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iLinX™

A Bimonthly Newsletter of the HR Technology X-Change • A Professional Emphasis Group of the Society for Human Resource Management

Good Internal Processes Help Secure Home Access to HR Applications

Computer security is an important company issue that requires a mandate set by corporate leadership and policies developed and enforced through HR, IT and the legal department.

BY FRANCE LAMPRON

With more companies successfully moving HR applications to intranets, the next obvious step is to move appropriate applications to an Internet application for 24/7 employee access. This is exciting to many HR practitioners, who envision families sitting down at their home PC to choose a benefits package or update personal information, or even check on vacation time or stock options. The ability for these types of applications to improve employee satisfaction and communication is great. But so is the fear of security breaches.

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Leverage HR Technology To Create and Sustain A Higher-Performing Workforce

HR must be at the vanguard of a transformation that redefines how companies organize, inform, manage and reward their workforce.

BY TIMOTHY T. CLIFFORD

In recent years, organizations have taken nothing so seriously as the mandate to increase productivity. Initial attempts have been successful, and, in fact, U.S. productivity was up by a very impressive 4.8 percent in 2002—the largest increase since the 1950 post-war boom. In most cases, however, additional productivity was gained by honing product and service offerings, enhancing production efficiencies (for example, with the Six Sigma approach), creating supply chain visibility and implementing sophis-

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inside

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Message from the Chair

Is Feng Shui for HR Systems?

BY SIDNEY H. SIMON

As I write this column, I am in the process of relocating from the San Francisco/Bay Area to my firm's headquarters in Chattanooga, Tenn. I've been the recipient of unsolicited thoughts about this move and am not seeking additional advice at the moment, so please hold those calls, letters and e-mail messages!

While preparing our house for the market, our agent used the services of a professional "staging" designer, whose sole purpose was to make the house attractive to potential buyers. Unfortunately, she wasn't thinking much about the people who still had to live in it, as I experienced.

The hot design concept in Northern California now is being "Feng Shui-compliant." (This has nothing to do with being HIPAA-compliant). Feng Shui is a Chinese way of living that teaches and practices harnessing the surrounding energy for a good life. I first encountered Feng Shui several years ago. I was looking at a new house in the neighborhood and was told the house violated Feng Shui principles because the stairs to the second floor were directly in front of the entry door and the energy in the house would flow down the stairs and exit the door when opened. It took a long time until the house was sold. This could have been one of the reasons for the delay in a "sold" sign (in addition to the house being overpriced)!

My current home "energy-harnessing" experience prompted me to think about how Feng Shui could be applied at work, first in my office, and then to HR systems. My office is being moved so I'm skipping that application for the time being. As for systems, I have noticed that working with some systems is definitely better than working with others. We typically refer to "usability" in our industry. Usability also could refer to unnecessary energy drain, a facet we don't usually consider. I use an online expense reporting system that causes me real pain, even when doing a simple recording; it takes me awhile to complete what I need to do because I know it puts me in a bad mood. And after finally completing an expense report I need a glass of wine to recover. This is an example of a system that is not Feng Shui-compliant. I wondered if I was doing something similar to customers of my systems.

I now look differently at the systems I'm involved with developing. I now observe items that could be addressed in different ways to alleviate confusion and energy drain. I've even changed my approach to doing product demonstrations, which we typically do on a remote basis via WebEx. I used to race through the demo and dazzle them with my chatter. Now I'm asking more questions that deal with how well the reviewers understand what is happening and ask what they think should be done next to get more feedback on their perceptions, since I'm not physically with them and can't see their reactions. The participants appear to be energized. I'm surprised at the energy increase I am experiencing. I'm not as tired when finished and even want to do more demos now.

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Case Study: Online Comp and Benefit Communications

Quebecor World Uses Internet Technologies To Communicate Total Compensation

Communicating the total value of employee compensation, benefits and other employee perquisites is becoming increasingly important as employers ask employees to share more of the burden of health care costs. Quebecor World, a print media company, implemented an online communications program with the help of benefits consulting firm Watson Wyatt that it hopes will increase employee loyalty and commitment at the same time it educates employees about the true costs of health care and makes employees better health care consumers. Shari Davidson spoke about Quebecor's online communications effort at the 2003 annual WorldatWork conference.

Quebecor World is a company with 40,000 employees worldwide, 31,000 of them in North America and 25,000 in the United States. Seventy percent of the employees are male. Employees generally are long service, but there are certain "thresholds"—three and five years—when employees are more prone to leave the company.

Quebecor's U.S. corporate office wanted to increase employees' appreciation of the amount the company spends on them. While budgets for operations generally are being cut, the cost of employee benefits is rising and senior executives have been asking what they are getting for their money.

Quebecor also had another goal in planning an online communications program. Quebecor employees were asked for the first time this year to really think about their health care consumption. Health plan designs were changed and employees were given more of the financial responsibility for their care. Some employees thought the $10 co-pay for a doctor visit represented the total cost of their care, so it was important for them to see that while they might incur additional health care costs under the new plans, the company still was covering a vast majority of the cost.

HR had always liked the idea of sending open enrollment and other benefits information to the home, because the wives of many employees were the decision makers on benefits choices and, if they didn't receive the information, they would call HR. So Quebecor had to make sure the at-home decision makers could access the various parts of what evolved into an employee-personalized online total compensation statement with real-time information.

It took seven months from planning to the implementation of a functioning site to communicate total compensation. Using a single-sign-on environment built by Quebecor IT to accommodate the online project, employees now have access to real-time information through the company intranet or through an extranet. The site containing the total compensation information is hosted at Watson Wyatt's data center, but, to the employee who logs on from work or home, the process is seamless.

What Employees See

When an employee logs in and accesses the site, the authentication is passed to Watson Wyatt and the legitimacy of the user is verified. At the first log in, employees must read and acknowledge a disclaimer statement. Then they are moved to an introductory screen that aggregates their compensation and benefits information.

On the introductory web site, screen printers' marks are used as icons to represent health care, security, work and family, and pay as menu options. These icons are used consistently as a type of HR branding in Quebecor's online and written communications campaigns.

From this initial screen, employees can drill down into the various menu categories. On many of the drill-down screens, they are shown the percent that they contribute—and the percent their employer contributes—to health care, retirement and other benefits programs. They also see how much the company is spending in total on employee pay and benefits.

The employee-personalized information is calculated in real time on the fly, through interfaces with Watson Wyatt, the vendor that built Quebecor's system for pension calculations, and the 401(k) and employee stock purchase plan administrator, Putnam, using encrypted tokens and XML to communicate.

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CASE STUDY: QUEBECOR continued from page 3

Information is gathered from the vendors as soon as the employee logs into the site.

Employees who purchase company stock are shown their current contribution rate and the history of their purchases. They also see the stock purchase price and the market price, as well as the difference between the two, so they can see the value they are getting from their stock purchase plan. The current stock value is calculated using a Putnam quarterly statement of the employee's purchase history and the price of the stock as of the previous day's close of business.

