



Business Case

Project Name: Human Resources Processes/Systems

Channel: COO

Project Sponsor: Calvin Thomas

Project Lead: Kim T. Morris

Project Description

Describe the need for change (the business problem to be addressed).

Currently, the Office of Student Financial Assistance (SFA) has minimal Human Resources (HR) capability. A significant number of HR processes and systems are owned and operated by the Department of Education. Discussions regarding transition of HR processes from the Department of Education to SFA HR are currently underway. The necessity to move HR processes from the Department of Education to SFA is a result of SFA's current transformation to a PBO. The lack of ownership of many HR processes by SFA will have a significant impact on SFA's success as a Performance-Based Organization (PBO). There are numerous performance targets towards which SFA can work if the responsibility rests with SFA for ensuring that these HR processes and systems are functional, efficient and cost-effective.

Within the Department of Education, the HR processes that are currently in place are not aligned with the overall strategy, organizational or technological needs of SFA. Numerous process inefficiencies and redundancies exist that must be corrected if the SFA organization, including HR, is to be streamlined enough to achieve the SFA modernization objectives.

The computer systems within the Department of Education that are utilized by SFA HR do not support HR activities that are integrated into SFA organizational decision-making; they are comprised of standalone, stovepipe systems that are fragmented and unable to interface cleanly with other enterprise applications (e.g., Financials). The technology platforms on which these current systems run do not take into account the increased data volumes that will be required in the future, nor are they prepared to handle the telecommunications requirements associated with leveraging eCommerce capabilities.

Finally, the functionality provided by the existing HR processes and systems within the Department of Education is not sufficient to meet the dynamic needs of an expanding organization such as SFA. In order to effectively recruit and maintain top-quality personnel, SFA needs to provide:

- An Integrated Performance Management System that provides ongoing career development throughout an employee's tenure, thereby enhancing the probability of employee satisfaction and reducing costly employee turnover;
- An Online Recruiting and Placement process that allows SFA to compete for the best of the best and ensure that every employee continues to be challenged in his or her role;
- A Career Development Center that empowers employees to better manage their careers, while reducing the administrative workloads for SFA HR employees.

All of these indicate an inherent need for a strong HR organization that is strategically embedded in the SFA organization, utilizes streamlined processes and state of the art technology systems as an enabler during and beyond the organization transformation effort.



What is the purpose of the initiative?

The purpose of the initiative is to identify HR processes that will be transitioned from the Department of Education to SFA, streamline these processes and implement new HR systems to ensure the success of SFA and its workforce during and beyond the transformation to a PBO.

SFA is in the process of creating a HR functional area that will be responsible for developing and supporting the SFA workforce through the use of reengineered processes and new technology. These new processes and systems will assist in the transformation of SFA into an empowered organization that fully integrates its people with its strategy, processes and technology.

For SFA to function effectively as a business, the HR organization needs to be a strategic partner with business planning across all channels and units within SFA. Decisions relating to performance issues, career development (including training) and resource planning need to be made by the leaders of the SFA organizational units. Industry has demonstrated that, rather than exist simply as a transactional, administrative set of functions, HR can best serve the needs of the organization by involving the leaders of all business units in HR decisions and activities. The implementation of new Human Capital processes and related systems that effectively address the needs of all business units will enable the transformation effort and assist SFA in meeting the Modernization objectives of increasing employee satisfaction, increasing customer satisfaction and reducing unit costs.

What is the scope of the initiative, including what it is not?

The focus of this effort is to address HR requirements of SFA that are critical to the success of SFA enterprise-wide. Specifically, the scope will include a focus on:

- Skill development and Management
- Staffing and Recruiting
- Performance Management
- Career Planning and Development
- Knowledge Management
- Deployment/Succession Planning
- Payroll Administration
- Benefits Administration

An initiative to develop a process to replace SFA's Performance Appraisal System (GPAS) is underway currently. The initiative is the Performance Development Process (PDP). This process is designed with a focus on employee development rather than appraisal, and includes both an individual and team based component. A Web-based tool (Perform.com) will be used to facilitate the PDP. The plan for creating a revised Performance Appraisal System is not included in the proposed initiative. This initiative, however, does include upgrades to the Perform.com system to enhance the PDP. It is anticipated that the PDP plan (revised Performance Appraisal System) will be finalized in January '01.

