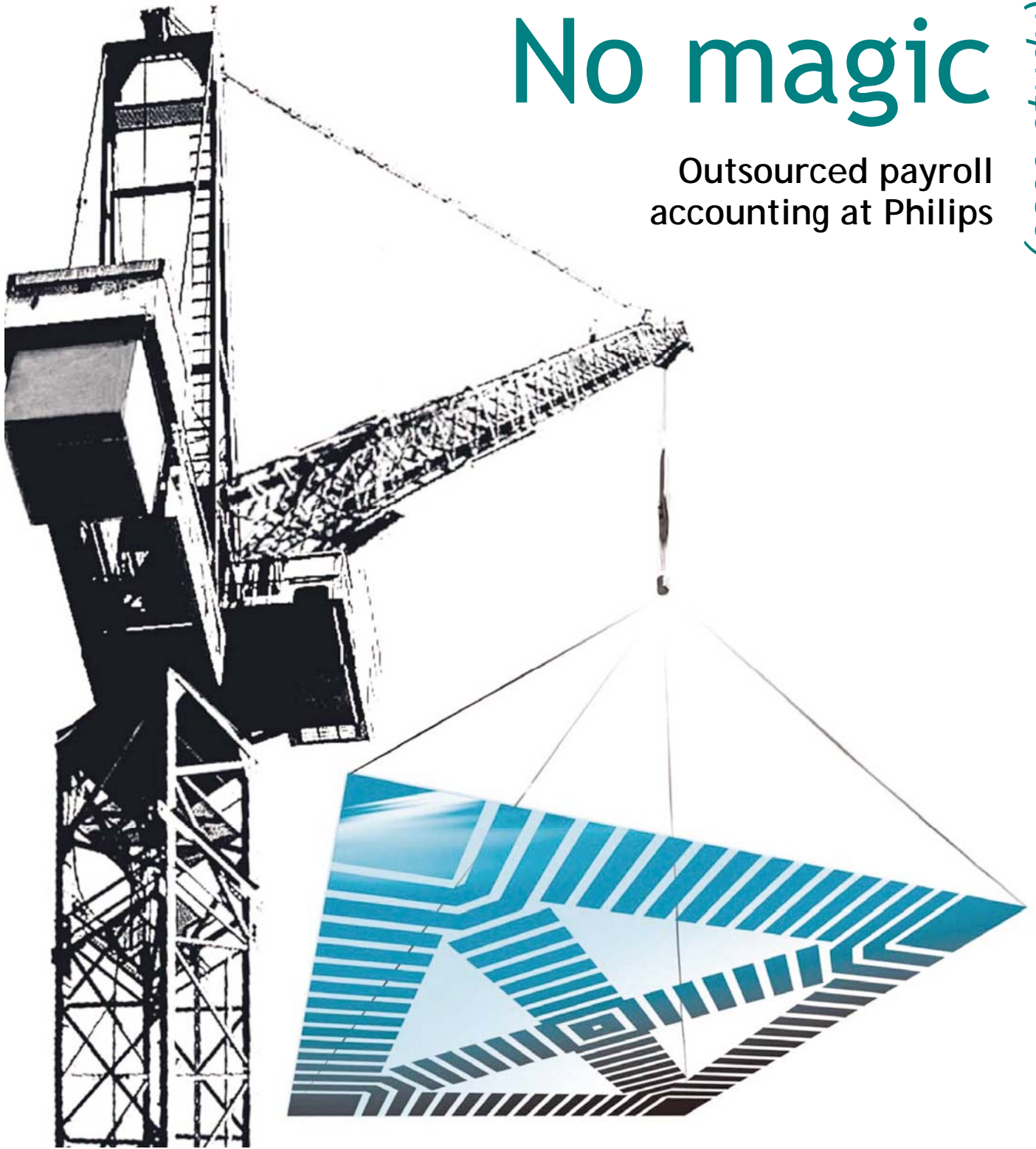


No magic

Outsourced payroll
accounting at Philips

(case study)



Client: Philips Hungary Kft, Győr manufacturing unit

Sector: production of electronic goods

Solution area: outsourced payroll management, entry and working time registration

NEXON solution: nexONSOURCE, nexONTIME

Date of case study: 21 February 2006

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No magic

Outsourced payroll accounting at Philips

The managers of Philips Hungary Kft's unit in Győr decided to entrust their payroll accounting to an external service provider in 2005. Richárd Rozman, the personnel manager at Philips Hungary Kft's Győr manufacturing unit, talks about the special nature of the changeover and the development and later expansion of the project.

