



Demystifying IT for HR

Application Classification

IT Applications for HR have undergone a rapid development over the recent years. This article explores the various types of HR applications and proposes a framework for classifying them.

Background

HR as a functional domain has a low penetration of IT applications and systems – with the exception of Payroll (some argue that Payroll should be considered a part of Accounts). This is not surprising since companies typically want to first implement Accounting, Sales and Inventory management systems and try to gain business efficiencies from their IT investments. Only when their core business functions are IT enabled they focus on HR domain.

However, over the past 10 years there has been a renewed interest in implementation of HR systems more so in the larger and more mature companies. This has been driven by a need to have employee centric processes, to maintain transparency, to provide higher quality of service and also to reduce costs and gain efficiencies.

This article explores the various types of HR applications that are available in the market today and tries to categorize them. Before we look at HR applications per se it is important to understand the various types of software applications which are available today, the table below shows the different types of software applications.

Software Application	Examples	Attributes
Internet / Web based (hosted) applications	Email, Ecommerce, Online Filings	These are standard applications which are normally free and available for use through internet.
Packaged Software	Tally, Oracle 9i, Microsoft Office, SAP	Again standard applications which are not free but are licensed. Customization to suit business requirements may or may not be allowed. ERP falls in this category.
Custom built Applications	Billing, Inventory, Attendance, CRM	This is a very large and diverse set; applications can be very small and do only one specific task – for example export invoice and document printing - or can be very large and complex – for example an application which includes sales, purchase, inventory, accounting and production.
SaaS Applications	Salesforce, EazeWork, Intuit, SuccessFactors	New types of applications have been becoming very popular with the businesses globally. These are available on the internet and are not free but the fees are linked to usage.

HR Applications - A Historical Perspective

Traditionally HR has been divided into two domains

- Organizational Development
- Personnel Management and Industrial Relations

Most of the HR applications are designed for PM&IR while OD which is more rooted in behavioural science uses tools which can be deployed as standalone software.

Human Resource Information System – HRIS in short has been the traditional name given to any HR application implemented in a company. HRIS has been taught in colleges to MBAs and HR professionals and on the ground the implementations of HRIS had been widely varied in width and depth. HRIS has been in vogue before 1980s when the IT applications were built using COBOL and there was no separate database and information was stored and managed locally.

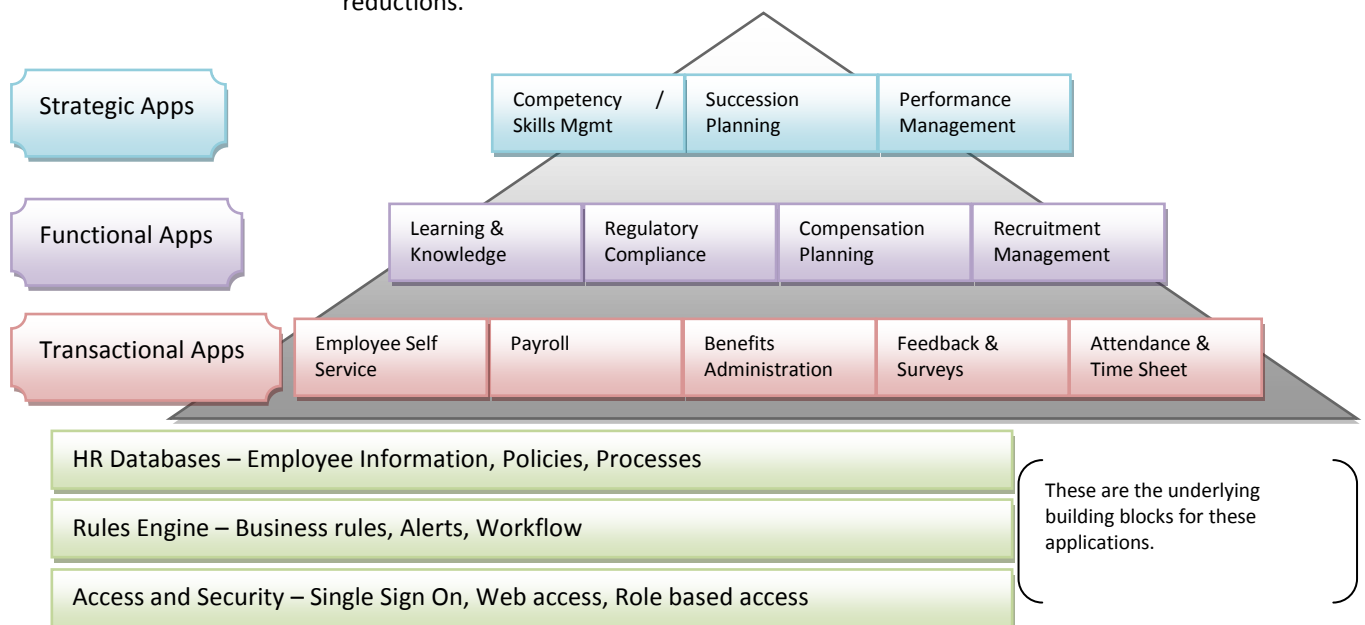
From mid 80s for a period of 20 years Enterprise Resource Planning (ERP) systems dominated the market, most of the ERPs were built as Finance, Accounting, Sales applications and had relatively modest HR functionality. There were some specialist HR applications like PeopleSoft, Kronos, Lawson, these applications still exist are amongst the most popular ones.

