

Intuitive Technologies Increase Employee Adoption of Human Resource Solutions

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Automated benefits administration can increase cost efficiencies and ROI for employers.

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vast range of choices can be exhilarating if you're talking about cable-television channels or ice-cream flavors, but for HR executives, there is a downside to having too many options. For example, benefits administration has become much more complicated—the inevitable result of granting more benefit plan choices to employees over the years. And in turn, the need to deal with this increased complexity has been a factor behind the inexorable growth in outsourcing of benefits administration.

Outsourced benefits administration is part of the growing human resource outsourcing (HRO) trend that is gaining favor with corporations worldwide. Industry analysts report that in the United States alone, HRO was a \$24-billion industry last year, one that is expected to rise to

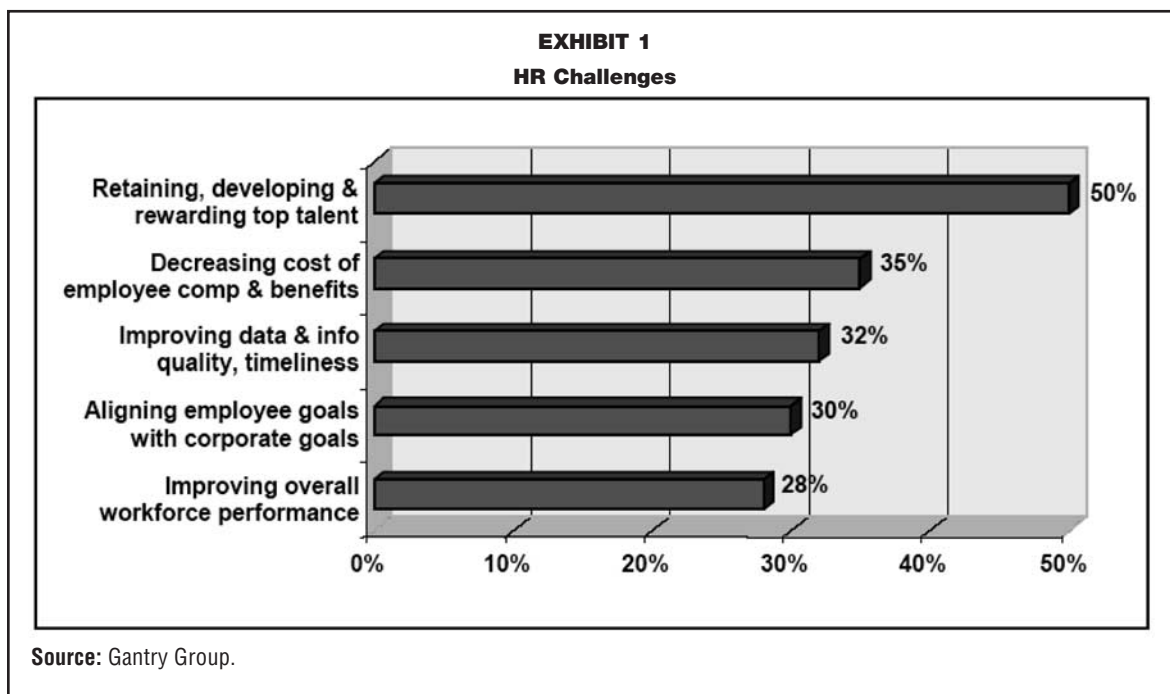
about \$42 billion annually by 2008. And by 2007, most Global 2000 firms will be outsourcing at least 33% of their HR administrative tasks.

Riding a Wave

One of the most significant HR organizational challenges today is reducing the time spent on administrative tasks, according to 40% of HR executives and managers within large U.S. enterprises who were surveyed last year by Gantry Group LLC, a Concord, Massachusetts-based research group. Another 17% of HR administrators surveyed said that reducing the cost of HR-service delivery was their biggest challenge. The average number of health and welfare plans managed by the respondents for their organizations—each of which has at least 5,000 employees—was 21, underscoring the administrative challenge.

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Along with the inherent resource demands, HR administrators cite several other factors for their increased willingness to outsource the benefits enrollment function or even their entire benefits-administration system to capable providers. External pressures on general overhead have increased, especially rising health and welfare insurance costs, creating the need to reduce costs in other areas, such as benefits administration. HR executives have found that it does not make sense for them to retain and develop in-house capabilities to deliver HR services that are nonstrategic and repeatable and that outsourcers can provide those services more consistently and efficiently than their own organizations. The outsource service providers perfect these commodity-type processes across business sizes and types so that they develop expertise and efficiency that no single client could match.

