

Computing the Cost vs. Benefits of Manager Self-Service

Alfred J. Walker, Senior Global Advisor

Saving manager time with a Manager Self-Service application has become a new area of cost savings, unattainable with earlier systems since Web applications, portals and related technologies were not available in usable form prior to a few years ago. This approach to determining the tangible cost benefits of implementing a new or improved human resource technology solution is meant to supplement other areas of possible savings wherever possible since a stronger business case can be made with multiple areas of savings.

In normal implementations calculating tangible savings one would start with such traditional cost savings as reduction in headcount where the cost-benefit analysis would take in account the compensation (salary, bonus, stock etc), health and welfare and pension benefits costs, and overhead allocation savings for displaced employees or contractors who would be directly affected by the implementation. In addition, the implementation or upgrades would usually also impact and displace other technology systems and applications, so the cost of operating and maintaining these systems since they are not needed any more could also be factored in.

However there are times when this method could be the sole area where there are solid, tangible cost savings.

Scope

The first step is to determine the scope of the Manager Self-Service application that will be implemented. This is usually thought of and described in terms of processes and work tasks that managers perform that will be impacted. For example the tasks that most managers now handle, and probably do manually might include:

- Daily, weekly, monthly time and attendance
- Approving employee expense statements
- Processing employee transfers
- Salary planning
- Annual salary increases
- Approving an off-cycle salary increase/adjustment
- Granting spot bonuses
- Performance appraisals
- Discipline warnings and notations
- Maintaining employee records
- Processes terminations
- Participating in recruiting, hiring
- Signing up employees for training
- Approving certifications and qualifications

So the scope of the implementation should be agreed to and then we can proceed to determining the savings that would ensue from the application.

Process Mapping

A very strong method that we have employed in several of the implementations is to get a handle on the amount of time and expense now involved in the above processes as well as the issues with each. To do this the process should be mapped and the steps recorded in terms of what the objective is of each process; where the process starts, i.e. what the trigger is; how frequently it occurs, i.e. volume; who is involved in the process (by type and level of employee); how much work time is expended on each step and the elapsed time from trigger to end; what records are needed to support each step; and the error rates and issues that arise from each step.

For example on the annual salary planning step the process objective is to keep the employees in line with competitive salary rates, and might be triggered by a date or an OK from senior management in Corporate HR or Finance with paper sheets or excel spreadsheets sent to every manager. Each sheet or file would have the employees' names on them, perhaps their current and prior salary, performance rating, and even a targeted increase amount and targeted date, dependent upon the budget, depth in range, time in grade, and other factors. The receiving managers then decide what increase to give his/her employees if any, and when completed would send the information on to a Director or VP who approves/adjusts, and then the sheets or file is returned to HR or Finance where it would eventually wind it's way to payroll.

What is not apparent is the work involved in every step by managers, assistants and others; the errors, omissions, and discussions that ensue to get the right employees in the right departments reporting to the correct managers, background data correct, make needed adjustments later, and similar problems. This is the work that hopefully will be reduced or eliminated by the new application. Your task is to make the best estimate possible of what the savings will be. In this example the savings would include someone's time in corporate to begin the process and generate the starter set of names; the time spent by every manager who has employees; every boss who approves; any assistants and support people involved; and any time and effort to correct mistake due to bad data. Time will not be driven to zero in all steps since someone (manager and boss) has to decide what salary treatment to give – the heart of the matter - but hopefully the “data” time will be greatly cut down.

Initial Mapping

The existing process is mapped as best one can usually in a “subject matter heavy” focus group with a knowledgeable sample of all people involved in the today's process, using graphical symbols such as boxes for work steps, and arrows to show flows. There are different charting techniques and which one to use is not as important as arriving at a picture of the process showing the steps and describing the work done that can be explained to others. The initial process is best captured using a “white board”, flip charts, or power points, and the process is developed live, step-by-step and discussed as you go. The title of the people doing the work are captured, issues are listed, time noted (both work time and elapsed time) and what supporting data is needed to carry out the task. The times noted are estimates since we are not doing a stop-watch time and motion study. They are the people's

estimates – not our guesses – of what’s involved. They are usually given in terms of minutes or hours, and care must be taken not to inflate or deflate who is performing the task, not by name necessarily, but by level or grade. These initial estimates from one or two focus groups or individual interviews are just a start and we will expand the number of time estimates as we proceed as noted below. Variations of the process which could occur, by locations and/or divisions must be noted at this stage as well. A normal initial mapping session can be done easily in an hour or a bit more for a complex process, and less time for shorter more routine processes.

