

SELECTING AN HRIS

FINDING THE RIGHT HR SYSTEM FOR YOUR ORGANIZATION

A REALITY FOR EVERY COMPANY

As workforces become more complex and legislation continues to change, companies are increasingly looking inwards to find competitive advantages. In this endeavor, the use of technology in talent management is essential.

Today, most companies use some form of HR system for payroll and HR record-keeping. However, top organizations are turning to human resource information systems (HRIS) for all of their HR needs. With an HRIS, companies can align HR strategy with business objectives to get the most out of their workforces and adapt quickly to market changes.

While HR systems have been around since the 1960s, their popularity has grown substantially in the last decade. Use of HR systems through traditional licensing or software as a service (SaaS) is now a reality for most companies. In particular, SaaS is making HRIS even more accessible in an uncertain global economy.

A GLIMPSE INTO THE PAST

HR systems first found their way into use in the 1960s by large companies looking to automate traditional HR functions. As part of mainframe-based payroll systems, they were expensive, required IT involvement and had limited functionality.

The advent of the personal computer in the 1980s brought companies into the electronic record-keeping era and made it possible for any size company to afford and manage HR software. In the 1990s, client server systems drove the market briefly but faded as people realized the future was the Internet. In the late 1990s, web-based systems took over the market.

Over time, HR systems began to evolve beyond basic automation of traditional HR functions. Some took on features to enhance their basic functions, while others emerged to specialize in certain areas.

Now, SaaS has become commonplace. This new model is not only empowering virtually all organizations to automate, it's revolutionizing the HR industry.

TODAY'S HRIS

Research suggests that using a fully integrated HR system to streamline and improve overall operations can help companies become leaders in their respective industries.

According to a 2007 Aberdeen Group report, companies polled were two and a half times more likely to achieve best-in-class status, based on Aberdeen's criteria, if they used a fully integrated system for talent management.

As administering HR grows more complex, it's critical that companies have all of their HR data in a single, centralized repository. Because of this, use of HR systems is the industry standard.

Today's best-in-class HRIS like SPECTRUM's iVantage® automate everything related to HR in a single web-based software system. They not only provide core HR functionality, they offer cutting-edge features that make HR more strategic and improve any company's bottom line.

WHO DOES THE RESEARCH?

Choosing the right HRIS for your organization is a challenging task requiring a budget, time commitment and buy-in from your executive staff.

Most companies do their own research into which HRIS would be right for them. While some companies only use HR or the executive team in the decision, a much more comprehensive approach uses all key personnel affected by the choice.

A common practice is to create a focus group made up of HR, executives, managers and IT. HR will be the primary users—they should ensure the system meets the company's needs. Executives will typically give final approval. Managers should weigh in on whether they'll be able to learn and use the system easily, while IT can comment on technical specifications, technology preferences and licensed or SaaS options.

Regardless of whom you involve in the system evaluation process, HR must own the decision and the success of the implementation.

THE RIGHT SYSTEM FOR YOU

YOUR NEEDS

The most important step in any search for an HRIS is to establish your company's needs. Every company is different and will want an appropriate HR system. It's critical to define what the most important system features are for your HR team and for your company and make sure that the HRIS you license accommodates these needs.

These should include not only your current but future needs. You should account for growth to ensure you find a system that your company won't outgrow.

Most companies want core functionality—employee information, compensation, workforce management, benefits administration, self-service and other HR functional areas. Companies hoping to use their HRIS more strategically will want advanced functionality such as training and development, succession planning, reporting and tailoring tools.

As you define your company's needs, it's a good idea to develop a checklist, which you can use when assessing different systems.

BASIC VERSUS EXTENDED NEEDS

Today's HR system industry is analogous to the automobile industry, where every manufacturer offers the same basic functions in their vehicles—wheels, an engine, a steering wheel, doors, seating and other essential components.

Likewise, the majority of HR system vendors have responded to both competitive pressures and client needs to offer the same basic functionality in every HRIS.

As a result, there are many proven, well-established vendors offering time-tested products that meet the essential needs of most companies. What separates the systems in the market today are how they meet extended user-specific requirements—functional areas some companies need but others do not—and the services that the vendor provides.

THE RIGHT SYSTEM FOR YOU (CONTINUED)

BASIC VERSUS EXTENDED NEEDS (CONTINUED)

Often companies may know what they want to do but not how an HRIS can help them do it. They may want to automate benefits enrollment, but they're not familiar with the technologies that enable it—online forms, benefit statements, interfaces with benefit providers, et cetera. Looking at the various systems will answer some of these questions.

