

Strategic Reward Management and Integrated HR systems: How critical is the role of Reward in the implementation of a new HR system?

Introduction

Over the last decade there has been a growing recognition of the importance of businesses having an effective reward strategy that ties into the overall business strategy.

In order to implement a reward strategy, and deliver policies and solutions that are aligned with business strategy, it is essential that management information is readily available so that it becomes easy to demonstrate how effective – or not – specific reward initiatives have been.

The impact of the economic downturn

The role of a Reward function has even more importance during a recession, for example:

- Pay policies that target certain teams, such as offering market supplements for groups where skills such as IT can command a premium, may need to be revised during a recession to control costs and reflect changes in supply and demand.
- Large bonuses that have been common in the finance sector and among senior executives may also need to be reviewed when cost control is critical. Furthermore, whilst bonus schemes may once have supported delivery of business growth, they may now have the potential to negatively impact customer loyalty and organisational reputation.
- At pay review time effective salary management is essential to ensuring salary increases are affordable and justifiable and that the best use is made of the available budget, particularly in a downturn.

Thus, a reliable source of good quality management information is vital.

HR systems and management information

In tandem with Reward strategies being developed and articulated there has also been a significant increase in the number of integrated HR and Payroll systems being implemented across organisations. The battle to get capital sign off for a new HR system is a challenge for many HR Directors. It is challenging to quantify the cost versus benefit in terms of cash savings and most business cases tend to push towards significant headcount savings in payroll and HR teams through implementing the new technology. In many cases, the sophisticated HR systems, with multiple

modules to cater for different aspects of HR Management, need an investment in resource to ensure accurate data and management information upon which decisions can be based.

What is more difficult to put a hard cash value saving against is the amount of potential management information available to assist in more informed decision making. Recruitment and retention are key examples of where quantifiable savings can be made, with recruitment costs being a large overhead for many organisations it is often more beneficial to take steps to measure and improve employee retention and engagement. Management information on turnover and identification of certain roles at risk of losing employees due to being paid below competitive levels can assist in reducing recruitment and advertising costs.

With any new system, project teams will be set up and programme managers and consultants will be brought in to deliver the new technology with tight timescales and pressure to realise the projected efficiency savings as soon as possible. In some cases Reward functions may be heavily involved or even manage the implementation, in others it can be delivered by payroll experts and professional project managers. This is where the first steps of the project are crucial to an effective implementation and correct set-up of the systems. Often the new systems are installed with Payroll/Finance priorities, with HR modules a 'bolt-on' or secondary consideration. It is then too late for HR to contribute to the design of the system and old processes are replicated without any benefit to the organisation. Where does this cross over with Reward then?

***Here lies the crux:** with Reward teams using and requiring more management information than any other part of the HR function, the system is crucial to delivering an effective Reward strategy. To deliver strategic reward in line with business objectives it is essential that management information is readily available. Systems and processes that enable the strategy to be built on solid foundations need to be implemented early on in the process.*

There needs to be a clear picture of the jobs, posts and people. Without this it is a huge challenge to both gather data and make assumptions about who does what and also how much they should and are being paid.

From Local Authorities to Investment banks there are a plethora of job titles, which in many cases bear limited resemblance to the actual role and responsibilities undertaken by the role holders. For

example, the titles 'manager' and 'strategic' can be and are applied at many levels within organisations and will invariably have many different meanings.

Any Reward Manager when asked what the market rate is for a job has a number of considerations: What is the job? How much do we currently pay? How do I match it to the market? Depending on where the data is stored, they could end up cross-referencing multiple data sources to make a judgement on job size, internal comparators and then external market comparison.

When scoping and implementing a new HR payroll system workshops are often held to discuss process flows and how everything will be set up in the new system. One of the most important initial stages is the organisational structure or hierarchy (also called position management). The Reward function can often be omitted from this part of the process as there can be a view that this is all about cost centres, employment contracts, workflow and other transactional activities such as payroll.

This is probably the most critical point of the system set-up and configuration for any Reward Manager.

Why? *Because at this point all the different considerations concerning which job does what, sits where and what the role holders are paid, can be brought together under one process where, previously there may have been a number of spreadsheets or other systems to inform this. Often job evaluation can be the guiding hand for setting up the job and post structure.*

Involving Reward in creating an effective process flow from job to post/position to person, can ensure that salary reviews, market matching, retention and risk management, career development, headcount and job reporting are all properly taken into account and are available through one data source.

Whether this involves a full analytical job evaluation exercise, job families, job levelling, a market match or even in situations where there is no clearly defined reward approach, capturing the data in the organisation hierarchy is critical to increasing the efficiency of the Reward team through the reduction of spreadsheets and databases, potentially saving hundreds of person hours.

The benefits of getting this right include:

1. Placing reward at the heart of the organisation and demonstrating strategic value through easy extraction of management information.
2. Providing a platform for communicating the true value of the reward package to employees facilitating retention and recruitment.
3. Being able to identify who is above or below any market rate and therefore identifying key risk positions and people.
4. Giving improved comprehensive information to line managers during salary review.
5. Enabling an organisation to quickly conduct an audit of pay both from an equality, internal equity and process perspective.
6. Providing complete and accurate extract data to feed into more powerful and flexible reward software packages for scenario planning, current state of play and trend analysis.
7. Being able to run reports quickly to submit to salary survey providers; knowing exactly who is in the market-matched job and how much the current incumbent is paid.

Having accurate information is vital to be able to deliver strategic reward and the systems and process are the foundations on which it is built.

Tips for Reward Managers and JE project managers during HR systems implementations:

1. Ask the questions of the project manager about position management/ organisational structures, rather than waiting to be told how Reward will be incorporated.
2. Challenge the implementation consultant on the approach in the system as there may not be a current process in the organisation that can be mapped, and a new process may need to be developed.
3. Be clear on the jobs; even if there are thousands this can be refined to more generic roles at a later stage if this is a part of the strategy.
4. Consider how market survey or Job evaluation ID's maybe stored in the new system.
5. Review all your data sources to identify what can be stored as a common reference in the HR system.
6. Don't miss an opportunity because there's too much to do and the current Job evaluation or job families project isn't complete.
7. Meeting an implementation plan may cost more in the long term. Ensure consultants and project managers are aware of the Reward function's needs and how it is central to the organisation.

8. Demonstrate how long a salary review or salary survey submission may take with current processes.
9. Don't assume the systems experts understand reward management or reward process flow.
10. Ensure the business understands that HR systems are fundamental to its success. A payroll add-on is not sufficient.
11. Transferring the systems structure and its data from old systems into a new more sophisticated system may appear cost and time effective however it does not necessarily mean success. Take time to review whether this is correct for the current state of the organisation and modern processes.
12. HR Generalists are not typically systems experts and often don't have the analytical approach to data that reward specialists have and so are not always best placed to represent HR alone in system development meetings.

About the Author

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