

# BOTTOM LINE REASONS FOR A TOTAL WORKFORCE MANAGEMENT STRATEGY

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## Report Highlights

**p2**

**44% of all organizations cite a need for better control of their labor spend.**

**p4**

**Automated scheduling results in significantly lower replacement costs (as a percentage of annual pay) for hourly workers.**

**p6**

**Automation of workforce management linked to increases in revenue/FTE and customer satisfaction.**

**p7**

**Best-in-Class organizations experience less unplanned or unbudgeted overtime costs each pay period**

Technology plays a critical role across a variety of industries in the management of an organization's most valuable, and expensive, strategic asset — their workforce. Workforce management solutions have the power to help organizations control labor costs, minimize compliance risk, and improve workforce productivity.

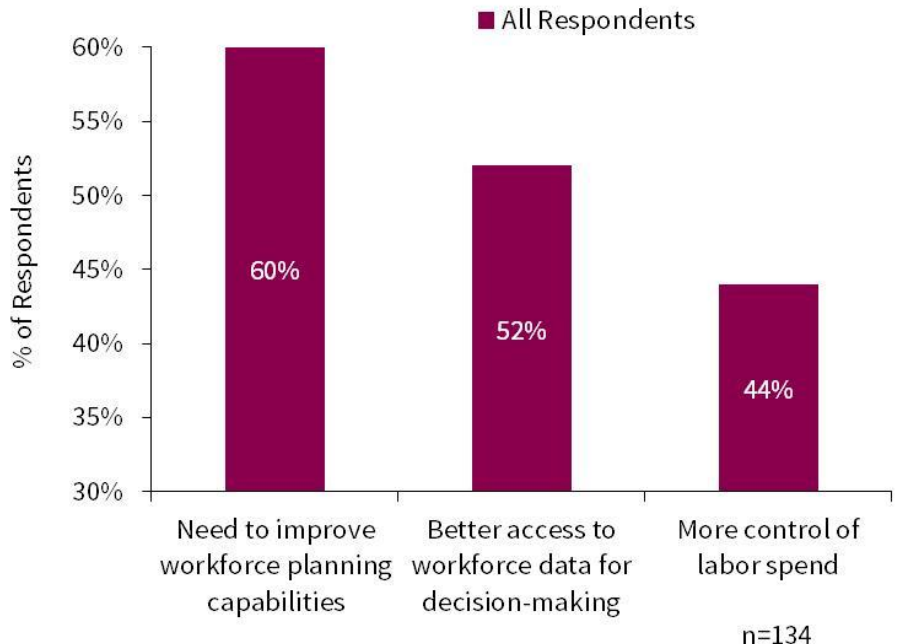
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60% of all organizations indicate a need to improve workforce planning capabilities as a driver of their total workforce management efforts.

## Introduction

Organizations today are struggling to both develop and retain an agile and flexible workforce, and to use data to help them make better decisions about both their talent pool and labor spend. In fact, in Aberdeen Group's May 2014 study, Core HR and Workforce Management, Aberdeen found that **52% of survey respondents indicated that having better access to workforce data to drive decisions was a key motivator of their total workforce management strategy.** Even more vital, however, is the ability for organizations to improve workforce planning capabilities, which is essential to executing both short- and long-term strategies (see **Figure 1**).

**Figure 1: Top Pressures Driving Total Workforce Management Efforts**



Source: Aberdeen Group, November 2014

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Since employee costs represent a substantial line item in most organizational budgets, optimizing workforce utilization is imperative to controlling costs. This crucial need goes beyond the obvious concerns about dollars typically associated with employing labor (i.e., compensation, benefits, and employee development). Workforce management technology enables organizations to have better strategic insight into the strength of their workforce and, just as importantly, ensures greater levels of compliance.

In fact, ensuring compliance with wage and hour regulations and managing disparate local / state / country compliance rules were two of the most pressing compliance concerns among end-users surveyed. This is a strong indicator that companies are increasingly turning to the use of workforce management technology to help more efficiently manage workforce data, and ensure they do not incur any unnecessary fines or fees associated with violations of these rules and regulations.

