Human Resources Processes with ERP

Introduction

- A company's employees are its most important resources
- The Human Resources Department is responsible for:
  - Attracting
  - Hiring
  - Rewarding
  - Terminating

  employees
- The importance of HR processes to all functional areas has led to the use of the term Human Capital Management (HCM) to describe them

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HR Department Responsibilities

- Attracting, selecting, and hiring new employees using information from resumes, references, and the interview process
- Communicating information regarding new positions and hires throughout the organization and beyond
- Ensuring that employees have the proper education, training and certification to successfully complete their duties
- Handling issues related to employee conduct
- Making sure employees understand the responsibilities of their jobs

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HR Department Responsibilities

- Using an effective process to review employee performance and determine salary increases and bonuses
- Managing the salary and benefits provided to each employee and confirming that the proper benefits are disbursed to new and current employees
- Communicating changes in salaries, benefits, or policies to employees
- Supporting management plans for changes in the organization (expansion, retirements and so on) so that competent employees are available to support business processes

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HR Processes
Fitter Snacker's Problems

- Paper job vacancy form allows for inconsistent job details and descriptions:
  - Qualifications incomplete
  - Requires skills not spelled
- Paper form can be lost, delaying hiring process
  - Functional department left shorthanded
  - Good candidates lost due to drawn-out hiring process
- Keeping track of resumes submitted from different sources is problematic
  - Being able to retrieve resumes on file that fit a job description is difficult, time-consuming and fraught with error

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HR Processes
Fitter Snacker's Problems

- Interviewing Process Problems:
  - Without group appointment software, HR has difficulty scheduling interviews when all interested parties are available
  - Similarly, collecting feedback on the job candidates is difficult
  - Managing travel arrangements and reimbursing candidates for travel expenses is also a problem
    - Delays may result in losing a top candidate
- Gathering new employee information and enrolling employee in correct benefits plan is difficult
  - May take months to get employees proper compensation and benefits

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HR Duties after Hiring

- Performance Evaluations
  - Important to maintain sufficient documentation on underperforming employees in case termination is warranted
    - Without proper documentation, lawsuits may follow
  - Difficulties in managing performance evaluation data makes it difficult to identify employee problems and take corrective action (counseling, transfer) before problem leads to termination
  - Maintaining proper control of sensitive data is also difficult with a paper system

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HR Duties after Hiring

- Employee satisfaction is strongly related to job turnover
  - Well compensated employees with satisfying jobs are less likely to leave the company
  - Human Resources can help maintain a satisfying work environment through:
    - Training programs through supervisors and managers
    - Conducting employee satisfactions surveys
    - Conducting employee exit surveys
  - Human resources should ensure compensation levels are competitive and applied fairly to all employees

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Another Look—Boeing Discrimination

- In 1996, the Labor Department's Office of Federal Contract Compliance Programs (OFCCP) ran a routine investigation of Boeing's Philadelphia plant
  - Because Boeing works on government contracts, the Federal Government has the right to audit Boeing's compliance with anti-discrimination laws
  - By comparing median pay of male and female employees and their median job experience, the OFCCP found a "prima facie" (at first view) case of discrimination

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Another Look—Boeing Discrimination

- Boeing conducted its own internal analysis, Diversity Salary Analysis project, which concluded "gender differences in starting salaries generally continue and often increase as a result of salary planning decisions"
  - The DSA project showed a gap of $3,741.04 for entry level managers
- Boeing attempted to keep the DSA project study confidential, but was ordered by Judge George Pinkie to release it
- On May 17, 2004, Boeing settled a class-action lawsuit for $72.5 million

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Another Look—Major League Baseball

- The Society for American Baseball Research uses a statistical technique called sabremetrics to analyze player performance in a number of situations, e.g.:
  - Probability of getting a hit with players on base and type of hit likely
- Boston Red Sox are using the measures to analyze its roster and determine the type of player it should recruit
- Department store chain Target is using this analytical approach to screen job applicants
- Dow Chemical used data on its PeopleSoft ERP system to find that its most successful MBA candidates came from Michigan State, Brigham Young and Purdue, not Ivy League schools

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Human Resources with ERP

- Managing a company's human capital is information intensive
  - Electronic storage of data greatly simplifies the retrieval of important data
  - The SAP R/3 HR module provides tools to:
    - Manage an organization's structure, job roles and responsibilities, and definitions
    - Personal employee information
    - Time management
    - Payroll
    - Travel management
    - Employee training