At the same time, shedding nonstrategic duties frees up HR-department resources to focus on truly strategic activities. HR executives want to rechannel their time to help address the company's top challenges, many of which revolve around HR issues such as attracting and keeping talent in a labor market that is steadily recovering from its lows of a few years ago. Retaining, developing and rewarding top talent is the challenge to which 50% of HR administrators would most like to redirect their time, according to the Gantry Group survey (see Exhibit 1).

Another factor contributing to the surge in outsourcing HR functions is that corporate HR administrators generally have become more comfortable with the idea of outsourcing, as they have realized initial successes from the outsourcing of selected HR services, such as payroll. In fact, many HR executives remain comfortable with an incrementalist approach, choosing to outsource only selected functions rather than their entire HR organization.

Two more drivers have recently helped to propel the trend toward outsourcing. One of them is that providers are migrating more and more into higher value-added workforce management functions adding to the attraction for corporations that already are adopting an outsourced model. Much of the value in HR outsourcing has to date been derived from the cost reduction of highly administrative transactional HR functions, such as payroll, benefits administration, retirement savings plans, etc. The market has evolved to include other HR functions that are focused on improving the productivity of the workforce: recruiting, learning management, performance management, compensation planning and succession planning.

Middle-market companies, those with 2,500 to 25,000 employees, are providing a second additional impetus. As the provider's focus expands from mere cost reduction to improving workforce performance, more companies that are not part

of the Global 2000 will consider outsourcing. Even more so than giant multinationals, mid-sized companies and their HR executives must focus on creating an advantage in workforce productivity for use as a competitive weapon—not allowing themselves to be distracted by the need to attend to back-office issues and administration-heavy HR functions such as benefits and retirement savings. Realizing the marketplace opportunity, more vendors are moving to provide midmarket companies with the workforce-management offerings that they need instead of offering them inappropriate systems that have been scaled for much larger companies.

Technology Becomes Central

Web-based benefits administration systems are a driving force in changing employer-employee interaction. During the past decade, HR automation has become a necessity for more and more companies. Investment in HR automation grew to nearly \$2 billion in 2003, according to IDC Research.

Nearly three quarters, or 73%, of HR executives surveyed by Gantry Group believe that automation is a key factor in decreasing HR administrative tasks and costs. Among the other prevailing HR organizational challenges that are addressed by an IT-powered outsourcer, 50% of respondents cited the ability that automation gives them to use technology as part of a larger strategy for HR-service delivery. And 47% cite the role of automated solutions in decreasing the number of errors and improving the accuracy of information.

Access to an outsourced services provider's technology is an important factor in many organizations' decisions to outsource benefits administration. The advantage of outsourcing is that it eliminates the large upfront investment of time and money associated with the purchase and installation of premise-based software.

Integrated services are automating all aspects of benefits administration, including enrollment and eligibility, service centers, employee communications, vendor management, premium billing and administration of highly regulated health care functions such as COBRA and HIPAA. Years ago, integration between the outsourced services and in-house systems was a significant challenge. Many organizations just used the HR module from their ERP system; although it may not have met functional requirements, at least integration was not an issue. As technology standards have