Each major process in the manager self-service scope should be mapped in this fashion.

Expansion of the Existing Process Cost Estimation

When we have the initial processes down fairly well, and they has been reviewed by sufficient people to declare it “solid”, we then need to go to a wider sample of managers and support people to verify and explain the issues and problems with the current processes and to adjust the initial estimate of the time spent so we can ultimately get a total division, and company cost that is more accurate.

This can be done by holding more focus groups to obtain other insights and estimates preferably with managers from all the divisions. Going to a location and having managers there participate on their own turf is very helpful. They can receive a copy of the processes in advance, or you can show them and explain them live as you go. You would explain the process and go over it step by step, asking their input as to the issues and times, and noting responses as you go. In such sessions, perhaps an hour in length, multiple processes can be reviewed.

Alternately individual managers could be interviewed to obtain the same data – whichever method is easiest and most expedient.

There is no magic number of people to involve in the sample here as we are not generating a statistically sound survey. We need to ensure though that a sufficient number of managers are involved so that the estimates will be accepted by the senior managers who will give the go-no go on the project. So that means if we need to have good representation from unit “x” we can respond, “Yes, we met with “Y” number of managers and these are their issues and their estimates – not ours.”

Calculation of Current Cost

When we have collected the data we can now roll up, average, and compute the time spent on the existing process, by step. For example, in the above annual salary process in the manager review of the employee salaries step, let’s say that the average time spent was 5 hours of manager time reviewing the data, making adjustments to the data, contemplating new increases, discussing the raises with other managers and the boss, for a given manager each year. At an average loaded compensation rate for managers (obtained from finance or HR) of \$ 80/hr (\$160,000 annual loaded rate divided by 2,000 hrs a year) each manager spends \$400 of time on this step. Multiply by the number of managers, say 500, we get \$20,000 of cost on this step for manager time alone. Then we add in the boss time; clerical and administrative time, plus any HR time in the field and others – for this step alone.

We also know that there are records kept by every manager on his/her people that they need to refer to while performing this step, probably kept by hand– yet another step in this process; and the preparation of the starter sheets or spread sheets and file; work at the end of the process in HR and/or payroll with missing names, missing increases and so on. Since we now have estimates for each step and the volumes noted, we add all the pieces until we get the estimated total cost of the current process.

Plus we have a list of the issues and problems, and the elapsed time for each process – all good data for us.

Estimating Impact of New Application

The next step is to estimate the impact of the new system on the current process so we can see if there are any savings we can take. The impact could range from eliminating a step completely, moving a step to someplace or someone else, reducing the time spent, or even adding time (and hopefully value if issues are solved) to a step. Knowing what the new system is capable of is critical here, as well as knowing your company, the culture, the access availability to a manager workstation and the like. Although you may know that all managers are capable of handling salary planning via a manager self-service application that perhaps a division may not have desktops until next year, so the savings may not be as great as others in that division for a while. But time in a process may still be saved since a new, automated process would still enable more up-to date and accurate information on each employee, so a given step may have to be adjusted to reflect reality.

Each step in the process should be reviewed by the system developers and a determination made of the potential impact, and then verified by the initial mapping group to get their view on how much savings could be obtained. So we do our homework here prior to bringing the managers into the picture. Then, as above, the estimates should be taken to a representative set of managers for concurrence. Some companies have combined the review of the current and estimation of the impact of the new system into a single session. Here too is where some companies have actually demonstrated the system to help the managers understand its capabilities.

When all processes and steps are reviewed, and estimates made and impacts computed, we have our savings, i.e. the difference between the old and the new costs. Hopefully the reduction in time for each manager will be significant enough to warrant strong consideration, since many of these transactions are performed on a weekly basis. These savings can be then inserted into your company's ROI calculation methodology, and a pay-back period developed.

The softer benefits we identified along the way should be factored into the business case as well, such as the more complete and accurate data available to the managers; faster process; perhaps tying the processes to others e.g. the budget process and others. While these are not tangible per se, they are real.

A. J. Walker