Because stock purchase plan statements are no longer mailed to employees' homes, Quebecor saves money. In addition, it is easier for employees to understand what the real value of their stock is.

Additional savings result from not having to mail summary plan description documents and similar material to employees' homes.

Supplementing this total compensation information on the web site are FAQs (frequently asked questions) and glossaries that help employees interpret what they see. For each health plan, there is a link out to the online plan site. There also are links to the summary plan descriptions. Employees who want to change stock purchase practices or 401(k) investment options online can click on a link to the Putnam sight, where they must log in a second time so their identity can be verified.

Employees see only the health and other benefits plans for which they are eligible. But if employees are not participating in the 401(k) plan, information about the plan still will show up on the screen so that employees see what sort of employer match they are missing.

Other employee programs like tuition assistance and the EAP are described on the site and, where appropriate, links to the vendor or internal web sites are provided.

To motivate employees to use the site, Quebecor launched a health risk assessment at open enrollment. Employees could use an online tool to decide which health plans make the most sense based on their actual use of care. The tool helped to encourage use of the total compensation site.

Employees Like It

An e-mail survey tool on the site helps Quebecor collect information about how employees perceive and use the information. More than 90 percent of the 6,000 individual users to date have found the site easy to use and understand. The same number said it did a good job of communicating their benefits. But Quebecor's Shari Davidson said she is most pleased by the fact that more than 75 percent of the respondents perceive their total compensation and benefits package to be above average or average when compared to others, a fact she attributes at least partly to the online communications efforts.

Tell Employees What Rewards Mean to Them Personally

You have to go beyond the obvious to communicate rewards to employees today, say two Towers Perrin consultants. During the 1990s employees were hungry for facts, and HR often gave them facts via the web, but HR lost its story-telling flair and made employees sort out the facts for themselves. Towers Perrin's Sandra O'Neal and Mark Schumann say we need a different way to communicate in the 21st century. New techniques are necessary to engage employees today. People are burned out. They are suspicious of corporate America. They want to know not only the facts but how the facts affect them personally, and, if they don't like the facts, how they can work to make life better for themselves as well as for the company.

When you tell the story of rewards, you must tell employees *why* you are making certain changes, such as increasing their responsibility for health care coverage, O'Neal and Schumann say. That is not to say you should dwell on the need for change—employees are sick of hearing about the need for change and many of them are quite cynical about corporate-speak. But if you want employees to be your partners in controlling health care costs, you must frame the argument so that employees know what's in it for them in the long run. If you tell them you are working to control costs, you also must let them know what progress you are making toward that goal. You must give them the tools to make good decisions, such as information about how to choose the best doctor or hospital or how to make lifestyle changes to prevent expensive health care costs.

In today's environment, it's important to have a strategy for rewards communication that begins with the end in mind. What behaviors do you want from employees and how do you convey the messages that will elicit those behaviors? Who has influence on employee behavior and how do you reach those people? Do you have a good way to send and receive messages from employee family members, who can have a big impact on employee behavior? Have you mapped out employee preferences for communications and do you know what types of messages are effective for which segments of your workforce? Do you have a strategy for combining high touch with high tech to communicate the messages you need to deliver and achieve the behaviors you desire? The communication of rewards is just as important as the design of rewards. Good rewards communication means spending the time to plan a strategy and deliver it effectively, say O'Neal and Schumann. ✗

Other positive outcomes:

- The company didn't get as much push back on the new health care plans as anticipated, and HR had the tools to explain health care cost increases.
- Because the information is "real time," HR no longer has to perform pension calculations for employees who are doing retirement planning or need pay or retirement information for other purposes throughout the year.
- The compensation department's relationship with IT ultimately was strengthened. While IT complained it was spending too much time developing the single-sign-on for accessing company information, the company can now use the single-sign-on for other initiatives. The hard work has been done.
- The company's CEO, who is based in Canada, wants a version for Canadian employees, which will be rolled out soon.
- Because pension statements aren't printed annually, the company is saving enough to justify the investment.
- HR uses the site in its recruitment efforts of key personnel.

Davidson cautioned that you need someone who has the technical benefits expertise to pull off such a project—you can't use an IT person who is going to do it on weekends. ✗

Resources:

http://benefits.northgrum.com/health_welfare/spd/ will get you to Northrop Grumman's online SPDs for health plans.

www.metlife.com/WPSAssets/19258596471021990639V1FVBexecsummary.pdf is a 2001 study by MetLife of employee benefit trends that shows the evolution of offerings and communication of employee benefits.

www.milliman.com/eb/publications/benefits_perspectives/spr03_fin.pdf is the online address for a Milliman USA overview of web-based benefits applications and how they may be improving how employers manage their benefits programs. The same address will get you to an article on data warehousing for managing health plans, a strategy self-insured employers can use to better manage health care benefits.

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The Value of Feng Shui

Perhaps there is value to Feng Shui concepts. Usability and energy consumption certainly are related. When discussing energy rebuilding in her online article "Finding Success Using Feng Shui" (2000), Candace Czarny states: "The stresses of each day are piled upon the stresses of the day before and the day before that, until you no longer have the patience and tolerance to deal with seemingly insignificant issues as they arise. These stresses also can make us feel less than capable, which makes dealing with situations even more difficult. This level of stress when not dealt with can start to impact your performance at work and your ability to nurture and grow interpersonal relationships, leaving you feeling like you are in a rut with no way out."

There's another perspective to consider when making recommendations about system features and how they should be functioning in relation to the UI (user interface) and workflow—impact on energy. As we roll out more employee and manager self-service applications, there are many opportunities for considering energy dissipation and the loss of overall productivity when such functions are not appropriately designed. Review your systems and determine if, after usage, you feel your energy has (1) been drained, (2) remained the same or even (3) been enhanced as a result of the experience.

Back to our house staging. The teapot had to be positioned properly, many of our pictures were placed in the garage and replaced by those with better karma (I had to be refrained from speaking out about our pictures' lack of karma!), funny shaped baskets were specially positioned, and similar Feng Shui initiatives were put in place. People visiting the house were extremely enthusiastic, which was the desired objective. The bottom line to all of this Feng Shui staging preparation was that our house sold in two days after receiving two offers. The preparation time actually took longer than the execution time! So there may be something to this Feng Shui. I doubt I'll become a devoted follower but will certainly consider the concepts more in future HR technology endeavors and day-to-day life activities!

If you are interested in finding out more about Feng Shui, do an Internet search and you'll obtain many links to the topic. When I told my wife what I was writing about in this column she said, "Too bad I didn't pick up the *Feng Shui for Dummies* book I just saw at Costco." Perhaps I'll still get a copy before leaving the Bay Area for use in my new home and office in Tennessee. ✗

Sidney H. Simon is the director of product management for Benefit-America, a UnumProvident Company, and chair of the HRTX Advisory Board.

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Interestingly enough, even with all the talk of viruses and hacking, the largest source of security breaches is from internal employees. A recent Gartner Group survey claims that 70 percent of unauthorized access to IT systems is by employees, as are more than 95 percent of the intrusions that result in significant financial losses.