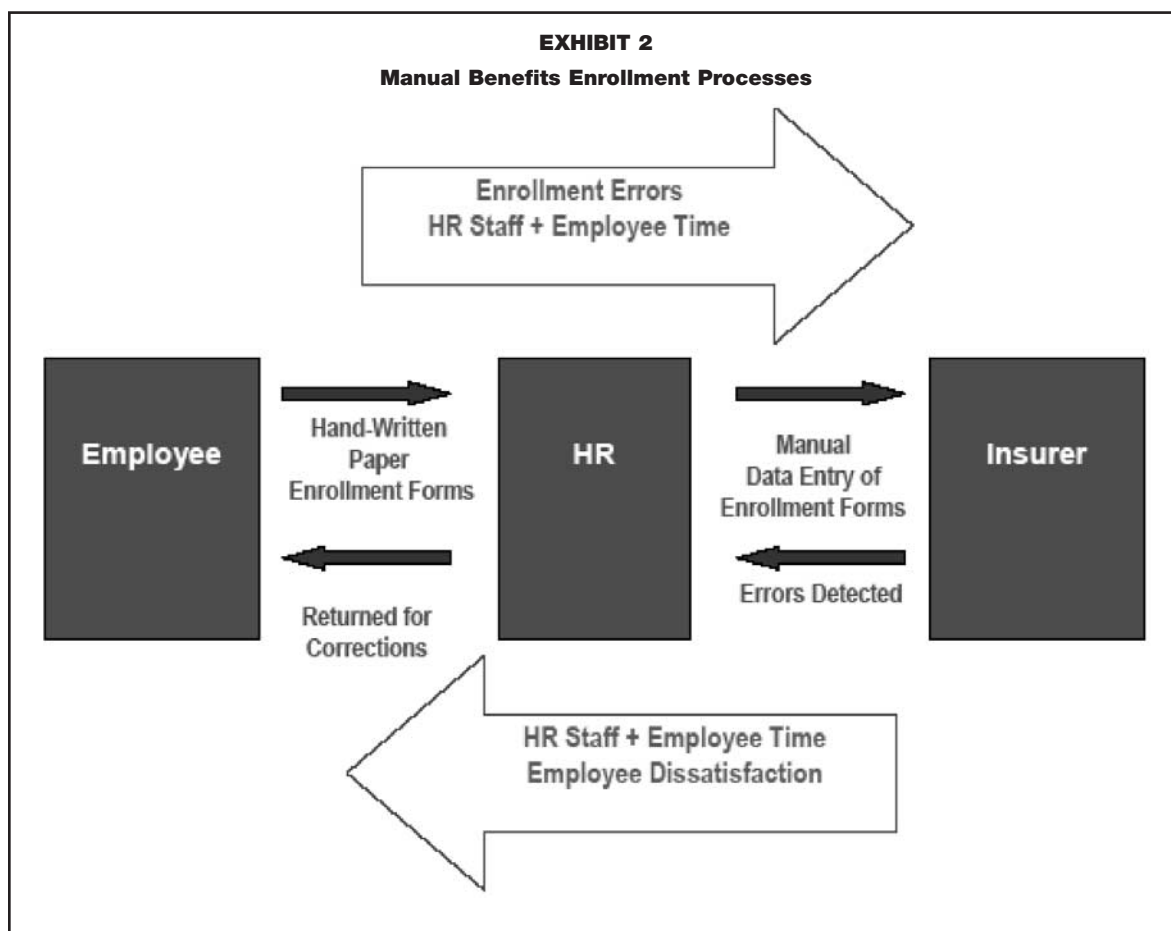
evolved (Java, XML, Web services, etc.), integration between outsourced services and in-house systems is no longer a high hurdle.

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Easing the Pain

Consider the list of “pain points” in the use of manual benefits-enrollment processes that are cited by the Gantry Group. The major downfalls of this traditional approach include the fact that benefits-enrollment costs per employee are high because HR staff is needed to process paper-based enrollment documents. The process requires a significant investment of time both by the employee and by HR staff at various stages of manual enrollment. Errors by employees in filling out forms and by HR staffers in inputting information into the system often compromise the accuracy of this crucial data. These plan-enrollment errors then are propagated through to insurers, who must devote their own resources to detecting, investigating and solving the errors in yet another wasteful cycle in the overall process. Not surprisingly, employee satisfaction is compromised as a consequence (Exhibit 2).

But automated benefits-enrollment solutions correct these problems for both employees and HR staffers. Intuitive and user-friendly Web-based forms replace multiple, difficult-to-use paper forms. With little to no training required, employees can access information about relevant plans and benefits and can fill out their personal information and make benefits selections privately and painlessly online. Employees can enter their address once and all related systems will have this information. If the employee moves, he or she can go to one central point to change the address and the changes will be made everywhere.



Safeguards and controls that typically are provided by the templates within the automated system help prevent errors by making sure a particular employee is only presented with benefits plans for which he or she is eligible. The system flags typos or other errors in real time so that the employee can correct such errors before submitting the forms to HR and compounding the problem.