In addition to a reduction in regulatory fines and penalties, there are a wide range of cost saving and revenue improvement areas stemming from the use of workforce management software. This report will discuss some of the many financial benefits to using workforce management technology.

### ***Reduced Replacement Costs for Hourly Workers***

The use of automated time and attendance and scheduling solutions has been shown to lower the average replacement costs for hourly workers (as a percentage of annual pay). This is likely the direct result of reduced cost associated with the administration of these high-volume transactions (see **Figure 2** on page 4).

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### **Workforce Management defined**

In this report, workforce management technology refers to software used for timekeeping, scheduling, fatigue management, leave/absence management, labor forecasting and labor analytics.

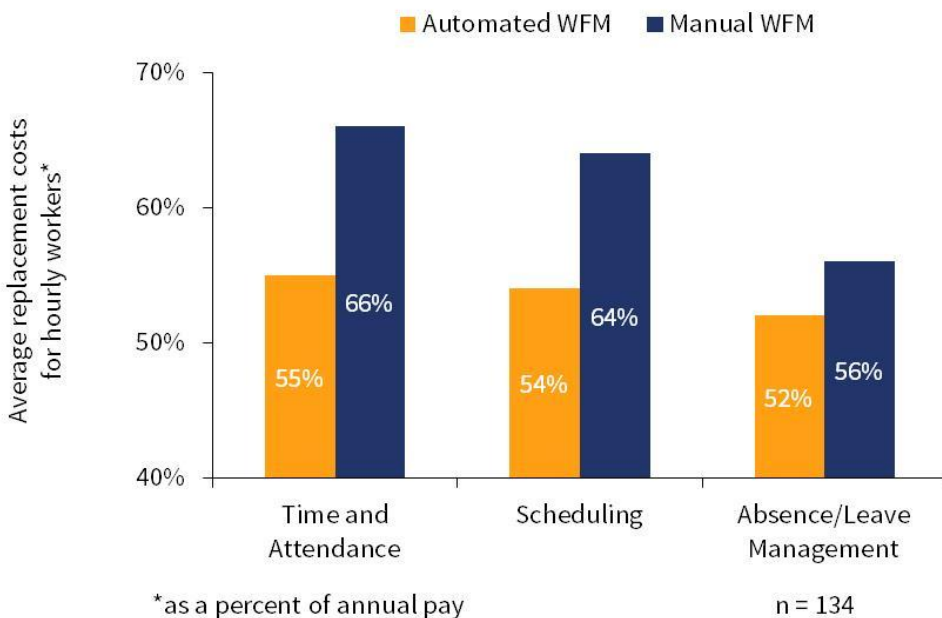
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## Automated WFM results in lower replacement costs (as a percent of annual pay) for hourly workers.

→ Reductions range from 8% to 20% for Time and Attendance, Scheduling, and Absence/Leave Management.

Figure 2: Effect of Automated WFM on Replacement Costs



Source: Aberdeen Group, November 2014

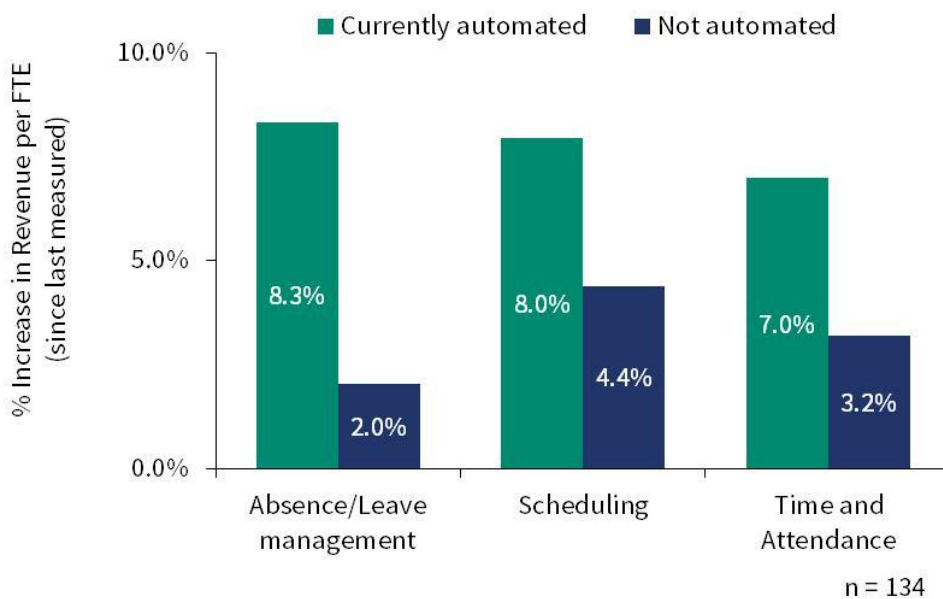
Aberdeen research did not find a significant relationship between automated workforce management and lower average replacement costs of **salaried** workers. This is very likely due to the fact that in many organizations, the use of tools to track time and attendance and scheduling are limited to hourly workers, because payment of those workers varies based on hours worked each shift/pay period. Additionally, for the most part, salaried workers are not scheduled for shifts.

