

Workforce Management - Impacting the Bottom-line

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THE WORKFORCE MANAGEMENT (WFM) CHALLENGE

Having the right Workforce Management strategy in place is critical more so today than ever before. With so many competing initiatives around enabling HR to become more strategic, foundational initiatives like those that help an organization ensure they are managing their workforce optimally have been pushed to the side. This only further hinders organizations from what they really want to achieve - providing strategic analysis that highlights where change is needed in order to ultimately impact the organization's bottom line. An organization's success and HR's success depend on whether they have the information and data needed to support strategic initiatives. Labor is typically an organization's largest expense and workforce management applications are the key to success in overcoming these challenges and further enabling more strategic ventures.

Organizations must respond to constantly changing market and industry conditions with an increasingly diverse and dispersed workforce. Many organizations today are not accurately accounting for their labor spend and monitoring it to the point of being able to impact the financial bottom line. In fact, there are many organizations unaware of the impact unplanned absences are having on their productivity level and even worse, most of these organizations aren't tracking or monitoring when their workers are absent or tardy.

Organizations around the world are also faced with increasingly ever-changing governance and compliance laws that are challenging to maintain, leaving them in a non-compliance status and exposing themselves to serious legal ramifications.

Organizations over the years have hoarded collections of disparate redundant systems, and for whatever reason a single global instance of that solution has not been feasible. This lack of standardization and streamlining is prohibiting organizations from effectively monitoring their top asset, labor. Labor costs are typically the largest single expense item for any organization.

And it is becoming a well known fact that the workforce is shrinking in some economies, and even worse, layoffs are currently looming due to sagging economies around the globe. The need to reduce labor costs while improving productivity, efficiency, and service levels has never been more critical.

WORKFORCE MANAGEMENT DEFINED

Workforce management (WFM) has evolved to include functions for time and attendance, absence management, labor budgeting, forecasting, scheduling task management, and projects management. WFM has predominantly been used by organizations with high percentages of hourly employees that need to schedule workers for specific business hours and locations. However, WFM is also helpful in having accountability and managing and monitoring productivity and absenteeism in organizations with an exempt workforce. For example, a bioresearch organization that has exempt employees can leverage workforce management applications to schedule employees and monitor the Paid Time Off (PTO) liability and ensure the time off is recorded properly. An extremely large PTO liability for exempt employees can result if managers fail to follow-up on the entry of PTO when it had been taken. This is a common problem for organizations with a large exempt population.

Workforce Management systems can be used to match business demand with appropriate labor by using a combination of budgeting, planning, analytics and/or an optimization tool to reconcile data with the availability, skills, and eligibility of personnel to work to support them. Examples of sources of data might include:

- Sales or customer traffic in a retail environment
- Patient bed count and acuity in a healthcare organization
- Call volumes in a call center
- Work orders in a manufacturing environment
- Hours budgeted for a project

While few organizations have calculated the loss to their businesses from suboptimal workforce management, many have identified the upside of an optimized workforce:

- Lower labor costs
- Elevated productivity
- Increased sales
- Improved customer service
- Increased employee engagement and satisfaction

And many organizations and analysts perceive Workforce Planning and Workforce Analytics as a key strategic part of a Workforce Management solution. These tools

Consider this! An organization with 5,000 employees and a \$300 million payroll would save \$6 million a year by reducing labor costs by only 2% through better workforce management.

can take a very complex problem and make it as simple as matching the organization's workforce supply to the business demand.

MANAGING THE WORKFORCE IS A BALANCING ACT

Accurate labor forecasting and efficient workforce scheduling is critical to optimal workforce performance. For many organizations, this is a cumbersome, ineffective process. What organizations ultimately want to get to is a balance between the labor budget and the labor that is needed in order to meet the forecasted demand. When labor budget is higher than needed, some organizations feel the need to use it or lose it. However, if they are allocating resources where the demand is not needed, this is a waste of labor spend and results in overstaffing. Alternatively, if an organization is not allocating enough labor spend to meet the demand or service levels needed, they end up with understaffing. Either scenario can result in lost revenue, customer dissatisfaction, and could even increase employee turnover due to low morale. An ideal level of labor budgeting is achieved when an organization can forecast their business demand and turn that into a workload demand that can then intelligently define what the labor budget should be during any given day of the year.