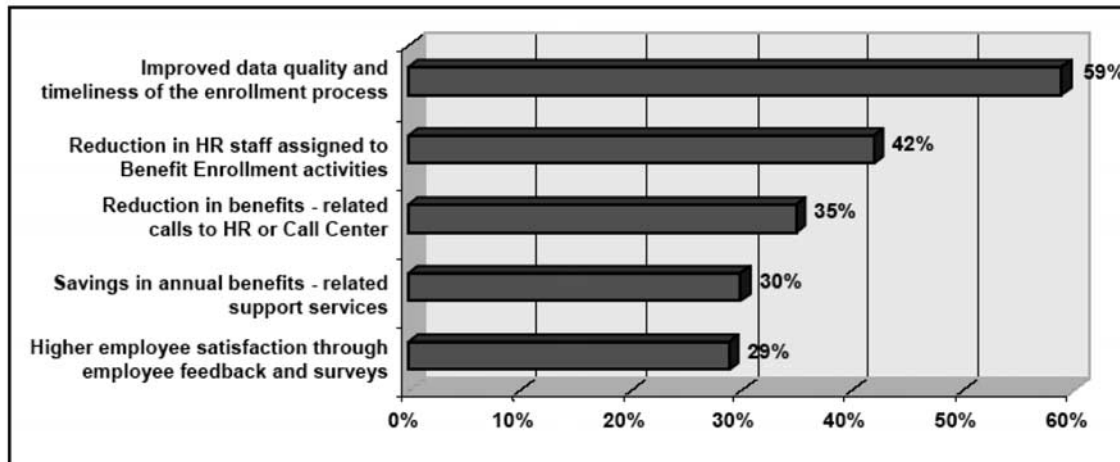
The elimination of handwriting on paper forms increases the accuracy of the data and saves the HR department time and money at every step along the way. The software prevents employees from making cognitive mistakes, which eliminates the expensive and often frustrating iterative reprocessing of enrollments. Employees not only connect seamlessly with their company's HR staff, but the company's HR apparatus also communicates electronically with insurers and carriers that administer the plans to which the company subscribes, ensuring that these important partners also receive the employee's information and requests in a timely and accurate way.

In addition, HR staffers save time and cut costs because they can minimize their involvement in the process of determining employee eligibility, explaining the plan structure and features, administering enrollment and processing the data through to the insurer. Often, HR departments can reclaim more than half of the time that they previously devoted to those tasks.

The advantages of an automated system range from eliminating the mundane bureaucratic work for HR to avoiding denied coverage situations for an employee's dependent at a doctor's office. Employees are free to work on productive tasks instead of the time-consuming benefits bureaucracy, whereas HR managers and their staffs are freed up to refocus their efforts on strategic priorities (Exhibit 3).

In addition to streamlining the jobs of HR administrators and making them more effective, enablement by IT-powered, Web-accessed out-sourcers helps employees develop more confidence in their own understanding and control of their benefits and other HR-related issues. Employees can access corporate-wide systems to fill

EXHIBIT 3
Automated Benefits Administration Improvements



Source: Gantry Group.

out electronic forms with ease, eliminating the system's old dependence on paper. Employees can gain a sense of greater control over their benefits in an increasingly "self-service" environment that is available to them on a 24-7 basis without the necessity for human intervention. And as automated systems prove themselves and, indeed, continue to improve, employees develop greater assurance that the information provided to them is accurate and consistent, raising the overall level of their satisfaction with benefits enrollment and administration.

Adoption Is Crucial

Just as important as having an elegant yet simple automated solution is making employees aware that it exists and convincing them that it is there to help them. The adage "If you build it, they will come" does not apply for HR systems. The HR organization has to think of employees more as consumers of the services, in a manner similar to the way that marketing and sales departments view customers.

Obviously, widespread adoption of an automated solution is a crucial consideration for companies as well—maybe more so than is immediately obvious. Usage of the online system by employees is the primary driver of return on investment for the benefits administration system. If employees don't learn to intrinsically trust and unflinchingly utilize the automated system to its ut-

most capabilities—and instead, or worse, use traditional written communications or make phone calls to HR staffers in addition—then the company has created an even worse "solution" than the original problem. Thus, a basic change in corporate culture regarding HR processes is crucial.

Perhaps HR executives can use the banking industry as a model. In the 1980s and 1990s, American banks used ATMs—and their reliability and simplicity—to completely transform how consumers use a variety of banking services. The resulting cost savings and efficiencies have transformed banks' cost structure and created a huge reservoir of customer satisfaction. Bank customers have grown to appreciate the convenience of ATMs and now look for banks with conveniences such as drive-through ATMs.

