

# Concepts in Enterprise Resource Planning

*Fourth Edition*

*Chapter Six*

*Human Resources Processes with ERP*

# Objectives

After completing this chapter, you will be able to:

- Explain why the Human Resources function is critical to the success of a company
- Describe the key processes managed by a Human Resources department
- Describe how an integrated information system can support effective Human Resources processes

# Introduction

- **Human capital management (HCM):** tasks associated with managing a company's workforce
- Human Resources (HR) department responsibilities
  - Attracting, selecting, and hiring new employees
  - Communicating information regarding new positions and hires
  - Ensuring proper education, training, and certification for employees
  - Handling issues related to employee conduct
  - Making sure employees understand job responsibilities

# Introduction (cont'd.)

- Human Resources (HR) department responsibilities (cont'd.)
  - Using effective process to review employee performance and determine salary increases and bonuses
  - Managing salary and benefits for each employee
  - Communicating changes in salaries, benefits, or policies to employees
  - Supporting management plans for changes in the organization

# Problems with Fitter Snacker's Human Resources Processes

- Personnel management relies on paper records and a manual filing system
  - Creates problems
  - Information is not readily accessible or easy to analyze

# Recruiting Process

- Fitter Snacker (FS) has three employees in its HR department
- Problems occur because of:
  - Large number of HR processes (from hiring and firing to managing health benefits)
  - Lack of integration among all departments
  - Number of people with whom HR interacts
  - Inaccurate, out-of-date, and inconsistent information

# Recruiting Process (cont'd.)

- Problems that can arise in the recruiting process:
  - Description of qualifications required for the job may be incomplete or inaccurate
  - Job vacancy form may be lost or not routed properly
    - Human Resources department will not know that the position is available
    - Supervisor will assume that paperwork is in process
- Filing and properly keeping track of resumes and applications is a challenge at Fitter Snacker
  - Due to applicant's data being kept on paper form

# The Interviewing and Hiring Process

- At FS, requesting department develops a short list of candidates based on data provided by HR
- Human Resources department:
  - Contacts candidates on the short list
  - Schedules interviews
  - Creates a file for each candidate
- If a candidate accepts an interview offer, HR makes arrangements for the interview
  - After the initial interview, HR updates candidate's file to indicate whether he or she is a possibility for hire



# The Interviewing and Hiring Process (cont'd.)

- Second interview may be scheduled
- HR representative and supervisor of requesting department decide which candidates are acceptable and rank them
- HR person makes the highest-ranking candidate a job offer
- Acceptance of job offer by candidate

# The Interviewing and Hiring Process (cont'd.)

- Many of Fitter Snacker's problems in interviewing and hiring process deal with information flow and communication
- After candidate accepts formal job offer, Fitter Snacker hires an HR consulting firm to perform a background check
- Fitter Snacker frequently has problems enrolling new employees in correct benefits plans and establishing proper payroll deductions

# Human Resources Duties after Hiring

- HR department should maintain good, continual communication with employee and supervisor to make sure the employee is performing well
- Fitter Snacker issues performance evaluations to new and current employees
  - Evaluation documents become part of employee's file; maintained by HR department

# Human Resources Duties after Hiring (cont'd.)

- Not having an effective information system makes it difficult for Fitter Snacker:
  - To manage all of the performance evaluation data
  - For HR department to identify problems with an employee and take corrective action
  - To maintain proper control of sensitive personal information

# Human Resources Duties after Hiring (cont'd.)

- Employee turnover can be a significant problem
  - Costs related to hiring and training new employees
  - Companies lose knowledge and skills that may be crucial to keeping them competitive
  - Employee turnover is strongly related to job satisfaction and compensation

# Human Resources with ERP Software

The screenshot displays the SAP Human Resources software interface for viewing personal data. The window title is "Display Personal Data". The menu bar includes "Infotype", "Edit", "Goto", "Extras", "System", and "Help". The toolbar contains various icons for navigation and actions. On the left, a "Find by" sidebar shows a tree structure with "Person" selected, and options for "Collective search help", "Search Term", and "Free search". The main area displays the following data:

Personnel No		Name		Status	
6		Ms Shae...		Active	
EE group	1	Active	Personnel ar	FS	Filter Snacker Personnel
EE subgroup	AR	Salaried employees	SSN	363-18-4021	
Start	08/13/1998	To	12/31/9999	Changed on	11/14/2011
				BRET	

