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# ERM Software

## Another Flavor of the Month, or a Revolutionary Initiative?

By Richard A. Greenberg and Stephen W. Beal, Watson Wyatt

Like the voice of wisdom in the movie *Field of Dreams*, marketers tout employee relationship management (ERM) software and assert, “If you build it, they will come.”

ERM software is a suite of applications that integrates performance management, training, knowledge management, communications and work force analytics across one platform. The promise of this software is to provide every employee with the tools to plan, track and manage all aspects of their employment relationship, and can include activities such as:

- Exploring possible career paths
- Determining professional development needs
- Gaining line-of-sight between corporate and management goals
- Realizing performance management’s direct impact on compensation
- Creating effective two-way communication between associates and the executive office.

It’s a captivating notion. A quick review of the literature that describes ERM applications promises a true work force transformation. But, like other

new technologies, the journey may be perilous — what if you build it and they *don’t* come?

Just 6 percent of 500 companies surveyed considered their enterprise-wide technology implementations to be effective, according to Forrester Research. Another 79 percent of companies reported that their systems weren’t effective.

Will ERM be any better? If projects are based on the assumption that the technology will manage the *entire* employee relationship — from delivering and managing online training, tracking and performance measurement to providing real-time access to customer company and product data — the likelihood of success is minimal.

However, there are a few positive and practical actions that total rewards professionals can take to raise the odds of a winning implementation. There are three common themes that can provide the key to successful technology implementation.

### Define It

Make no mistake: Getting ERM right is

important *and* urgent. There’s no question that it pays to manage people right. This is substantiated by the *Human Capital Index*, an ongoing Watson Wyatt study to quantify exactly which HR practices and policies have the greatest correlation to shareholder value. (See Figures 1 and 2 on page 48.)

The most recent survey of more than 500 North American companies found that superior human capital practices are a leading indicator of future financial performance. In short, a company’s approach to its employees can significantly enhance financial performance. And technology can and should play a

### QUICK LOOK

- ➔ Six percent of 500 companies surveyed considered their company-wide technology implementations to be effective. Another 79 percent said their systems weren’t effective at all.
- ➔ If ERM software projects are based on the assumption that the technology will manage the entire employee relationship, the likelihood of success is slim.
- ➔ There are three common themes that can provide the key to successful technology implementation.

significant role in delivering HR-related services and practices to expedite excellent people practices to, ultimately, favorably impact the bottom line.

The wrong way to go about implementing ERM is to see it solely through the lens of technology. The right way to start is to define it properly: ERM aligns human resource process and people with corporate goals to build customer loyalty and increase shareholder value over time. (Note: The words “technology,” “software” and “system” are absent from this definition.)



Source: Human Capital Index, Watson Wyatt.

**FIGURE 2: KEY LINKS BETWEEN HUMAN CAPITAL AND SHAREHOLDER VALUE CREATION**

Dimension	Impact on Market Value*
Total rewards and accountability	16.5%
Collegial, flexible workplace	9%
Recruiting and retention excellence	7.9%
Communications integrity	7.1%
Focused HR service technologies	6.5%
Prudent use of resources	-33.9%

\*Expected change in market value associated with a significant (one Standard Deviation) improvement in HCI dimension.

The HCI Study shows precisely which HR practices have an impact on the bottom line. Watson Wyatt has divided those practices into six dimensions.

Source: Human Capital Index, Watson Wyatt.

The real key to success is to define *how* an organization wants its employees to behave *before* trying to figure out how ERM technology can support the organizational strategy. Allowing IT or an integrator to jump right into the technology is the single most common mistake made in large-scale implementations.

“It is tempting to focus on the technology,” said Tom Kucinski, vice president of compensation with VNU Inc. “Today, we recognize that the power of technology for us comes from developing a thorough understanding of all the non-technology aspects first. The business environment, geographic factors (cultural and legislative), the business’ goals and the people who will be involved all have a major impact on how the technology will work. If you allow the technology to drive the project, you derail your ability to achieve acceptable results.”