So, as you can see, setting up an application that allows access from outside the company is one part of the security issue, solved by IT and a number of well-tested technology solutions. Securing an application from the inside—keeping it safe for and from employees—is also a technology job, but one that includes HR. In fact, computer security is an important company issue that requires a mandate set by corporate leadership and policies developed and enforced through HR, IT and the legal department.

All this work just to allow employees to log on from home to change their marital status? Well, yes and no. Having an information technology security policy is the first step to providing 24/7 HR application access to employees. Without a security policy, IT, rightly so, should dig in its heels and say no. But starting with the end goal in mind, HR and IT can craft a policy that will be strong enough technically and simple enough to enforce.

Many companies, especially decentralized organizations, have been quicker to adapt. These organizations already have secure web-based applications that span offices, states and countries. The IT group in these organizations is familiar with what's required to add external access to HR applications. This will make the project easier to implement, but it will not necessarily make it easier to get approved. Each company looking to add home access to HR applications needs a corporate sponsor.

Corporate Sponsorship Important

In Nuvosoft's experience, getting these projects approved and implemented works only if there is a corporate sponsor such as the CEO, CFO or CIO. Without a commitment from the highest levels in the organization, it is likely that HR will be frustrated in any attempt to move the project along due to concerns about security breaches and their potential impact.

The Role of HR

A corporate sponsor ensures that the team gets the necessary funding and will tackle the organization's fear through communication at the highest level in the company. In many companies, the perceived risks of home access are so high that HR will never get approval for this project without a corporate sponsor. But with a well-researched plan, signed off by corporate, the IT and HR departments can move ahead toward a successful deployment.

Once the project is approved and funding is obtained, HR, IT and legal need to team up to set the company's security policy. This process must take into account current national and international law such as the European Union Data Privacy Directive, current company security policies and possible system vulnerabilities. The team will develop a policy and mandate a set of procedures based on legal and technical needs that will be enforced by the HR department.

For example, in Europe employees have to sign a waiver to allow personal information to be shared online. An employee has the right to refuse to participate in an online system, meaning the company also will have to keep a small paper-based system. IT needs to be part of the HR application committee so IT can completely understand the legal implications, plus the functional needs of HR. IT will be responsible for the physical

U.S. and South Korea Lead in Number of Cyber Attacks

The United States continues to show the highest cyber attack volume, serving as the source of more than 35 percent of all attacks, states Symantec's *Internet Security Threat Report* for the third and fourth quarters of 2002. Attacks from South Korea increased by 62 percent, making it the second largest overall source of attacks. Symantec, an IT security company, says South Korea's rapidly growing broadband infrastructure may be one factor driving this trend.

"As broadband becomes more accessible in other nations, their exposure to and participation in malicious activity may also rise unless protection technologies are widely deployed," the Symantec report states.

The rapid development and deployment of remotely exploitable web applications appears to be the major driver of a trend toward the Internet's increasing vulnerability. Symantec documented 2,524 new vulnerabilities over the 2002 year, an increase of 81 percent over 2001. Based on the vulnerabilities that surfaced in 2002, a number of high-risk future threats have emerged, which attackers and malicious code writers are only beginning to leverage. In addition, technologies just now entering the mass market present attractive opportunities for malicious code writers. Instant messaging, peer-to-peer applications and mobile devices represent attractive "infection vectors" for future malicious code, Symantec says.

The report is derived from the statistical analysis of real-time cyber attacks detected by a sample set of more than 400 companies with intrusion detection systems and firewalls in 30 countries and a statistical analysis of malicious code submissions from millions of corporate and home users. ✗

(hardware and software) implementation of the policy, while HR is the communicator and enforcer. It takes a member of each group to deploy a secure application successfully. It also takes the employees.

HR needs to communicate and train all employees on how to use the system correctly. HR also needs to explain what the consequences are for incorrect use of the system (in some cases termination) and what's expected of every employee to keep the system safe. Just as employees are expected to keep a company's doors locked when the receptionist is off-duty, employees have a responsibility to keep internal hacking to a minimum. This is as easy as protecting their own passwords appropriately, instead of displaying them on a Post-it note on their computer monitor.

Now, while this may seem daunting, it really isn't. One large international company contracted with an IT security company to ensure its server was free of vulnerabilities to the outside. The IT team and the HRIS consultant assigned to the project worked with the networking team to eliminate potential vulnerabilities within the network and its connection to the Internet. And IT, using many off-the-shelf security software products, built automatic checks into the system to enable tracking of any potential breaches. In fact, the system offers the ability for employees and HR to police activity.

How can a user police the system? A tracking function can tell users when they last logged in to the system. If the date is incorrect, the user notifies IT immediately, as this might indicate a stolen password or other security breach.

Auditing is another commonly used security function. It follows who is logged onto the system, when and where they are going and what they are doing. HR can use this to check on the progress of employees to complete certain forms, and IT can keep an eye on anyone trying to log into someone else's account.

In short, the technology to make these applications secure is available and is being used in companies across the world. Consider the applications that you use today, such as online banking or checking your investment information online. These types of applications were unheard of a few years ago, but today we readily send our credit card information over the Internet, pay bills online and make stock trades. Today, this and other applications are possible, and you can move your company in this direction if you are armed with information.

Convincing Others

So, you're ready to begin advocating for your project. At least you're ready to present the idea of making a number of HR applications available to employees at their homes. How do you convince the VP of HR? It's an easy HR argument—employees filling out forms at home equals less time spent at work on non-billable tasks; managers will have the ability to work on performance reviews from home without office interruptions and HR will spend less time chasing forms and inputting data and have more time for strategic analysis and planning.

These are just a few of the benefits of providing employees access to certain HR applications from home. Imagine families being able to sit down and review health plans, discussing the options with a spouse and then filling out the forms at home. Even a simple application that displays unused vacation time from home is a plus to busy employees.

So, you've built the application case. The first question may be "How can we do all this and protect employee privacy?" Actually, the first question probably will be "How much will this cost?" In terms of discussing security, it helps to know the basics. In fact, you really only need to know the basics—IT will handle the technical security implementation.

How do you make an application secure? Explain that IT will handle it through a number of proven technologies. Continue to explain HR's role in this process and what HR has in place currently to protect employee privacy. Just as you lock a door and provide information such as salary history only to an employee's manager, this same process can be duplicated and, actually, probably made more secure with an online system. Using online web-based systems with passwords supported by authentication and authorization is much more secure than e-mailing spreadsheets around the company.