- Would you tell us how you solved payroll accounting at the Philips plant in Győr before the activity was outsourced?

Richárd Rozman: - The Philips plant in Győr is a very interesting story. On the one hand it can be said that we are old NEXON clients as we used to use the NEXON BERENC program for payroll accounting in house. Later, for strategic reasons, like many other businesses, we went for outsourcing and entrusted our payroll accounting to an external service provider that used NEXON software to continue the activity.

When the contract with that service provider expired, we decided to call for tenders to outsource our payroll accounting. A new service provider who used their own software instead of NEXON software won the tender for the payroll accounting of the employees at the Győr plant.

Regrettably, the changeover did not go smoothly and the situation did not improve later. We had to confront so many problems that in practice I had to deal with the difficulties that arose on almost a daily

basis. After this, we decided to review our decision and the criteria of the open tender. This is how NEXON was given the assignment. We have worked together now since the second quarter of 2005, and since then payroll accounting in effect has got back onto its old trouble free path where things happen on time and data are provided for the appropriate bodies just as specified.

- So you have worked with NEXON since the second quarter of 2005. How did the changeover go?

R. R.: - For our part our personnel department and our unit expressly briefed with the professional management of in-house projects took part in its actual introduction. This team typically oversees production processes and projects in other areas. NEXON likewise appointed a project manager and experts from the Győr office also participated in planning the project and provided professional support.

Philips in Hungary

Philips invested three hundred and nineteen million euros in Hungary between the change of political system and 2005. Philips in Hungary makes consumer electronics such as televisions, music centres, DVD players and writers in Székesfehérvár, and DVD and CD units in Győr that are subsequently assembled in Székesfehérvár. Based on financial results, Philips is the fourth biggest exporter in Hungary.



Otherwise, from some aspects we were in a very fortunate position as the product of the old service provider was only used for a few months in all and before that we used the NEXON program. So after the outsourcing contract with NEXON was signed, the “old new” system was introduced very speedily although the data had to be reconverted.

- So in under 2 months you were performing payroll accounting within the scope of NEXON outsourcing. What has been your experience since then?

R.R.: - When I look back at the last year I can't think of a single problem that merited “management attention”.

Moreover, our staff have positive experiences of the change. As our payroll management previously operated within outsourcing, the project brought about no changes whatsoever in personnel.

“... we decided to review our decision and the criteria of the open tender. This is how NEXON was given the assignment.”

- What tasks did you have to perform in the course of outsourcing payroll accounting?

R.R.: - Before the project was implemented, the schedule detailing the resources and deadlines for each

stage was devised jointly with NEXON. This document dictated progress and in the first month we reached the stage where a trial run could take place. The results were analysed in the next month.



Technical questions that arose were examined jointly, then the order of the universe was rectified by the end of the second month.

- The order of the universe? What sort of magic did the NEXON project managers work for you?

R.R.: - There was no magic involved. NEXON's specialists simply did what they were contracted to do well.

- What information technology requirements did they have to meet?

R.R.: - Although the activity was to be performed externally, we wanted to be able to monitor current data generated by payroll accounting as well as processing the most important summarising information in our own IT system. NEXON easily fulfilled both of our requirements. Thus we can look into our payroll accounts at any time and adapting to our management system caused no problem. The latter enables the whole management to have a current and comprehensive picture of the key figures in payroll affairs.

- I believe that after six months of this successful outsourcing project, cooperation between the two companies deepened and was extended to other areas.

R.R.: - Due to the large number of staff, a relatively simple entry system was already in use at Philips. We felt, however, that it would be worthwhile to simplify our processes in this respect and at

the same time relieve ourselves of a major administrative burden. This is why we decided to introduce nexONTIME. Processing between the clocking data and the payroll program used to happen almost manually, which in the 21st century is unacceptable. However, thanks to outsourcing, our

solution for payroll administration became safe and ran reliably, providing a basis on which to build. That's why we switched over to NEXON's nexONTIME entry and working time registration system. In this way we introduced a solution with a functionality which is not merely suitable for clocking employees and controlling security equipment, but also for automatically processing working times, thus forming an integrated unit with payroll management.

"At Philips we understand making electronic products best..."

