administrator and developed a staffing plan? For system administration and adoption to be successful, this is a must.



6. Absence management

Another common area where outsourced services are targeted for cost savings is absence management. As with benefits administration, bringing absence management with family medical leave, or short-term and long-term disability administration, in-house requires staffing on top of the systems implementation to support all services the third-party administrator previously offered. Often, employee health is involved with return to work for some types of leaves, which can add the complexity of another function and set of processes to the implementation.

Does your organization have multiple grandfathered plans that were intended to smooth the way for newly acquired organizations, but are no longer financially or operationally feasible? Looking at plan designs by industry can help an organization know which direction to go in streamlining current paid time off plans. Calculating winners and losers in a new plan design helps decision makers assess impact and prepare for roll-out presentations. Setting up these new plans in a new system is really secondary to all the analysis and change management efforts needed.



7. Performance management

Performance management is an area that has undergone huge transformation in the last 15 or more years. Is your organization still just doing annual reviews of its employees? “Research findings show that more regular feedback — with just-in-time correction and coaching — facilitates development and enhances performance, versus a ‘look-back’ approach with only an annual review that can actually de-motivate employees,” Hartsock said. “Research has also shown how bonus objective goals, overall ratings and forced rankings are detrimental to actual performance.”

A performance management system usually takes 3–6 months to implement, depending on how full-time or part-time your staff can be involved with the implementation. But if you’re not wanting to implement your current performance review process, it can take 3–6 months to expose leadership to new thinking in performance management, socialize a new approach at multiple levels of the organization and receive feedback about, as well as facilitate buy-in for, the new process. What about doing a pilot with a subset of employees as a “proof of concept” of the new process, ahead of rolling out to the entire organization? Even if the pilot is just “on paper,” using Word, Excel or a SharePoint form, it can provide valuable feedback that may refine the

design of the new process. That can ensure you’re not signing off on a change order six months after go-live to tweak the setup in the system for the updated design.

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8. Employee relations

Is your approach to employee relations reactive or proactive? Employee relations is complex and constantly evolving, but should be administered consistently organization-wide. Data is increasingly important to evaluate the effectiveness of policies and programs. Implementing an HCM system with an employee relations module can be a great step toward consistency and data, but not knowing the desired process can delay an implementation. Even when only one policy exists, multiple administrative practices can develop in different parts of the organization that may need to be evaluated and then possibly incorporated into the overall design, or eliminated in favor of the standard practice.

As the workplace has continued to evolve and employee relations case volumes have increased, many organizations are moving towards centralizing their employee relations staff, to be responsible for employee relations issues and conducting investigations. Or, they are creating a hybrid approach with the centralized ER staff handling most of the ER issues and investigations and HR field business partners handling some aspects of employee relations issues. The employee relations structure and scope may vary based on the organizational culture, resources and priorities, so figuring out clear roles and responsibilities for your organization, how employee relations can add value to your organization, and what scope of services will be provided are key to a successful practice. An employee relations (ER) module implementation, on the heels of ER practice transformation, can help reinforce the standard process and provide the data that executive leadership needs.



9. Payroll

Are you struggling with as many iterations of the same pay and deduction code as there are organizations acquired? Are you tied to some “belt and suspenders” approaches to things like indicating remote workers, because your current system doesn’t have functionality for that, and that interacts with payroll? Is your payroll heavily reliant on manual processes to catch errors and ensure compliance with regulations?

There are ever-changing HR-specific federal and state laws with which payroll needs to comply. Payroll is one of the most high-risk back-office operations in an organization, with the threat of poor employee morale, bad press and regulatory fines if employees are not paid accurately. It’s important to evaluate your current processes and design future-state processes that align with leading pay practices and regulatory compliance, even before designing actual system values. These practices should include internal controls, separation of duties, accurate recording of payroll information and reviewing and reconciling for timely payment and filing.



The next steps

Depending on where your organization is in the transformation journey, this discussion can feel confirming or overwhelming. What's most important is that you approach any HCM system implementation thoughtfully. Whether you are implementing a full HCM platform or an individual module, evaluate the relevant processes and focus on any necessary transformations first.

What works for one organization may or may not work for yours. And, while there are some industry standards, HCM practices are ultimately unique to your organization's business strategy and operating model.

Take the time to transform your HCM practices first, so that your HCM system implementation can take flight and achieve the maximum ROI — not just at go-live, but for years to come!

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