

Return on Investment
(ROI)
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Introduction

This document describes the Return on Investment (ROI) proposition for Aurion.

Aurion delivers a high ROI by combining significant and measurable cost savings, with cost effective implementation and low acquisition and lifetime operating costs.

Context

ROI is one element of the decision process to implement a new HRM solution or upgrade the incumbent solution.

ROI measures the financial benefit to the business of implementing a new solution over its economic life (usually 5 to 10 years):

$$\text{ROI} = (\text{productivity gains} + \text{cost savings}) - (\text{acquisition} + \text{operating costs})$$

Businesses may apply an Internal Rate of Return (IRR) for projects. This sets the minimum ROI that must be achieved for a project to proceed. All other things being equal, the proposal with the highest IRR will usually be selected. Otherwise the IRR determines if a proposal makes the shortlist.

ROI focuses on tangible benefits (easily measured) and may estimate intangible benefits (harder to measure). It is assumed that other tangible and intangible benefits will increase the actual ROI.

Boards and other decision making groups use ROI to decide which projects to fund and whether to replace or upgrade.

Research shows decision makers did not approve a recommendation to replace the incumbent HRM when the business case did not establish a compelling ROI. In these cases the ROI relied on intangible benefits and did not quantify migration costs.

While the benefits of replacing payroll with an integrated HRM solution may be apparent to subject matter experts, decision makers do not have their depth of understanding and so rely on the ROI to measure the business benefit in a way that is meaningful to them.

Decision makers also choose a lower cost solution over the recommended solution for similar reasons. Simpler less automated solutions have a lower acquisition cost and are quicker to implement. While this is more than offset by lower lifetime cost savings, the ROI has to quantify the benefits of the preferred solution.

Overview of the Aurion ROI

Most ROI cases assume the business model is static when companies operate in an environment of constant change. A key differentiator of the Aurion ROI is the agility of the product to adapt quickly and easily as business needs change.

The following sections detail the Aurion ROI and:

- describe the tangible benefits of implementing Self Service, Time & Attendance and automating business processes using Silk
- describe key HR applications linked with operating income growth
- summarise key results of cases studies by Aurion customers
- describe other key product differentiators which enable customers to achieve a significantly higher lifetime ROI from implementing Aurion.

Tangible Benefits

This section describes the savings from implementing Aurion Self Service, Time & Attendance and Silk to automate paper based processes.

Savings are calculated using an average hourly rate of \$35.

Self Service

Implementing Self Service can reduce processing costs by 20% to 80% and in some cases up to 100%. The higher cost savings rely on end to end automation.

Aurion achieves savings at the higher end of the scale.

The following table shows:

- Average time (or cost) to *manually* complete the process end to end. This includes time spent by the employee, enquiries and rework.
- Expected savings from implementing Aurion Self Service
- Cost and saving per transaction; to calculate the total cost or saving for the activity multiply by the number of employees and the frequency per employee.

Activity (per transaction)	Manual Process (duration / cost)	Saving using Aurion Self Service
Update personal information	10 minutes	90%
Leave	20 minutes	80%
Update net bank detail	10 minutes	90%
Update discretionary deductions	10 minutes	90%
Payslip (distribute)	\$0.65	100%
Payslip (enquiry)	10 minutes	70%
Course enrolment	25 minutes	90%
Submit and register job application	60 minutes	80%

The following examples illustrate the savings from implementing Aurion Self Service for a company with 1,000 employees:

- Leave: Assuming 8 absences per person, there are 80,000 applications per year for a cost saving of \$75,000 per year.
- Payslips: Assuming weekly pays electronic payslips save \$33,800 per year. If 5% of staff make an enquiry each pay the saving is \$10,640 per year.

Time and Attendance

Administration

Implementing Time & Attendance can reduce processing costs by 60% to 70% if there is end to end automation. Savings come from the reduction in time spent on data entry, tracking and reporting, calculations, error correction and retrospective payments.

