WHITEPAPER

Total Workforce Optimization: The Next Evolution of Workforce Management

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# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>page 2</td>
</tr>
<tr>
<td>Proven ROI with Workforce Automation</td>
<td>page 3</td>
</tr>
<tr>
<td>Shortcomings of Typical Automation Systems</td>
<td>pages 3 - 4</td>
</tr>
<tr>
<td>Total Workforce Optimization: The Next Evolution of Workforce Management</td>
<td>pages 5 - 6</td>
</tr>
<tr>
<td>Key Elements of Total Workforce Optimization</td>
<td>pages 6 - 9</td>
</tr>
<tr>
<td>Requirements for Successful Total Workforce Optimization</td>
<td>page 10</td>
</tr>
<tr>
<td>Benefits of Total Workforce Optimization</td>
<td>page 11</td>
</tr>
<tr>
<td>About SmartTime</td>
<td>page 11</td>
</tr>
</tbody>
</table>
Introduction
In today’s economy, management has been forced to cut staff levels to an absolute minimum. Organizations are hard-pressed to find new ways to cut costs and drive revenue growth. One of the largest and most critical areas of cost and opportunity is labor or workforce management. Companies often are caught between the competing pressures of doing more with less while managing the negative impact of decreased satisfaction from over-worked employees. However, when additional headcount is not an option, addressing workforce efficiency and optimizing labor productivity is critical to the strategic solution. To remain competitive in this lean economy and in the long term, companies must manage labor resources more effectively and have a strategy in place for maintaining maximum operational efficiency over time, regardless of the various workforce scenarios that may arise.

To date, organizations with medium- to large-sized workforce structures have automated the collection and processing of workforce data to immediately identify and eliminate inefficiencies (and excess-related costs) associated with paper-based recording, human data entry and the inevitable payroll errors associated with them. These efficiency savings, while significant, represent a fraction of the ultimate business benefits currently derived from traditional workforce management. The next generation of workforce management, Total Workforce Optimization, will expand beyond familiar cost-savings tactics, providing companies with advanced tools and strategic techniques for workforce planning, enabling companies to create and implement optimum workforce structures that maximize cost savings, productivity, and employee satisfaction.

This whitepaper outlines and discusses the benefits of standard automation, including an overview of existing workforce management solutions while providing an introduction to the next-generation strategy, Total Workforce Optimization. The paper presents the benefits of and identifies the pre-requisites for successful Total Workforce Optimization implementation in today’s mid- to large-sized enterprise.
Proven Return on Investment with Workforce Automation
Recording, tracking, managing, and reporting time and attendance data of a large, hourly workforce can be a resource-intensive job involving a large number of staff, a significant amount of daily hours, and other resources, such as paper and postage costs. Today’s Workforce automation technology helps companies with large, complex workforces realize rapid and dramatic savings in the following areas.

- Reduction of timekeeping staff
- Lower error rates
- Consolidation of redundant systems
- Increased payroll reporting accuracy
- Minimization of retroactive pay processing
- Elimination of paper process and material costs (paper, postage, handling, storage)
- Improved accuracy in adhering to complex union pay scales and fewer penalty payments
- Easier compliance with government regulations, such as Fair Labor Standards Act
- Automation of accounting for other variables in pay rules, such as geography and benefit structures

Shortcomings of Typical Automation Systems
While the benefits of workforce automation are clear, choosing a suitable workforce automation product and service provider can be challenging.

The current range of available automation solutions typically fall into one of three categories:

- Enterprise Resource Planning (ERP) systems which offer some workforce automation and management features as an ancillary function to their core capabilities;
- Employee Relationship Management (ERM) systems which tend to focus more on softer elements such as employee satisfaction, benefits information portals and career development; or
- Workforce Management (WFM) systems which capture time and attendance data in order to provide payroll systems with accurate information.
ERP systems successfully achieve measurable ROI on the business processes they automate and enhance, but focus on the workforce only tangentially to other enterprise resource issues. Conversely, ERM systems tend to emphasize softer elements such as employee satisfaction, which are difficult to monetize. WFM solutions strike the best balance to meet the needs of large, hourly workforce environments, but even these solutions fall short when it comes to achieving the highest levels of efficiency, flexibility and alignment with overall business goals.

Workforce Management systems stand alone in their ability to quickly improve workforce management efficiency. However, while they clearly enable an organization to implement better practices, they are unable to ensure that they are best practices. The principal shortcoming of WFM lies in its inability to support rapid, continuous improvement and changing scenarios, so companies are insured that they are implementing the best practices for workforce management. The lack of critical features, such as analysis tools to identify inefficiencies, modeling tools to test new scenarios, flexible rules engines to quickly implement new models, and decision-support functionality to provide real-time and ongoing control make it difficult for organizations to have an iterative improvement process. Without the ability to iterate on labor models, companies cannot strike a balance among workforce efficiency, improved productivity, and employee satisfaction, while ensuring the implemented model will yield a ROI. Total Workforce Optimization offers a more strategic and integrated approach to workforce management, allowing for continual analysis and improvement across the enterprise.
Total Workforce Optimization: The Next Evolution of WFM

“While the efficiency opportunity related to automating hourly time reporting is clearly apparent, it only scratches the surface of developing full labor management capability.”

