
Simple Steps to Selecting HR Software

A White Paper



Selecting HR software, also referred to as HRIS (Human Resources Information System) or HRMS (Human Resources Management System), is an important decision. With the right tools and capabilities, specifically selected to align with your business objectives, you will improve the efficiency of your human resources managers and administrators, increase employee satisfaction, ensure compliance with state and federal regulations, and appropriately manage the costs associated with workforce management.

Following a simple 10-step process will ensure you are able to select the best HR software to manage core HR functionality effectively and cost efficiently. The 10 steps to selecting HR software are:

1. Improve your HR Software knowledge
2. Determine your HR Software needs
3. Create a detailed HR Software requirements spreadsheet
4. Determine your HR Software budget
5. Select HR Software vendors to review
6. Evaluate the HR Software systems
7. Research each HR Software company
8. Set HR Software implementation expectations and price
9. Make your purchase decision
10. Gain approval for your HR Software purchase

1. Improve your HR Software knowledge

Before you are able to determine what your needs are for an HR system, you need to know what type of capabilities HR software/HRIS/HRMS applications provide. The most common HR software features and options include:

- **Employee Database** - An employee database, or HR database, is the one common feature between all HRIS, HRMS or HR software applications. The options and features they provide may differ, but all have some type of base employee database from which to start. The employee database will likely contain fields for most of the information you currently have in an employee file. However, with the HRIS data being contained within a database, you have the ability to report and manipulate the data.
- **Payroll** - Many of today's HRIS, HRMS, and HR software applications offer payroll as an option. The companies who offer a payroll system can pitch the benefits of a fully-integrated package. The largest benefit of this option is that all of the HR and Payroll data is contained within a single system. Therefore, double input or the transfer of data does not exist. The HRIS or HR software packages that do not offer payroll usually offer a variety of interfaces to provide the capability of importing or exporting data to a third-party payroll provider. If you don't plan on changing out your payroll application, this might be the best bet. Make sure the vendor you select either offers a payroll option, or is able to provide an interface to your existing payroll application.
- **Attendance** - Manually tracking attendance and accruals is a wasteful, time-consuming process for those HR departments who do not have the advantages of an automated HRIS or HRMS system. Attendance systems will typically track accruals and provide automatic increases to accrual rates, based on seniority. If you do not have an integrated payroll application and/or an integrated time collection system, you may not be able to track accrual rates if the levels are based on hours worked, as opposed to length of service.

- **Time Collection** - In the past, most of the HRIS, HRMS, and HR software vendors did not offer time collection systems. They usually worked with 3rd-party vendors and interfaces to import data into their system. Over the last few years, some HRIS software companies have started to create their own integrated applications for tracking time records for payroll. There are a variety of ways time data can be collected. The easiest is a simple online employee timesheet. The employee simply inputs the hours they worked and submits the information. Some web-based systems act as time clocks where employees log in, clock in for the day, out for lunch, and so on. The third option may involve the actual use of physical time clocks, which integrates with a software application and your HR and Payroll applications.
- **Training Management** - Most, if not all, HRIS, HRMS or HR software applications provide the ability to track basic training data, such as when someone completes a class and when training is due again. Certain industries are responsible for tracking far more training than others. Companies in health care and manufacturing, for example, typically not only have to track when an employee got trained and must be retrained, but also how many CEU's or credits they need to achieve certification or program requirements. They may also have to track training required by Job Title. A few systems on the market will integrate training management system options with an Employee Self-Service (ESS) system. In this case, employees may be able to view training details or enroll in classes online.
- **Recruiting** - Recruiting solutions have come a long way in the past several years. Many of the online recruiting options offer the ability to link data to your website. With this option, prospective applicants can apply for positions directly on your company website. The advantage is all of this data is contained in one single database that can be searched to determine who the most qualified candidate is. A few systems take the process a step further by offering applicant self service, where the applicant can setup a profile and actually monitor their stage of the hiring process.
- **ESS - Employee Self-Service** systems provide employees or managers with the ability to access and, if approved, change data related to themselves or their employees online or through a company intranet. The advantages of these systems are obvious. Managers and employees have the ability to look up important details on their employees without having to contact HR. This data may include simple demographic detail or include more inclusive time collection, training, attendance, performance management, succession management, and/or payroll information. Most systems will provide for some type of automated work flow. When an employee makes a change to data, the information may change automatically or it may go through an approval process, where the manager may approve or deny the request before HR makes the change final.
- **Manager Self-Service** - A key element, and sometimes a more important element, of Employee Self Service is manager self service, which was touched upon above. This capability gives managers the ability to view data and, if allowed, change data on their direct and indirect employees. As mentioned above, managers who use an ESS product with manager self-service, may have the ability to change or approve changes to employee data including demographics, time sheets, time collection, attendance, performance management, succession planning, and payroll information.
- **Email Alerts** - Most HR Software products now offer some type of email alert software. Here is how these systems work: You have a large number of dates you, as a HR professional, are required to track on your employees. These items may include birthdays, anniversary dates, review due dates, certification dates, training due dates, and more. With these alert products, you are able to set up automatic emails based on these due dates. For example, when a review comes up, you can send an email to both manager and employee of the pending date.