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Organizational Management

- Most companies have an organizational chart or plan to help define an individuals responsibilities in the organization
- With ERP, the organizational chart provides a structure to support additional tasks
- SAP R/3 provides an Organizational and Staffing Plan tool to define a company's management structure and define positions within the organizational structure
    - The plan can also define the individuals that hold each position

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Figure 6.1 Organization and Staffing Plan in SAP R/3
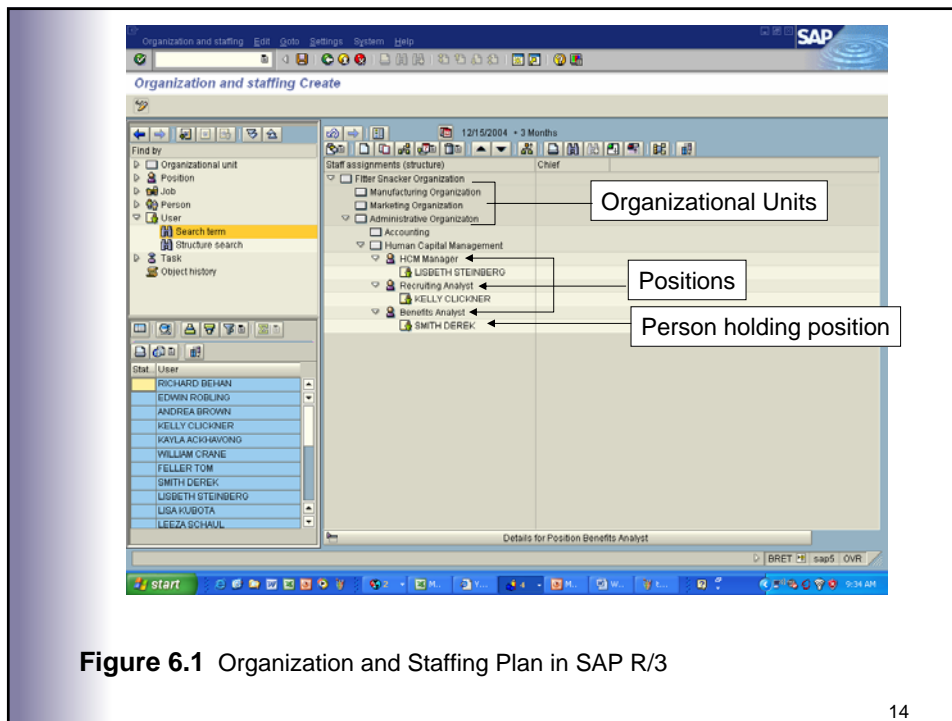
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Task, Job, Position and Person

- SAP distinguishes between Task, Job, Position, and Person
  - An employee is a Person who performs Tasks
  - Tasks can be assigned to:
    - Jobs, which are generic descriptions of an employee's work responsibilities
    - Positions, which are the specific organizational assignments a person holds
- If Tasks, Jobs and Positions are well-defined and current, then recruiting is simplified and compensation levels can be set more consistently and fairly
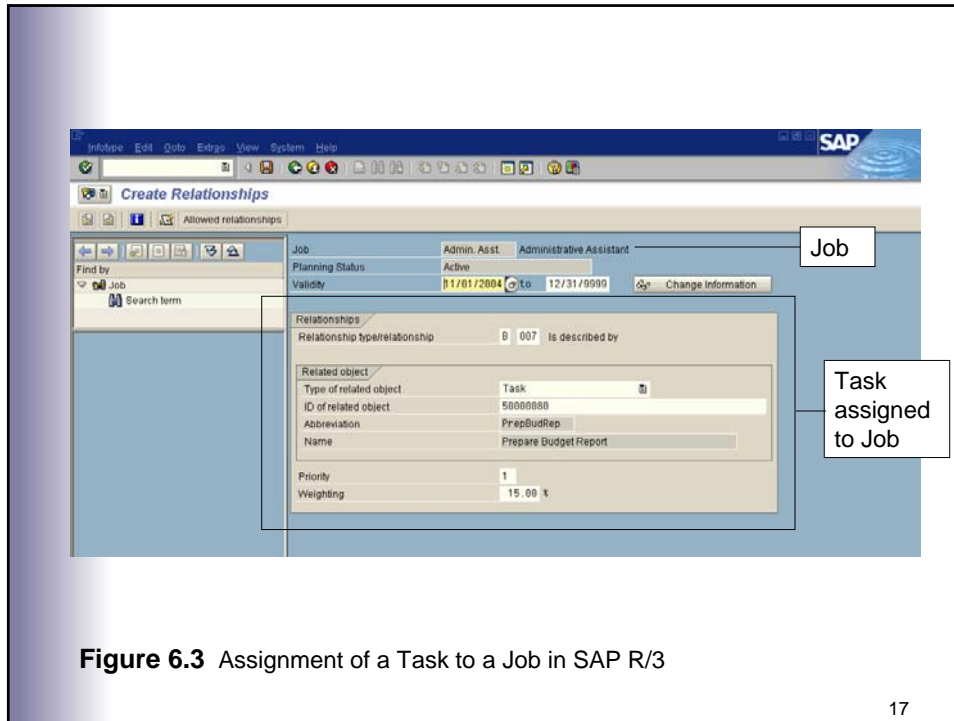
FIGURE 6-2   Relationships among positions, jobs, tasks, and persons who fill positions