This initiative will also focus on identifying specific HR transactional cost savings by examining current costs associated with payroll and benefits administration and comparing these costs to available options for processing payroll and benefits administration.

Enterprise applications not related to Human Performance or HR transactions will not be developed as part of this initiative. It is a requirement, however, that the new Human Performance/HR systems be designed to integrate seamlessly into an enterprise business solution suite.

The deliverables (e.g., requirements overview, capability analysis of alternatives, performance management process and automated human capital system) that will result from this initiative are defined below.



- 1. Requirements Overview** – The Requirements Overview will provide high level descriptions of the HR and related SFAU capability requirements. The overview will be of sufficient detail to describe the business processes and activities performed by SFA HR personnel as well as those HR processes required by SFA employees (e.g., personnel information updates, scheduling of training). This will include those SFAU business processes that link to HR functions, and that would benefit from a comparison with these functions in order to minimize the overlap and maximize the coordination between the organizations.

In researching and documenting the requirements, the Solution Planning team will work closely with the members of the SFA Executive Management team, including the Chief Financial Officer, Chief Information Officer, Channel General Managers, the Directors of SFA University and SFA Human Resources and the Union. Working sessions will enable the team to gather the full picture of all requirements, particularly with regards to training and resource allocation requirements. They will also serve to ensure an integration, not duplication, of services and capabilities provided to SFA employees.

- 2. Capability Analysis of Alternatives** – The Capability Analysis of Alternatives (AoA) will describe all technology solution options that would allow SFA to meet the requirements specified in the Requirements Overview.

Among the alternatives presented, the AoA will address the possibility of an evolutionary deployment, where the most critical HR capabilities or those that provide the **highest benefit to cost ratio** to the entire SFA organization (including SFAU) are provided first, and subsequent capabilities are provided later in the life cycle. In addition, the cost/benefit analysis provided will also take into account such factors as the expected sponsorship levels within SFA Management, SFA resources available (both present and planned) and logistics associated with deploying proposed solution(s).

- 3. Performance Management Process** – The performance management process is a systematic approach to define, measure, motivate, and improve the value creation processes of SFA's workforce. It will be designed as a process of continuous improvement linked to SFA's infrastructure, culture and climate using the following components:
 - Workforce Performance Model
 - Workforce Performance Management Tools
 - Consequence Management Processes to address performance results
 - Use of performance data to continually improve business and workforce performance model
 - Information technology to enable the flow of the right performance information to the right people at the right time
- 4. Automated Human Capital system** – The automated human capital system will include multiple web-based (ASP) tools. Integration middleware will be used to link the ASPs to develop an employee portal (see Figure 1).

What is the start date and end date of the initiative?

Pending approval by the Investment Review Board, it is currently planned that the initiative will begin development immediately and will produce Initial Operating Capability (IOC) by April 2001. Final Operating Capability will be produced by September 2002.



What other business areas/external groups are affected by the implementation of this initiative and how are they affected?

Because the reengineered processes and new systems will transform SFA into an organization that fully integrates its HR decisions into its business planning and operations activities, all organizational units within SFA will be users of the systems, and will therefore be affected. These include:

- The Chief Financial Office (CFO) organization
- The Chief Operating Office (COO) organization
- The Chief Information Office (CIO) organization
- The three user channels (Schools, Students and Financial Partners)

What systems are impacted by the implementation of this initiative and how are they impacted?

Current systems for processing HR transactions are owned by the Department of Education's Human Resources Group (HRG). Processes that will be moved to the new SFA HR functional area will be reengineered to meet the needs of the PBO.

The systems will need to interface with OPM's recruiting/hiring and retirement/deactivation system, Consortium and InterAgency Training and Cooperative Agreement Systems, EmployeeExpress.com and Federal Payroll Personnel System (FPPS). Additional systems with which the new systems will need to interface will be identified during the requirements phase of the initiative.

What business processes are impacted by the implementation of this initiative and how are they impacted?

