Volume : 2 | Issue : 2 | Feb 2013 • ISSN No 2277 - 8179

Research Paper

Human Resource Reengineering (A Radical Rethinking and Role of New Technology in HR Optimization)

Management

KEYWORDS : Radical Rethinking, Employee Productivity, Value Addition, Cost Cutting New Technologies.

Devadesh Sharma Registrar, CPUK, Alania, Jhalawar Road, Kota Rajasthan

ABSTRACT

The fundamental rethinking and radical redesigning the processes is termed as Reengineering. In an organization, to achieve dramatic improvements in critical and contemporary measures of performance such as cost, quality, service & speed, state of the art information technology etc. radical rethinking is required which is an essential need, since it permits companies to Reengineer Business Processes and HR. Radical reengineering means starting from the scratch and understanding from the root of things and not just innovating on what simply exists. At the heart of reengineering lies the notion of discontinuous thinking – identifying and abandoning the outdated rules and fundamental assumptions that exist under current operations. The HR managers today come across many related problems – to increase productivity of the employee, add value to their services and to focus on saving companies finances by cost cutting. However, many top managers have vague ideas about Reengineering, what it can accomplish and what difficulties are faced during implementation phase. This work is an effort to help, clarify and assist HR professionals in radical rethinking, better designing, and implementing the Reengineering Processes with the help of new technologies.

Introduction

Human capital is the real asset; companies of different levels and standing are spending fortunes in the improvement of HR and business processes. HR professionals are involved in making changes in the work culture of their companies and have started thinking radically to make improvements, thus reengineer the HR processes. Reengineering is the most abused term in the corporate world (Filipowski, 1993). Virtually every HR function in top companies is going through a transformation process to create a function that can play this new strategic role while successfully fulfilling its other roles.

This research is an effort towards facilitating organizations to simply review its HR processes and functions and work towards three fundamental elements of HR

1. Employee Productivity
2. Value Addition
3. Cost Cutting

Radical innovations in these three most valuable areas in HR would lead the HR functions towards the organizational goals and business needs. Reengineering has been used to refer to a wide range of organizational changes, including downsizing, restructuring and process improvement (Hammer & Champy, 1993). They also define Reengineering as utilizing the power of modern information technology to radically redefine organizational processes in order to achieve dramatic improvements.

"Companies are not asset portfolios, but people working together to invent, sell and provide services" (Entore, Barbara, 1995). The process once started needs to re-educate the employees and line managers heading the teams and departments. Hammer & Champy in their research did not include the value of re-education as it's the most important step to motivate and educate people through whom the reengineering process is implemented and they are the people who are going to use it. One should make sure that everyone is playing by the same rule book. (Brown, & Tom, 1994).

Methodology, Objective and Scope of the Study

This work has been evolved after reviewing literature on the same or related issues of different scholars and has been aimed to include some ideas that had made significant changes to the HR functions and processes.

The Objective of this study is to familiarize the concept of HR re-engineering revolution, to throw light on instructions for reengineering, Value and cost benefit, people consideration in reengineering and how to organize and implement the HR re-engineering concepts. Its scope describes the radical new approaches in organizing work made possible by combining traditional and advanced level of new technologies.

Need for HR Reengineering and Expected benefits

The effect of reengineering can be seen straight on cost reduction, increase in employee productivity and value addition in services towards customers, mainly focusing internal and external customers. It is said that Reengineering is not down-sizing, it eliminates work not jobs, it is not HR restructuring – moving boxes on organizational chart, its not automation, it's not reengineering a department but process in an organization. (Ami Tan & Kaufmann Uwe. 2008).

