



BANK INDONESIA

**Executive Summary**

The changing world of HR continues to increase pressure on HR professionals to deliver results in attracting, engaging and retaining talent. This pressure is compounded by increased organizational complexity, accountability, globalization, and the need for agility in business structures and financing. In times where economic challenges, compressed margins, and possibly restructuring are at the forefront of executives minds, it is often overlooked that the management of human resources presents one of the most powerful opportunities to increase a company's vitality and improve its future positioning.

Getting more from HR requires to change the top level management's perception of HR as administrative center to what it actually is – a cost controller and a strategic value partner. To achieve that, HR must do more, with less and across greater distances to drive new initiatives to effectively provide high-impact business solutions. Unfortunately, even the best HR departments can only do so much to fulfill and accommodate ever increasing business needs if not equipped with the proper tools that help them to standardize the constant flow and exchange of data and accomplish their routine tasks more efficiently.

To adapt to the changes of the more complex and dynamic working environment and the increased focus on better aligning employees with the corporation's strategic goals, talent management, increasing levels of employee engagement, etc., companies must consider an investment in automation systems such as Integrated Human Resource Management Solution (HRIS) to achieve good results. Advanced HRIS technology allows the standardization, promotion and measurement of this process while ensuring that substantial improvements are achievable within existing HRM budgets.

Introduction

Despite the ongoing debate about the evolution of the human resource management functions and how to improve its contribution to the current and future performance of the company, the reality is that in most companies HRD still spends most of its time and money on the necessary, but low value activities such as administrative and operational tasks generally comprised of personnel data collection, payroll and reimbursement processing, work time scheduling, overtime calculation, reporting, inquiries, etc.

Underpinning existing fundamental HR structures with technology combines new conceptual best practice with workflow automation and standardization related to employee record keeping and data entry, head counts, reporting, data distribution, attendance tracking, payroll and overtime processing, etc. This not only provides for a reduction of administration efforts, inefficiencies and costs, but also removes the first obstacle to transitioning the human resource management to a strategic focus. With administration and basic operation running smoothly, resources are released to concentrate on improving the productivity of the company's human resources in the short term and aligning talent to achieve longer term objectives allowing companies to move along the HR Management evolutionary path from the lower level administrative tasks towards a strategic value partner.

On the other hand, any HRIS system implementation project also involves considerable cost including fees paid to vendors (software acquisition, services and hardware) and internal costs (business process re-engineering, consulting, staff retraining, internal implementation time, etc). For a solution to be both successfully implemented and beneficial, careful consideration should be given to the expected benefits, total cost of implementation/ownership and risk of the project.

Benefits and ROI from an HRIS implementation will vary depending on the needs and demands of your business, industry, solution and vendor. No standard calculation or estimation method can sufficiently project the benefits applicable to any specific situation; however, following a structured method of analysis will lead to a reasonable estimation of expectation of benefits.

This White Paper will discuss the benefits in using Human Resources Management System, or HRM, System Implementation Costs, and how real return on investment could be realized.

Benefits of an Integrated Human Resource System

Integrated HR systems (HRIS) provide manifold advantages and have proven to be the key component of any organization's activities and in the development of its long-term strategies. It integrates human resources planning with other aspects of the planning cycle and develops a coordinated process that resulted in increased productivity.

Designed to help organizations bring the difficult and often cumbersome task of HR record keeping and reporting under complete control, a HRIS provides easy access of extensive employee information and helps protect an organization's most valuable asset -- its people. A HRIS allows immediate access to key employee information such as salary history, performance appraisals, attendance history, training skills, job history, insurance/benefits, and much more.

Employees, on the part, can also access such as their own contact and address details, applications for leave, overtime, higher duties allowances, and even receipt of their salary. With easy implementation of extensive security levels at the menu, program, company and/or division/department levels, employee pay fields can be secured to not appear for certain users.

More importantly, however, automation of basic HR tasks such as those above lays the foundation for the Human Resource Department to take on a more strategic role and supports this move with following tools:

- **Career And Succession Planning**

A HRIS builds graphical succession hierarchies for key positions based on employees' competencies. Analyzing competency gaps to these future positions (or other desired positions) it allows supervisors, managers and employees to interactively establish career plans and goals including the proper development method may it be training, coaching, or special assignments, etc. for each employee to close competency gaps and achieve career milestones. Configuring performance and competency evaluation templates with a standard set of questions that can be used for all employee provide for fair reviews and objective comparison.