- **Benefit Administration** - Most, if not all, HR products provide some capability of tracking employee benefit data. With this data, HR departments are able to report on which employees have certain benefit options and what the costs are to employees and the employer for those plans. Where they differ is the ease and the capability of setting up and adding benefit plans. Make sure the system you select can directly handle the calculations associated with your benefit plans.
- **Benefits Open Enrollment** - Benefits Open Enrollment products are sometimes included with ESS applications or sold separately. In either case, they provide the basic capabilities. An HR system administrator is able to setup a wizard, which guides employees through the process of enrolling for benefits. Employees will have the ability to see which benefits they are eligible for and what the cost is for each plan. With most of these systems being online, this is a function that can be addressed while the employee is not at work.
- **Carrier Connect** - This is an HRIS feature that has become popular within the last few years. With this option, HR personnel have the ability to directly transfer benefit-related data to your benefits provider. This capability is obtained with the use of interfaces. If the HR software vendor has not worked with your particular benefits vendor, they will likely have to customize the interface application which can be both expensive and time-consuming. If you are considering this option, it is important to see if the vendor already has interfaces to your providers. If not, research what the time and cost is to offer this option.
- **Position Control** - HR Systems typically track employee-related data by employee name. Thus, data related to training, pay, employee development, salary grade, job title and more are associated directly with the employee file. Position control systems differ in that they associate all of this data, and data related to open requisitions, to the position. For reporting capabilities, this is an important difference. Typically, the health care industry, government and government contractors are required to track position control data.
- **Performance Review Management and Compensation** - This is becoming a more popular HR system option. There are few processes that are more time-consuming and more difficult to standardize than the review process. These systems automate the process and reduce the paperwork associated with reviews. Managers will score employees based on a number of user-determined competencies. Based on the score, the body text under the competency can be automated as well. During the year, goals can be established for each employee. Then, employees and managers can track the success and progression of each goal before, during and after the review process.
- **Succession Planning** - With these options, managers are able to define career paths for each employee and include and track the requirements for reaching those paths. These systems may integrate directly with performance review software or with training management systems to further define the requirements for career paths.
- **E Forms** - This capability allows forms to be created and have the fields for those forms automatically populated from data contained in your HRIS database. Between Microsoft Word, Microsoft Excel, or any other database using the mail merge capabilities, the same thing is possible. However, several vendors have automated the process.
- **Government Compliance** - HR personnel typically track government compliance items which include COBRA, OSHA, FMLA, Vet's 100 and Affirmative Action reporting. Again, many HRIS systems on the market offer reports for these requirements. If you require capabilities outside of this list, it would be important to determine those when creating your needs analysis for an HR system.

- Report Generation - Any HRIS or HR software application you look at is going to offer some type of report writer and will include a large number of standard reports you can use to track information within your HR system. The complexity, user friendliness, and capabilities of these report writers vary tremendously. A fair amount of time should be spent taking a close look at any report writer for an HR software application you are going to consider. In order to find the best match, you need to determine the technical savvy of your HR staff and you need to determine how complex your reporting requirements are.
- Customization - At minimal, HR systems will offer user-defined fields to track data not already tracked. Most HR systems will also include custom screen development. Others, which offer a very open architecture, may provide the opportunity to program customized add-on applications or automatic processes that occur, based on certain actions taken in the system.
- HRIS Hosted - versus - Purchase - With HRIS, HRMS or HR systems, you will likely be presented with one of two purchase options: hosted (i.e. ASP or SaaS) or outright purchase. Hosted systems host your data on the internet and provide you with remote access to it. The advantages are that you need little, if any, IT support, upgrades are performed automatically, and in case of a local emergency, your data is housed elsewhere. These systems, because the cost, charge per employee per month, with little upfront cost. These systems sometimes allow for easier budget approvals than buying a system outright. The disadvantage of hosted solutions is that you may be required to pay for the benefits outlined above. Over time, usually after a few years, you may pay more for a hosted solution than if you had directly purchased an application and housed it locally.

2. Determine your HR Software Needs

You need to be highly detailed with defining your needs. The more detail you put into what may be considered the most important step of the process of selecting an HR software application, the more likely you will make the right decision in the end.