→ See [Total workforce management provides a measurable edge](#) later in this report for the implications of including ALL employees as users of these tools).

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Other benefits of adopting workforce management solutions include reduced payroll errors, lower costs of labor, higher levels of workforce capacity utilization (time available to work that directly impacts the business), and increases in revenue per FTE (full-time equivalent) employee (see **Figure 3**).

**Figure 3: WFM Automation Impact - Revenue per FTE**



Source: Aberdeen Group, November 2014

In fact, Aberdeen found that average revenue per FTE increased 4x more in organizations with automated absence and leave management than those that indicated they did not currently automate (and approximately 2x more for scheduling and time and attendance).

### **The Customer Effect – Higher Satisfaction Leads to Increases in Revenue**

Customer service has never been more important to the success of an organization than it is today. Changing customer demands

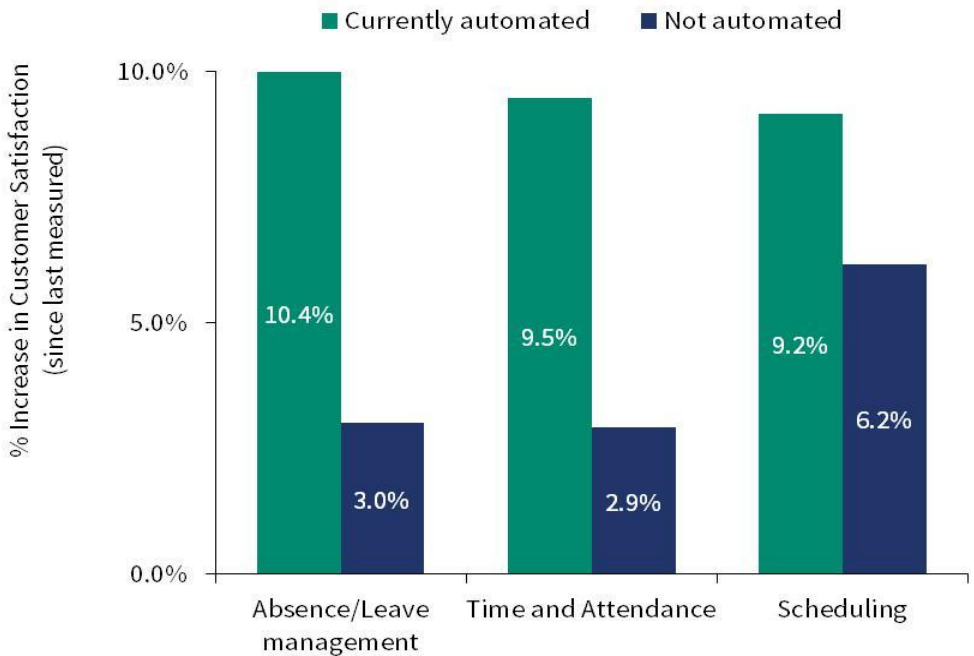
In Aberdeen's Workforce Management study, the following key performance indicators (KPIs) were used to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%), and Laggard (bottom 30%) organizations, with mean-performance among the Best-in-Class as follows:

- 91% average workforce capacity utilization
- .7% average payroll error rate per pay period
- <4% of overtime (OT) costs unplanned or unbudgeted

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and expectations are forcing organizations to better allocate their staff to meet those demands. Customer satisfaction matters. It matters not only to the customer, but even more so to the business, because it directly impacts a company's bottom line profits. Automation of key workforce management activities such as scheduling and time and attendance are critical to customer satisfaction, which subsequently impacts customer retention (see **Figure 4**).