Paul Hammerman, Giga Information Group
Market Overview 2003: Time and Attendance Applications

Total Workforce Optimization is a business-centric strategy designed by SmartTime Software, Inc. to maximize labor utilization by having the right people on the right jobs, at the right time, and at the right price. It is based on the fundamental concepts of WFM – automating the recording and reporting of time and labor – while allowing companies to take workforce management to a new level of productivity and operational efficiency by deploying advanced analytic tools and rules based algorithms to measure and direct an organization through a variety of changing workforce scenarios. Sophisticated analytic capabilities enable companies to rapidly implement a continuous process for dissecting workforce data and exploring “what-if” scenarios through modeling. An integrated system with a dashboard-display of aggregated real-time data allows for operating trends to be monitored and analyzed, ensuring best-practice operating parameters determined from scenario modeling. This real-time analysis equips decision-makers with accurate business intelligence so they can proactively and continually improve workforce performance and its impact on the overall business. Total Workforce Optimization helps companies continually uncover new ways to reduce costs, improve productivity and ensure employee satisfaction through one, integrated approach. As a result, workforce data transforms into strategic business intelligence that elevates the importance of workforce management in the enterprise and more closely aligns workforce management issues with overall business objectives.
For example, a company is faced with the potential purchase of a costly piece of manufacturing machinery: How do they know they will be able to successfully transition to 24/7 productions provided by the machinery and reach a ROI as soon as possible? How will they be able to do this while lowering costs, improving productivity, and ensuring customer satisfaction? In a Total Workforce Optimization environment, the workforce management team can use an integrated approach to compare and contrast “what if” scenarios through simulation, or modeling. Management can utilize historical and new data to explore the implications a new piece of machinery may have on workforce issues, such as extensive union negotiations that might result from the equipment investment, including multiple pay-rule scenarios and costly union penalties if the pay-rule scenarios are not followed. With the knowledge gleaned from the Total Workforce Optimization approach, decision-makers have a more-informed analysis of the implications of the new piece of machinery and can align this knowledge with other critical factors in the enterprise, such as staffing, productivity, training, and payroll.

**Key Elements of Total Workforce Optimization**

Total Workforce Optimization enables a dynamic and iterative process for constant improvement. Similar to and compatible with concepts such as LEAN and Six Sigma for process improvement, Total Workforce Optimization drives the workforce organization through a series of processes that ensure continuous, incremental enhancements of measurable business metrics such as; productivity, profitability and efficiency. With Total Workforce Optimization, companies can design, monitor, analyze, improve and control their labor models continuously and in real-time mode, resulting in an optimized cost structure. Total Workforce Optimization breaks the process down into eight basic elements.
Implement

Implement is the ability to rapidly deploy and adopt new models in complex environments so an organization can quickly adapt to rapidly-changing business demands and continuously innovate labor models to improve profitability. To deploy in complex environments, a robust set of workforce management features is required, including the following.

- Complex rules management and calculation
- Data collection and project time recording
Capture
Capture refers to the process of capturing comprehensive workforce time and labor data. Companies need to capture current workforce performance metrics to understand the true performance characteristics of their workforce prior to making any changes. By capturing this true current-state labor performance data, companies can conduct more accurate measurement and analysis activities.

Measure
Companies need to measure current workforce performance metrics to understand the true performance characteristics of their labor resources prior to making any changes. For example: How and where are employees spending their time today? What operations are most productive? Are overtime costs out of control? Which projects are the most profitable? Effective measurement allows companies to determine job costs by activity, develop labor dynamics trends and identify gaps and inefficiencies in their labor model.

Report/Analyze
Management needs visibility to operational workforce data via easy-to-use reports that aggregate costs, productivity and labor data. These reports can then be used as a basis for analysis and inter-company communication. With parameterized and ad hoc reporting capabilities, business managers can analyze the data by studying patterns that emerge and drilling down into the details of the workforce data to identify the root cause of a particular trend. With this knowledge, the company can identify areas and strategies for improvement.

Improve
With Total Workforce Optimization, organizations can go far beyond the considerable benefits of workforce management efficiency, as a new range of business benefits become possible in the improvement stage. With accurate analytics based on well-understood labor data, labor-demand
forecasting and related business planning become much more precise. Companies can derive a competitive advantage by leveraging workforce data and analysis to implement transformational labor models that will reduce labor costs, while increasing productivity and employee satisfaction.