**Name**

Title	Ms	Name Format	00
Last name	Heusinkveld	Birth name	
First name	Shaelee		
Middle name		Initials	SMH
Designation		Nickname	
Suffix			
Name: Ms Shaelee Heusinkveld			

**HR data**

SSN	363-18-4021	Gender	<input checked="" type="radio"/> Female <input type="radio"/> Male <input type="radio"/> Undeclared
Date of Birth	03/18/1968		
Language	English		
Nationality	American US		
Marital Status	Single		

Figure 6-1 Personal data stored in SAP Human Resources software

# Human Resources with ERP Software

- A good information system allows all relevant information for an employee to be retrieved in a matter of seconds
- SAP ERP Human Resources (HR) module provides tools for:
  - Managing an organization's roles and responsibilities
  - Definitions
  - Personal employee information
  - Tasks related to time management, payroll, travel management, and employee training

# Human Resources with ERP Software (cont'd.)

- SAP ERP's Organization and Staffing Plan tool used to define:
  - Company's management structure
  - Positions within the organizational structure
- SAP ERP distinguishes between **task**, **job**, **position**, and **person**
- Manager's Desktop tool within SAP HR module
  - Provides access to all Human Resources data and transactions in one location



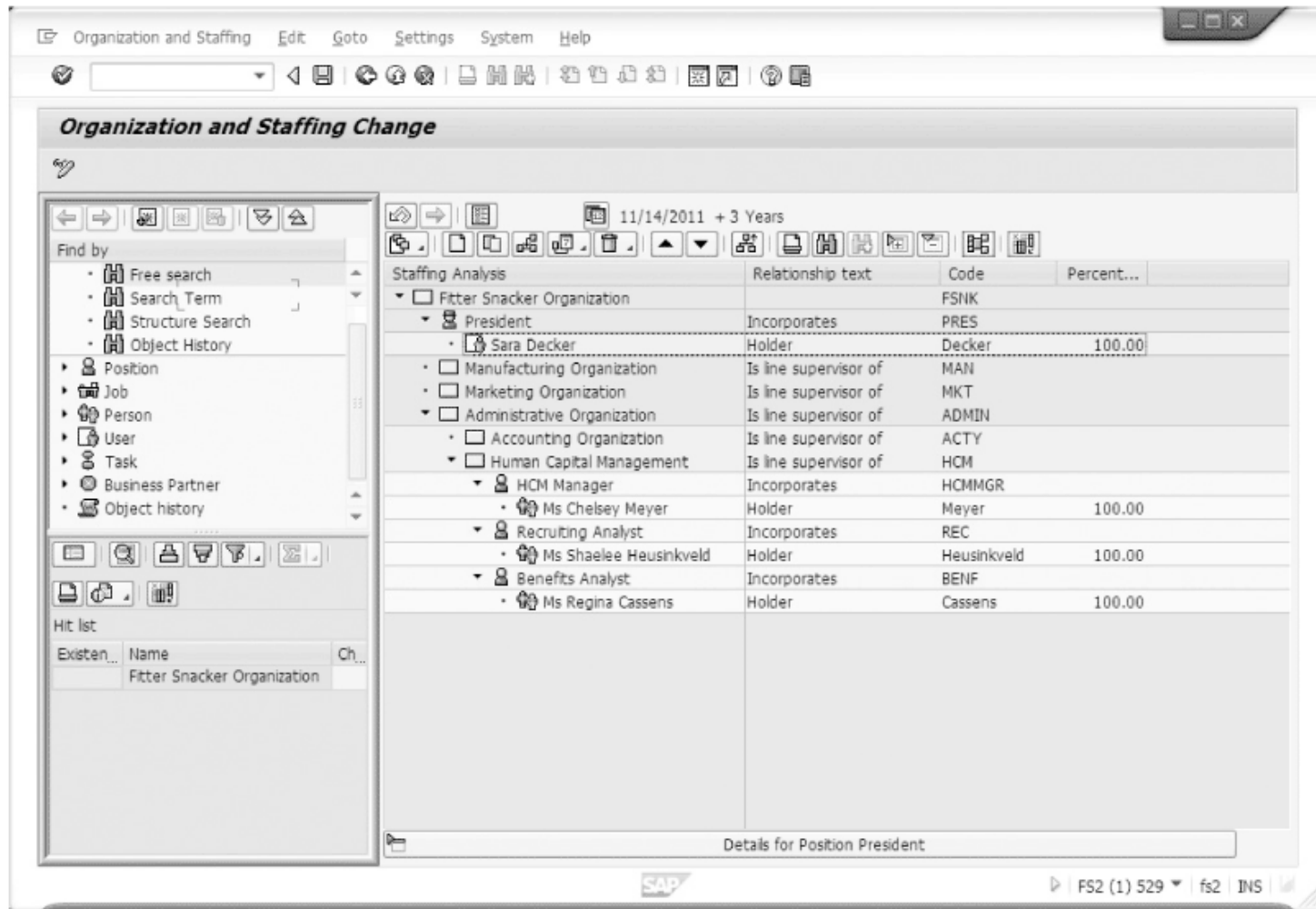


Figure 6-2 Organization and staffing plan in SAP ERP

# Human Resources with ERP Software (cont'd.)



Figure 6-3 Relationships among positions, jobs, tasks, and persons who fill positions