Simple solutions such as providing a savvy site name

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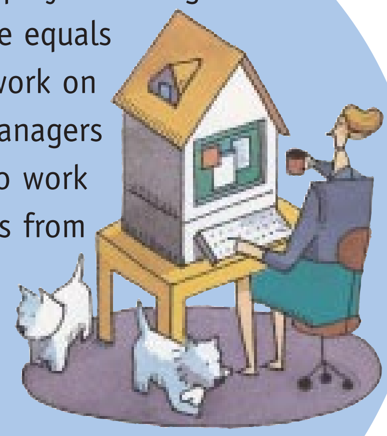
It's an easy HR argument—employees filling out forms at home equals less time spent at work on non-billable tasks; managers will have the ability to work on performance reviews from home without office interruptions and HR will spend less time chasing forms and inputting data and have more time for strategic analysis and planning



Case Study: Manager Self Service

Motorola Implements Kadiri Worldwide

Motorola, a company with 95,000 employees in 65 countries, recently implemented Kadiri software to move most of its supervisors and managers throughout the world to a single annual compensation planning process that includes salary, equity and short-term incentive awards administered within an integrated planning window of six weeks. Next year, Motorola wants to shorten that time frame to four weeks.

Using Kadiri, Motorola was able to reduce the amount of time managers spend in the compensation planning process, to get a better handle on total compensation costs and to compare labor costs in the different countries.

For the first time, the company pushed compensation administration down to the lowest level supervisors, because these probably are the people who know the performance of their subordinates best, a Motorola compensation specialist said.

The Kadiri online manager self-service application will enable the company to move toward better differentiation of rewards for individual employees, said Craig Morgenroth, a compensation executive who spoke about Motorola's experience at the 2003 annual WorldatWork conference.

Motorola wanted to differentiate better between top and bottom performers and needed a global platform to accomplish this objective. While the company had web-based salary planning in the United States and in some other countries, none of the existing tools were good enough to build on, Morgenroth said.

Pay practices varied between countries and in the same country between business units. Global equity planning was rolled out to the manager's desktop in 2002 in a system built by Motorola. That created an appetite for an integrated planning process encompassing salary, stock and short-term incentives that could be delivered online and linked more closely to performance management. The company had just gone to short-term incentives for individual employees and was looking for a good way for managers to be able to administer the incentives.

How Kadiri Stacked Up

Two points in Kadiri's favor as Motorola considered solutions were that Kadiri's application handles different currencies and that it has an intuitive interface that Motorola thought would be easy for lower-level supervisors and other managers to learn quickly. Motorola selected Kadiri Total Comp 4.5 as its application because it provided the best solution for what the company wanted to do, which was to make managers more self-reliant in the compensation planning process at the same time that it standardized pay practices.

"We were looking for a best-in-class solution that offered a greater probability of continuing to evolve in terms of features, functionality, etc., and something that offered leading edge development," Morgenroth said. Motorola also was looking for something that offered virtually seamless integration and compatibility with other HRIS applications.

Success Factors

In 1997 and 1998 Motorola had moved to a shared services concept for HR, finance and some other functions. This helped the company put in a global rewards strategy and variable pay for employees throughout the world, as well as global equity planning, available at the manager's desktop in 2002. In 1999 the company moved to a standard performance management framework and a standard set of tools for employee goals and development plans. In 2001 it went to a common version and instance of SAP for its HRIS and put in a global data warehouse. Motorola also has been moving toward a common focal review for a number of years.

On January 15, 2003, information from the business units was available for managers to complete their reviews, now done at the same time of year. By Jan. 17 this information was transferred to the global data warehouse. The data was used to model how many shares of Motorola stock to allocate to employees and how much to give out in short-term incentives and salary, using a performance-based budgeting approach. Managers whose employees are rated higher get more money to distribute under performance-based budgeting. Populations are stratified within each of the business units to force awards distribution into certain categories, so there isn't much chance of managers rating their employees higher just to get more money.

The Kadiri program was rolled out Feb. 5, with some streaming video and other types of job aids for training. Some of the training tools were translated into languages other than English, but throughout Motorola the Kadiri self-service application itself is in English only.

Performance scores were imported from the legacy performance management systems to Kadiri and payroll feeds were built so that eligible earnings for every employee around the globe could be communicated.

There were only two compensation plans for the entire globe—one for everybody except executives and one for the 400 executives. Sales incentive compensation was not included in the online planning process, but sales salary and equity awards were.

Managers were able to choose between Java applets and HTML versions of the Kadiri application, depending on what their desktops could handle. The Java version has richer graphics and more manager feedback. It was used by about three-fourths of the managers.

The software was able to accommodate the different guidelines for pay around the world. A project team of HRIS, compensation and Kadiri representatives built the specific attributes needed in each country. The business units ultimately were made responsible for keeping the guidelines up to date.

Ten thousand managers used the system and completed their planning within a four-week period, after which HR and compensation had two weeks to review the data.

Motorola successfully applied performance-based budgeting, using hundreds of variations of how to deliver pay from around the globe. Managers planned for their immediate staff within the first two weeks, after which the data was rolled up for approval to the next level manager and finally to the business heads. The system handled as many as 10,000 individual sessions in a 24-hour period without crashing, Morgenroth said.

Motorola is considering adding promotion planning to the application next year. The company also wants to shorten the process to four weeks and plans to enhance the analysis of the data. ✗

Resources:

www.hr.com/HRcom/index.cfm/WeeklyMag/360F070F-B766-4D5B-A5072203C079247B?ost=wmFeature is the online address for an interview by David Creelman with Jay Weir on Enterprise Incentive Management.

www.hrcompdepot.com/compdepot.asp is where you'll find Aon Consulting's list of compensation tools—123 of them—which are available for purchase and downloading over the web.

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will keep a number of outside hackers away. Avoiding keywords in a site name such as "employee" and "HR" will make the site harder to find through web searches. Expiring passwords for individuals will cut down on the amount of hacking and misuse by internal employees. Setting strict rules such as "Sharing your password is cause for termination" is also a powerful motivator.

Other simple and tested ideas include timing an employee out of the application. After a certain amount of time, you're logged out. This protects the system from employees who walk away from their desks in the middle of a session.

Some of this might seem extreme, but, as noted above, the biggest threat is internal. The technology to protect the company's assets is available and proven. The biggest threat is what happens on the inside. And that's where HR and IT need to meet to make these applications a success.

HR and IT need to work in partnership to secure an application. IT needs to understand the context of each feature, so it can make the proper security recommendations. IT can't make proper recommendations about an application in a vacuum. HR needs to understand the risk of each feature so it can make an informed security decision. What to secure and to what extent is a decision made by HR, but implemented by IT. This is an important piece of the process and will be accomplished through several meetings. After all, you don't want the security implemented to jeopardize the functionality of the application.

It's also important to keep the executive/corporate sponsor informed of what this group is doing—decision wise. It's important to have executive sign-off for the exact risk/benefit ratio for the application. Leaving this person out of the loop is a recipe for disaster.

So, are you ready? One HRIS professional interviewed for this article said, "For an HR application to be successful today, it has to be accessible to employees at home or employees on the road." This 24/7 access is the future, and the sooner you get started, the sooner your company will reap the benefits. ✗

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Resources:

www.cisecurity.org, the Center for Internet Security (CIS), is an organization whose mission is to help firms around the world manage their security risks. CIS provides methods, tools and approaches to compare and improve the security status of your organization.