**Figure 4: WFM Automation Impact - Customer Satisfaction**



Source: Aberdeen Group, November 2014

Organizations that automate scheduling, time and attendance and leave/absence management saw **increases in customer satisfaction ranging from 9.2% to 10.4%**, compared to 2.9% to 6.2% improvements for those who do not provide these automated solutions.

**Freeing up the time of both HR and business personnel is a critical benefit of automated workforce management. It helps ensure that the organization's time is spent on strategic activities and not just administration.**

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Workforce management solutions help to reduce the administrative costs of manually scheduling employees and lowers the costs associated with over- or under-staffing. When an organization does not have enough employees with the right skills and availability deployed at the right time, it has a direct impact on the satisfaction of customers. Automated scheduling and labor forecasting applications enable a firm to more accurately align employees to the demands of the business and improves the amount of time an employee is available to work on tasks that matter to the bottom line.

Aberdeen's May 2014 report, [Contact Center Workforce Optimization: Secrets to Unlock Agent Productivity & Performance](#), revealed that optimizing scheduling is a key attribute of leading firms. These firms enjoy far greater results in growing customer profitability and reducing customer interaction costs. In fact, leading firms (referred to as "Leaders" in this study) saw **year-over-year improvements in customer satisfaction of 17.8%**, compared to Followers whose rates had actually lowered by -3.9% (on average).

### **Reducing unplanned overtime**

- Some overtime is expected and even budgeted for, and in some organizations, overtime is necessary. However, **unplanned costs due to unpredictable schedules can derail a budget**. Best-in-Class organizations experience less than 4% of unplanned overtime costs compared to 27% for Laggard employers (Figure 5). When it comes to efficiency and the burden on the operational manager, modifying schedules after creation to account for policy violations, approved employee requests or errors, can be very time consuming. Scheduling accuracy is critical to maximizing a manager's time for, and attention to, the core competencies of the business.

→ [Related Research](#)  
Total Workforce Management 2013: Scheduling

→ [Related Research](#)  
Total Workforce Management 2013: Time and Attendance

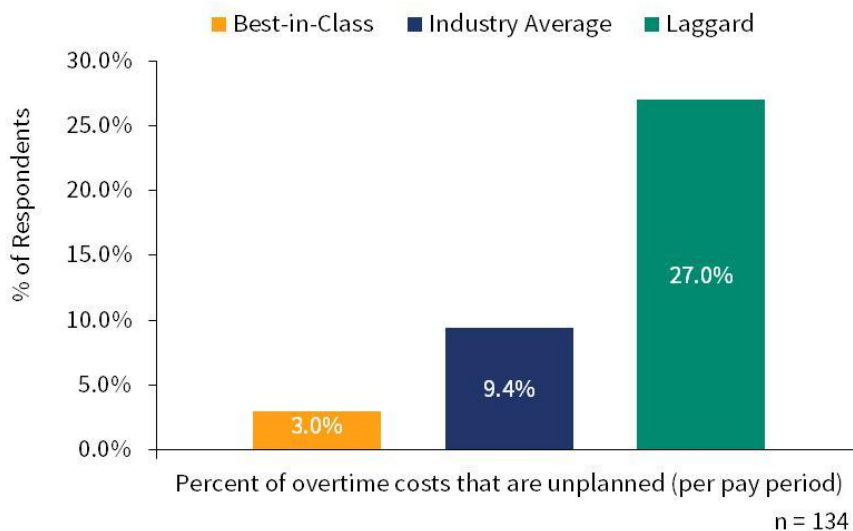
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## Recommendations