# Human Resources with ERP Software (cont'd.)

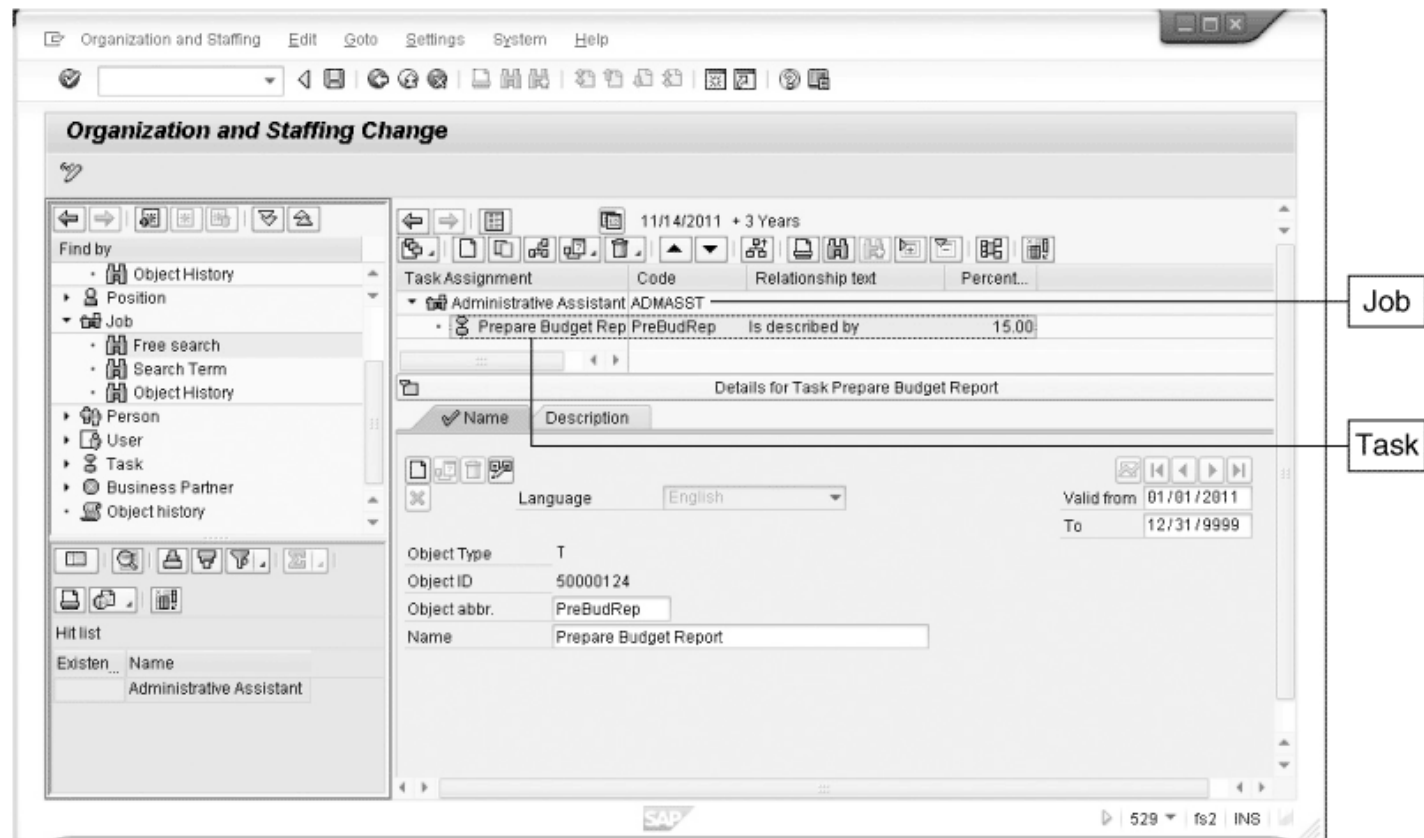


Figure 6-4 Assignment of a task to a job in SAP ERP

# Human Resources with ERP Software (cont'd.)

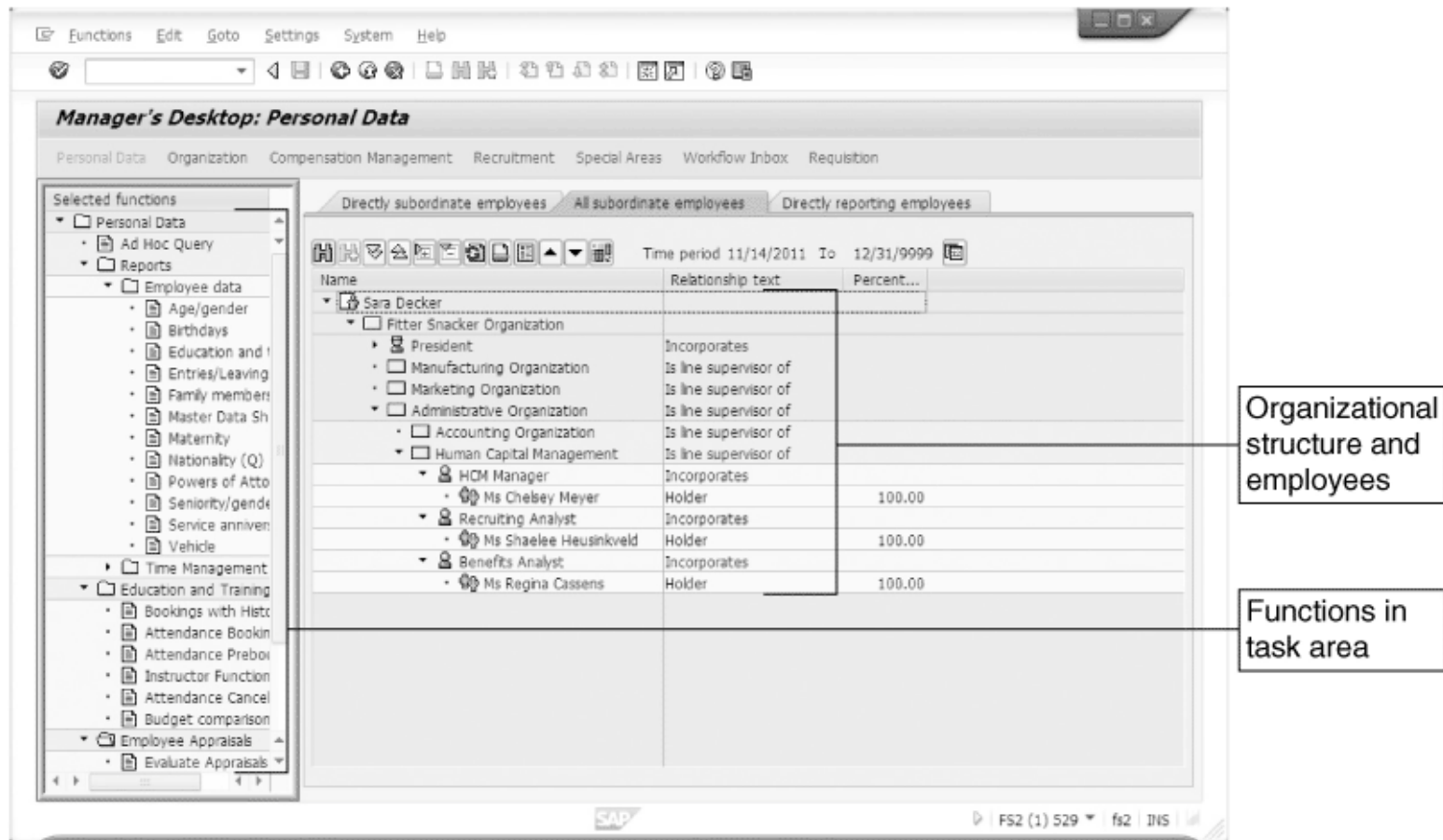


Figure 6-5 Manager's Desktop provides single-point access to HR functions

# Advanced SAP ERP Human Resources Features

- Time management
- Payroll processing
- Travel management
- Training and development