- **Implementation of A Variable Compensation Strategy**

A HRM system can implement various compensation scenarios and types of incentive such as compensation, bonus, stock and sales commissions for individuals and groups or by any selected component. Once configured, payroll process related tasks including reporting can be performed instantaneously and flawlessly automatically applying individual employee compensation scenarios.

- **Training Administration**

A HRIS helps automating the training process by linking training programs to job families, competency requirements, and the usage of various performance management and provides the benefit of suggesting certain training programs that are needed to close gaps or advance an employee in respect of their own development paths wishes. In addition to providing effective training management structures, HRIS allows detailed tracking of courses, participation, attendance, session scheduling, training budgeting, as well as actual vs. planned expense comparisons. Employees can apply for training sessions and their managers can approve the request online, making it easy to organize training sessions and events. Training feedback by employees and effectiveness evaluations by supervisors allow analyzing which training is truly beneficial in regards of investment vs. competency improvement.

- **Intelligence and Integration**

A HRIS stores HR data in a secure database that is structured, organized and easily accessible enabling managers to quickly compile and analyze information. Geographically dispered companies benefit even more as HRIS is used to centralize, consolidate and easily update data from multiple locations and even sources easily and quickly without having to navigate through the traditional means of communication. Either way, a HRIS eliminates delays in retrieving information, removes data uncertainty or fear of lost data or neglected crucial items. As such it assists managers and executives to have a true understanding of their employees from a variety of aspects that allows them to make quick and confident HR decisions for their company.

- **Payroll Management**

A HRM system can ensure prompt and accurate pay delivery in accordance with local regulations; track tax changes, pay slip history, overtime hours, allowances and deductions, leave history, labor and job costing by automating the payroll. This not only saves time, but also, simultaneously, reduced human errors significantly, and simplifies the process by automatically bringing hours worked over from the time and attendance sector to calculate benefits and taxes. Moreover, HRIS automates the time-consuming but mandatory process of government reporting and compliance assurance, and thus improves its accuracy and reduced companies exposure to non-compliance risks.

- **Recruitment Strategies**

A HRIS allows to create an effective and strategically relevant recruitment cycle consisting of manpower planning, job definitions and requirements, advertising, definition of selection procedures, applicant data collection, automated filtering, talent assessment and selection process, hiring, induction, and process control. Moreover, a HRIS coordinates applications, schedule interviews, produces applicant flow statistics, customizes recruitment letters, processes offers and tracks the entire hiring process. It places the posting of an opening on the website and use an automated system to make the interview process easy and by employing a unique rating system that assigns points to applicants in areas such as education and work experience, it is able to define the criteria and weights for each category. The points system also simplifies the sorting and rating of applicants, thus allowing a more objective comparison of applicants in different categories.



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SunFish HR Overview

SunFish HR functions include time and attendance; payroll and tax administration; training management; reimbursement and loan management; career and succession administration; performance evaluation and recruitment.

SunFish HR can easily adapt to local rules and regulations including allowances and deductions, income tax percentages, insurance and pension contributions, overtime, leave, etc.

SunFish HR is highly flexible and customizable. Flexible features such as multi-language (English, Chinese, German and Indonesian), multi-currency (USD, SGD, EUR, etc) and multi-legislation allow SunFish HR to be implemented across all borders.

SunFish HR is entirely web-based, so it can be accessed from anywhere and at anytime, with just an Internet connection.

SunFish HR utilizes role-based advanced security system. Users will have different level of access, based on their position in the company. For example, the HRD Manager will have access to virtually all features and information in SunFish HR, whereas an entry-level staff will have far more restricted access. This feature protects vital information from unauthorized users.

SunFish Human Resources

White Paper

The Economic Benefits of a HRM

As organizations have recognized that their people are a real and tangible asset, a successful company becomes that one in which a high-performing workforce shows the ability to drive business success by meeting the organization's strategic goals. That requires companies to consistently invest in developing, managing, retaining and/or recruiting talent .