1990s saw the growth of outsourcing industry HR processes started getting outsourced to countries like India. A pre-requisite of outsourcing any process is having a well defined system driven process. During this period – payroll, benefit administration, compliance management were some of the HR processes which got outsourced and applications were built / modified to handle these processes.

Framework for Categorizing HR Applications

We can classify the HR applications based on the nature of the application and its impact in the organization. There are three levels in this classification

- **Strategic:** Applications in this group are not used on a daily basis but once in 3-6 months or even annually; these applications help the senior management in achieving mid to long term goals.
- **Functional:** These applications are in the middle layer of the pyramid and are used by the Managers and Department Heads on monthly or need basis. These applications integrate with other areas internal or external to the organization and are critical to overall managerial control.
- **Transactional:** At the bottom of the pyramid are the applications which help the HR professional, Employees and their Managers in completing transactions. These applications when implement lead to significant improvements in efficiencies and lead to cost reductions.



Strategic Applications

Competency / Skills Management

Competency / Skills management application is used to

1. Understand the skills and competencies required by the organization and to map these as per different job roles
2. Evaluate employees on these competency dimensions and develop customized training programs
3. Integrate with the Learning and Knowledge application

Performance Management

One of the toughest activity in any organization is the annual performance review, most employees feel that their ratings are unjustified and the resulting confusion leads to a lot of productive time being wasted. While Succession Planning works for senior employees a well defined Performance Management process aided by an application increases employee satisfaction and helps in retention.

There are various ways in which Performance Evaluations can be done and most of these are industry and culture specific processes. Applications in this category are designed based on best practices followed by leading organizations.

Functional Applications

Succession Planning

When employee retention becomes a key differentiator companies like to use formal processes and systems to identify, nurture and retain talent. Succession Planning application gives management access to this critical information about their employees. While this helps in retention of high performers it also has an impact on other employees as they are able to appreciate the transparency and rigor in the promotion process.

Learning & Knowledge

If your company is big enough then there might be in-house training and development programs. Learning & Knowledge management applications is used in multiple ways

- Capture and track training or learning plan for individual employees
- Create and store content used for internal trainings
- Harvest knowledge from internal processes or work for internal use

For companies in the Services sector who are dependent upon their knowledge repository this becomes more than a HR application.

Regulatory Compliance

Regulatory Compliance application along with Payroll and Benefits Administration helps companies in maintaining all their records and filings as per the Government rules and regulations. In Indian context things like PF filings, ESI premium, Pension deductions, TDS submission to the Government will be handled by this application. This is a country and at times also an industry specific application.

Compensation Planning

Compensation review, Salary increase, Bonus calculations are all part of Compensation planning process. Typically this is done once a year but sometimes this has to be done at a higher frequency. With the Compensation Planning application this need not be a one off process and can be done on an ongoing basis. It allows the managers to optimize the allocation given a budget and also ensuring that some pre-defined rules are met for all employees.

Usage of Compensation Management takes away subjectivity from this critical decision and also allows up-line managers to exercise control on the proposed salary changes.

Recruitment Management

The cost of hiring an employee is 3-4 times his monthly salary and the cost of a bad hire is not easy to calculate. End to end process of Recruitment spans multiple departments and has various stake holders. Using a Recruitment Management these various departments and persons can remain in synch. Other benefits include

- Tracking applications and resumes ensuring there is no slippage on follow through
- Keeping a record of all applicants ensuring that a rejected candidate does not slip through the system unknowingly
- Allowing employees to refer friends and ex-colleagues
- Integrating with online job portals allowing quick download or applications

Transactional Applications

Employee Self Service

All Employee centric processes like onboarding, leave requests, expense management, asset requests, office or manager transfers, resignations are handled through the Employee Self Service application. ESS enables the HR policies through various workflow enabled processes allowing the employees and their managers to devote more time to their core functional areas.

Payroll

Payroll is the oldest HR application and today there would be thousands of applications across the spectrum from simple excel worksheets to applications handling thousands of users. Payroll is another application besides Regulatory Compliance which is country specific. With the increase in web based applications most companies now give their employees access to their payslips through an online application.