You may want to see which systems other companies your size and within your industry are using. Resources such as the Society for Human Resource Management (SHRM) and the International Association for Human Resources Information Management (IHRIM) can help.

GOOD HRIS

Every good HRIS should cover core HR data—

- Core employee information—personal information, emergency contact information, et cetera
- Job, pay and status information
- Employee qualifications and competencies
- Salary administration
- Benefits administration
- Absence tracking
- Standard reporting

THE RIGHT SYSTEM FOR YOU (CONTINUED)

GREAT HRIS

The great HR systems go beyond core HR data with cutting-edge features and functionality that make HR an integral part of your company's strategy—

- Applicant tracking
- Training and development administration
- Succession planning
- Self-service—applicant/employee/manager
- Knowledgeable and timely system support
- Flexible report-writing tools
- Front-end customization tools
- Intuitive user interface
- Integrated talent-management functionality
- Automated open enrollment
- Employee data history tracking
- Workflow and routing capabilities

WORKFLOW AUTOMATION

With a fully integrated HRIS, you can track, manage and analyze data for all your employees from applicant to retiree. By automating HR workflow, an HRIS enables you to do more in less time, freeing you up for other activities.

Streamlining—

- Self-service—for applicants, employees and managers
- Paperless routing and approval
- Quick data-entry tasks
- Alerts for date-based events
- Tailoring tools—for users to customize the system
- Electronic signatures
- Much more

THE RIGHT SYSTEM FOR YOU (CONTINUED)

SELF-SERVICE

The system can empower your employees and managers to do their own HR-related tasks and data entry, which takes much of the burden off HR's shoulders.

With self-service, employees and managers can access information when they want or need it without seeking help from HR. They can also take an active role in their career planning by setting their own training and job goals.

ADVANCED REPORTING AND ANALYSIS

Today's HR systems aren't just databases for tracking employee information—they're advanced systems that enable you to manage and analyze all of your employee data.

An HRIS can put you in control of your workforce data with reporting tools that give you a complete picture of your company's workforce and provide you with the data you need to participate in strategic planning.

You can evaluate trends, examine benefit programs, assess talent-management needs and plan and budget for the future—

- ✓ Analyze which benefit plans your employees use the most.
- ✓ Track turnover for each department.
- ✓ Monitor time off.
- ✓ Identify low and high performers more easily.

Most HRIS providers offer standard reports within the base system. It's not unusual to see as few as 50 or as many as 300 standard reports in an HRIS, depending on the functionality the system offers.

It's important that HR is able to get data out of the HRIS. A quality system should have a report writer that enables you to easily modify standard reports or create new reports on your own. You should also be able to easily export information to a common format such as Microsoft® Office.

THE RIGHT SYSTEM FOR YOU (CONTINUED)

ADVANCED REPORTING AND ANALYSIS (CONTINUED)

While many vendors offer proprietary report writers that look good in a demonstration during the sales process, these report writers tend to fall short of user needs and expectations later on.

Industry-standard tools such as Crystal Reports® and Microsoft SQL Server® 2008 Report Builder come with many HR systems. These are good solutions you can use to create reports easily without relying on the vendor for training.

TALENT MANAGEMENT

Today's HR systems blend traditional HR functions with talent-management tools. With a complete picture of every employee and your entire workforce, you can develop a truly comprehensive talent-management strategy.

It's important that an HR system blend functions like benefits administration, time and attendance, performance management and total compensation with training and development, needs assessment/succession planning and self-service.

Companies should be able to design customized performance-management programs that are completely online, paperless, efficient, comprehensive and easy to use.

Training and development should also come easier—setting up courses, enrolling employees, developing career paths and monitoring the total investment you're making in employees.

A good HRIS will include self-service, which enables managers and employees to be active participants in training and development. With self-service, managers and employees can view job requirements and qualifications, make development plans and monitor training and development progress.

THE RIGHT SYSTEM FOR YOU (CONTINUED)

CUSTOMIZATIONS AND MODIFICATIONS

While you should obviously choose the system that works best for you, it's important to realize that no system will meet 100 percent of your needs right out of the box.

A good vendor should share advice and best practices to help you maximize a system. However, there may be times when you need a customization to meet unique needs.

This is not uncommon. Many companies modify the HRIS they license, so it's critical during the selection process to see whether you can customize the system to add new forms, tables and data elements.

HR should be able to make most of the required modifications through front-end tools. Creating new fields, formulas and calculations, for example, are easy customizations that you should be able to do on your own. Systems that are limited to providing unassigned user fields that users can activate or rename only will not likely meet your long-term needs.