Figure 6.3 Assignment of a Task to a Job in SAP R/3

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Manager's Desktop

- The SAP HR Module provides the Manager's Desktop, a tool that provides access to all Human Resource data and transactions in one location

- Human Resource data is very sensitive, so controlling access is critical

- With an integrated information system, controlling access is simplified as a range of authorization tools are available
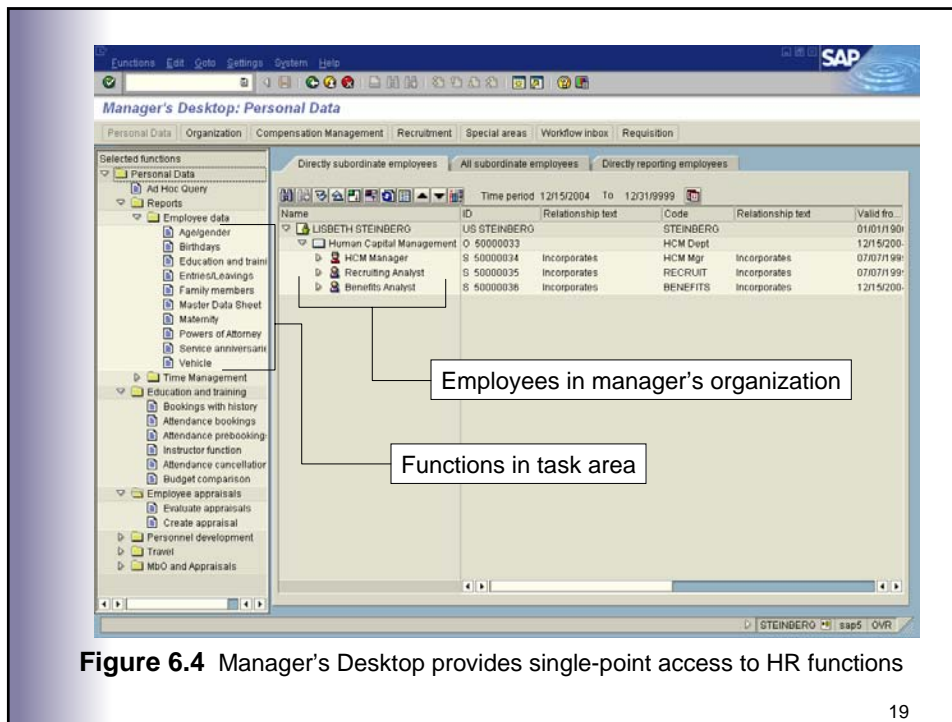
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Figure 6.4 Manager's Desktop provides single-point access to HR functions

Advanced SAP R/3 HR Features

- Time Management
  - Cross Application Time Sheets (CATS) record employee working times and provide data to:
    - Controlling (CO), for cost management
    - Payroll, for calculating payroll data, which is transferred to FI for payment
    - Production Planning (PP), to manage labor required for production

Advanced SAP R/3 HR Features

- Payroll Management
  - Paying employees the correct amount at the correct time is critical for employee satisfaction
  - Payroll calculations are complicated, involving:
    - Remuneration Elements:
      - Base pay, bonuses, gratuities, overtime and sick pay, vacation allowances
    - Statutory and Voluntary Deductions
      - Taxes: Federal, State, Local
      - Medicare and Social Security
      - Benefit contributions
      - Company loans

