

CHAPTER 15 Human Resources Management

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New application service providers are helping businesses manage human resources online

by Alison Stein Wellner

Cardstore.com Inc., an Emeryville (Calif.) online retailer with about 35 employees, is in a hiring frenzy. So you might expect to find the company's human resources manager, Rhonda Mae Botello, buried in forms for payroll, health coverage, taxes, and the like. She's busy all right, but not with paperwork. When a new worker comes on board, Botello simply logs on to the Web, surfs over to eBenefits.com, and enters the new name and start date. The system spits out an I.D. code and password. Then the new hire logs on to the site, fills out forms online, and selects benefits by completing a series of dialog boxes. Botello approves the choices and ships the package to the insurance company and other providers. "This frees HR up to focus on the things that matter," she says. "Like more hiring."

eBenefits is one of a handful of new application service providers (ASPs) designed to manage human resources. You've probably been hearing a lot about how ASPs deliver software applications over the Web to companies that lack the time, money, or inclination to do it themselves. Analysts predict that entrepreneurs will soon use ASPs to run nearly every aspect of their companies. ASP sales reached nearly \$400 million in 1998 and are expected to hit \$10 billion by 2003, says Rebecca Scholl, an analyst at Dataquest in Mountain View, Calif.

At present, an ASP with a solid track record is the one that promises to manage one of any company's most onerous and paper-clogged chores, human resources, offering sophisticated HR software systems for a relative pittance in monthly charges.

What's the catch? For one thing, new technology is never foolproof, and few ASPs have the track record of traditional HR systems. Meanwhile, the products primarily handle paperwork, and do not address the "human" aspect of human resources. "This is not a magic formula," says John Donovan, a managing partner at Deloitte Consulting in Minneapolis. ASPs also lack flexibility. Botello wishes she could create custom blanks in the electronic

forms to record employees' favorite foods and beverages. (Both are free at Cardstore.com.) A bigger problem: eBenefits still requires paper because it isn't linked up electronically to all of its providers. Still, for \$30 a month flat, Botello's not complaining.

If you want a more integrated—and expensive—system, check out Employease Inc., a four-year-old Atlanta ASP with about 800 customers. Employease doesn't just provide software; it links up small companies with their various providers. Currently, to terminate an employee, an employer needs to notify the payroll service, insurance company, and 401(k) administrator—providing the same information over and over. With Employease, you simply click "terminate" and the message goes out to all of them. Employease requires a one-time \$2,500 fee for implementation, and a monthly fee, ranging from \$2 to \$6 per employee, depending on whether employees have access to the system.

For many companies, it's worth the cost. Insight Management, an Atlanta info-tech incubation company, has 30 employees, 75% of whom work in remote locations. "Wherever they are, they can go online and see what kind of insurance they are enrolled in or change their 401(k) contribution," says Colleen Verner, the company's HR coordinator.

What about security? How safe are your data? Employease uses a system similar to E*TRADE Group Inc. or Yahoo! Inc.—with password protection, firewalls, secure socket-layer encryption, even armed guards. A similar system exists at eBenefits. But with all the high-tech safeguards, common sense says that nothing is ever completely secure. "You just have to take a leap of faith," admits Botello.

It takes another leap to settle on a provider. ASPs are new, and there will probably be shakeouts over the next few years, says Donovan. "You can't expect that those who currently make their living in payroll and benefits outsourcing are going to just stand by and let upstarts replace them," he says, referring to outfits like ADP and Paychex Inc. (ADP and eBenefits recently announced a deal under which ADP's payroll services will be available to eBenefits customers for an extra fee and ADP will offer eBenefits' HR software package.)

Some entrepreneurs have another reservation. There are numerous "high-touch" aspects of HR—mediating disputes, providing career-path strategy—that are unsuited to the Web, says Gus Stieber, director of business development at VMC Behavioral

Health Care Services, an employee assistance program in Gurnee, Ill. "There's still no substitute for face-to-face," Stieber says.

ASP boosters would argue that Stieber has it backwards, that using the Web reduces administrative chores, freeing up time to focus on workers' needs. But if you want an ASP with a human touch, look at San Francisco's EmployeeService.com. It provides the same services as Employease—and also sends people out to assist with HR problems, which can include everything from setting up the human resources system to answering employee questions. The handholding drives up the cost to \$80-to-\$130 per employee per month.

Even pricier are traditional HR applications, which have only begun to move online and offer limitless customization. Interpath Communications Inc. provides Web hosting for SAP's popular HR application. The price tag? As much as \$1,800 per

employee per month with no implementation fee. Interpath execs claim the service is proving popular with Internet startups. Corio Inc., PeopleSoft Inc.'s HR offering for small and midsize businesses, is even more expensive, costing as much as \$100,000 to implement.

The main reason to consider paying the premium: integration with other ASPs, including customer service, sales, and e-commerce software—which eventually paves the way for businesses to move more of their operations to the Web without having to go through multiple ASPs. Integrated systems are probably the wave of the future, says Scholl at Dataquest. But for now, most users would settle for anything that helps take the "paper" out of paperwork.

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