

Payroll accounting is not just IT

(case study)

nexONBÉR

at the KFKI Information Technology
Group

Client KFKI Information Technology Group

Sector information technology (consultation, system integration)

Solution area payroll management linked to existing SAP company management system

NEXON solution **nexONBÉR**

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Payroll accounting is not just IT

nexONBÉR at the KFKI Information Technology Group

At the end of 2004 the management of the KFKI Information Technology Group decided to introduce nexONBÉR in the holding and its eight affiliates, thus entrusting the payroll management of their five hundred employees to NEXON's product. Dr Károly Megyery, head of the KFKI ISYS, oversaw the project at record speed in just two months. We asked him about his experiences and the lessons of the project.



- Would you first explain the company management system used by the KFKI Group?

- After gradual development, the Group's basic structure was formed by 1999. Already at this stage we made a strategic decision about introducing a unified IT frame

for the holding company as managing a company group this size required this. We chose SAP and introduced the complete system including controlling, ledger, accounting, ordering, supply, HR, etc., and have been fully using it since 2000.

However, one of our companies, the odd one out, was left out and that's how we got in contact with NEXON as early as 1999.

Of the eight affiliated companies, KFKI Investment manages the Group's investments. In 1999 only three people worked at this affiliated company and as their activity differed greatly from the activity of colleagues at the other subsidiaries, SAP was not introduced there. Instead, after thoroughly weighing up the different options, we bought NEXON's BERENC software and used it up to 2004.

- At the end of 2004 you decided to change the SAP HR module for NEXON's payroll management system, nexONBÉR, for the whole of the KFKI Group. This is very flattering for NEXON but what was your reason for doing so?

- In September last year we examined how we could make our corporate management system more effective. We found that SAP's licence fees and the fees for following version updates were rather high, so we started looking for a more cost-efficient solution.

The history of the KFKI Information Technology Group dates back to the early fifties.

In the Central Physics Research Institute, founded in 1950, excellent researchers, developers and engineers worked in researching physics, atomic and nuclear physics. For instance, the KFKI Laboratory developed the camera and electronics that photographed Halley's comet several times from a space probe. Today the KFKI Information Technology Group, founded in

1990, consists of a holding company and several affiliated companies, and with a turnover approaching HUF 20 billion it has become Hungary's largest system integrator enterprise.

The Group continues to deal with cutting-edge technologies, and part of their portfolio is system integration, company management and decision supporting systems, network building, network and system monitoring, solutions related to IT security and IT consultation.

- As a result a proposal was made whose point was that the management of the basic activities such as controlling and ordering should remain in SAP - partly because our colleagues are used to handling these and partly because the system itself works in an integrated, stable way, thus ensuring strategic advantages for us - but handling the HR activity required changes. To understand the decision fully, it is important to know that at the end of 2004 an update was due for the SAP system's HR module, which meant not only a lot of work for us but also a significant financial burden. So, basically, this was an economic decision, and not a sign of our professional objections to the SAP HR module.

“NEXON’s expertise meant a great deal. Payroll accounting is an activity you have to live with”

- So you started to look for a system that was able to replace the SAP HR module. What criteria did you use in the course of selection?

- Firstly, we formulated two really essential criteria about the type of human resources management program package we needed. We established that it could only be integrated software, meaning a system that handles, or can be expanded to handle, all aspects of payroll management and human resources management in a modular way. Our second condition was that the selected software should be fully compatible with the SAP company management system so data transfer between the two different systems should be of a routine nature.

After formulating these two criteria, my colleagues surveyed the market and we chose three potential solutions, of which NEXON’s nexONBÉR system turned out to be the winner.

- You chose nexONBÉR in December 2004 when it had only been on the market for a month. This presupposes a great degree of trust in NEXON and its products. What was the reason for this?

“the selected software should be fully compatible with the SAP system”

- On the one hand, we had very positive experiences with nexONBÉR’s predecessor, BERENC. So when we heard that its successor

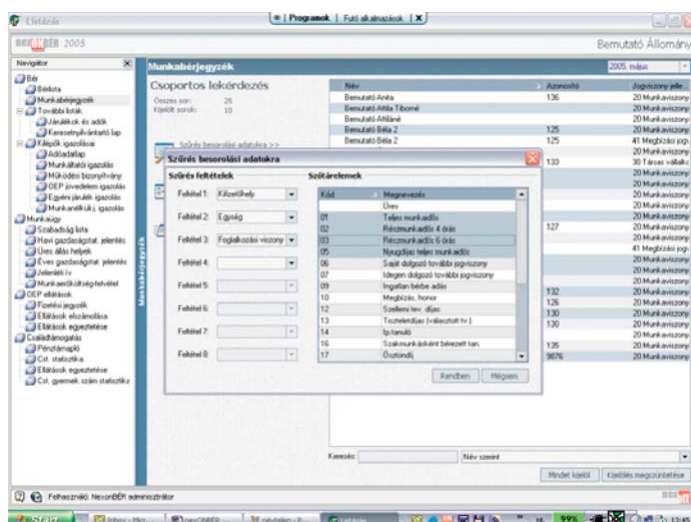
adapted to the Windows platform was being launched, we knew that it was a modern payroll management system with strong traditions.

On the other hand, NEXON’s expertise meant a great deal. Payroll accounting is an activity you have to “live with”. A company that programs a modern payroll accounting system only gives an IT answer to an IT question. A supplier who doesn’t “live together” with payroll accounting, doesn’t keep in step with the changes in the law or doesn’t acquire experience in payroll accounting can “only” make an IT system but that system may not be the optimal choice for payroll accounting.