As organizations look to tools and technologies that help them solve critical workforce management challenges, they should focus on four key strategies for success:

- Standardization and simplification of processes
- Automation only after standardization
- Communication and transparency via self-service and real-time reporting
- Integration of workforce management systems with other HR and financial systems

Figure 5: Percent of Overtime Costs Unplanned/Unbudgeted



Source: Aberdeen Group, November 2014

### **Automated time and attendance leads to greater workforce capacity utilization**

→ Companies that deploy **automated time and attendance software** have workers who are, on average, working at 12% more of their capacity than those who rely on manual processes or spreadsheets (83% vs. 74%). When employee and manager time is freed up, it allows them to spend more time on the projects they are assigned to through increased up-time (time available to respond to customers) and/or time to spend working on specific project deliverables – all of which impact the bottom-line directly.

### **Leave and absence management lowers compliance risk and reduces costs**

→ The complexities of leave and absence management require automation to avoid costly errors, such as an inability to accurately track and manage employee



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absences. Organizations must have clearly defined workforce policies and proper software to submit and track absences and leave requests in place to help them mitigate the impact of both planned and unplanned absences, as well as to help them manage the risk involved when absences are not managed correctly. Absence management software helps to reduce the impact of productivity loss due to unplanned absences.

- Accurately tracking time-off can result in significant cost savings, ensuring that paid time-off (PTO) is recorded as it is actually taken so that at the end of a year, or even upon an individual leaving the organization, employees are not owed for leave they have earned but not yet taken.

***Analyst Insight: Total workforce management provides a measurable edge***

As previously discussed, organizations that rely heavily on an hourly or tightly scheduled workforce are seeing many benefits to enabling both employees and managers to access data and to submit and approve workforce data transactions via technology ([Can You Drive Employee Experience and Engagement Through Self-Service?](#)). However, to be able to truly manage your entire workforce, organizations must use these same technologies to support the management of salaried employees and even freelance workers and independent contractors.

Adoption of workforce management technologies for the use of salaried employees is still not seen as mainstream. Businesses looking to manage their “total” workforce are doing themselves a disservice by only using workforce management technology to manage the time, absence and scheduling of their hourly employees. Workforce management should be done with a holistic approach. Total workforce management enables an

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**Tallying the Benefits**

The benefits of adopting automated workforce management solutions include:

- Increased productivity
- Improved workforce capacity utilization
- Higher revenue per FTE (hourly)
- Improved customer satisfaction (which leads to increased sales)
- Fewer payroll errors
- Lower cost of labor
- Fewer compliance violations

organization to gain the visibility that is needed to know whether they are and will be properly staffed – not only for today’s needs, but for tomorrows as well.

**Conclusion**

In a 2012 interview, management guru [Dave Ulrich](#) was quoted as saying that "work is being redefined through technology." In this same interview, he went on to say, "technology allows for shared information so decisions are made differently...it enables a mobile workforce so that the boundaries of work are redefined...and redefines time and relationships so work is done anywhere, anytime, with anyone." For firms that are still reluctant to make the shift toward using automated WFM technologies, this means always playing catch-up, being bogged down in manual processes, and never having true visibility into the total workforce. Without this visibility and access to accurate, real-time data, most organizations will struggle to successfully execute their workforce and business strategies.

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For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

**Related Research**

[Top Seven Reasons You Need a More Effective Freelance Management Strategy](#); October 2014

[Focusing on What's Important in HR: Improving Efficiency and Visibility Across the Employee Lifecycle with Automated Workflows](#);

September 2014

[Future-Proof Workforce Management in the Public Sector](#); April 2014

[Mobile Workforce Management: Taking Decisions in Hand](#); April 2014

[Total Workforce Management 2013: Scheduling](#); July 2013

[Total Workforce Management 2013: Time and Attendance](#); July 2013

[Managing Talent Risk: Data Management to Ensure Workforce Compliance](#); July 2013

[Optimizing Efficiency and Experience: SMB Retail & Hospitality Workforce Management](#); April 2013

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