The business processes that are directly impacted by the implementation of this initiative include:

◆ **Human Resources**

- Manage Job Classifications & Positions
- Select & Recruit Workforce
- Hire Workforce
- Manage Labor Relations
- Meet Regulatory Requirements
- Performance Management
- Administer Variable Compensation
- Track Assignments
- Career Development
- Plan Workforce Successions
- Administer Training

◆ **Payroll**

- Maintain Employee Payroll Data
- Administer Payroll Interface
- Manage Paysheets
- Calculate On-line Checks
- Calculate Manual Checks
- Process Final Checks
- Administer Retroactive Payroll



- Calculate & Confirm On-Cycle Payrolls
- Calculate & Confirm Off-Cycle Payrolls
- Administer Post-Confirm Process
- Administer Financials Interface
- Manage Adjustment Processing
- Manage Reprints
- Manage Quarterly Payroll Reporting
- Manage Annual Payroll Reporting

◆ **Time and Labor**

- Maintain Time Reporting Rules
- Schedule Employee Time
- Administer Time Reporting
- Manage Time Collection
- Administer Time Validation & Approval
- Distribute Labor Expenses
- Manage Time Adjustments

◆ **Base Benefits, Benefits and Flexible Spending Account (FSA) Administration**

- Maintain Benefit Plans & Programs (Base Benefits)
- Administer Open Enrollment (Ben Admin)
- Administer Event Maintenance (Ben Admin)
- Administer Manual Enrollment (Ben Admin)
- Administer Family Medical Leave Act (Base Benefits)
- Administer Flexible Spending Accounts (FSA Admin)
- Administer Non-Discriminatory Testing (Base Benefits)
- Manage Leave Accruals (Base Benefits)
- Administer Retroactive Benefits (Base Benefits)
- Administer Benefits Billing (Base Benefits)

Technologies Used

List the proposed technologies that will be used to implement this project.

Name/type	Proposed use	Has technology been used at SFA before? Where?	Does Technology fit SFA's Architecture Standard? Explain.	Does SFA have the technical expertise to implement this technology? Why?
Perform.com/ASP	Performance Development Process	No	N/A	Yes/internet based

NOTE: Additional web-based (ASP) options will be examined to build a automated human capital system.



Benefits

Provide a narrative discussion to explain why SFA is doing the initiative and what project objectives or expected outcomes can be quantified and how can they be measured. Demonstrate that the initiative supports the goals and objectives of SFA, how it supports these goals and objectives, to what extent it helps SFA achieve these goals and objectives and when these benefits will be realized.

Reduce Unit Cost
TBD – See Assumptions

Quantified Benefit (\$)	How will benefit be measured/realized?	When will benefit be realized?
<i>Assumptions</i>		
<ul style="list-style-type: none"> ▪ Potential savings may be realized by outsourcing payroll and benefits to a different service provider. (option analysis will be conducted in Phase 2 of the proposed initiative) ▪ Government industry average recruiting costs per person is \$1851. With an online recruiting system recruiting costs could be reduced by as much as 50% ▪ Currently, SFA pays Department of Education for HR support services. Potential savings of this cost might be identified during the requirements definition phase of this initiative 		



Increase Customer Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Skill development training will enable employees to respond to customers more efficiently and effectively	<ul style="list-style-type: none"> ▪ Increased customer satisfaction scores ▪ Decrease in customer complaints 	12/01
<i>Assumptions</i>		
<ul style="list-style-type: none"> ▪ By automating many of the HR transactional processes, HR managers will have more time to strategically partner with other executives in SFA to address business concerns that will impact customer satisfaction. 		

Increase Employee Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Performance Management System will provide employees an opportunity to manage their career and skill development	<ul style="list-style-type: none"> ▪ Increased employee satisfaction scores ▪ Increased workforce productivity as measured by organization balanced scorecard 	Initial benefit will be realized in April '01, one year after implementation of the first phase of the Performance Development Process
<i>Assumptions</i>		



Estimated overall dollar amount of all benefits listed above.

Quantified Benefits					
BY	BY+1	BY+2	BY+3	BY+4	Total
Assumptions					
<ul style="list-style-type: none"> ▪ TBD during this initiative 					

Costs

Provide costs, including those to implement the initiative and the costs to support it over its useful life.