More complex customizations may require assistance from either the vendor or your IT staff. Be sure you understand what skill set and training you'll need for customizations, because this impacts the total cost of ownership.

THE HR AND PAYROLL QUESTION

The debate between using a combined HR and payroll system or using one system solely for HR and interfacing to payroll is an old one.

In many organizations, HR is an administrative function while payroll is an accounting function. Regardless of how you structure your company, however, HR and payroll may share a handful of fields despite their very different needs.

A common argument says that integrated HR and payroll eliminates the need for an interface between two systems. HR departments are often led down this path only to find that the system they've licensed doesn't meet all of their HR needs. While they've eliminated the need for an interface between HR and payroll systems, they're forced to find other systems for their talent-acquisition, performance-management, training and development, and benefits-administration needs. In the end, they're managing multiple interfaces instead of one, and if payroll wants to change systems, they have to change as well.

Payroll service providers that offer an HR system argue that companies should get payroll and HR from a single vendor. However, a single vendor doesn't mean a single database—these solutions are usually two databases, not one. This solution only guarantees “one throat to choke” when you have a problem. It also means you're putting your faith in a company that doesn't specialize in HR for your HR functionality and compliance.

HR and payroll departments tend to have different needs. Each department should choose the solution that best meets their needs. If you choose two systems from different providers, the interface should be affordable and effective.

ASSESSING VENDORS

HR systems are not “disposable software.” In fact, most companies use their HR systems for five to ten years. When you license a system, you’re not simply choosing a piece of software; you’re choosing a vendor partner to help you achieve your goals over the next decade.

The vendor is an important piece of the puzzle when selecting an HRIS. You should consider the vendor’s commitment to the HR industry, time in business, reputation and track record for providing quality systems and services. It’s also good to evaluate the vendor’s experience with companies similar in size and in the same type of industry as yours. Commitment to the HR industry is critical—only companies knowledgeable in HR can design a system to satisfy your HR needs.

It’s also vital that development, sales, implementation and system services come through the same organization. If the vendor develops its own systems, you can hold the company accountable for upgrades and enhancements. Likewise, if the organization that developed the system is also the one servicing it—not a third party—you’re more likely to receive knowledgeable, efficient service and faster call-back on system-support questions.

You might consider discussing the implementation process with vendors prior to purchase. If your main contact at the vendor is the same person throughout the implementation, the vendor can tailor the system to your company much more easily and efficiently.

ASSESSING VENDORS (CONTINUED)

An upfront and candid discussion with vendors regarding implementation time before you license may also help. Most providers should have you up and running within a two-to-six-month time period depending on your needs and available resources.

Most good vendors provide periodic updates to their systems such as new releases and service packs. Ask vendors about the content of their last several updates or how they respond to changing regulatory requirements or government-reporting needs. You may want to ask upfront whether their new releases or service packs are included in the annual maintenance fee or require an additional fee.

Request client references from companies similar in size and in the same type of industry as yours. From the references you can glean what those companies' satisfaction level is with the system and with the vendor's sales and implementation process, support, and updates and enhancements.

LICENSED, HOSTED OR SAAS

Today, HR systems can be a reality for any company because of their multiple purchase options, which include licensing, hosting or SaaS.

In a traditional license offering, the client is responsible for installing and maintaining the software. This option requires an investment of time, money and resources to house and maintain the system.

Remote hosting enables companies to license software and have the vendor manage it. SPECTRUM, for example, will install the hardware and software at our secure co-location facility, maintain the system and provide secure access to your users along with operational and technical help.

For companies seeking the most accessible and affordable option, SaaS offers an HRIS without an upfront licensing fee or investment of time, money or resources to house and maintain the system.

With SaaS, you pay a monthly fee for access (a per-employee fee in SPECTRUM's case). A relatively recent development in the market, SaaS has made HR systems particularly accessible.

FINAL THINGS TO CONSIDER

Today, companies have a variety of HRIS solutions from which to choose. Finding the right system requires careful analysis and critical thinking.

Some final things to consider—

- System features most important to your company, now and in the future
- Core functionality and advanced functionality
- Completeness, breadth and depth of functionality covered in essential areas
- What systems other companies similar to yours are using
- How well you can customize the system to your needs
- Whether the vendor can provide you with a solid ROI
- Your comfort level with the vendor
- What internal staff you will need to support the system
- Type of purchasing option: licensed, hosted or SaaS

In the end, it's important to include your managers, executives, IT people and HR professionals in the loop so they understand how the HRIS will benefit your company overall and how you will implement it.

It's a difficult decision. To help you, we've included several checklists on the following pages.