IRS Ruling 2003-43 Opens the Door To Widespread Use of FSA Debit Cards

BY COREY PROCUNIAR AND COLLEEN NELSON

In May, the Internal Revenue Service issued IRS Ruling 2003-43, a long-awaited clarification of the role of debit and credit cards in Flexible Spending Account (FSA) and Health Reimbursement Arrangement (HRA) claims adjudication.

IRS Ruling 2003-43 coincides with soaring medical rates and widespread medical information available via the Internet. The convergence of these factors is expected to result in dramatic increases in FSA and HRA enrollment, making FSA and HRA consumer-driven health plans a very attractive cost-cutting strategy for employers. However, as employers rush to take advantage of these new opportunities, they should be aware that compliance will require significant technological and administrative resources.

High Medical Costs Continue To Be Burden

In a weak economy, employers are hard pressed to find areas where they can trim costs. A study conducted by the U.S. Chamber of Commerce earlier this year found that benefits—the chief component being medical insurance—cost nearly 40 percent of payroll, making control over health care costs employers' No. 1 priority. Facing a fourth consecutive year of double-digit medical inflation, employers are again requiring employees to pay a higher share of the cost of their care. In a recent study conducted by Hewitt Associates, nearly half of employers said they would consider offering HRAs to their employees as a cost-cutting measure.

An Electronic Society

Thanks to the Internet and direct-to-consumer advertising on the radio and TV, Americans have become smarter health care consumers. The advent of such popular web sites as WebMD and Reuters-Health.com has provided the average citizen with more health-related information than ever before. With a click of the mouse, an individual can compare drug prices, investigate the latest cancer treatments or choose a dentist.

The concept of immediate results can be applied to the purchase of health care, since Americans already are familiar with the convenience of using debit or credit cards to pay for their goods and services.

Consumer-Driven Health Plans

Since the 1970s, employers have taken advantage of IRS Section 125 Cafeteria Plans to lower their payroll tax liability. Allowing employees to pay for their benefits using pre-tax dollars deposited in a Flexible Spending Account not only lowers the employees' taxable income, it also allows them the flexibility that they say they prefer. Why, after nearly 30 years, does FSA enrollment remain at a lackluster 15 percent of eligible employees? Much of the answer lies in the mountains of paperwork associated with adjudicating FSA claims, coupled with the current use-it-or-lose-it rule. In addition, consumers had concerns over paying out-of-pocket expenses twice on a pre-tax basis.

According to the Employers Council on Flexible Compensation, about 20 percent of employees with FSAs have money left over at the end of the year. FSAs can be costly for employees who cannot accurately predict their health care expenses. The good news is, elimination of the use-it-or-lose-it provision has received bipartisan support from both President Bush and the Congress.

IRS Ruling 2002-45, issued in May 2002, cleared the way for Health Reimbursement Arrangements (HRAs). Similar in concept to FSAs, HRAs are not subject to Section 125 rules and are funded entirely by the employer, who may deduct the funds as a business expense for tax purposes. HRAs are not subject to the use-it-or-lose-it rule.

Section 132 Mass Transit Reimbursement Accounts use pre-tax dollars to pay for job-related commuting costs, including paid parking, subway and bus passes, vanpooling charges and ferry passes.

Administrative Simplification

IRS Ruling 2003-43 vastly simplifies FSA and HRA administration by clarifying the role of debit and credit cards in certification, substantiation and adjudication of FSA and HRA claims. What's more, the ruling means that consumers will no longer have to pay out-of-pocket expenses twice.

Certification—each swipe of the card reaffirms the following:

- The card will only be used for eligible medical expenses.
- Claims will not be submitted for reimbursement to any other payer.

- Use of the card is limited to authorized providers.

Substantiation—no further substantiation will be required if:

- The claim amount matches the plan co-payment.
- The claim amount matches the amount for a previously approved charge (e.g., a prescription refill) by the same provider.
- The provider supplies the employer with real-time information verifying that the charge is for a medical expense. Further, IRS 2003-43 disallows substantiation based on sampling techniques such as after-the-fact audits or dollar thresholds.

IRS 2003-43 also provides the following safeguards against misuse of the card.

- The employee must repay the employer for any ineligible expenses.
- The amount of ineligible expenses may be withheld from the employee's paycheck or used to offset any future claims.
- Employees who do not repay the employer may be denied use of the card.
- The card is canceled upon the employee's termination of employment.

What To Look for in a Technology Provider

Employers who wish to implement an FSA or HRA plan must realize that the program's success or failure hinges on the quality of the technology and customer service provided by the vendor. Finding a technology provider that can accomplish both while providing seamless administration can mean the difference between success and failure.

Here are some areas to consider when selecting a provider:

System flexibility. The technology provider should have the technological staff and resources necessary to develop customized solutions for its clients. Large clients with 20,000 or more participants consistently have unique needs that require tailored programming. For example, they may already have separate systems in place that require an interface with the FSA/HRA system. Or, the client may want to upload data from several third-party vendors and share it with others. The technology provider should be willing to analyze each individual client's needs and develop a strategy unique to that customer.

Program implementation. Before any programming has begun, the technology provider should perform a relatively simple data conversion process. For instance, many administrators require companies to submit data in a specific data format, making it more inconvenient for the company. Instead, they should be able to accept and work with data in any format. Obviously, significant testing and validation also will be involved to ensure the integrity of the data. Further, the provider should be willing to commit a dedicated account management team that will remain in close and constant contact with the customer and key vendors throughout this process.

Account maintenance. The technology should be able to provide clients with seamless access to enrollment data, claim status, comprehensive benefit reports and other critical data—the instant they need it. The company should provide information through a variety of means, including the Internet or an Interactive Voice Response (IVR) system.

Employers are getting accustomed to using web-based administration, as it can streamline their workload by automating repetitive jobs and eliminating paper. On the back end, a web-based platform allows various applications to be easily integrated. Given that employers can (and do) spend millions of dollars trying to have systems "talk" to one another, the use of a web-based administration system presents enormous opportunities to improve efficiency and business performance.

Performance guarantees. Vital service areas such as average call wait time, abandonment rates and claims turnaround should be tracked, so that problem areas as well as best practices can easily be identified and, if needed, resolved. The technology provider should be willing to stand behind its performance. Some companies will provide service guarantees, incurring financial penalties should the level of service fall below an agreed-upon benchmark.

Next Steps

Employers should welcome IRS Ruling 2003-43 as it opens the door to widespread use of FSA/HRA debit cards and subsequent cost savings in terms of lower administrative costs and payroll tax liability. However, the full savings may not be realized without the right administrative and technological resources. To ensure their success, plan sponsors looking to take advantage of these new opportunities should seek out providers with sophisticated technology and the dedicated staff to do the job. ✗

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Resources:

www.bpcinc.com/hra.info.html will get you more information about health reimbursement arrangements (HRAs).

www.irs.gov/pub/irs-drop/rr-03-43.pdf is where you'll find the actual IRS guidance on using debit cards for HRAs.