Research indicates that only about 1/3rd of reengineering efforts succeed (Greengard, 1993), (Hall, Rosenthal & Wade, 1993). The efforts that are put to Reengineer HR processes and the reason that pushes to reengineer are based on the following:

a. **Increased competition and pressure on overheads:** Increased competitive pressure from home and abroad have caused greater pressures on costs over the last 10 years. The companies that had started benchmarking against major foreign competitors for example, had found to be at a considerable cost advantage. The most salient effect of these pressures had resulted in redundancies (known as 'downsizing') since 1990. The effect of the extreme cost pressure had been at a greater scrutiny on how money is spent and consequently a keener assessment of the value of all activities.
b. **Process chaos due to bureaucracy:** In most of the organizations the work culture is based on requirements. They evolve out of the chaos in the system of business. The success of the organization depends on how efficiently they convert the informal work patterns into efficient systems.
c. **The increasing customer orientation:** In both Private and Public sectors, Management has placed an increasing emphasis since the early 1990s on being responsive to markets and increasing the capacity of the organization both to fulfill satisfactorily, the requirements of external and internal customers in short term and to be innovative in the medium to long-term, in order to adapt to changing demands as well as to shape those demands.
d. **Undivided and non designed processes:** The organizations have processes that are not decentralized and they are not designed for departmental roles. The need for automation of the processes is felt and reengineering work starts over the rough patches.
e. **De-layering and the increasing decentralization of responsibilities:** The middle level of organizations in the late 1990s invariably been disproportionately affected by redundancies. Because of the desire to reduce bureaucracy and speed up decision making, and because of developments in information technology a process of de-layering has occurred in many organizations. As part of the effort to eliminate bureaucracy and empower employees, many organizations are reengineering the HR processes to support over all cultural change. (Young, A. & Wayne, Brockbank. 1995).
f. **Involvement of too many minds on process design:** If too many minds are involved in process design just on an as-

Volume : 2 | Issue : 2 | Feb 2013 • ISSN No 2277 - 8179

sumption that they know what is best for the customers or when there is a bottleneck and disconnects in the organization wide HR processes or the business on the whole does not have any accountability or there is some pressure felt for downsizing the tasks in the business, the need for optimization is felt.

g. **Concerns about the past performance of the HR functions:** In few settings, in the past, HR managers would sometimes intervene in industrial relations in a way that favored the union's position rather than their own. With the changing nature matters such as formal industrial relations, bonus schemes and other such practices had gradually been eliminated. There were other factors too that helped in pushing the organizations towards HR reengineering such as government policy on privatization, competitiveness, decentralization of HR etc.

How reengineering takes place in various functions of HRM
The companies that are working upon reengineering, innovating and revamping the HR processes, face the problems that can arise in the process. The reengineering inspectors need to judge the implications of the situation where an employee is judged on factors beyond his or her control.

Policy: The policy decision makers who took decisions on company recruitment, employee relations, pay and benefits, training and development, health & safety and manpower planning had to ensure that the policy implementers must support and understand the change.

Recruitment & Selection: HR managers have greater responsibility for authorizing vacancy, job descriptions, short listing, selection and end of probation interview. It is the line manager who decides the skill sets duly required for the job. Manpower need in their respective departments will be guided and helped by the HR department along the way. The original process was designed by the HR managers but improvement was done by the line managers which leads to the process optimization.

Employee Relations: Except for employee welfare the employee relation is shared fairly evenly between HR department and line managers. Employee grievance handling cannot be without the help of the line managers. This process is helpful in shortening the length of time taken to deal with the grievance and length of process by lowering the level at which the decisions can be made and which enable line managers to take more responsibility. In many organizations the role of HR manager is primarily to support and guide the line manager. Initially an employee relation was one of the biggest areas of change, with much less management time and energy being taken up with formal industrial relation matters.

Training & Development: The process of HR optimization is incomplete if the decision on value addition in HR practices in not included. T & D adds value to the skill of employees while rendering their services. The responsibility of training and development is shared between the line managers and HR with a higher responsibility. HR is heavily involved with the training programs while the responsibility of the line managers is to decide the trainees and oversee the participation.