And finally we knew that nexONBÉR is fully compatible

with the SAP company management system. This was supported by our own experience with BERENC as well as the opinion of colleagues working for KFKI ISYS. This

subsidiary also deals with system integration and recommends nexONBÉR alongside the MFG/PRO company management system introduced by them.



By 18 December the planning was finished and we got the right hardware running and installed the system. Then our people for IT and payroll began testing the system and took part in NEXON's training.

- Amazing speed! How did you carry on?

- By 5 January we had extracted all the data from SAP so the full input material was ready. Then we checked the dictionary files and by 17 January the system could have accounted the first payroll with the exception of sick leave and family allowance. At this stage, however, we put in another test. Now we exported data from nexONBÉR and checked all our employees' data one by one involving the managing directors of our subsidiaries. Then on 1 February 2005 the starting gun was fired.

- What happened? Were there any problems or difficulties?

- Not really. There was one minor thing only but it wasn't due to NEXON. When we did the payroll, the bank transfers for one of our subsidiaries were continuously rejected. We checked all data traffic per bit until it turned out that there was a problem with the bank, which they eliminated shortly after we made them aware of it. By 4 February the transfers for all the Group's employees had gone through successfully so we felt it was all a true success story.

- How would you summarise the lessons you've learnt from this project?

- First of all, you have to buy a good software package. A software package that is tried and tested and is reliable, and from a producer who has expertise in the area of payroll accounting. In our case the expertise of NEXON's staff proved indispensable - we couldn't have completed the project within such a short period of time with less able experts. Enthusiasm is also not an

inconsiderable factor. We always say that only people should take part in a project whose eyes sparkle with excitement. Whenever we met, I always saw in NEXON's people that they regarded their job as their object in life.

The next lesson is that you can't leave everything to the supplier's experts. A client must think through the system's operational model, and define what model they wish to run the system on. Naturally, this can also be done with the supplier's people but it's best to go through it before the contract is signed, just as we did. At such times several hidden problems may be revealed. We, for instance, came to understand that first we

would have to convert the data extracted from SAP to the right format and only then could we enter them into nexONBÉR.

Finally, it is essential that the client too should have well-selected experts committed to the intro-

duction of the system, and that they should be partners in thinking and working together, just as the KFKI Group's staff were, as without them we couldn't have been so successful.

- Changes as a result of the project have affected all your staff. What did you do to make them learn about and accept these?

- We knew that you can't make mistakes with employees' pay so we told them in advance that their salaries for January would be paid based on a new system. We asked them to give us a few days grace in case something went wrong. In the catastrophe plan we even calculated on doing the transfers by hand during these few days if necessary. Of course, as I've mentioned, we had a success story during which no one's patience had to be tried.

The other half of the communication was that we created a fictitious employee in nexONBÉR, Tommy Test, whose salary we calculated in advance. Tommy Test had stoppages, debts, family allowance, in fact

“A software package that is tried and tested and is reliable, and from a producer who has expertise in the area of payroll accounting.”

everything that is a factor in payroll accounting. We prepared his payroll sheet, i.e. marked the features and changes on it, and sent it by e-mail to all our employees still in January. Like this everyone could look at and get to know the form they were going to receive their salary in from then on. This two-way communication guaranteed for us that our staff would handle the changeover as part of the natural course of events.

- Is there anything that you would do differently if you had to repeat the project?

- To tell you the truth, I don't know. There was not one problem that came to me. One thing we will change for sure: next time we'll give ourselves more time for a project of this calibre.

- Lastly, can I ask you about expansion? Have you considered purchasing other NEXON products to go with the already introduced nexONBÉR?

- First we want to expand the number of nexONBÉR users as at present only my colleagues in payroll and system managers have authorisation for the system. In the near future we wish to extend this to colleagues in HR and the managing directors of our subsidiary companies. Like this they, too, will be able to get data about employees, which they can use in strategic planning. In this expansion it is a great help that NEXON has excellent authorisation handling, so the different levels of authorisation will be easy to set. Then later, when our colleagues are used to the system, it will be a logical step to move towards nexONHR.

NEXON

Hungary's top service provider in human resources management

NEXON was founded by three people in 1989, and developed together with Hungary through the change of political system to become today the country's market leading service provider of information technology for human resources management. With over 150 employees, the company's net sales revenue exceeded HUF 1.6 billion in 2004.

Its most important product is **nexONBÉR** (formerly BER-ENC) providing a full payroll administration service, which is continually developed. Due to 10-15 updates each year it always complies with Hungarian regulations, and is reliable and current. NEXON's other products are **nexONHR** human resources management system ensuring the successful use of human capital, and **nexONTIME** entry and working time registration system. In addition, the company provides a full payroll accounting outsourcing service under the brand name **nexONSOURCE**.

NEXON has had ISO 9001 certification since 1996, and in 2002 received the title Microsoft Gold Certified Partner in recognition of the highest professional expertise, the first such award in the software products category.

Today NEXON serves the needs of 2,400 clients and over 1 million employees at its ten premises in Hungary.

nexONBÉR

payroll accounting system

NEXON's leading product is **nexONBÉR** (formerly BER-ENC), offering full payroll accounting services. Currently over 1 million employees' wages are accounted using the different versions of the software in Hungary. **nexONBÉR** can be integrated into many company management systems including BAAN, EXACT, MFG-PRO, IFS-AVALON, Microsoft Business Solutions Axapta and Navision, ROSS, SAP, TUSZ, rEVOLUTIONS Office++ and Zenit. Due to its modular system, scalability and high performance, it offers a truly efficient payroll accounting solution for clients. The program's modules, such as labour, National Health Fund provisions, family support, general queries and cafeteria, comprehensively cover all the areas of payroll accounting.

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