How to Get There

Rapid acceptance and adoption by a workforce can only happen when a solution is clear and intuitive enough for employees across the enterprise to embrace. The system must address all employee groups: salary and hourly; different divisions; international; Internet power users and beginners and different languages.

First, the systems must provide an intuitive interface that is easy for employees to learn initially and to navigate continually, with minimal training and little or no need for assistance or intervention by HR staffers. Web users by now are

basically familiar with standard interfaces, so they are comfortable with a typical browser-based system that delivers information using standard Web practices. The required data input must be minimized, concise and easy to understand, and the system must ensure that the information entered by the employee logically fits within their personal situation as well as the plan selections. The easier it is for users to master the system, the less chance they will become frustrated with it and contact the HR staff or call center.

Effective Web-based solutions also must offer a personalized view, beginning with information requests that are customized to the employee's own demographic attributes and relevant employment history. The automated solution also must provide employees with education and advice that allow them to compare competing plans easily and to obtain answers specific to their own circumstances—or employees quickly will disengage and use more costly communication channels, such as calling the HR department or call center.

An effective communications plan can make the difference between a successful implementation and one that fails to meet expectations.

After an employee has finished a transaction—for example, adding a new dependent—the worst thing that can happen is that the “handshake” between the provider and an insurer is broken because of poor technical integration, resulting in dropped files, lost data and—in the worst but all too frequent case—an incorrectly denied claim for the insured. Such episodes can shake employee confidence and lead them to conclude that the automated solution may be more trouble than it's worth.

Letting Employees Know

A benefits solution does little good for a company if employees don't appreciate it. And they won't

access and get accustomed to an automated solution unless its availability and benefits are communicated clearly and convincingly. An effective communications plan can make the difference between a successful implementation and one that fails to meet expectations. And for employees, proper communication of “what's in it for me” in an automated solution involves them in the benefits of the system and promotes usage.

Generally speaking, HR managers should introduce the concept of an automated HR solution about two to three months before enrollment starts. They should make sure to repeat the message in various ways and media—posters, mailings, meetings, Webinars, the intranet, etc.—so that employees absorb and understand its impact. The company must launch a detailed education program outlining reasons for, and expected rewards from, using the system.

The communications program must address the needs of different types of employees and how they might use and access the enrollment system. For knowledge workers who are at and around PC terminals most of the day, for example, being able to take a few minutes out to conduct a personal benefits transaction isn't much of a reach. But for workers on a factory floor, the opportunities to access the Web are likely much more limited, requiring kiosks and other after-hours access channels. Communications programs must make clear that such differences have been taken into account and addressed effectively.

An Important Choice

Success in each of these arenas is made vastly easier for HR departments if their companies have selected a vendor that understands how to help them accomplish their objectives. It is vital to choose a company that knows a client's market and competition, understands the importance of the corporate culture, has successfully worked with organizations of the same size and has demonstrated overwhelming HR-domain expertise. Just as important, the vendor must have demonstrated the ability to work with the client in rolling out an employee awareness and communications program—as well as managing and tracking implementation of the program to ensure positive return on investment for the company.

Best-of-breed solutions typically provide superior functionality within each given HR appli-

cation, with a user interface that is tailored especially to the specific task. In companies that have established a general relationship with an ERP vendor, the commitment to the partnership is overriding, meaning that HR departments sometimes must accept automated HRMS systems that are part of the ERP system, even when they don't provide the best functionality available on the market.

In an increasingly competitive HR environment, automated solutions have become table stakes for success, not a luxury. The right provider can help clients slash costs, redeploy valuable human assets in pursuit of strategic goals and make employers happier with their benefits administration, even at a time of overall restraint in their levels of compensation. No priority could be more important for HR administrators.

Daryl Ashley is senior vice president and general manager, strategy and solutions at Workscape and is responsible for overseeing the company's product and services strategy and solution development for clients. Previously, he served as vice president of client solutions for Workscape, leading subject matter experts and consultants who assist the sales force and account managers in crafting and articulating HR technology solutions. He also led Workscape's professional services organization, the company's largest internal department, with responsibility for all hosted application deployments.