HOW ORACLE MEETS THE CHALLENGE

Oracle offers a comprehensive set of solutions that complete the full cycle of workforce management from Planning and Budgeting to using Business Intelligence for reporting and analyzing the wealth of data within our workforce management applications. Real operating results and benefits are easily achievable today with a combination of solutions like project tracking, absence tracking, and managing and monitoring schedule assignments. But the biggest and most strategic benefits can be achieved by using these solutions in conjunction with labor forecasting, schedule optimization, and workforce analytics. Labor forecasting and schedule optimization applications can help an organization determine where, when and who they need to deploy to any given shift, assignment, job, project, task, etc, based on historical needs. Workforce analytics can help monitor and impact labor, productivity, efficiency, and costs in real time as well as impact long term planning in an organization's talent management strategy for acquiring, developing, and retaining their workforce. These solution sets are available to both PeopleSoft and E-Business Suite customers.

Real Results! As a result of more detailed time tracking, Santos Inc. recovered more than A\$529,000 (US\$391,000) in labor expenses and automated error checking on the front end of the process has helped Santos reduce timesheet rework..
Santos is a major Australian oil and gas exploration and production company



Figure 1: Oracle's Approach to Workforce Management

Organizations should assess where they are today with their WFM business processes (Figure 1) and determine the steps needed to fully unlock the strategic value that Oracle's Workforce Management solutions can provide. The business drivers for any organization depend mostly upon where that organization falls on the maturity scale as well as their tendency to be leaders or laggards in leveraging technology.

Organizations in emerging economies or in the mid-market space are typically looking for the basics to handle business necessities and deal with governance and compliance. Solutions for this space include HR, Payroll, Time and Labor, and Absence Management.

Organizations that have already implemented the basics and are now looking for ways to leverage their existing investment and extend the features of those solutions in order to further reduce back office costs and provide more efficiency. For example, rolling out self service time reporting or using web clock punch time capture instead of maintaining costly time clocks, or allowing managers to make schedule changes or enforcing employees to request permission to work overtime or take a vacation via self-service functionality.

And finally, organizations on the high end of the maturity scale or those who are considered leaders in leveraging technology are not only handling the basics, but

Real Results! The US Census Bureau Gained ability to view daily capture of time and attendance data—simultaneously reducing paper use—by leveraging convenient mobile computing devices. The U.S. Census Bureau is America's leading source of quality data about its people and economy

have also turned their attention to more real time analysis and drilling down into the root cause and effect of key metrics around labor costs and productivity that haven't quite been measuring up to their expectations. A combination of Oracle's Workforce Management and Business Intelligence applications provide solutions to resolving these pain points.

Meet Strategic Objectives

Oracle's workforce scheduling and analytics offerings enable organizations to meet strategic objectives by tying deployment and utilization of the workforce to organizational goals and business demand. With this functionality you will be able to:

- Forecast labor demand based on corporate budgets, operational targets, and historical trends
- Easily monitor, edit, and influence forecasts
- Convert forecasts into an activity-based workload with the simple push of a button
- Optimally assign resources to the workload based on organizational needs while minimizing overstaffing and understaffing
- Review key performance indications to increase productivity

The number one reason why most organizations say they are looking to replace their existing workforce scheduling solutions is because they have been abandoned by the managers that have to use them because they are too difficult to use.

Oracle's Workforce Scheduling (OWS) product was built with that in mind. It was designed to take the complexity out of optimizing resources to the demand while ensuring that resources are being allocated optimally to that demand based on the organizations objectives and constraints that have been defined. OWS was built with focus on the manager's needs - avoiding complexity and ensuring ease and confidence in using this powerful tool.

Simplify Administration

Oracle's automated time/labor, absence, and scheduling functionality enables organizations to simplify administration. With this functionality you will be able to:

- Reduce or eliminate data entry mistakes by using self service time reporting or integrating to time clock devices for automated time capture
- Automate the tracking and monitoring of absences against planned schedules to allow line managers to react to impacts on productivity in near real time
- Automate calculation of gross pay based on rules
- Automate calculation of absence accruals, eligibility, and pay based on rules

Reduce Labor Costs

In conjunction with implementing procedures and controls to assure compliance, Oracle's automated time/labor, absence, and scheduling functionality enables organizations to reduce labor costs by efficiently and effectively scheduling, monitoring, and managing your workforce.

With this functionality you will be able to:

- Reduce the administrative costs of manually scheduling employees
- Reduce overstaffing costs by utilizing your employees to the best of their ability and availability and aligning them to the demands of your business
- Reduce the impact of loss of productivity due to unplanned absences by monitoring workers' adherence to schedules in near real time

Oracle can provide an integrated time and labor, absence management, and scheduling solution with its human capital management solution at the core. It is critical to have seamless integration with HR and Payroll in order to ensure up to date, real time data accuracy and the implications that changes to data can have when calculating accurate pay for a worker. Keep in mind that while systems provide enablement to meet strategic objectives, simplify administration, and realizing a reduction in labor costs, a cultural/mind change must occur as well. Change management and review will be essential to success.