Aurion delivers these savings as the Time & Attendance suite (Timekeeper and Award Interpreter) is fully integrated with payroll.

The following shows the average time to *manually* complete the process end to end. This includes time spent by the employee, enquiries and rework:

- 5 minutes to process a simple timesheet
- 15 minutes to process a complex timesheet
- 2 minutes to cost a simple timesheet
- 5 minutes to cost a complex timesheet

Indicative savings for 1,000 costed timesheets assuming a 60% saving are:

- Simple timesheet
 - \$2,460 per cycle
 - \$123,000 per annum for weekly pays
- Complex timesheet
 - \$7,000 per cycle
 - \$364,000 per annum for weekly pays

Expenditure

Implementing Time & Attendance can reduce total payroll expenditure by eliminating calculation errors and incorrect application of entitlements and overtime rules.

Research indicates;

- 1% to 6% reduction of payroll expenditure
- 1% to 4% for overtime payments

Actual savings vary according to the proportion of the workforce processed using T&A and the complexity of award conditions. Savings are significant even using 1%.

Business process automation

Business process automation (BPA) is the third wave of productivity improvement. The first wave was to automate data processing and the second was to assemble data into information for reporting and analysis.

The third wave is the most complex and brings together process, people and technology to improve business capability.

Most HRM solutions leave the automation of HRM business processes to third party products, apart from what is in Self Service. This approach is very expensive as BPA relies on workflow and close integration with the HRM.

BPA is not possible with some HRM solutions, even using third party tools, as their architecture does not support integration with other products. Customers using these HRM solutions can not access the significant productivity gains from BPA.

Silk is Aurion's BPA toolkit. Silk is a sophisticated tool for building web applications to automate and simplify HR business processes, improve productivity, implement best practice, promote internal collaboration and manage risk through effective HR governance.

With Silk you can integrate different work cultures and practices. Silk connects people in the process chain for timely and accurate administration. Silk removes the processing overhead and delays of a dispersed or mobile workforce.

Research indicates that automating manual workflows can reduce the time spent by supervisors and employees on these tasks by 50% to 70%. Completely eliminating the paper based components of these processes using Aurion Silk creates cost savings at the upper end of this range.

This level of savings is only possible with Aurion Silk.

Examples of processes automated using Silk include:

- Request to advertise a vacant position
- Administer probation reviews
- Inducting and onboarding new staff

Key HR applications and operating income growth

Five key HR modules available with Aurion have been linked to above average growth in operating income.

The CedarCrestone 2006 Workforce Technologies and Service Delivery Approaches Survey, Ninth Annual Edition found that companies that have implemented these modules had significantly higher growth than those that had not:

Module	Growth with Applications	Growth without applications
Manager Self Service	26%	3%
Career planning	22%	5%
Workforce measurement	17%	7%
Talent acquisition	14%	3%
Performance management	13%	7%

The CedarCrestone 2006 HCM Survey defined these modules as:

- **Manager self service** (defined as supporting managers to conduct transfers, promotions and approvals):
This set of services enables managers to more closely manage their staff and their performance, while passing along administrative cost savings to most organisations, particularly when they streamline the related processes.
- **Career planning:**
Organisations that support their employees by encouraging their career growth and helping them find new opportunities engender employee loyalty, which in turn translates to lower turnover with reduced employee acquisition costs. This also translates to increased customer satisfaction, with employees who understand customer requirements remaining in place to serve customers better than new employees would, ultimately leading to improved revenue and lower customer acquisition costs as well.
- **Workforce measurement:**
Applications such as a data warehouse, operational reporting, and workforce analytics provide management with measures of organisational and individual performance such that timely actions can be taken to continuously reduce process costs or increase revenue.
- **Talent acquisition:**
With a generation of employees beginning their exodus, by 2020 there will be a significant gap of skilled workers. More importantly, all organisations want to attract the best workers. Winning the war for talent who can help an

organisation to grow revenue is being addressed with practices and talent management solutions that both contribute to growing revenue and drive costs out of the process.

