CACI Point Paper: The Case for End-to-End Integrated Human Capital Management Systems

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Integrating Human Capital Management (HCM) Systems in Organizations

Contents

Introduction

Human capital management (HCM) systems are a critical asset to organizations especially in government agencies where humans are critical to the delivery of the mission. Government agencies exist to serve its citizens, consumers, and constituents; therefore, it is incumbent on those organizations to plan, recruit, train, manage, support, and retain the highest performing workforce possible. Having integrated software systems that support all facets of the end-to-end human capital supply chain processes is extremely important to result in a high performing organization. The end-to-end HCM processes are defined by the OPM in a business reference model. The Human Capital Business Reference Model (HCBRM) defines the end-to-end lifecycle of Federal Government Human Capital Management (HCM).
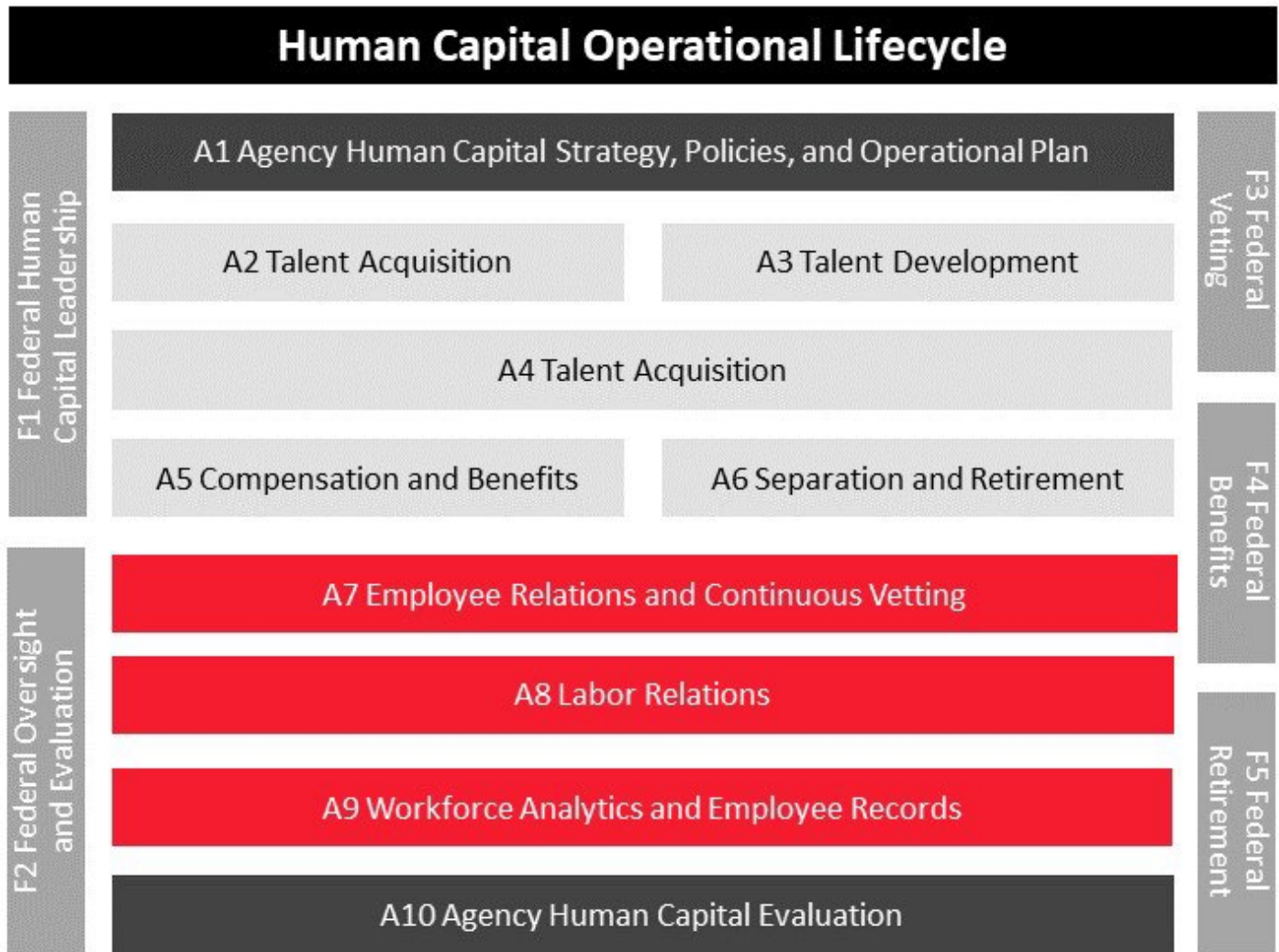
Each of the major subprocesses (A1 – A10) make up the functional areas that an integrated HCM system provides.