BUSINESS BENEFITS OF WORKFORCE MANAGEMENT

Benefits from any HR system typically fall into three categories – expense or operating cost savings, labor productivity savings, and revenue, service delivery or other-type improvements.

Typical expense or operating costs that could be reduced with Workforce Management applications include:

- Reduced labor costs by minimizing overstaffing
- Reduced cost of payroll errors like labor costs to research and correct errors, or bank fees generated as the result of errors
- Reduced overtime pay
- Reduced overall payroll cost through optimized scheduling

Consider this! By eliminating one unnecessary lane at a 40 lane retail business with 200 stores through optimized schedules, \$15 million in savings would occur annually.

Assume 6 days at 24 hrs per day = 144hrs
work per lane per week and \$10 per hour =
\$1440/week * 52 weeks * 200 outlets =
\$14.96M.

When we look at the types of savings that can be gained through improvements in worker productivity, we can measure this by looking at the impact of the technology improvements from three perspectives – employees, managers and HR support staff. Improvements here include:

- Improved employee productivity due to reduction on absenteeism and through automation of processes that were previously manual or not entirely streamlined
- Improved manager productivity through reduced time spent scheduling the workforce or processing timesheets
- Improved HR staff productivity through reduction in process steps and employee/manager self-service capabilities, which always helps reduce administrative burden on the HR staff

And lastly, key features in Workforce Management applications will provide organizations with revenue, service delivery or other type improvements such as:

- Improved compliance with local and national/international labor laws
- Improved compliance with union rules and policies
- Improved customer service
- Improved employee satisfaction

Again, in order to realize any of the benefits mentioned, change management is essential when rolling out new processes and systems and requires buy in, support, and enforcement from the top down.

AN INTEGRATED, SINGLE VENDOR SOLUTION IS BEST

“The adoption and integration of WFM in the business must be seamless.” A survey by AMR Research showed organizations favor implementing modules for workforce management from a single vendor by two to one. “End users don’t know or care if there are different software packages on the back end of their self-service requests. In fact, for training and adoption purposes, the fewer user interfaces the better. Widespread employee acceptance of consumer websites demands an intuitive user experience so companies can keep change management activities focused on the why of automating WFM, not the how. The why gets back to the root of strategic HCM: best use of personnel to achieve business goals.”¹

AMR’s research also showed that integration to HR/Payroll was the most important point of integration for workforce management and performance management was second, which underscore’s Oracle’s holistic view of HCM where all parts of the system, including our Workforce Management and Talent Management applications, are connected through a single, global core.

Do the math! A typical \$5 billion annual revenue retailer with 60,000 employees could realize labor productivity savings of up to \$2.5 million on time entry administration based by implementing a time and labor solution from Oracle.

That same company could realize over \$600,000 in labor productivity savings by eliminate of manual processing of absence requests.

Estimates based on a five year ROI calculation

WHICH IS MORE IMPORTANT, TALENT MANAGEMENT OR WORKFORCE MANAGEMENT?

Consider this! Employee and manager productivity could improve by up to 20% by implementing an Oracle absence management solution and eliminating manual or tedious business processes.

Source: CedarCrestone

This is often like asking which comes first, the chicken or the egg? For talent management and workforce management, neither necessarily has to come first, but the two really go hand in hand. You need to have a workforce in order to deploy it, but you have to deploy your workforce and analyze how well it's meeting the business demand in order to know what to do from a talent management perspective. While it's true that an organization's Talent Management strategy is a key to ensuring the highest quality workforce, knowing just what that strategy should be is derived from having a solid Workforce Management strategy in place. For example, in order to know what talent to acquire, develop, and retain, and know what skill sets, availability, and other attributes are necessary to meet the business objectives and demand, an organization needs to understand where they have deficiencies in the workforce they have today. This critical information is only tracked by workforce management applications that can pinpoint exactly where the gaps are and provide analytical information that can then drive the success of a real time workforce management and long term talent management strategy.

CONCLUSION: DON'T WAIT ANY LONGER TO IMPACT THE BOTTOM LINE

Whether you're a CEO, CIO, CTO, CFO, COO, VP of HR, VP of Operations, VP of Finance, or any number of other titles in an organization it's all about impacting the bottom line, whether that impact comes from business process change, technology change, policy change, or employee culture change. If your organization has not yet tapped into the wealth of strategic data that workforce management applications provide to enable those kinds of changes, let Oracle help you assess and identify the quickest and best way to evolving your workforce to where it should be so that your bottom line can be where you want it to be.

To learn more, contact your Oracle sales representative or visit us online at <http://www.oracle.com/applications/human-capital-management.html>

¹"*Workforce Management Gets Strategic Reassignment*", AMR Research, Christa Degnan Manning, Robert Garf, August 2007



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