### Align It

The tremendous potential of ERM comes from joining technology with well-defined human capital practices to improve employee performance and increase shareholder value. The alignment of the technology strategy with a workable people strategy is a crucial distinction that should not be overlooked. Without an effective people strategy to drive the implementation, the technology will only automate inferior practices or valueless work processes.

The task of creating a unique people strategy that is aligned with the business and technology strategies is complex, but you’ll know if you’re on the right track if you understand the answers to a few questions:

- What is the potential value of increasing the commitment of our work force?
- How can we optimize the effectiveness of our work force?
- How do we ensure we have the right

people in the right jobs with the right skills?

- How do we maximize the efficiency of our core people processes?
- Why aren’t we taking steps toward an ERM project today? Can we do something next week to build employee relationships without spending a cent on technology?

The answers to these questions may lead to the conclusion that ERM should take a backseat to other company initiatives, and that’s OK. Total rewards professionals need to have the courage to tell senior management where their current people strategy is taking the company and what value a new strategy will provide.

“Aligning IT goals and initiatives with our core business and HR strategies offers both rewards and challenges,” said Pauline Goodman, director of IT for Avery Dennison. “One of the greatest challenges is the balancing act between daily business needs and value-added initiatives, such as ERM, which require the support of the same resources. The rewards, however, surpass any challenges, and we have learned to meet requirements through partnership development and communications with our HR customers.”

### Change It

There is another common pitfall in many technology implementations: Equal time and consideration are not spent on attention to the people part of the projects. Too often, technology creates the illusion of progress while producing higher levels of inefficiency and demoralization. Installing ERM technology before preparing the organization and its employees is like trying to re-paint a house without sanding the walls first; it’s bound to show more imperfections and look worse than before.

According to a survey conducted


recently by online resource center CRM Forum, when asked what went wrong with their technology projects, 4 percent of managers cited software problems; 1 percent said they took bad advice; and 87 percent pinned the failure on the lack of adequate change management. The effect that change has on people and the inclusion of the “people factor” in technology implementations often are underestimated.

In the best organizations, there is a consistency and predictability to the quality of change management actions preceding technology implementations. (See “Change Management Actions Preceding Successful Technology Implementation” on page 49.) In research conducted at Purdue University, the amount of skill used in managing change is directly proportionate to the return on the investment in technology. Those companies that did not manage people’s resistance to change had additional increases in hidden costs in almost every area.

The bottom line is, when interaction among executives, managers and employees changes, people will have to modify how they work and what

they are doing. In the case of ERM implementations, it also means that the technology needs to be flexible enough to focus on improving the key human resource processes that encourage better customer service, build employee commitment and increase shareholder value over time.

### They Will Come

An ever-increasing number of companies are recognizing the true value of their employees and are trying to find ways to increase the impact of that potential. ERM can be an effective tool in enhancing work force productivity and satisfaction. Will your ERM project be another “flavor of the month,” or will it serve as a revolutionizing initiative with an enviable rate of return? The choice, it seems, is yours. 

#### ABOUT THE AUTHORS

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#### FOOTNOTES

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## Change Management Actions Preceding Successful Technology Implementation

- **Understand the business case.** Why is this urgent? From where will the profit or savings come? What is the ROI?
- **Gain support.** Who will sponsor this project? Which individuals are powerful enough to start and sustain the effort.
- **Identify key stakeholders and their issues.** Who will be affected by the change? What will be lost? What will be gained?
- **Profile the readiness and capability of employees to change.** What is the capacity for change? What is the likely resistance? What will drive the change?
- **Create a communication plan.** Who is the audience? What are their requirements? What are the messages and the best mediums to communicate those messages?
- **Map the process changes expected.** Which current processes will change? How will the processes change?
- **Create an implementation and measurement plan.** Who will do what when? How will success be measured and monitored?

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