The Challenge

Most of the legacy government HCM systems have become old, fragile, and expensive to maintain. Even the systems that have been implemented using industry leading COTS software products in the past ten years have been heavily customized or only partially implemented and have a severe lack of integrated capability. It is very common across the Federal government for HCM systems to be broken up into separate stovepipe systems into the following functions across the HCM lifecycle, and do not always align with the OPM HCBRM:

- Workforce planning / manpower planning
- Recruiting
- On-boarding
- Core HR
- Learning & Talent Management
- Benefits management
- Employee performance
- Payroll

These separate stovepipe systems are not inherently integrated and requires expensive interfaces and technology to achieve integration, creating technical debt. The integration of legacy systems consumes much of the budget for sustainment and leaves few resources to provide continual functional improvement, new capabilities, and innovations.

The root cause of the stovepipe systems begins with the stovepipe acquisition of systems. Federal government agencies are organized along the above functional areas. For example, in the military there are separate manpower organizations, recruiting commands, education/training commands, personnel commands, and payroll organizations. The HCM systems in the past have been acquired in silos by each of these organizations based on their specific requirements and in some cases, disregard for how well a solution might integrate with the rest of the HCM functional areas. While there could be an argument that this results in a set of best-of-breed systems for each functional area, it most certainly results in stovepipe systems that must be integrated with custom code. When the government acquires systems in stovepipes, the result is stovepipe systems that are not well integrated. One of the most common concerns with existing government HCM systems is the lack of integrated data and the inability to do HR analytics across the end-to-end HCM processes. In attempts to resolve the lack of integrated data and analytics, organizations often develop separate data warehouses and acquire analytics technologies to solve the problem which in turn creates even more technical debt that must be sustained.

Another major challenge is the inability to innovate and improve the existing systems quickly to take advantage of technologies such as mobile devices. Not only does modern interfaces and devices affect user experience but it also results in increased self-service by employees which in turn reduces errors in the HCM data.

Getting to integrated end-to-end HCM systems and data is a formidable challenge across the Federal government.

The Solution

As Federal organizations look to the next generation of HCM systems, the opportunity to get to an single

integrated system is in front of them. Modern SaaS HCM systems have been built from the ground up to not only deliver in a SaaS model but to also deliver modern user experiences, mobile/self-service focused capabilities, and integrated data and HR analytics designed in from the ground up rather than an after-thought or bolt on capability.

Organizations can move to the new SaaS system incrementally to reduce the risk associated with large-scale systems modernizations. Our approach to incremental modernization starts with a transformation roadmap that is tailored to specific customer priorities so that incremental capabilities are delivered early while also managing risk. With SaaS systems there are a couple ways to approach incremental modernization. We call these two approaches Inside-Out and Outside-In.