Benefits Administration

Besides compensation (salary) employees are also eligible for Benefits. Some applications combine Payroll and Benefits into one but there also are some applications which are designed specifically for administering benefits to current and past employees. In an Indian context pension, medical, provident fund, super-annuation are all examples of benefits which are due to employees and need to be managed by the company. These applications are more popular in US and Europe.

Feedback and Surveys

Organizations need to have the ability to listen to both external and internal customers, while external customers are clearly understood the concept of treating employees as internal customers of HR is relatively new. Using Feedback and Survey applications companies can remain in touch with their employees. Employees get direct access to levels of management or get a forum to share their ideas and opinions helping in creation of a cohesive organization.

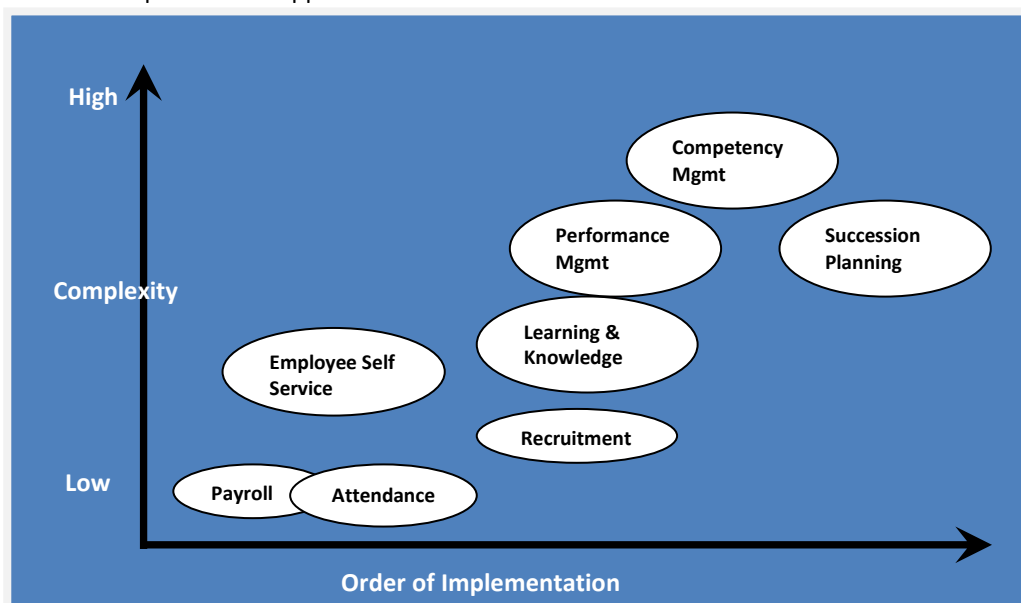
Attendance and Time Sheet

Advances like biometric identification, smart cards, RFID tags have led to creation of various attendance recording systems. These systems are cost effective and at the same time help in accurately keeping a track on the attendance including the time of coming and going of employees. In industries where access to factory floor or office areas is restricted these systems also double up as Access Control systems.

Time sheet applications are used by companies from services industry where recording the time spent on various activities is important both to measure productivity and also to accurately bill their clients. Time sheet application is typically a web based allowing employees access from various locations.

Typical Roadmap for Implementation

Implementation of IT applications has been a resource and time consuming initiative and the outcome have not always been successful. Companies tend to implement first the transactional applications then functional and finally strategic applications. In HR function also the rate of adoption of IT is on similar lines. The figure below shows how typically companies prioritize and implement HR applications.



Conclusion

Which of these business applications are relevant for your business? And how select the best applications in a category?

Answer to this question depends upon various factors, some of them are

- Nature and stage of evolution of your business. Value chain of the business
- What are the future plans in terms of growth and areas of focus
- Financial and managerial resources

Steps you need to follow to implement HR applications needs for your organization are

- Develop a deeper understanding of the HR software available in the market
- Determine your company's HR application need and get buy-in from various stake holders
- Pick 3-4 different vendors to evaluate
- Develop standard requirements and map these vendors against the requirements
- Shortlist – negotiate and contract

EazeWork offers Employee Self Service and Payroll applications on a Software as a Service platform. You can access these applications at <http://www.eazework.com/apps/hr/> or <http://www.eazework.com/apps/payroll/>. You can also [Contact Us](#) for more details.

About the Author

Chintan Tyagi is the CEO of EazeWork – a company providing business applications to SMEs on SaaS platform. Chintan has rich experience in working with different types of industries and has implemented and managed implementations of various business applications. He has founded EazeWork along with three other co-founders to build, deploy and deliver business applications as a service to their clients.

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