- Going back a little to the decision to outsource payroll accounting, for you what were the reasons in favour of outsourcing?

R.R.: - Our principal intent was to enable the support departments to only deal with their key competences. For this we were looking for and found in NEXON a partner who has performed such activity in Hungary for a long time and is the country's market leader. Anyway, the basic principle of outsourcing is that all activities that are not closely linked to a company's basic activity should be performed externally. At Philips we understand making electronic products best and we wanted to strengthen this.

- Did you perhaps look at the decision from the aspect of costs as well?

R.R.: - Of course we looked at the costs as with all outsourced activities you have to know when you can do better - how much it costs if you do it yourself, and how much it costs if you hand over tasks to someone else. I would like to emphasise, however, that this was a secondary consideration. While we only perform our own payroll accounting, a professional partner that

offers the service to ten or twenty times as many people can better exploit the efficiency attributable to scale. So if outsourcing payroll accounting is successful, the project can also be profitable. In this respect, however, you shouldn't expect miracles. Although you can win financially from outsourcing, it is more important that it should produce a process that is sound, reliable and stable both professionally and in terms of quality.

- What would be your advice for a company or personnel manager preparing to outsource? What should they look for when choosing a prospective service provider?

R.R.: - Firstly, only an activity should be outsourced that can be well defined in house. If this is the case, only work together with professional partners with good credentials, not with someone who is just learning the ropes. So a well operating system that's already on the market needs to be used. You mustn't begrudge the time and resources for planning that go into introducing a project because good planning

starts to pay dividends sooner, and frequently the launch itself goes faster, too. Besides this, training is very important. Knowledge of the system is crucial in outsourcing as although we don't do the payroll accounting, a knowledge of the product is essential in making queries.

- When can you say an outsourcing project is successful?

R.R.: - As a manager I'm satisfied if at the half yearly meetings with the service provider we only chat about how well our project is going over a coffee. So far it's always been like that with NEXON.

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 200 employees, the company's net sales revenue exceeded HUF 2 billion in 2005. Its most important product is **nexONBER** (formerly BERENC) 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**. The company's **nexONEDU** educational centre offers courses in human resources management and further professional training as well as organisational development and individual training courses.

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.

nexONSOURCE outsourcing service

Outsourcing is a valuable tool in modern company management. It is used by companies that wish to concentrate on their own specific area of operation, and thus wish to create a top-quality background for their operation in a cost-effective manner.

The essence of the outsourced payroll management service **nexONSOURCE** is that **NEXON** assumes all its partners' payroll accounting tasks and provides all the necessary conditions to administer the payroll activity in the long term, that is to say highly qualified specialists, computers and its own payroll accounting program, as well as accessories, paper, postage and offices.

In this way outsourcing payroll accounting enables clients to cut back on costs, equipment and labour, and NEXON assumes moral and financial responsibility for good performance.

In the course of actual operation the payroll administration data processed by **NEXON** are integrated immediately via computer connection into the client's HR and company management systems, enabling constant control and analysis. Staff at the Budapest and provincial offices keep in close contact with clients and, if need be, provide consultation in person and on-site services.

The **nexONSOURCE** service goes far beyond the bounds of traditional payroll accounting as **NEXON**'s program development team ensures cutting-edge IT background.

Efficient and stable operation is guaranteed by the observance of the strictest security regulations and 15 years' experience of payroll management. The popularity of the service is demonstrated by the fact that in 2005 **NEXON** performed payroll accounting for over 60,000 Hungarian employees.

nexONTIME Entry and working time registration system

The **nexONTIME** entry and working time registration system is not simply designed to clock employees and to control security technology equipment. It is truly unusual in that, as opposed to traditional systems, it is able to fully process the working times recorded and collected according to the needs of payroll accounting and planning work, and displaying these for management and employees.

The **nexONTIME** system makes employees' performance analysable, immediately filtering out problems in waging and resource management, and significantly reducing overtime and wage costs. Thanks to the web interface, even remote premises can easily be linked to the central register and employees can follow the processing of their own time data self-service style, allowing them to see exactly, for instance, their assignments, balance times, leave arrangements, and to administer or possibly correct their own electronic time sheets or directly indicate their leave requirements.

Besides the integrated handling of working time registration, **nexONTIME** naturally can do everything expected of a traditional entry system: the entry of employees, the monitoring and potential prevention of movements between buildings and floors, and the control of doors, barriers and other security devices.

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