**Control**
Controlling specified operating parameters for workforce processes is critical for ensuring consistent results. Critical metrics such as payroll error rates or overtime costs can be constantly monitored via a dashboard for quick and easy review by management. Control systems can be used for driving the improvement process by providing real-time information to business planners so they can improve decision support on workforce-related issues.

**Model**
The heart of the Total Workforce Optimization process involves exploring alternative approaches to transforming the organizational structure of a workforce; including job functions, pay rules, benefits, schedules, and other variables that make up the workforce management environment. The ability to perform “what if?” labor modeling scenarios based on real-world data in a simulated environment allows companies to test different approaches to a potential labor model and explore ways to balance labor cost, productivity and employee satisfaction without actually implementing the proposed changes until the company is ready to do so. Modeling also is a powerful tool for exploring the ramifications of new governmental regulations, corporate mergers and acquisitions, or proposed union contracts.

**Iterate**
Learning from past experiences and striving for continuous improvement of the labor model is central to Total Workforce Optimization. Once companies have implemented a change to the labor model, they need to monitor and analyze the key performance indicators (KPIs) in a closed-loop process. The KPIs can then be utilized to determine gaps in the labor model and highlight areas for improvement. True optimization of the labor model will occur in an iterative process of monitoring, analyzing, improving, and controlling the KPIs.
Requirements for Successful Total Workforce Optimization

In order to realize this vision of Total Workforce Optimization, two basic elements are required: the right set of technology tools, and an experienced partner who knows how to implement them.

When selecting the right Total Workforce Optimization system, the feature-set must be able to support the model described above. Critical features include the following.

- Core Workforce Management Functionality
  - Time data entry
  - Support for a range of devices (clocks, biometrics, web, IVR, etc.)
  - Scheduling Tools & Scheduling Management
  - Reporting
- Labor Scenario Modeling
- Real-time data capture and reporting across disparate systems
- Management “dashboard”
- Robust Analytics
- Flexible Rules Engine
- Rapid Deployment Capability

When evaluating potential service provider partners, experience is a key decision criterion. Every industry and company has a unique set of workforce and business challenges, opportunities and idiosyncrasies. The right partner will have worked with these in the past and know how to translate them into a Total Workforce Optimization model. Key criteria for vendor selection include the following.

- Domain Expertise, years of experience automating complex labor management requirements
- Experience across the industrial sector, within a range of technology environments
- Technical expertise with solid repeatable implementation methodology to streamline implementation and drive rapid ROI
- Proven track Record in implementation and support services
"The most important operational performance measurements for General Dynamics was being able to obtain the data rapidly. ...Processing the data was always fast and smooth because the data was always available." Tim Harrison; Senior Analyst, CSC for General Dynamics Land Systems

Benefits of Total Workforce Optimization
Doing more with less typically is a desired state in business. Total Workforce Optimization enables companies to do more with less in the smartest way possible. Where traditional automated workforce management solves tactical cost-savings issues, Total Workforce Optimization enables the workforce management organization to apply a new set of best practices to the workforce cost center, including LEAN- or Six-Sigma-style continuous improvement models. Such levels of quality and process improvement have consistently demonstrated dramatic reductions in overall labor and operational costs while improving product/service quality. Total Workforce Management empowers the management team to dig deeper, transforming their workforce to maximize return on human capital investment, improve labor yields, increase workforce capacity without adding headcount, minimize workforce turnover and re-training – all while increasing or maintaining efficiency across company labor costs, productivity, and employee satisfaction.

Garry E. Meier is currently the Managing Partner of Strategic Planning Management and Implementation Inc., a provider of Human Capital Management Consulting Services. Mr. Meier presently serves in various capacities on the Board of Directors at several middle market companies including: Chairman of Latin American Card Services, a provider of payroll card services to Latin & South American concerns; Chairman of SmartTime Software, a provider of Workforce Optimization technology to industrial concerns; Director of Centricon HR, a provider of human resource outsourcing services to the middle market; and a Director of Certus, a provider of revenue cycle management services to middle market hospitals. Additionally Mr. Meier is an Advisory Director of Baird Capital Partners (a division of RW Baird & Co.) ; and a Senior Advisor to the Capstreet Group, a Houston based Private Equity concern.
Mr. Meier’s operating experience spans more than 25 years and includes Chairman and Chief Executive Officer of Outsource International Inc., a public traded $600 million provider of business services; President and Chief Executive Officer of Automated Information Inc.; Chief Operating Officer of Technology Service Solutions, an $800 million provider of technical support services to the PC/Server market; and Chief Operating Officer of Medaphis Physician Services Corporation, a $300 million provider of healthcare reimbursement management services. Meier’s early career assignments include eight years as a partner with Edward D. Jones & Co. (a regional Investment banking concern), and four years with the IBM Corporation. Meier holds a bachelor’s degree in business administration from Kansas State University, and an MBA from Southern Illinois University.

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