However, these tasks have become more complex over the last decades as the workforce has also changed. A new level of mobility, a changed understanding of loyalty to the corporation, the ability to apply for a job anywhere in the world and to move from full-time to contingent labor and back again, etc. has made the acquisition of skilled employees one of the greatest challenges. Because remuneration alone will not retain these people, highly prized, less narrowly skilled, brighter and outgoing in their thinking.

To bring together both worlds and meet the challenges, the HR department needs to work closely with the organization to envisage the reshaped businesses of the future and put in place the right people to enable it to happen. Although speed will be critical, the difficulty will be not to rush to new things, as may have happened in the past, but to get the thinking right and then move quickly.

Success will hinge on the ability to accurately predict the size and shape of the workforce.

A HRM system is a crucial tool for addressing this challenge and helps organizations by:

- Improving productivity by integrating human resources planning with fundamental operational HR activities as well as aspects of the employment lifecycle, and thus developing a coordinated process to better understanding issues such as unbudgeted overtime and absenteeism.
- Increasing employees' satisfaction by giving them an enhanced sense of involvement in their own career path and role within the company.
- Improving the skills and competence in existing employees, including the development of new skill sets to prepare them for more responsibility and position advancement.
- Providing a single source for recording of HR data and transactions and giving analytical tools to compile this wealth of data in meaningful ways in order to better understand the skill and needs of the workforce, locally or globally as required.
- Enhancing business-level analysis of the recruiting process by developing ratios of applicants to jobs filled and percentage of candidates with offers.
- Winning the war for talent with a more strategic recruitment policy.
- Maximizing the value of employee information while minimizing the amount of work needed to gather access or analyze.

Business Benefits of a HRIS

When it comes to HR Management there are two realities: First, people are the most valuable asset of an organization. Developing and sustaining the organization's workforce will always be crucial in achieving the company's strategic goals. Secondly, it is also true that they are a company's greatest expense. Companies spend a lot of time and money on recruitment, orientation, payroll, benefits, overtime, administration, record keeping, skill and performance improvement programs, career development, retirement planning, termination, and so on. Inefficiencies in managing the employee lifecycle, especially when they still occur in the basic administration and operations part of HR, is not just a waste of time and money that could be better utilized elsewhere; but also means more 'firefighting' rather than focusing on contribution to corporate strategy, and optimization of HR processes and policies in order to improve your bottom-line business performance.

Underpinning existing fundamental HR structures with HRIS technology is a sensible approach to reduce process-related inefficiencies and costs and remove HR burden while optimizing the quality of HR service delivery.

For example: simply utilizing self service functions, which re-allocates basic tasks back to employees and managers giving them control over their own data and requests among others hold important potential for cost saving. Some papers found that a company can save more than 100 USD per employee, or freeing up an average of 1200 hours each years per HR staff member, or The Hunter Group 2000 HR Survey reported a staff-to-employee ratio of 1:151 in companies using ESS/MSS vs. 1:99 ration in companies without.

Even more, HRIS is not only a means to reduce expenses, it must also be looked at as a means to open up opportunities for new and value added processes for better achieving the business objectives of your organization as a whole.

Looking at HRIS technology in its entirety it helps companies to understand total current internal and external HR spending, share HR administration and operation where appropriate, consolidate and centralize management of the end-to-end employee lifecycle, identify opportunities for getting more business value from HR processes, and continually modify HR processes to adapt to changing conditions with the following business and cost reduction benefits:

- Increased Efficiency & Productivity**
 A HRM system streamlines and automates workflows related to record keeping, data entry and distribution, operational transactions such as attendance tracking, payroll and overtime processing, promotions, reporting, etc. It significantly reduces the amount of labor invested in these tasks, and as such improves the efficiency of your HR department (HRD). This even more so, when self-service functions are implemented that share operation and administrative tasks between supervisors, employees and HRD. With increased efficiency comes higher productivity. The simplification of tasks and removal of workload lead to quicker completion of basic HR activities and allows to focus on driving HR strategies that center around increasing productivity for the whole company.
- Cost Saving Potential**
 HRIS technology does not only embed efficiency benefits but also holds significant cost saving potential in several ways. For example, just task automation and simplification in general allow for tasks to be done at a mouse-click, meaning it can be accomplished at lower costs; or automation of time attendance tracking linked with payroll can save costs related to overtime overpayments, allowances paid for time not worked, inaccurate leave deduction, payroll cost leakage due to improper tracking of leave, sick and permit days. Another example, above mentioned self-service functions gives employees and manager direct access to and control over common personal, employment, salary and more data, as well as request submission meaning reducing costs in connection with help desk support, pay slip provision, data errors and paper files.
- Eliminating Errors**
 A HRM system means to enter data once which is then applied throughout the different areas in which such data are needed. The system, thus does not only provide a simple, efficient and accurate way to gather data, it also does not allow too many opportunities for errors as it only requires a few steps to enter such data. Moreover, the automated links between HRD and employees improves collaboration and communication between the two thus helping to avoid the chances of costly mistakes due to late data submission or data inaccuracy.
- Ending Paper Files**
 A HRIS allows businesses to centralize, consolidate and store data from multiple locations (and even sources) in a single platform. Updating and sharing data with all who need at the time they need it becomes easy and fast with this new and automated way of communication. It eliminates delays in retrieving information, removes data uncertainty or fear of lost data or neglect of crucial items. Solving paperwork problems and ending paper files through automation can achieve a 20 to 80% reduction of costs for paper and distribution.
- Increasing Speed to Fill Vacant Positions**
 A HRM system simplifies, enhances and accelerates many steps involved in filling vacant position. Whether it is hiring new, promoting or replacing internally, a HRIS can identify candidates who will best support corporate goals, and individuals whose qualifications and skills match the criteria for open positions. A HRM system allows to build talent banks, a pool of leadership candidates, and looks at ways to attract and retain those people, thus allowing organizations to move quickly in hiring and/or promotion.
- Optimizing Human Asset**
 An integrated HR system automates and ties together all aspects of managing the workforce lifecycle - from hiring, scheduling, task assignment, performance measurement, provision of feedback, salary and incentives, and training to enhance skills. As such, it provides businesses with insight into the makeup and performance of their workforce, makes important data more visible to the decision-makers, allows solving business problems related to staff and its impact on operational efficiency. As managers scan and utilize the skills of their workforce in alignment with corporate strategies they optimize it human assets in order to achieve best possible productivity.



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SunFish Human Resources

White Paper

Keys to Achieving ROI

The keys to achieving return on a HRM investment are: choosing the right tool for a business' requirements, and ensuring rapid implementation and development of the selected tool.

A HRM system helps organizations realize returns on their investment by:

- Providing familiar tools to make the HR department immediately effective and to leverage existing organizational skill sets.
- Integrating existing IT infrastructure.
- Offering organizations economies of scale.

With these, a HRM system empowers organizations to be quick to the market and quick to react to change, while ensuring a low cost of ownership and implementation.

• Provides Familiar Tools

Providing familiar tools for both business and technical users ensures the system is quickly adopted and training costs are reduced.

Use of familiar tools also leverages in-house team skill sets. Implementing a HRM system decreases development maintenance costs and outside consultant costs.

• Integrates Existing Infrastructure

By working with existing IT infrastructure, a HRM system provides return on investment in a number of ways - leverages existing investments in IT infrastructure and IT training, speed the time to markets by integrating quickly with IT environments, and reduces maintenance costs by providing standard interfaces for user and server management.

Support for industry-standard technology also ensures ease of integration with other eBusiness applications, and by combining data sources—employee, financial, and customer information a HRM system enables organizations to be proactive in developing and running planning scenarios.

Organizations can uncover cause and effect, trends and interrelationships, and develop more effective strategies that will provide a positive return on investment.

• Offers Economies of Scale

A HRM system provides economies of scale by aligning an organization's workforce competencies with its strategic goals, and enable the organization to determine which competencies are needed now and in the future, inventory current workforce competencies, and identify gaps between current competencies and those required-both present and future.

Ultimately, it will allow for the preparation of multiple fulfillment scenarios to close the competency gap.

The previous three factors should improve positively the performance and productivity of an organization's HR department and help it realize quantifiable return-on-investment from its HRM system.

Cost Calculation

The cost calculation of a HRIS implementation includes a variety of aspects and is intended to provide a detailed overview of the total cost of ownership in consideration of the initial and long term cost of purchasing, implementing and maintaining the HR application. The following points shall provide a the basis for the calculation of such cost:

1. Software License

The software license cost is easily determined by totaling the costs of software required for the application as provided by the vendor, and including any third party licenses necessary to operate the application.