Applicant Tracking

So Who Is an Applicant Anyway?

BY MARY-JANE SINCLAIR, SPHR

Is this an Applicant?

- Sally Jones logs on to your company's web site, goes to the Careers page and sends an e-mail expressing interest in your marketing manager opening in Chicago.
- Reginald Smith sends a resume to his friend's father, who is your CFO. He is looking for a position with an "industry leader." Your CFO sends it to you and asks you to take a look at this young person.
- Stephanie James calls your switchboard and is transferred to the HR department. She asks to be considered for the executive secretary position you advertised in Sunday's paper.
- You go on to a job search engine on the Internet to look for people with an automotive engineering background for your assembly plant in Tennessee. You enter your search criteria and get 500 hits.
- You take the 500 hits you got for automotive engineer and refine your search to include only those already living in the Tennessee area and having over eight years of assembly-related engineering experience. This leaves you with six resumes.

Definition of an Applicant Is a Moving Target

In answering the question "who is an applicant?" consider that the answer from the federal government itself depends in large part on whom you ask. The Office of Federal Contract Compliance Programs (OFCCP) has taken a position that an applicant is a person who has indicated an interest in being considered for hiring, promotion or other employment opportunity with your organization. The agency's definition provides for that interest to be expressed by completing an application form, or it might be expressed orally, depending on your company's practice.

For federal contractors, the definition of an applicant has long been guided by the Uniform Selection Guidelines formulated by the Equal Employment Opportunity Commission (EEOC). These guidelines have been interpreted as setting the legally sufficient definition as "a person who shows an interest in a position and meets the minimum qualifications of the position." The major difference between the OFCCP and EEOC definitions lies in the focus each places on minimum qualifications.

Until a joint agency task force reaches a final determination, federal government contractors need to be aware that the OFCCP says the definition of an applicant should be positioned as broadly as possible to prevent exclusion of people who apply, regardless of their qualifications. The "legally sufficient" position of the EEOC, on the other hand, allows for the contractor to determine who meets the minimum qualifications and places the emphasis on making sure the qualifications themselves are job-related and consistently applied.

Ways To Manage Applicant Flow

No matter how your organization chooses to define an "applicant," there are several good reasons for tracking whoever applies. In addition to the requirement placed on federal government contractors by Executive Order 11246, tracking applicants helps you determine how effective your recruiting efforts are in attracting people to your organization and can be critical in defending against EEOC charges. Everyone knows you must track anyone interviewed for an open position, but there are other considerations in determining who you track.

The first consideration is how you will handle those individuals that come to you as "unsolicited" or who are not responding to a specific solicitation you made for potential employees. You need to ask a few questions:

1. Are you going to accept them?
2. Do you log them?
3. Do you conduct "interest interviews?"
4. How about those resumes your executives bring in?
5. Do you conduct "career exploration meetings?"

You are not under any obligation to accept anything you haven't solicited. If you choose not to accept "unsolicited" applications, you should instruct those involved in the recruiting process to turn away anyone who comes in and cannot specify which opening they are interested in. You also should refuse to consider those who send their paperwork in via mail and do not designate which ad they are responding to.

If you are going to accept unsolicited resumes or walk-in applications, you should log them. Many organizations keep what is called an interest log. This enables them to meet the OFCCP expectations that they track every "applicant" without burdening themselves with additional record-keeping.

The next type of logging involves those who respond to your solicitation but do not meet the minimum qualifications for the opening they are expressing interest in. This determination is frequently made by screening the original submission against the position requirements or is based on the timeliness of the application. It is not uncommon for organizations to give the position requirements to the person who opens the resumes or dispenses the applications and then ask that this person not forward any applications that do not meet these qualifications. These should be logged and coded as "not qualified" on the log.

The last type of logging involves those who apply for a specific opening, meet the minimum qualifications and receive further consideration. They are interviewed, may be given an offer of employment and should be tracked through the process.

What Do You Track?

The best bet is for you to have an applicant flow log for each discrete opening throughout the year. You should record:

- ❏ Social Security number.
- ❏ Name.
- ❏ Source.
- ❏ Gender, ethnicity and race.
- ❏ Date of application.
- ❏ Position applied for.
- ❏ EEO code/job group code of position applied for.
- ❏ Disposition.

Tracking each position separately makes it easier for you to analyze your recruiting processes and validate that you selected the best-qualified person for each opening. Many organizations assign a requisition number to each opening and track applicants by this number.

How Do You Track?

There are a number of methods you might use in keeping applicant logs. You can keep handwritten logs, you can use spreadsheet software and set up your own log format, you can use specialized tracking software or you can use an online application process that automatically sets up and tracks applicant flow.

Regardless of how you keep the logs, you should make sure they are comprehensive and consistent. One of the most frequent problems during compliance reviews is the contractor's inability to produce applicant flow logs and to also be able to match the logs to resumes or application forms. Federal government contractors are required to keep all records relating to employment decisions for a period of two years from the date the decision is made. This includes applicant flow logs! ✗

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Resources:

www.wrf.com/db30/cgi-bin/pubs/Defining.pdf is an article on defining an applicant from the law firm of Wiley Rein & Fielding.

www.hranalytical.com/appdefinition.htm is another treatment of the applicant question by HR Analytical Services.

SHRM Adopts Policy Statement on Integration of HR Technology and Transmission of Information

SHRM has adopted a policy statement with regard to the integration of technology and the transmission of information. Members of the HRTX were instrumental in getting the statement adopted. You can find this information at http://www.shrm.org/hrtx/events/events.htm. Sidney Simon, chair of HRTX, says "The SHRM policy position demonstrates the importance of technology standards for human resource information and software applications. Vendors appear willing to support such standards and until now there hasn't been a positive and formal endorsement of such by a major industry group. As the largest organization representing human resource professionals and the human resource profession, SHRM is eminently qualified to take a leadership role with these HR technology standards. I'm very proud that the SHRM Board has accepted this responsibility and taken a position that most definitely will advance the profession." ✗

How To Get a World Communications Infrastructure

A broadband infrastructure or network of networks reaching to homes and businesses across the country and even around the world, composed of several wired and wireless networks owned by a number of entities, could be the infrastructure of our future, a former chairman of the Federal Communications Commission (FCC) said. In this network, the amount of bandwidth, privacy and security you got would be controlled by your personal computing device, which would elect the appropriate services for your needs. Voice services and some data services would be cheap. They would be supported by higher fees for video conferencing, video on demand, secure transactions such as banking services and services that ensure the privacy of the sender and receiver.

> The telecom industry has grown by more than 80 percent since 1997 and is the single biggest contributing factor to growth in the consumer-led economy.

Reed Hunt, now a senior adviser on information industries to McKinsey & Company who was chairman of the FCC from 1993 to 1997, said that such a network could be implemented and would be good for the economic health of the United States. Hunt spoke at a conference on security, technology and privacy sponsored by Georgetown University Law Center and Carnegie Mellon University.

