Chapter 3.4

Transforming Compensation Management Practices through Web-Based Enterprise Technologies

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INTRODUCTION

Human resources management system (HRMS) is one of the core components in any major enterprise resource planning (ERP) application suite since its earliest development. As information communications technologies progress, ERP vendors are able to incorporate more sophisticated HR functions into their products in an increasingly user-friendly manner. HRM modules in ERP suites cover a full spectrum of conventional HR functions ranging from recruitment, selection, compensation, and so on. Meanwhile, there is also an explosion of growth in the number of specialized HR software products and application service providers in the market place.

The goal of this chapter is to provide a current, non-technical review and comparison of major compensation software products and services

developed using Internet technology, and to offer some insights on understanding emerging HRIS trends and new strategic roles compensation professionals play. To do this, I will start with an overview of key features of a good Web-based compensation program and main benefits of such program. I compare common and unique features in performing compensation functions offered by both major ERP vendors. Implications for HR professionals and researchers will be discussed in the concluding section.

BACKGROUND

Compensation management programs were among the earliest HR applications of ERP. As IT advances, compensation software has evolved rapidly in the past decade. Recently, major ERP vendors brought in the Internet technology in their

latest products. This Web solution is revolutionizing how compensation systems are managed in organizations now and in the foreseeable future (Meade, 2003). Here are some key features and benefits of such a program within an ERP system.

24/7 accessibility: A Web solution means users can access the program using a standard Web browser wherever and whenever they wish to. Compensation professionals no longer need to sit in front of their desktops at central offices in order to process information. Employees can view their pay and benefits information and update their personal profile at home or even at vocation.

Integrated functionality: Compensation systems are integrated with some other HR and non HR systems within the organization. For example, a compensation professional can track up-to-date employee attendance information or performance reviews to make corresponding changes in compensation.

Data automation: Automation of existing processes and procedures has cost saving benefits. Significant data automation relieves HR professionals from tedious routine tasks such as data entry, filing, and report writing. Data importing and exporting are made easy between other office applications software.

Streamlined workflow: The Web solution streamlines all aspects of compensation planning and implementation, including plan configuration, modeling and budgeting, plans review and approval, and data exporting to payroll. In addition, by posting current information regarding compensation policies, program description, eligibility explanation, new compensation forms, and frequently asked questions and answers on the Web, that individual employee can access the HR department and saves a substantial portion of time, which the HR staff used to spend on responding to requests from employees.

Flexible analytical tools: New compensation software has strong analyzing capabilities. It provides users with online reviews of various compensation reports that are pre-built in the system. Customized reports are also available to meet specific needs. Managers can view aggregated reports or drill down the reports by department, by work groups, or by individual employees (Dulebohn & Marler, 2005). Users can conduct what-if scenario analyses and simulations in planning compensation budgets which improve the quality of strategic compensation decision making.

User-friendly interface: Built on relational data base structure, the Web-based compensation software leaves the control of the system in hand of end-users with minimal technical savvy. Unlike prior software systems, it requires no system-specific training and keeps IT support and maintenance at a minimum.

Real-time accurate data: The HR department is no longer the sole party responsible for entering all the data. Employees and line managers are empowered to enter and update data on their side. Thus, information is being updated on the Web as it occurs. All the analyses are conducted using real-time data (Brink & McDonnell, 2003).

One stop information center: Human resources home pages accessible via Internet or company intranet provide links to Web sites of outsider service providers such as employee stock administrators or health care providers (Gherson & Jackson, 2001).

Add-on applications: Self-service through ERP applications enables HR professionals, employees, and line managers to focus on their primary value, adding tasks and spending less time on administrative tasks. Line managers can online view salary budgets, compare budgeting against actual spending, and take various salary actions easily with self-service functions or corporate portals (Adamson & Zampetti, 2001). Communications between management and employees are made easier. MSS allows managers take ownership in making compensation decisions with easy-to-use analytical tools (Gueutal, 2003). Cedar's third annual self-service survey shows a continued expansion of self service applications on the Web, and most surveyed companies report

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