- Performance management:
Organisations are using performance management practices and technologies to streamline goal planning, performance assessments, and rewards so as to drive improved results through linking employee performance targets with organisational objectives in a very concrete, accountable way and this contributes to operating income growth as well.

Customer case studies

Medicare Australia

Medicare Australia employs over 5,000 people and administers a range of health and payment programs, including Medicare, the PBS, Family Assistance Office services, the Australian Organ Donor Register, the Australian Childhood Immunisation Register and Aged Care Payments to approved aged care providers.

Medicare Australia established a baseline benchmark prior to implementing Aurion Self Service and measured the results. The management report of their study states:

"HR productivity and efficiency cannot be achieved alone by technology, business processes or human resources. It is achieved by all of these areas combined."

"Staff were empowered to perform HR processes and access HR data. Managers were more accountable for their people management. Benefits and the savings realised were at least \$428,415 pa."

After Aurion was implemented, payroll cost per employee per pay was \$8, which was 33% less than the all-industry average \$12. Payroll system expense per employee was 20% lower at \$81 against a government benchmark of \$102.

National Museum of Australia

The National Museum of Australia is a museum of social history, and explores three themes of land, nation and people. The museum focuses on three broad research areas - Aboriginal and Torres Strait Islander history and culture; Australia's history and society since European settlement in 1788 and the interaction of people with the environment. The Museum employs over 300 people.

By implementing Self Service for leave applications, the Museum reduced processing time by 80% from 18 minutes to just over 3 minutes, saving the Museum over \$20,000 per annum for that Self Service function alone.

AMP

AMP is a leading wealth management company and operates primarily in Australia and New Zealand with more than A\$79 billion in assets under management. Their core businesses include retirement savings and income, investments, financial planning, insurance and banking. AMP employs 3,500 people.

AMP used Silk to automate aspects of the probation management process saving 600 hours of administration by HR staff. This equates an FTE of 0.35 which can be used for other activities.

In addition to the time saving, Silk enables AMP to avoid the potential risk and costs of an unfair dismissal claim.

ROI Differentiators

The following differentiators mean Aurion delivers a higher ROI:

- 'Whole of Business HRM'
- Enterprise HRM
- Real time Self Service
- Automatic calculation and interpreting of complex business rules
- Distributed DIY reporting
- Business integration tools
- Lifetime solution

These characteristics enable you to establish the relative productivity benefits of different solutions.

While other products may have similar modules the following sections explains the higher ROI that Aurion delivers in these areas.

Whole of business HRM

Today, everyone who works for the organisation and any business process that relies on HR information is a customer of the HRM solution. Autonomous business units expect the HRM solution to support what is 'best practice' for them rather than having to conform to a standard solution.

We call this 'Whole of Business HRM'.

Aurion supports this model. For example, business units can have their own timesheet design to suit the way they work. Managers use Query Tool to write their own reports with guaranteed data privacy. Aurion Silk enables you to build web applications to automate business processes. With Silk, a process or activity can differ for each company or business unit within the group.

Business integration tools such as web services and single sign-on simplify the real time integration of Aurion with your other business applications.

Unless a solution is designed for 'whole of business HRM' it can not achieve the business integration benefits that this model delivers.

Enterprise HRM

Aurion is a fully integrated enterprise HRM solution which reduces total cost of ownership. It simplifies data management and business process automation and makes corporate reporting across functions easy as there is a single data repository and a plain English version of database fields.

HRM is the most widely accessed business application as every employee can use Self Service. Ease of use and a common user experience is essential for the infrequent user. Aurion as an enterprise HRM does this 'out of the box' eliminating the cost and ongoing overhead of integrating a number of point solutions.

