

BUYER'S GUIDE
HR Management Tools

Self-Analysis Critical When Buying HR Management Tools

Human resources departments need to determine their company's specific HR software needs—present and future—before putting together a viable request for proposal.

MARY E. SHACKLETT



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BEFORE PURCHASING human resources tools, you should have a clear understanding of the business needs you want those tools to address. Some companies might just need a payroll system. Others might want to replace their entire HR system because it has become obsolete or there's a desire to consolidate all HR applications under a single vendor. In still other cases, companies feel they're losing out in recruiting and developing talent, so they want an HR tool that can help them with this—but they don't want to replace their existing HR

software. Whatever the HR need, clarifying that need upfront and ensuring everyone is on the same page is absolutely paramount.

DRILLING DOWN

Understanding [your company's HR needs](#) also entails more than just a single observation such as talent management. Here are just a few of the drilldown questions that should be included in a request for proposal (RFP) before you begin shopping for a new HR tool or software set. What functionality is the new

HR tool expected to deliver beyond what your company has today? How do people expect to use the system today and in the future? Is it important for the new system to interact with existing systems?

INTROSPECTION

Finally, you must think about the company itself. Is your company small with a limited budget? Or do you work in a large conglomerate or multinational company that requires HR tools to address varying needs and regulatory issues specific to



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each location? Does your company's current software need to be replaced or does it simply need to be upgraded? Do you anticipate any major integration challenges if new HR management software is implemented? And from a strategic standpoint, has your company decided whether it prefers on-premises, cloud or [software-as-a-service](#) HR software? The answers to these questions will be unique to each company, but they should factor into the RFP process.

ROBUST RFP

There are several elements necessary in building a strong request for proposal to present to potential HR software vendors. The following are some questions to consider:

Does the core HR software contain the functions and features your company needs? Most core HR management software can track time and attendance; administer payroll, payroll taxes and benefits; store information in a central database; and administer and generate periodic and ad hoc reporting on this information. However, there's also a new set of differentiating elements in core HR software that are must-haves for many companies.

- The ability for departmental and business managers to use the central HR employee database to reference and input information based on set clearances and access permissions.
- The ability to administer

a multilevel payroll system that can concurrently handle the payroll requirements for union (e.g., union dues deductions, pay rates and benefits) and non-union employees.

- Compliance monitoring in areas such as hiring, employee relations, risk and safety.
- The ability to expand HR compliance monitoring and administration beyond the U.S. to other countries in which the company has employees.
- A global payroll function that supports multiple countries, languages, currencies and processing requirements.



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- Easy-to-use interfaces from the payroll and benefits systems to third-party providers of insurance, 401k plans and so on.
- Employee access to insurance and benefits information 24/7 from anywhere on commonly deployed desktop and mobile platforms.
- The ability to turn certain software features and modules on or off so the software can be tailored to company needs and scaled upward as the company grows, with the company paying only for what it's using.

Does your company want talent management software? Basic [talent management](#) software enables companies to manage

their human capital by providing a set of tools for recruiting employees, administering and tracking employee performance, and enabling different levels of compensation for employees based on their performance. The software also provides workforce reporting and analytics for HR and other business managers. In addition to this core functionality, talent management software offers the following differentiating capabilities that are crucial must-haves for many companies.

- Ease of use and workflow automation for the employee performance review and management process.
- Performance analytics reporting that delivers workforce trends and results as

well as predictive analytics to help retain employees by assessing which workers are the company's top performers and which are most likely to leave the company.

- The ability to easily create and revise job descriptions.
- Flexible compensation systems so the company can use standard comp and pay-for-performance comp simultaneously but in different business units in the company.
- The ability to narrow the funnel in the employee recruitment process with selective criteria that HR provides to isolate the most attractive candidates for job interviews.



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- An internal training system that lets employees sign up for training, take online classes, receive grades from instructors and certify for positions within the company.
- An internal job and project bulletin board that displays job openings within the company.

Does your company want employee engagement tools?

HR software vendors now offer ways to engage employees with HR and workforce-related areas through an assortment of mobile devices and social-media-style collaboration.

This is an evolving area for most software providers and most companies. Because [the employee engagement area](#) is

still evolutionary with companies and HR, employment engagement tools have yet to reach the same level of maturity as HR core and talent management tools. At a minimum, companies should expect HR software vendors with employee engagement tools to provide easy-to-use interfaces and support for the common mobile-device platforms. Additional must-haves that companies should consider include the ability for employees to do the following.

- Collaborate instantaneously on projects no matter where they're located.
- Quickly locate an expert anywhere in the company when an urgent business issue arises.

- Take company-provided online courses on their mobile devices.
- Access the HR system from their mobile devices to update benefits elections.

What are your system implementation and support expectations?

HR software should be easy to implement and support. However, not every vendor guarantees in specific terms the degree of implementation and support it will provide. That's why it's important to define what's expected of the vendor. Here are critical [areas of system implementation](#) and performance that vendors must provide.

- How the new software will integrate with your compa-



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ny's existing software. Will integration be achieved through custom integration or through APIs or packaged integrations that all of the vendors involved have working agreements to support?

- The vendor should have service-level agreements that address its system uptime and support commitment (e.g., 24/7 uptime and support), mean time to response for system problem resolution as well as HR and IT questions, and a tested and certified disaster recovery plan.
- If the vendor is cloud-based, ask whether it runs and owns its own data center or leases from a third party. If it's the latter, ask what type

of contingency plan it has in place in the event of a failure at the third-party's data center.

- Vendor system and data security standards should meet the same standards that your own corporate governance requires.

What is the human resource management software's pricing and ROI?

Budget is a key consideration for every company and so is the ability to have HR tools that are flexible and scalable. HR software vendors are aware of this and will offer both scalable pricing and scalable software, with cost most commonly based on either per-seat employee use or on per-module software use. These vendors also have preconfigured ROI

formulas that show you how their software will rapidly repay your initial investment. However, companies need to be actively engaged in the pricing and ROI discussion. Here are some critical issues.

- If feasible, work with HR to establish your own ROI formula for the payback on software investment. There's no set way to devise an ROI formula, because payback (and needs) are unique to every company. However, most companies look at elements such as cost or time savings they expect to achieve by using the new software or improving results in areas such as recruiting talent, developing talent or retaining valuable employees.



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- If you're buying the software, gain a clear understanding of what the primary HR software consists of and which software modules are add-ons that come with additional charges.
- Assess if the HR solution will require additional investments in IT or HR (e.g., corporate network expansion, more mobile devices, and an additional HR person to develop a training curriculum).
- Ask if the vendor has a leasing option.

Will the HR solution vendor be a strong business partner? All vendors are likely to offer a fully developed implementation plan for your new software as well as a dedicated project manager who will direct the project and/or co-direct it with you. Most vendors also offer onsite [training for your HR and IT personnel](#) on the new software and a capable support organization that stands behind the product.

WISE DECISIONS

Once you've determined your specific needs, it's time to examine the leading HR products.

Indeed, there are many variables that need to be evaluated to ensure you make a wise decision when buying HR software. ■

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