However, a looming crisis may prevent us from achieving this vision, Hunt said. The crisis is the result of three converging revolutions. The first is a revolution in voice communications. In the past, regulators protected this industry from market fluctuations. It had a fairly stable infrastructure because of regulatory controls. But voice communications is now is subject to Moore's Law (the doubling of transistors on integrated circuits every couple of years). Chip companies are making more powerful chips to replace those previously installed in voice networks.

The cost of voice networks is decreasing. The second revolution is the introduction of competition into the telecommunications market and cheaper and faster technologies. Prices for frame relays, wireless services and other voice services keep dropping. The telecom industry has grown by more than 80 percent since 1997 and is the single biggest contributing factor to growth in the consumer-led economy. The United States has more of its total gross domestic product in telecommunication services than in any other product or service. But competition is now producing lower profit margins and tremendous overcapacity.

Couple these trends with a growing world disorder in which more people actively fear and hate the United States than at any time in our history. Unfortunately, we need foreign investors at the rate of $2 billion per day to help balance our trade deficit and pay back our federal deficit. For our economy to thrive, we need to depend on the trust and confidence of investors and "show them the glittering sectors of our overall economy that invite investment," Hunt said. That means demonstrating that U.S. information and communications technology has growth potential. But today, after reaching a peak at 1.7 million jobs over the last 18 months, the telecommunications industry has started to decline in the number of jobs it provides and the industry is almost economically flat in most sectors.

"It is not clear that for the rest of the decade this sector of the economy will make a contribution, and, if it doesn't, this new world disorder will be a critical problem for the United States," Hunt said. Aggravating this situation is the fact that technology companies depend on businesses outside the United States for two thirds of their sales these days.

What the FCC Should Do

The FCC should be promoting a national broadband network that will allow for the transmission of voice, video and data to all parts of the country, Hunt said. There will be money available for this network once it has been built (we currently spend $175 billion a year on voice telephone calls alone) but the money only starts coming in when the network is in place and there is enough market penetration to pay for it, so it is critical that we encourage policies that help get that network built.

Regulators should enforce fair rules of conduct between the links in the network and should ensure that any entity that owns a monopoly in one part of the network won't be able to monopolize another part as well, Hunt said. Government will have to decide who is to be excluded from this network of networks. This country's government and the governments of other countries made conscious decisions to give virtually everybody access to telephone service, including the poorest, those who live in rural areas and the disabled. But the cable business is different. Cable companies reach only 60 percent to 70 percent of the population because of the way cable services are priced. If we have a network of networks that will carry education and communications and if an inclusive policy is adopted that will allow virtually everybody access, we will have to find a way to bring the network to the poorest, rural residents and other special populations.

Right now the FCC is following two contradictory policies, Hunt said. For the existing voice network, companies have to sell service at a wholesale level to competing retailers. The government has said "you can have a monopoly over this link, but you can't extend it to the next level." Hunt said the FCC has adopted his vision of how regulation should work for the future network of networks with existing telephone services. But for the network of tomorrow, the broadband network, the FCC has adopted the policies of the AT&T monopolistic voice network of the past. By the end of this year, unless there is a price breakthrough for cable or DSL services, customer willingness to pay for the higher bandwidth is maxed out at about 20 million homes. If prices are lowered from $40 to $30, around 35 million homes would buy the service, with 65 million homes still excluded, Hunt said.

It won't be possible for any entity to invest in a high-speed network unless that network carries all the traffic. Neither the cable companies nor the telephone companies will spend the money necessary to connect all homes to high bandwidth if they don't get some government help.

Hunt said regulators, service providers and users need to be patient and get the framework for the market aligned more closely with the vision for that network of networks. Here is what he thinks should be done:

- All regulators in the U.S. and other countries should force to nearly zero the price for transferring information from one network to another. This should be done before the problem becomes more complex. Imagine what would happen if the cable companies had two thirds of the broadband network and the telephone companies had one third and the cable insisted on an extra 25 cents for every minute of sending video from DSL to cable.
- Cable and telephone companies should be allowed to merge. But a condition of the merger should be that the original services, such as the voice service network, still would have to be sold at a wholesale price to competition.
- Regulators should have a plan for deregulating teleconferencing, voice products and other services, but regulators also should have a plan for how to deal with a scenario where prices go up and drive people off the network. We subsidize telephone services for the poor now, but we should let the people decide how they will spend their subsidy—for example, by buying wireless instead of wired telephone service.
- No entity in the network of networks should be able to alter the common transmission protocols.
- The U.S. should sell at auction a large amount of the spectrum to anyone who promises to manage it for others without reselling it. This network manager would charge a small price for guaranteeing there is no interference in the network. This could be an experimental proving ground for certain wireless services such as Wi Fi.
- The federal government should praise and support with technical advice any municipality that wants to build a taxpayer-funded cyber network to the home and make that network available with the condition that no municipality should be allowed to vertically integrate and extend to another market.

These rules would help us to set a blueprint for the world and lift up the IT sector, Hunt said. ✗

Resources:

www.connectwithcanopy.com/index.cfm?canopy=stop.story&aid=61 has information about Motorola's Canopy broadband wireless platform.

www.windley.com/categories/broadband/ is Phil Windley's weblog page on broadband.

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ticated financial management and business intelligence applications. As it turns out, many of the affected business processes had a good deal of "low hanging fruit" to be picked.

But now that obvious redundancies and inefficiencies have been exhausted, what's left in terms of driving improvement and competitive edge? Only the most challenging task of all: addressing the "people factor" in creating a higher-performing workforce.

Two facts about this ultimate challenge are clear:

First, human resources must be at the vanguard of a transformation that redefines how companies organize, inform, manage and reward their workforce. No longer will HR view employee "handholding" as a primary function. Rather, it will be a resource for the tools and information that allow employees to make better decisions and perform administrative transactions on their own. As a result, HR also will be freed from the "administrivia" that has too long kept it from fulfilling its rightful mission: making the best possible use of people and their skills to build and sustain competitive advantage and, ultimately, to create enduring shareholder value.

Second, technology will lay the foundation for much of this workforce optimization. Just as it has done for other business processes, technology can enable such a sustainable competitive advantage in the "people" realm of business that companies who do not deploy the tools and technologies needed to optimize their workforce will find themselves out of the race.

That said, however, we need to back up a bit. For although by this point nearly everyone in HR would probably agree with—and, at least in theory—welcome these two truths, the reality is that many do not have a full sense of how these transformations will unfold. That is what this article will address.

HR Roles and Goals Revisited

Before HR can effectively make over the entire workforce, it must reinvent itself. For this it is necessary to synthesize an action plan. While each HR group must address factors peculiar to its own organizational culture and its own industry, a universal truth is that the entire HR sector must reassess its roles and its goals. Among the key new roles for HR are *workforce enabler* and *business partner*.