Pay & Benefits: When cost cutting became the most important issue in HR optimization. The need for cost optimization shifts to the employees. This in turn effects the value addition that happened in the organizations as a regular process. The HR had the sole responsibility, for pay and conditions, except for individual pay increases where there is no clear trend towards either HR or line. The pay and benefit comparison is external in the organization and not internal. For optimization line managers were always consulted for annual pay awards. Wherever performance related pay has been introduced and pay is based on staff appraisal markings by line managers and employees, HR usually provided the framework, guidance and monitoring, leaving the decisions on individual pay increases to the line managers.

Role of New Technology in HR Optimization
HR Process optimization brings about dramatic improvements in performance. New Technology such as HRIS, Internet and Web based Services, development of People based software services like IBM, Oracle, People soft, etc when introduced and placed in the hands of the organization, increases the organizational capabilities tremendously.

Impact of new technologies on HR functions: It is important to look forward for the changing trends in technology which can have an impact on the HR practices. The effect can be seen in the following HR areas:

- Recruitment
- Payroll and Attendance Management
- Performance Management
- Training & Development
- Employee Benefits
- Employee Safety and Security Management etc.

HR optimization through technology helps in a very positive way. E-recruitment and web based tools support the recruitment process. Online CV's helps in cost saving on advertisement in print media, online publishing gives cost benefit and is economical way to publish job openings, reaches to better skilled HR, speeds up the recruitment process, quicker applicant responses and rapid hiring. The usage of social media gets better and niche skilled employees.

In case of Training and development, e-learning is an opportunity provided by the companies for their employees, it helps increasing knowledge and skill levels. Training materials are provided online which provides an edge over others in learning and enhancing their skill and getting trained at their will and own pace.

ERP and HRIS solutions are available off the shelf for performance, payroll and attendance management etc. These software and e-systems helps the information to flow between all levels and different departments Employee benefits, welfare, succession planning, compensation planning, employee exit settlement etc are all fully technology based. With the help of these HR IT solutions, a job done by 2-4 persons can be done by a single person, leading to cost savings. The increased impact of technology has cut down the employee head counts, in turn achieving cost effectiveness. Managing virtual organizations in this technology driven market is going to cause hard challenges for HR managers.

Technology continues to impact us profoundly, both in our personal lives and in the workplace, it will continue to evolve. Most of its impact has been overwhelmingly progressive and positive.

Table 1 below gives a general scenario of the departmental activities affected by the development of new technologies.

AREAS & PROCESSES	OLD ACTIVITIES	NEW ACTIVITIES
Recruitment	References, Interviews, Arrangements, Requirement of office infrastructure etc, Net based resource not available	Recruitment & Selection process outsourced, services outsourced, Net Media services utilized
Process	Paperwork, Manual files, folder maintenance attendance to inventory records manually maintained.	Complete Process System Integration and virtual organizations
Services	Manually maintained; records related to safety & security to maintenance and official agreements manually done	All the services and record keeping mostly outsourced.
Communications	Post, Telegraphs, Telegrams etc	Net based and instant ; video conferences, Emails, remote sensing and image transfer, GPRS etc.

Media Services	Print and published media	Net based information, Social Media connections, blogs etc.
Financials	Manual records and book keeping. Manual transactions.	E – transactions, E- commerce, E-banking etc.
Corporate Culture	Clubs, meetings, departmental functions etc	Social media connections, Blogs, tweets, personal web sites, speedy email and virtual connectivity etc.
Legal Processes	Manual paper work. Manual record keeping, Manpower required for cases etc	Software based records, Legal service outsourced, Cyber Law introduced.

Table: 1

The business scenario is changing rapidly; it has seen a leap in the past ten years and will be experiencing tremendous change in the coming ten. HR is affected and is also changing with the changing business scenario. There are few factors technological and economic that had affected the change in HR optimization.

- **Globalization Effect:** It is not new, but today it's more rapid and pervasive. Distances are shrinking and are no more a barrier. Global effect is seen in all the companies directly or indirectly. The technological effect is visible through out.
- **Power of Internet:** New ways of building and delivering HR and other services online has improved the overall system and helped in cost optimization which is one of the focuses of the HR department during optimization. The focus is based on a general principal of ROI (return on investment while calculating the optimization).
- **New Dimensions in HR & Business Space:** Forces like technological breakthroughs, economic growth, market evolution, shifts in customer tastes, social changes, and political events are helping to expand or shrink the nature of HR and Business.