GOOD SYSTEM CHECKLIST

- Personal information including basic contact information, demographic data, dependents, military history and emergency contacts
- Benefits administration including unlimited plans, online open enrollment, premium calculations, eligibility, benefits statements and cost summaries, HIPAA certificates, COBRA tracking and carrier information
- Compensation including base pay, other pay, planning tools and pay grades
- Absence accruals, time-off requests, paid time off and FMLA
- Unlimited employee history of jobs or positions, status and location
- Performance-review administration and management
- Employee development—qualifications, competencies and certifications
- Illness and injury, incidents and lost/restricted time for OSHA administration
- Automated routing, approvals, alerts and notifications of proposed actions
- Functional standard reports, signature-ready government compliance reports, HR metrics and an easy-to-use report writer for ad hoc/custom reporting
- Integration with other applications, such as Microsoft Outlook® and Office
- Audit utility to monitor data changes

The following items should be available as either part of the base system or as an add-on module:

- Employee and manager self-service
- Recruitment and applicant management
- Training administration
- Budgeting and position control
- Career and succession planning
- Salary-survey analysis
- Electronic timesheets
- Organizational charts

GREAT SYSTEM CHECKLIST (BY DEPARTMENT)

OVERALL/HR

- Is standard, scalable, stable, easy to implement and maintain
- Is user-friendly, customizable, feature- and function-rich
- Facilitates departmental communication—enables departments to compare with each other and compare with industry as a whole
- Aligns HR programs with corporate goals
- Reduces paperwork, streamlines processes
- Enables better identification of high and low performers

MANAGERS

- Enables better identification of high and low performers
- Increases workflow efficiency (online)
- Facilitates consistent communication from one locale
- Includes salary-plan budgeting to adhere to staffing budgets

EMPLOYEES

- Provides convenient access to data
- Enables update/change of data

GREAT SYSTEM CHECKLIST (BY DEPARTMENT...CONTINUED)

EXECUTIVES

- Provides assistance with Sarbanes-Oxley compliance
- Is backed by SAS 70 Type II, SysTrust and E.U. Safe Harbor certifications, as appropriate
- Supports corporate goals and objectives
- Empowers managers with salary-plan budgeting to ensure compliance with budgets
- Enables gauging of HR programs and processes
- Has low total cost of ownership and provides high return on investment

IT

- Is entirely web-native
- Incorporates standard technology for easy integration with financial, payroll and other systems
- Has undergone security testing
- Upgrades easily—no overwriting customizations
- Is scalable
- Works globally
- Incorporates total-system language translation

VENDOR PROFILE CHECKLIST

- Number of years in business
- Main business focus (i.e., HR only, payroll, enterprise systems)
- Number of key staff members with prior HR experience and their roles within the organization
- Avenues for selling the HRIS (i.e., internal or outsourced)
- Avenues for service support (i.e., internal or outsourced)
- Typical length of implementation
- Number of full-time staff involved exclusively in development, support services, marketing, sales and corporate administration
- Avenue for handling hot-line support calls and typical response times
- Business partners and how they enhance the vendor's offerings
- Technology operating environment (i.e., Microsoft, Oracle, IBM/DB2, et cetera)
- Scope of clients the vendor serves
 - Type and size of clients
 - Client base by industry sector
 - Number of clients that have licensed the system and how many of those clients are still active
 - Number of new clients acquired in the past 2 years
 - Number of clients on active maintenance plans
 - Reasons for losing clients

THE NEXT STEP

SPECTRUM developed this white paper to help you select an HRIS. The contents of this document derive from SPECTRUM's own creative efforts as well as research from a number of existing published sources. It is intended as an overview of the topic and not a step-by-step instruction manual.

SPECTRUM encourages individuals interested in pursuing this topic further to take advantage of information available from the Internet and other sources, including SHRM (www.shrm.org) and IHRIM (www.ihrim.org).

Since 1984, SPECTRUM has led the HR software industry with HRIS solutions. As a Microsoft Gold Certified Partner, we build our systems on industry-standard technology that meets your HR needs, aligns with your IT department's strategic direction and integrates well with other critical business applications.

Our iVantage HRIS automates everything related to HR in a single software system. In an easy-to-use web interface, iVantage enables you to track, manage and analyze data for all your employees, from applicant to retiree.

Through automated workflow, you improve your efficiency and have time for other duties. With powerful reporting tools, you obtain a complete picture of your company's workforce for better strategic planning.

FOR MORE INFORMATION, PLEASE CONTACT SPECTRUM AT 800.477.3287 OR VISIT OUR WEBSITE AT WWW.SPECTRUMHR.COM.