The costs of identifying, developing and implementing reengineered processes and systems for HR can be categorized into several areas: Business Process Reengineering, Solutions Options Analysis/Design (Analysis/Design, Build/Test, Test, Deployment), COTS Software Licenses and Web-based tool upgrades.

Category	FY01 EST Costs	FY02 EST Costs
Business Process Reengineering	\$450,000	\$0
Solutions Options Analysis/Design	\$600,000	\$450,000
COTS Software Licenses	\$200,000	\$300,000
Web-Based Tools upgrades	\$500,000	\$300,000
Total Costs	\$1,750,000.00	\$1,050,000.00

Operations Costs

Web-based tools (ASPs) are recommended as the technology solution:

- Hardware cost not applicable
- Minimal software costs
- Transactional costs should net zero with Department of Education charges

Total Cost of Ownership

What is the level of required enhancement after implementation?

Required enhancements should be minimal. Web-based (ASP) solutions will be proposed. Integration middleware will be used to link ASPs to create an integrated technology solution.



What is the life span of this initiative?

The life span of this initiative is two years (FY01 and FY02).

Alternatives

Discuss what could be done in place in this initiative and describe the consequences of each alternative.

Alternative	Consequence
Remain as-is	Status Quo will remain: <ul style="list-style-type: none">- Lack of SFA ownership will hamper PBO goal achievements- HR will not be integrally involved in strategic business decisions- Continued maintenance costs, ineffectual value provided by current hairball of fragmented systems- Continued lack of employee empowerment and low job satisfaction
Non-technology solution	<ul style="list-style-type: none">- Enterprise integration capabilities enabled by Web-based solutions will not exist- SFA will continue to pay high costs of outsourcing/maintaining outdated systems owned by HRG
Enhance an existing system	<ul style="list-style-type: none">- Lack of SFA ownership will hamper PBO goal achievements- Continued maintenance costs, ineffectual value provided by current hairball of fragmented systems
Build a Human Resources Information System (HRIS)	<ul style="list-style-type: none">- Integration with existing IT platform required- Technical architecture required- Increased time required for IOC- Increased cost (\$20+M)



Risks

Risk	Description of Risk	Mitigation Strategy
Financial	Cost for service level agreements could increase prior to implementation of some web-based tools	Assumption will be written into Task Order: <ul style="list-style-type: none"> ▪ service level agreement costs are estimated ▪ actually costs will be determined when web-based tool is selected and service contract signed
Technology		
Scope		
Management	Lack of collaborative working relationship with the Union could impact project completion	Director of HR and other senior leadership team members will meet with union representatives to discuss pending initiatives and request union feedback/ involvement throughout the project lifecycle
Exposure		

Acquisition Strategy

Sources (Indicate the prospective sources of supplies or services that can meet the need of this project. List the most likely offerors for the requirement, and/or the manufacturer and model of the equipment that will most likely be offered).

TBD during this initiative. This is a Modernization Partner effort.

Prospective service providers include:

Perform.com – Performance Management Web-based tool

Docent – eLearning web-based tool that can be used to assess individual knowledge and skill gaps to develop personalized learning. This tool also provides online registration, delivery, certification and measurement capability

Novient – Web-based deployment tool. This can be used to track, locate and deploy resources using skills sets, proficiencies and preferences. The tool can also be used to inform workforce of new developments related to upcoming projects and jobs in the organization.



Competition (Describe how competition will be sought, promoted, and sustained throughout the course of the acquisition, including any performance requirements that will be required).

Contract Considerations (For each contract contemplated, discuss contract type selection; use of multiyear contracting, options, or other special contracting methods, ex: performance-based).

Preliminary Schedule/Milestones (including acquisition cycle)

#	Milestone	Start Date	End Date
1	Acquire Perform.com for IOC	8/00	11/00
2	Roll-out PDP/Perform.com as IOC	11/00	4/01
3	Business Process Reengineering	1/01	5/01
4	Solutions Options Analysis/Design	3/01	8/01
5	Upgrade Perform.com to add functionality (i.e., competency/training & development)	7/01	9/01
6	Acquire additional Web-based tools (ASPs)	4/01	9/01
7	Implement Additional Functionality (i.e., deployment/succession planning, career planning & coaching, etc)	5/01	12/01
8			
9			
10			