Chart - 1 below indicates the areas in an organization that are affected during the optimization process.
COST BASED HR OPTIMIZATION

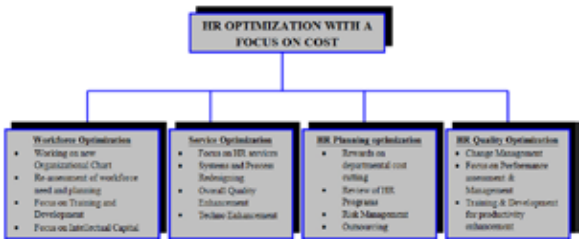

Chart No- 1

Workforce Optimization & Cost Savings: Salary and benefits savings from reduction-in-workforce eliminates taxes – both employee and employer. Re-assessment of workforce helps in optimum workforce planning which helps saving on revenue, multi skill enhancement saves on deployment of excess manpower, effective execution of talent development directly contributes to increased organizational effectiveness and profitability, early retirement options also contributes to savings

HR Service Delivery Cost Savings

Process and technology redesign can lead to significant cost savings. A typical HR transformation savings range from 10 – 20% of total HR operating cost. Creating and delivering a competitive employment allows an organization to increase and improve the commitment of current employees.

Productivity Enhancement Cost Savings

Effective execution of talent development by effective T&D directly contributes to increased organizational effectiveness and profitability. By refocusing performance management efforts on the strategies with highest impact, organizations can improve employee performance.

Cost Savings through HR Quality Enhancement

After understanding the key financial objectives for the upcoming year and beyond and after identifying critical roles, knowledge/skills, and metrics based on business strategy, required skills, and criticality of knowledge the quality could be clearly understood and enhanced. By rewarding the best employees, by building the comprehensive plan for action with supporting business case, by clearly understanding and pursuing initiatives affecting the HR culture the overall quality of the organization can be controlled and evaluation strategies can be designed for cost effective quality enhancement.

Problems and Issues

Decentralizing and devolving the HR department to bring about those radical changes of increasing productivity, value addition to the services and focus on cost cutting with the help of new technologies had lead to bigger responsibility and more involvement of line managers. However number of problems and issues were identified which were associated with devolving HR matters to line management.

Competence of Line Managers: One of the most basic concerns is whether line managers are sufficiently competent to deal with their new roles of participating in the process of reengineering. Very often, HR professionals jump on the band wagon of reengineering with the myth that reengineering does not automatically strengthen organizational health. Managers unrealistic expectations for a 'quick fix'/ underestimation of time required are seen. (Young, A. & Wayne, Brockbank. 1995). The line managers are seen to be untrained for the new role and they themselves do not have much idea about the starting of the process. Resistance and reluctance is seen at some level.

Competence of HR Management: The HR optimization gives them a diminished sense of job security and due to proper weeding of the problems and training, they are reluctant to let go certain issues. Some HR heads are too steeped in an administrative mode of HR management and are not willing to adopt a new, more proactive mind set. HR management lacks the ability to understand the business awareness and could not understand how to radically optimize HR structure and align it with business needs.

Past Perception of HR Department: The beginning of reengineering in the organization or the starting point has always been judged on the past perception. The capability of the HR department was always in question as it is perceived in the organization that HR is not part of the business. It's generally for employee benefits, recruitments and training etc

Difficulty in Accepting Change: The old methods used in the organization are hard to be changed fundamentally and may even be reinforced. The word consultant attached with HR and the rigid instructions for HR leads to the thought process where line managers think of HRM to be a low level function. Even if the trend is away from bureaucratic roles and procedures towards managers, managing within the frame work and HR policies the department is labeled as policemen of the organization.