As a workforce enabler, HR must relinquish its "fairy godmother" role in favor of that of trusted facilitator. After all, HR is not going to wave a magic wand and transform a company's workforce into a more motivated, more committed and higher-achieving group any more than it's going to turn mice into horses or pumpkins into horse-drawn carriages. Rather, it's going to drive managers and employees to transform themselves via dynamic tools it makes available, as well as through more flexible, personalized policies and better methods of communicating those policies.

For example, if compensation truly is going to be linked to performance, management must identify the key business performance criteria and employ a tool that allows them to successfully align the compensation of each employee with those criteria. Most managers are not trained compensation specialists, and no one expects them to be. They need access to policies authored by HR, and information such as salary survey data and employee-specific compensation history. Only with this information at their fingertips—as it is with a robust compensation planning application, for example—can they make the best decisions.

The role of business partner goes hand in hand with that of *workforce enabler*. With viable "do it yourself" systems in place, HR can take the time required to continually acquaint itself with the changing workforce's evolving needs. HR must thoroughly understand from a people perspective exactly what each business unit is trying to accomplish. With this knowledge HR can provide a strategic view of workforce-centric programs, process refinements and unparalleled expertise that will in turn engender operational efficiency and across-the-board success.

As for fundamental goals, HR organizations must devote themselves to both *workforce assessment* and *metrics*.

Workforce assessment is fundamental to understanding the nature of the current workforce. One key goal of HR during its own transformation must be to provide analytics about its own workforce, answering such questions as:

- What are the demographics of part-time, full-time, per diem, seasonal and other employees?
- What are the years of service patterns?
- What is the employee performance distribution?
- How are high performers identified?
- What are compensation patterns?
- What parts of the organizations exhibit retention problems?

In addition, HR must be vigilant in analyzing broader labor trends, including such issues as changing retirement ages, the growth of the multinational workforce and the continually evolving role of women in the workplace. With this knowledge HR can plan for and develop a workforce of the future.

As in other areas, all progress with regard to people processes and workforce optimization must be measured against key *metrics*. Certain baseline statistics—such as turnover, time to hire and staffing ratios—can be tracked monthly, quarterly and yearly. Others—such as trends in revenue/employee compensation ratios—can be used to measure productivity gains. Employee satisfaction surveys and exit interviews can be used to target improvement opportunities. The point is that HR must get into the habit of showing correlations between talent development, employee commitment and strategic business success.

Solutions that Deliver

Concurrent with revaluating its roles and goals, HR must seek out and deploy technology that supports and enables its own transformation as well as that of the workforce. This is where things can get tricky. At first glance, many HR applications may appear to be similar. They are not. Savvy HR organizations must look for four key differentiators in any solution they consider.

1. Leveraging Existing Technology

Over the past decade, millions (perhaps closer to billions) of dollars were invested to implement large-scale ERP (enterprise resource planning) or HRMS (human resource management system) solutions that delivered applications to meet the needs of financial, supply chain, customer relationship, payroll and HR requirements. Network infrastructures also have been put in place to provide global connectivity and leverage the web. And over the past several years, HR has invested in numerous point solutions.

It is an economic imperative that any solution designed and deployed specifically to drive a higher-performing workforce must leverage and increase the return on these investments. The characteristics of these solutions, therefore, must include simplified connectivity and inter-operability with existing ERP and HRMS as well as any point solutions already in place.

One increasingly successful delivery vehicle for this type of inter-operability and connectivity is the hosted ASP (application service provider) model, which places the responsibility for application infrastructure and support with the provider rather than the client. In so doing, it frees internal IT resources to focus on other needs. It also eliminates the need to highly customize the ERP system to deliver a workforce-centric solution. Significant customization of large-sale ERP applications, which includes initial deployment costs as well as future software upgrades and support, historically has a highly negative impact on total cost of ownership and return on investment—two critical metrics in determining the success of any technology investment.

2. Supporting the Way Your Workforce Works

Few employees have the inclination, or time, to participate in formal training. They want a solution that maps to their existing business process and is intuitive and easy to use, offering information at their fingertips. In short, they want a solution that works the way they are accustomed to working on a daily basis. If a solution falls short of these expectations, people will simply resist adopting it. Even a second, improved attempt will meet with resistance, since users already will be skeptical. Of course, if the solution is not adopted, there will be no subsequent benefits to employee performance.

Another success factor for workforce adoption is personalization and relevant content. Employees will need to be able to conduct specific transactions, such as benefits elections or W4 changes. Managers require user-friendly tools and direct access to information about their employees as well as critical reminders of upcoming events, such as deadlines for performance evaluations or planning for merit pay increases. And all of this must be supported with the relevant data necessary to guide the best possible decision-making.

Having said all this, though, one caveat must be added. While adoption is strongly influenced by a positive user experience, it is also dependent on process change. It will do little good to put a pretty face on a confusing or ineffective process. Implementing workforce transformation technology affords companies a wonderful opportunity to re-evaluate and enhance the processes they have in place.

3. Easy Configurability

Today's business organizations are more complex and more diverse than ever before, and the velocity of change is at an all-time high. Workforce-facing solutions, therefore, must be flexible and adaptable enough to respond to these continual changes across multiple dimensions. The resulting process changes must also be easily incorporated into the application's workflow, without the need for costly vendor or IT support.

In addition, the solution must be able to support the complexities of "companies within companies." It is not unusual for divisions and business units that function largely independently to have differing processes, and a successful solution should be able to accommodate this.

4. Deep and Rich HR Functionality

Workforce-friendly, easily configured solutions must be balanced by powerful HR functionality. Expertise about benefit and compensation processes (from the workforce perspective) must be built into the system. Knowledge and experience about how employees and managers need and want to use information also is a fundamental aspect of the solution.

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Toward this end, the provider of the solution should have a broad knowledge of the human resources function. Once this is built into the solution, more rapid implementation and more successful deployment will follow.

Workforce transformation is upon us, and HR must play a key role in its successful outcome. Leading an organization through this watershed period is a pivotal mission—and a unique one, in that the self-transformation of HR will be an integral part of the overall organizational transformation. For HR to shine in its new roles of business partner and employee enabler, it must embrace workforce-empowering technology as a strategic differentiator. The deployment of highly functional, flexible, user-friendly solutions that leverage existing technology is the key to driving fundamental changes in how the workforce is managed and rewarded.

The opportunity for HR to fulfill its potential has never been greater than it is at this moment. By transforming itself and the organizations of which it is a part, HR can not only take its rightful seat at the strategic table, but also drive sustainable and measurable competitive advantage. ✗

Timothy T. Clifford is president and CEO of Workscape Inc. He has been instrumental in setting the strategic vision and direction for the company from its inception in 1998. Under Clifford's leadership, more than 140 major corporations representing 5 million workforce members around the globe deploy Workscape's benefits and workforce management.

Resources:

www.towers.com/towers_publications/publications/hrds_survey/perfmgmnt0303.pdf is the online address for a January 2003 white paper by Towers Perrin consultants on how to achieve effective performance management.

www.kadiri.com/html/about/documents/form.html is a Kadiri white paper on building a high performance workforce.