# Time Management

- Hourly employees
  - Paid for each hour worked
  - Must record time that they work
- Salaried employees
  - Not paid based on hours worked
  - Their time worked usually must be tracked as well

# Time Management (cont'd.)

- SAP ERP system uses Cross Application Time Sheets (CATS) to:
  - Record employee working times
  - Provide the data to applications including:
    - SAP Controlling module
    - SAP Payroll module
    - SAP Production Planning module

# Payroll

- **Remuneration elements** of an employee's pay
  - Base pay, bonuses, gratuities, overtime, sick pay, and vacation allowances
- **Statutory and voluntary deductions**
  - Taxes (federal, state, local, Social Security, and Medicare), company loans, and benefit contributions
- **Payroll run:** process of determining each employee's pay
  - SAP ERP system evaluates input data and notes any discrepancies in **error log**



# Travel Management

- Travel request may originate with employee or employee's manager
- Travel requests usually require management approval
- Once travel request is approved, travel reservations must be made

# Travel Management (cont'd.)

- SAP ERP Travel Management system
  - Maintains travel data for each employee, including flight, hotel, and car preferences
  - Integrates travel data with:
    - Payroll module for reimbursements
    - Financial Accounting and Controlling modules to properly record travel expenses

# Training and Development

- In SAP ERP system, employee development is driven by qualifications and requirements
  - **Requirements:** skills or abilities associated with a position
  - **Qualifications:** skills or abilities associated with a specific employee
- One of the most important reasons for managing the development and training of employees is **succession planning**

# Training and Development (cont'd.)

- Succession plan outlines strategy for replacing key employees when they leave the company
- Career and Succession Planning components of SAP ERP Human Resources module
  - Allow HR professionals to create, implement, and evaluate succession planning scenarios

# Additional Human Resources Features of SAP ERP

- Mobile time management
- Management of family and medical leave
- Domestic partner handling
- Administration of long-term incentives
- Personnel cost planning
- Management and payroll for global employees
- Management by objectives

# Mobile Time Management

- Many employees may not have regular access to a PC
- Mobile Time Management allows employees to use cellular phones to:
  - Record their working times
  - Record absences
  - Enter a leave request
  - Check their time charge data

# Management of Family and Medical Leave

- Human Resources module reduces administrative burden imposed by Family and Medical Leave Act (FMLA) of 1993
- HR system can:
  - Determine whether an employee is eligible to take FMLA absences
  - Automatically deducts those absences from the days the employee takes from allowable leave

# Domestic Partner Handling

- Human Resources module now supports the management of benefits for domestic partners and their children
- Provides more flexibility in:
  - Customizing dependent coverage options for health plans
  - Eligibility for enrollment of dependents
  - Designation of beneficiaries



# Administration of Long-Term Incentives

- Companies must account for expected costs that occur as a result of long-term incentives such as the exercising of stock options
- Human Resources module now provides more options for processing long-term incentives
  - Integration with SAP Payroll module
    - Can calculate taxes accurately when employees exercise incentives and sell their shares in the company
  - SAP can share incentive data with Accounting

# Personnel Cost Planning

- Personnel Cost Planning tool
  - Allows HR personnel to define and evaluate planning scenarios to generate cost estimates
- Performing cost planning and simulation
  - Allows HR to forecast cost estimates by integrating data with other SAP ERP modules

# Management and Payroll for Global Employees

- Management of global employees involves many complicated issues
  - Relocation plans, visas and work permits, housing, taxes, bonus pay
- SAP ERP has enhanced features to support the management of these issues
  - Customized functionality for more than 50 countries

# Management by Objectives

- Management by objectives (MBO)
  - 1954: first outlined by Peter Drucker in *The Practice of Management*
  - Managers encouraged to focus on results, not activities, and to “negotiate a contract of goals” with their subordinates without dictating the exact methods for achieving them

# Management by Objectives (cont'd.)

- SAP ERP provides a comprehensive process to support the MBO approach
  - Performance appraisals
    - Appraisal results can affect employee's compensation
  - Managers can include results of achieved objectives in the employee's qualifications profile

# Summary

- Employees are among a company's most important assets
  - Without qualified and motivated employees, a company cannot succeed
- Human Resources department responsible for:
  - Ensuring that the company can find, evaluate, hire, develop, evaluate, and compensate the right employees to achieve the company's goals
  - Employee training and development, succession planning, and termination

## Summary (cont'd.)

- Managing, sharing, controlling, and evaluating the data required to manage a company's human capital are simplified by an integrated information system
- Additional features of SAP HR systems address today's changing technology and legislation