Lack of Role Clarity: There is always a confusion seen amongst the line managers about the role of the HR department and what is expected of them. In some cases this is due to lack of marketing of HR services internally and in few other cases the management support and clear definitions of the role of HR is not understood by the other departments. Radical optimization of the HR management has to share responsibilities with line managers. The deliberate blurring of demarcations of HR and line functions had led to confusions on role clarity. Finally, lack of role clarity was also due to insufficient time given by the management hence the group of managers involved in reengineering is not very clear and broad enough to do justice to the tasks assigned.

The Need for Control: There is a need to manage inter department conflicts and difference of opinion. The main difficulty is to maintain a balance between two odds, the HR and Line functions that has two potential conflicting aims. The conflict is be-

tween need to provide full freedom to the line managers but still having central core control and directions. The need for central control is essential while initiating the reengineering processes.

In the words of (Young, A. & Wayne, Brockbank. 1995) the managers need to think deep and give lot of importance to few essential implications before implementing the process.

- The need to look into the effect of reengineering on HR strategy and how necessary is it to implement.
- Who heads the process and what will be the process to directly involve the senior management.
- The overall reengineering initiative should be clearly defined whether it is technology driven or process driven.
- The scope of reengineering to be clearly mentioned and understood
- Where and which process to start with. What is going to result in quick payoff and give early success?
- Cost and compatibility involved.
- The team with sufficient competencies to be decided.
- If required the role of external vendor may also be checked.
- Effect of reengineering on the existing organizational culture.
- Minimizing internal resistance and seeking support of all the departments
- Measurement of initiative – regular check on program milestones
- Measures to ensure that the reengineering initiatives last.

Findings & Recommendations
The experience of organizations suggest that if the new relationship between personnel and line managers has to work during initial phases of HR reengineering & optimization then the line managers should be considered efficient enough to take on greater responsibilities related to personnel management activities, then the organizations should:

- Define clearly the role of personnel functions and decide about the support that managers need from the personnel and training functions, as well as from the top management.
- Assessment of skills and competencies are required of personnel staff in order to perform their new roles.
- Decision needs to be taken on how to implement the change strategy.
- There has to be direct involvement of line managers in the development activities.
- Evaluate and review performances and activities.
- Support and commitment also need to come from the top management so that managers realize the importance of people management and get confidence in handling such issues.
- Each responsibility should be clearly delegated and the staff should be informed about the benefits it will bring to the results.
- A clear indication of what knowledge, skills and attributes or competencies are required in the staff to achieve its business goals should be given.
- Links should be established between business strategies & HR and explicitly indicated about the type of development will/will not be supported.
- Adjustment of measures of performance by creating a mechanism for assessing performance to reflect the organization's priorities.
- There should be an absolute clarity of vision in the organizational needs and rewards in fulfillment of those needs.

There can be three main phases in reengineering process explained by (Stephen Dowling 2007)

Phase 1: Is based on Planning and uncovering the breakthrough opportunities, analyzing 'As-Is', envision the desired state clearly, and identifying Process performance gaps. **Phase 2:** Is based on Co-Designing and mapping the 'To Be' process. Completing preliminary work and set new goals and establish measures to create a new process flowchart. Phase 2 has to redefine HR process support requirements and develop change management plan **Phase 3:** Is based on implementing the process on a pilot or on a trial-run basis analyzing the results and customer /end user feedback, standardize the Re-Engineered Process and evaluating the Process Performance on an ongoing Basis.

The three phases – planning, co-designing and implementing – will transform the organization in a position of optimal performance. As HR team works through these phases they will be working toward promoting an atmosphere of continuous improvement and enhancements that makes a difference to internal customers (Stephen Dowling 2007)

Conclusion:
In this aggressively changing HR trends and fast growing market, organizations must ensure that they are aware of the latest technologies in HR, the competitive business environment forces to implement the experimenting new technologies. In particular, Companies need to look at adopting technological assistance in the major HR functions such as recruitment, training, performance management, pay roll, employee benefits, quality enhancement safety and security management etc. HR personnel need to be updated on the technological options that are available; they have to be keen and far sighted and select the best option that makes significant difference to the functioning and leverage them to bring efficiencies.

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