Aurion comprises:

- Self service
- Process automation and workflow
- Business and ad hoc reporting
- Talent search and retention

HR Statistics
Occupational Safety and Health
Workforce budgeting
Time and attendance
Scheduling
Payroll management and costing
Client billing

For many years Aurion partnered with providers of rostering and web recruitment solutions and developed effective ways of exchanging data.

This was acceptable while the desired result was to automate data processing. The limitations became apparent when the focus moved to the next levels of productivity gains from information sharing and the automation of business process especially within a shared services environment.

Customer feedback was that they wanted this capability to be native within Aurion. They wanted an 'out of the box' solution for a number of reasons:

- Common self service portal for all HR functions;
- Easier to automate processes that span HR functions;
- Native integration with Aurion workflow and reporting tools
- Reduced acquisition, implementation and ongoing operating costs from native integration and reporting

We found that the cost of integrating multiple systems and the inherent limitations of this approach added significantly to the total lifecycle cost and reduced the ability to deliver ongoing productivity savings.

There is a tipping point where the sometimes richer functionality of the point solution is more than offset by benefits of native integration.

Self Service

Implementing Self Service delivers a high ROI especially where the workforce is computer literate and has online access (wherever they are working and at home).

While modern HRM solutions all offer Self Service, three criteria determine the ROI:

Full integration
High process automation
Secure *internet* access.

Real time update

Aurion Self Service has real time update where each employee manages their own account. This provides the highest ROI as shown by the following examples for payroll (apply for leave) and HR (performance assessment).

Apply for leave

A person applying for leave without Self Service may phone personnel to check their leave balance. They complete a form and forward to their supervisor to recommend and pass to personnel to approve and process. The employee may be notified that their leave has been approved. At each stage of the process the form may be lost.

The employee must be contacted if they do not have the entitlement or the form has errors. This may not happen until after the person has taken leave.

The simplest Self Service solutions provide online updates for static data such as personal details and emergency contacts. To apply for leave the employee downloads a form to complete or completes an electronic form. There is no validation or entitlement checking which is done by HR. The current leave balance may be available online but there is no ability to predict leave at a future date. The process is still largely manual.

With Aurion employees use Self Service to predict their leave balance at a future date and apply for leave. Aurion checks the entitlement and validates the application online, reporting any errors for the employee to correct. Aurion then notifies the supervisor who can approve the absence as they know the employee has the entitlement. Once approved, Aurion notifies the employee by email, updates the employee's leave balances and history and updates payroll. Where an employee's leave plans change they can cancel the leave.

This level of real time processing is only possible because Aurion automates calculation and the interpretation of complex business rules.

Performance Assessment

With paper based performance assessment, questionnaires are designed, printed and distributed by mail for supervisors to complete. Often different categories of staff have their own questionnaires. Employees complete and return the questionnaires for manual evaluation or rekey into an online system for analysis.

Other systems have to be put in place to track the completion of forms which can get lost in transit. Using mail means the process takes longer to complete.

With Aurion Career Manager you construct and evaluate questionnaires online and build different questionnaires for each category of staff. Performance assessments are completed online so there are no printing and distribution costs or data to rekey. Aurion gives real time feedback on which assessments have been completed and you can send reminders to supervisors.

Assessments can be collaborative with the supervisor and employee completing different sections and passing to the other for comment. Employees have online access to their assessments and Aurion maintains a full history.

Career Manager has online analysis of responses; and updates the person's skill bank with the assessment results.

The result is significant cost savings and reduction in time to complete the process.

Secure internet access

Some Self Service solutions offer intranet access only, usually because their technical architecture does not support secure internet deployment.

Aurion has secure internet access. This means Self Service is available from home, and to the mobile worker who may be interstate or overseas and where dedicated communication lines are not cost effective.

Calculate and interpret

Simple HRMIS are payroll centric and provide electronic record keeping, automate arithmetic calculations and interpret the simpler business rules.

Processing may be (pay) period rather than date driven, leading to incorrect and overpayments. There is a high level of manual work to process retrospective changes and back pays, including back dated pay rate increases. These solutions

often have extensive validation reporting to identify errors and detect events where manual intervention is needed.