For example, a typical company might determine their needs for an HR software application to include the following:

- Hiring Process Management
- New Hire On boarding
- Performance Appraisals
- Training/Learning Management
- Job and Pay History
- Termination Processing
- Ease of use

If you want to create a more detailed HR software needs assessment, ask questions on each of the above items to determine the detail you need from a Human Resources application. Also, make sure to ask others who will be using the application. If you involve your training, payroll, or risk management departments, you will likely find they may have specific needs to assist you with this task. Make sure to ask those who will be approving the purchase if there are features and options of an HRIS application that could benefit them in their jobs. Ask, as well, what business objectives with which they are looking HR to assist. This will become important later when you ask for the approval. The more people you involve in your HR software needs analysis and selection process, the more likely you will be to find a system that meets the entire organization's needs.

An example of a better needs assessment might include the following:

Windows based or web enabled

- Does application need to be SQL?
- Is HR Application compliant with multiple browsers and will it work with current network applications?
- Do you need a hosted solution or will you purchase and install on your existing network?

Integrated Payroll

- Do you have any special payroll requirements?
- Do you need to import time records from a current time collection system or do you want to select a time system that integrates to the new payroll application?
- Will you need to export payroll data to a GL application?
- How will you want to handle tax filing requirements?
- Do you have any difficult to handle garnishment or levy issues and does that vendor handle these items?

Training Management

- Do you need to simply track training as to when an employee took a class and perhaps when they have to get retrained or do you need to track CEU's and credits for those needing a certain number to meet the requirements for a certification?

Turnover Reports

- Are these reports standard or do they have to be custom written and how easy or hard and comprehensive is the process?

Job and Pay History

- How much detail do you need to track?
- Are you looking for unlimited history?
- How will you report on this information?

Attendance and Accrual tracking

- How will this data be inputted?
- Will the system work with our attendance plans?

Report Writing

- Exactly what type of reports do you need?
- Create a list

Ease of use

- Setup time and Support

If you find an HR product that answers all of the example HR software needs presented above, you will have made a better informed decision than if you simply went with the original list of needs.

As a final note on determining your needs, you should consider adding to your needs list interfaces or integration you may want for tying your existing systems to your new HR software application. Let's say, for example, you are looking for an integrated HR Payroll software application. If that is the case, you may want to transfer data from the payroll system to your GL application or you may want to import time records from a time collection system. If you are going to tie your HR software application to an existing payroll application, add at least an interface to your needs list between the two systems. You will also want some capability for populating your data base from whatever source you can provide for the data. The alternative is manual entry.

3. Create a Detailed HR Software Requirements Spreadsheet

Now that you have a highly detailed HRIS, HRMS or HR software needs list, the next thing to create is an Excel spreadsheet with these needs which you will use during your evaluation process. List the needs down the left side and add the various vendors as you determine which you will look at, across the top. You might want to add rows for price, purchase options, implementation time lines, and costs to further aid with keeping all the systems separate. As you evaluate each system, simply check off which meets each of your Human Resource Software needs. At the end of the evaluation process, you will not have to struggle to remember which product had which functions.

You may have to work with third-party providers to meet all your needs or you may decide to work with only companies that provide your requirements with their base systems. The issue with meeting needs using third-party applications is the compatibility between the systems. If the systems are not compatible, you may have to work with interfaces or double input data into each application. If a vendor offers a third-party product to meet a need or requirement, make sure to ask how the two applications will integrate with each other.

Here's an HRIS Software Requirements Spreadsheet Data Field Examples:

- Integrated HR and Payroll
- Attendance Tracking
- Training Management
- Training requirements
- Turnover Reports Standard or Custom
- Job and Pay history
- Interfaces to GL
- Interfaces to Time Clock No Yes
- Prices
- Software
- Annual Support
- Implementation days
- Implementation cost
- Monthly Costs Option Cost
- Total Costs

4. Determine your HR Software Budget

Before you waste your time searching for an HRIS, HRMS or HR software application, you need to determine how much you will be able to spend on a system. Over the years I have performed close to a thousand demos of HR software applications. Of those, maybe at most, 30% ended up getting the approval for a system. The other 70% were often, and incorrectly, seen as a cost center by management unworthy of a large investment needed to make HR run smoother. If you involve other departments such as risk management, training, and accounting in your HR selection process and list of needs, it may be possible their budgets can add to the amount you will be able to spend for an HR software application. At the very least, involving other departments will showcase how an HRIS application will meet more organizational goals.