"Inside Out"
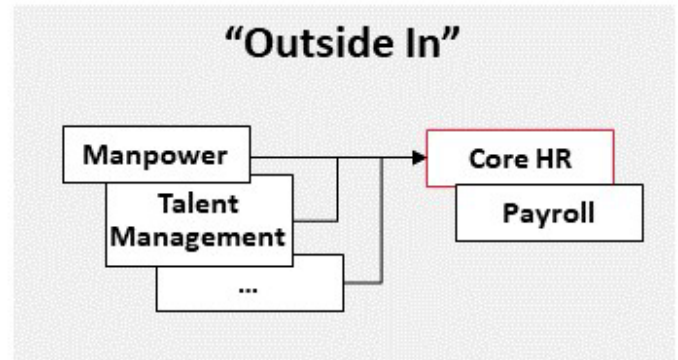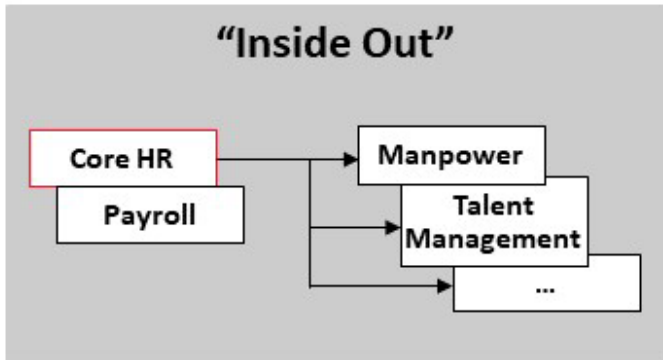
Benefits

- Less rework (or risk of rework)
- Earlier retirement of legacy (and associated cost of avoidance)
- Allows for earlier implementation of full modern core HR and Payroll SaaS solution

Risks / Drawbacks

- Increased Time to Value beyond Core HR
- Organizational fatigue around core HR processes
- Potential to extend the legacy sustainment requirements before partial retirement of some of the systems

"Outside In"

Benefits

- Earlier wins and higher levels of perceived program momentum
- Reduced dependence on legacy solution provider to achieve early tangible organizational benefits
- Reduces complexity, redundancy, costs through standard workflow and processes in areas not already covered by legacy systems

Risks / Drawbacks

- Added rework (higher LOE overall)
- Added complexity (integration, data conversion, temporary interfaces, business process change, etc.)
- Potentially higher change management / BPR lift early in the program lifecycle
- Sustainment costs of legacy continues until retired

Inside-Out takes the approach of implementing core HR first and then proceeding to implement other functional areas such as manpower planning, recruiting, learning management, talent management, etc. in successive increments. The Inside-Out approach does take on a large portion of the HCM functionality (core HR) up front, however that can also be broken into smaller deployable increments such as employee populations. This approach is a little riskier to start with but reduces the cost and schedule and allows quicker accrual of return on investment since a larger legacy system(s) can be retired quicker. This approach is also more feasible when more of the functional problems an organization is experiencing is associated with the legacy core HR system(s).

The Outside-In approach uses the SaaS system core HR modules to quickly stand up a core HR light capability with minimal employee data that is kept synchronized with the legacy core HR system. The peripheral functional areas are then implemented incrementally to deliver modern capabilities and user experiences to manpower planning, recruiting, talent management, etc. A major advantage is that it provides early wins and reduces risk of taking on a larger more complex modernization from the start. The disadvantage of this approach is that it can take longer overall to fully modernize to the SaaS system and temporary interfaces and data synchronization must be done to keep the core HR Light up to date with the legacy core HR system(s) and the legacy systems must hang around longer. Once most of the peripheral functional areas are incrementally implemented, the core HR functionality is then implemented in the SaaS and the legacy system is eliminated.

Whether the Inside-Out or Outside-In approach is taken, the transformation roadmap must address both the acquisition and technical modernization of the end-to-end HCM systems as an integrated acquisition.

Benefits of an Integrated HCM

The benefits of an integrated SaaS HCM system start at the foundational data model that is integrated across all the functional HCM areas. This accommodates the inherent data analytics in the SaaS system without having to bolt on separate data analytics platforms. It also eliminates the technical debt of custom integration software that is costly to maintain.

SaaS systems are designed as a single integration system and provides more stable software that is continually enhanced by the SaaS product vendor. Integrated designs also inherently scale and perform better than separate systems that are kludged together with custom integration software.
The bottom line is a better design, continuous updates/innovations, scalable, and last but not least, lower total cost of ownership.

Conclusion

An integrated SaaS HCM system is the way to go for the next generation of Federal government HCM modernization efforts. The lower cost of ownership, modern user experience, continuous innovation, and built in HR analytics make the business case overwhelming. Incrementally implementing the SaaS HCM systems provide paths to modernize with acceptable and manageable risks.

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