2. Implementation Costs

The Implementation costs as provided by the vendor should represent the total implementation costs, including consulting, configuration, software customization, data conversion, training and initial support.

3. Hardware Costs

An estimation of these costs is available from DataOn and includes cost of servers and network improvements. And additionally costs for other equipment such as touch screen computer terminals, external attendance recording machines, etc.

4. Internal Training

Internal training costs represent the cost to the company of lost productivity and increased overtime required to train staff during conversion to the new system. An estimate is provided by DataOn, however, internal staff costs should be considered to determine a more accurate internal cost of training staff.

5. Change Management

Change management costs represent the ongoing productivity costs associated with transitioning staff from the traditional method to the revised business process adopted when utilizing SunFish HR. An estimate is provided by DataOn based on typical promotion and inefficiency costs encountered during an HR implementation.

6. Internal Conversion

SunFish HR requires a variety of data to be gathered and prepared for the system to be effective. While much of this data is typically available and can be automatically converted by DataOn staff, some data is typically unavailable and requires effort by the company to collect. Internal Conversion costs represent the cost of collecting and formatting the data for conversion by DataOn staff. An estimate is provided based on typical experience, but should be evaluated by the company based on the currently available data such as employee profile data, payroll records, reimbursement/loan/leave conditions, component formulas, policies, etc.

Introducing SunFish HR

SunFish HR (Human Resource) is an advanced Human Resource Management (HRM) application that will assist your organization in gaining competitive advantage by improving the way it manages your employees.

SunFish HR lets you manage HR business processes, from recruitment to retirement, with pure Internet applications that are built on best practices and performances.

SunFish HR offers all of the functionality you would expect from a HR system, plus a host of features to help you better recruit, develop and retain your organization's greatest asset: your employees.

SunFish HR provides instant, intelligent, global solutions to your organization, turning your people into your competitive advantage. With SunFish HR, you can align your workforce and strategic business goals with better and faster decision-making.

Calculating the ROI

To estimate the actual ROI of a HRM, organizations must look at the benefits and costs of implementing a HRM system. For the calculation of benefits:

- Firstly, evaluate the level of improvement such a system provides by costing all factors. Then, to estimate the probable value of the investment, organizations must evaluate the probability that the system will be both adopted and used.
- Secondly, sum up all external and internal costs related to the purchase, implementation and maintenance of the HRM system.
- Do both calculations by years for a minimum period of 3 years.

The below table provides an overview of how to determine the enterprise wide benefits of implementing a HRM as well as main costs:

Benefits Calculation Formula:

$$\text{Benefits} = (\text{Cost Savings} + \text{Increased Productivity} + \text{Innovation}) * \text{Probability of Adoption}$$

Whereas:

- Cost Savings = standardization + resource utilization + cost of recruitment, retention, recycling + retrieval time
- Productivity = relevance * timeliness * accuracy * suitability + ease of use
- Innovation = developer tool suitability + integration compatibility * reduced time to deploy
- Probability of Adoption = IT compatibility * business user suitability * scalability

Cost Calculation Formula:

- Investment Costs =
- Software Licenses (Employees, Users, Platform, 3rd party, etc.)
 - + Implementation Costs
 - + Hardware (Server, Network Equipment, Time Attendance Recording Devices, etc.)
 - + Annual Maintenance (equals a certain percentage of the license price)
 - + Internal Costs (Training, Internal Conversion, Change Management)

Once the figures for benefits and costs have been calculated, determining the Return on Investment (ROI) is straightforward. It is the same basic formula used in evaluating other investments, where the ROI is reported as earnings divided by investment. Applied to your HRIS solution the formula divides net benefits (monetary program benefits minus the costs) by the HRM system's costs. The ROI percentage is derived by multiplying that result with 100.

$$\text{ROI (\%)} =$$

$$\frac{\sum \text{Net Benefits over No. of Years}}{\sum \text{Costs over No. of Years}} * 100$$

The ROI from some programs may be high (frequently over 100%) for areas such as training, pay leakage, self-service, productivity improvement, and retention solutions. However, the ROI value for areas such as compliance, overtime cost reduction administration and record keeping heavily depend on the number of employees and efficiency of the current structure, and may be lower.



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