When you determine how much you will be able to spend, include a total as well as a monthly amount. Management may be more inclined to purchase an HR software application if the payment is not made all at the front end of the project. There are a number of HR software solutions that offer hosted options. You pay per month per employee and they host the application on the web. I have seen the prices from \$2 to \$10 per employee per month and above. If hosting is not an option, you can always lease the software for up to five years. In this case, you spread the initial payment over that time frame and at the end of the lease term only owe annual support.

5. Select HR Software Vendors to Review

Now that you have defined your needs, requirements and your budget, you are ready to select the short list of HRIS, HRMS or HR software vendors to evaluate. You only need to evaluate those products you have the budget for and that meet your needs and requirements. This is not an easy task. There are over 60 HRIS software vendors in North America alone. If you want to add all HR software, outsourcing companies, and companies offering add-ons, multiply the above number by 100. There are a few ways you could go about picking these companies. You can start the time-consuming process of searching the web, ask fellow HR personnel, speak with fellow SHRM members, or post for recommendations on various HR message boards, forums, or blogs.

6. Evaluate the HR Software Systems

You will want to demo with each HR software vendor you plan to evaluate. Have your needs spreadsheet in hand and score each product on how well they meet your needs. Each vendor is going to show you where their HR software is the strongest. Make sure that in the demo you are seeing exactly the capabilities you need or require. You might want to create a brief set of questions for the vendor to provide answers to further assist you with completing your spreadsheet; since it is unlikely you will be able to cover all of the needs you have identified.

7. Research each HR Software Company

At this point, you should have arrived at a shorter list of HRIS, HRMS or HR software applications meeting your requirements. If you started out viewing five systems, you will likely have it narrowed down to two or three, at this point. Price will certainly be a determining factor in your final decision, but there are other questions you should ask before considering the price, such as:

- How long have they been in business?
- How many installs do they have?
- References

Ask around at your local SHRM chapter or via on-line forums, message boards or blogs if anyone is using the product and has an opinion. You can always ask the vendor for references but they will, of course, only be supplying you with customers who have agreed to speak with you and are pleased with the application.

8. Set HR Software Implementation Expectations and Price

When you decide on an HRIS, HRMS or HR software application, you will want to know what it is going to cost you. The cost for software and support are all going to be fixed costs. You will know exactly what you are paying and those amounts will not change. The only variable cost associated with an HRIS system install is going to be the implementation costs. Some vendors may provide fixed cost project costing but even these projects can run over budget if the scope of the project was not fully defined initially. It is extremely important that you define the scope of the project in as much detail as possible.

9. Make your Purchase Decision

You are now an expert in selecting an HRIS, HRMS or HR software application. You have defined your needs and have selected the vendors meeting those needs based on price, capabilities and company strength. Now, it is time to make the final purchase decision. Based on everything you have done up to this point, and added, with your handy spreadsheet this is the easy part.

10. Gain Approval for your HR Software Purchase

Just when you thought the whole process was over, the next step can be the toughest, for many. I hope getting management approval ends up being your easy task. If it is not, see the advice below to help with the process:

Group Agreement

As mentioned earlier, involve as many people as possible in the HRIS, HRMS or HR Software selection process and needs assessment. When you go seeking approval, you can make a stronger case for an HRIS if it is benefiting more than just the Human Resources department. A product that benefits two or three departments, and current employees, offers greater value than a system that only benefits the HR department. If the application benefits the Training, Risk Management, Accounting and HR departments and offers greater service to managers and employees, it has more benefit to the company on the whole. It may also be possible to have those other departments chip in budget dollars for the project.

Cost Justification

There are certain HR options that are easier to cost justify than others. Online recruiting options, for example, may directly reduce the need to use outside recruiters or temp services. This product can offer a direct hard cost savings. Payroll is the same way. If you are paying X dollars for your existing payroll only, outsourced option and you bring it in for less and offer an HR application there is a direct savings that can be shown. With an HR employee database, it is far more difficult to show hard cost savings. Yes, it will save HR tremendous amounts of time, but does that savings of time equate to hard cost savings? Yes, an HR ESS product will provide greater service to managers and employees, but again, does it provide direct cost savings?

What is the value add of your HR Software?

Since it is difficult to show hard cost savings with the implementation of an HRIS application, it is important, instead, to focus on the value add of the application.

This approach requires your HR department to think about business objectives, issues and problems and show how an HR application will help the overall organization provide solutions to these objectives, issues, and problems. How will an HR system assist the organization with doing a better job of reaching critical business objectives, is the question that needs to be answered. The degree of success you have with this answer will likely determine your success or failure in gaining the approval you seek. Good luck as you begin the process of selecting HR Software for your business. If you follow the ten steps outlined above, your chances of success will be much greater.