Advanced SAP R/3 HR Features

- Travel Management
  - Companies can spend a significant amount of money on employee travel
  - Managing travel planning and expenses requires a number of tasks
    - Travel authorizations
    - Travel reservations
      - Must meet trip requirements while controlling costs
    - Recording expenses and providing reimbursement

Another Look—FXIS

- Fuji Xerox Information Systems (FXIS) wanted to be able to close its books two days after the end of the month
- To do this, FXIS chose to implement SAP R/3
  - FXIS chose to implement the SD, MM, FI, CO, PS and HR modules
  - Integration of HR data was emphasized
- To meet the two-day closing, FXIS needed expense information from its sales force, plus time charge data from software developers and system administrators
  - FXIS developed its Web-based DI system to collect this data
  - DI was so successful, FXIS formed an ERP solution business

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Advanced SAP R/3 HR Features

- Training and Development
  - The Personnel Development component of the SAP R/3 Human Resources module supports planning and implementation of employee development and training activities
  - Employee development is driven by Requirements and Qualifications
    - Requirements: Skills or abilities associated with a position
    - Qualifications: Skills or abilities associated with a specific employee
  - Two perspectives on the same concept

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Advanced SAP R/3 HR Features

- Training and Development
  - An employee's qualifications can be compared to the requirements of a position to which the employee aspires
    - The comparison identifies gaps and allows a manager to plan development and training efforts to close the gap
    - The comparison can serve as a basis for employee evaluation, and can motivate the employee by providing a goal and a means to achieve it
- Succession Planning
  - Companies should have plans for replacing key employees when they leave the company
  - Small companies can lose business if customers are unclear about succession plans for key people

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Another Look—Management Succession at Quest Diagnostics

- Succession Planning allowed McDonalds to announce Charles H. Bell as new CEO hours after CEO James Cantalupo died of a heart attack
  - Unfortunately, McDonalds had to announce Jim Skinner as CEO in November of the same year when Charles Bell was diagnosed with terminal cancer
- Quest Diagnostics CEO Kenneth W. Freeman began planning for his successor nearly 5 years before he planned to step down
- Freeman identified Surya Mohapatra as his top candidate after screening 200 Quest executives

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Another Look—Management Succession at Quest Diagnostics

- Mohapatra had extensive technical skills as a scientist, but needed to develop his abilities in other areas:
  - Public speaking: Freeman had Mohapatra make unscripted presentations to employees, shareholders and industry analysts
  - Decision making: Freeman spent 5 years engaging Mohapatra in lengthy telephone conversations discussing his management style
  - Board of Directors Relations: Freeman changed the seating chart for board meetings so that Mohapatra had more "face time" with each director

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New HR Features in SAP R/3

- Mobile Time Management: Allows employees who spend significant time "on the road" to use cellular phones and other mobile devices to record work times, time charges, absences, and leave requests
- Management of Family and Medical Leave: The SAP R/3 HR system can now determine employee eligibility for FMLA leave and track usage
- Domestic Partner Handling: Companies that provide for domestic (unmarried) partners can now manage benefits for domestic partners and their children more easily
- Administrative and Long-Term Incentives: Sarbanes-Oxley requires companies to account for expected costs for long-term incentives like stock options

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New HR Features in SAP R/3

- Personnel Cost Planning: Scenarios can be developed for major organizational changes like expansions, acquisitions and downsizing to determine the cost impacts
- Management and Payroll for Global Employees: Managing global employees involves complicated issues including relocation, visas, work permits, housing, taxes, and bonus pay
- Management by Objectives: MBO, outlined by Peter Drucker in 1954, encourages managers to focus on results, not activities, and negotiate a "contract of goals"
  - SAP R/3 now provides a comprehensive set of tools to support MBO

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Another Look—HR at the USPS

- The United States Postal Service (USPS) signed a deal with SAP in August 2004 to provide HR software to replace its current systems written in the 1980's
- The USPS employs roughly 70,000 employees, about one-third of the civilian government workforce
- SAP was chosen as it has experience providing HR systems to about 50 other postal systems worldwide
- Postal Service Managers expect the SAP software to help them better control costs and manage employees
- Managers expect to be able to view information company-wide and allocate resources as needed

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