Simple HRMIS are cheaper to acquire and implement but have higher ongoing operating costs as many processes are not highly automated. They may be appropriate for small organisations but they do not scale up as the business grows.

Aurion's design philosophy of automating end to end calculation and the interpreting of complex business rules delivers two key benefits. The cost savings for both payroll and HR far surpass what is possible with a simple HRMIS. Highly automated processing is an essential prerequisite for implementing real time Self Service.

Aurion Payroll is date-driven to eliminate errors, reduce overpayment and non-payment and improve productivity. You enter the date of effect of an event, such as the start date for a new hire, due or discretionary deduction and Aurion makes payment in the relevant pay. Where a payment such as higher duties is for a fixed period, Aurion ceases payment on the end date so there is no overpayment. Aurion calculates back pay for retrospective changes. Real time update means you can see online the effect of changes such as leave at less than full pay that reduce an employee's pay.

Comparing the ROI of core payroll functions is difficult. Aurion has some metrics where customers have migrated to Aurion from other solutions:

- 3 days per month from automation of leave liability calculation for a company with 2,500 employees
- 1 day per month from automation of the costing interface for a company with 300 employees.

Asia Pacific Payroll

Aurion payroll supports Australia, New Zealand, China, Hong Kong, PNG and Singapore. Companies with Asia Pacific operations can run payroll for multiple countries in a single dataset. This reduces operating costs and makes it easy to get a corporate perspective for both HR and payroll.

Reporting

The most cost effective approach is to enable business units to run their own reports within the HRM application using a native reporting tool. The alternative is to use specialist 3rd party reporting tools or desktop tools.

Aurion Query Tool delivers 'out of the box' features that are not available or have to be configured and maintained with a third party reporting tool. These are time-consuming to administer and add to the ongoing cost of delivering ad hoc reports to the business.

A key benefit and major cost-saving of AQT is automatic data privacy. With third party tools there is an ongoing overhead to set up new users and update access rights when people change roles. Similarly, AQT is integrated with Aurion Workflow so it is quick and easy to automate the running and distribution of reports. Any Aurion data model changes automatically flow through to reports written using AQT. These have to be updated for reports written using 3rd party reporting products.

Business Integration

The HRM solution is the trusted source of workforce information needed by other business applications and processes.

Aurion has business integration tools such as web services and single sign-on to simplify the real time integration of Aurion with your other business applications. This delivers ongoing and measurable cost savings to the business.

The technical architecture of some HRM solutions means they can not support real integration with other applications. The result is higher operating costs or costly integration 'workarounds'.

Lifetime solution

Aurion is a lifetime solution for our customers.

Configurable design

There are three design approaches for developing HRM solutions that meet the needs of different industries:

- Multiple products

- Programmable software

- Configurable software

Maintaining multiple products drives up the lifetime cost of ownership as the vendor has to replicate changes (including legislative) across multiple products. The vendor may also retire a customer's specific product line or version.

Programmable software has the highest lifetime cost of ownership as the customer is a part time software developer and has no access to enhancements made by other customers. Customer program changes are not supported by the vendor.

Aurion is a configurable solution. It captures everything we have learnt over the years in one place for the benefit of all customers.

Every customer uses the same product which they configure to the way they work using business rules and look up tables, and by activating the features they need.

Building a configurable solution requires a high design discipline but delivers the most cost effective life cycle solution. It also enables customers to focus on running their business.

Customisation through configuration is much more cost effective than programming.

Lifetime support

Aurion provides lifetime support for a customer's configuration and any customer specific changes, making upgrades fast, easy and inexpensive.

Software enhancements in new releases are free. Enhancements funded by one customer are available to other customers at no cost. This community approach encourages ongoing investment by customers in product development.

Aurion funds 95% of all software enhancements whether requested by the customer community or initiated by Aurion.