

Let's assume that two systems are roughly equivalent in meeting functional requirements, but one system operates on standards endorsed by your IT group while the other does not. Say you choose the one that does not meet IT standards for one reason or another. Big problem: The system requires additional purchase of IT products, adds complexity in support and costs more due to IT staff training. Bigger problem: The one department you really want on your side during and after the implementation is now your sworn enemy.

Getting senior management involved is absolutely essential to building support for your system. The entire project will be up and running much more smoothly if senior management has already communicated that the project carries a high priority. Similarly, you'll want buy-in from accounting or any other department that will interact with the new system.

Selecting and implementing an HRIS should be a team process. By involving at least one key representative from every function that will be affected, you greatly increase your chances of success.

How Do I Select the Right System for My Company?

As you might guess, you should choose the smallest system that will fill your needs for the foreseeable future—no more than four or five years out. The larger systems are more flexible and powerful, it's true. But buying an oversized system is financially inadvisable, as well as a maintenance and training issue. Also, the largest software vendors are often unwilling or unequipped to deal with smaller organizations.

Here's a requirements definition and system selection process to help in selecting the best system for your company, whatever the size:

1. *Assess the Desired High-Level Functions* At a high level, what functions do you want to automate? Core HRIS applications include:

- Payroll**—Functions that assist in payroll administration and processing, as well as tax processing.
- Personnel Administration**—Functions that track employee data and process personnel and organizational changes.
- Benefits**—Functions that track benefits plans and programs including health, welfare, savings and retirement, as well as enrollment, balances, etc.

Additional functionality could include:

- Advanced Personnel Administration**—Functions such as Compliance (e.g., EEO), Employee Relations (e.g., disciplinary actions), and Development (e.g., performance appraisals, training information management and skills inventory).
- Recruiting**—Functions that support processing applicants and new recruits.
- Compensation Planning and Management**—Functions that support wage and salary planning and administration.
- Time and Attendance**—Functions that plan and track employee time, attendance, leave and labor cost distribution.
- Self-Service**—Self-service functions are found across HR applications. Basic functionality allows employees to enter static data on themselves, sign up for benefits and view pay stubs. Advanced functionality can add much, much more for managers, retired and current employees and recruits. In short, if you can imagine it, there's an HRIS vendor that's automating it. Some provide specialty functions for stock option management, pension administration, health and

safety management, succession planning, role-based portals-you name it. Expect that not every system will handle every function.

2. Determine and Prioritize Requirements

This is the heart of a system selection process. Be sure to evaluate requirements in a detailed, methodical and complete fashion, while continuing to solicit opinions from others. The last thing you want is to purchase a system that lacks the one key function a vocal executive wanted. Requirements include:

- **Functional Requirements:** It is not enough to say, "I want to process payroll." Be more specific. For example, do you want the system to: Prioritize deductions (e.g., taxes, then garnishments, then 401(k) and finally payment for stock option purchase plan)? Allow payroll runs for employees with varying work-week calendars? Allow unlimited "pre-payroll" processing to see the outcome of a payroll before it impacts employee records and prints checks. Closely examine each process targeted for automation, and outline how the system should functionally operate to support the process.
- **Technical Requirements:** The depth to which you examine technical requirements bears a direct relationship to the size of system under consideration. As you consider larger systems, the complexity and the choices increase. For very small systems, technical requirements might be as simple as database type and network compatibility, while for very large systems you also need to consider how the application connects to the Internet, workflow capabilities, Lightweight Directory Access Protocol (LDAP), etc.
- **Other Requirements:** Technical support can be one of the most important procurement considerations, especially at companies that have been burned in the past by lack of support. Others want assurances, if there is such a thing, that the company will still be in business long enough to provide upgrades to meet the latest operating system. In addition, you may have a multitude of requirements specific to your company, such as a stated commitment to your industry and multiple language capabilities.

As you gather requirements, determine whether each requirement is mandatory or desirable. These labels will help measure objectively how well an HRIS will fit your organization.

3. Contact Vendors

This activity can be sticky. On one hand, you don't want to give any one vendor an advantage over the next. On the other, you need to determine exactly which vendors are in the right ballpark for review and get the vendors interested in your sale. Before you make contact, set a few internal ground rules, such as whether to share the budget amount and list of other possible vendors, and how to handle future communication with the vendor.

4. Determine Selection Weighting

Determine how you will compare competing bids. In a recent engagement of mine, the client determined that the vendor's ability to match functional requirements was nearly as important as support capabilities, and thus both were weighted equally. Similarly, you'll need to decide where your company will place emphasis among functional requirements, technical requirements, other requirements and price. How will you objectively score each category? Gain consensus, especially from senior management, on the selection weighting before you start the nitty-gritty evaluation.

5. Develop a Request for Proposal (RFP)

In some ways, an RFP is an art form. It must be detailed enough to yield complete information which can be compared from one vendor to another. (It doesn't help the cause when one vendor prices his wares for 10 concurrent users, while the other prices his for 100 named users.) At the same time, the RFP must be as short as you can make it. You may be surprised to learn that if you are anything less than a Fortune 1000 or government entity, vendors will hesitate to respond to a lengthy or time-consuming RFP. The good software companies are bombarded with sales opportunities and select the companies that they wish to sell to. The high-wire act for you is to provide an objective measure of requirements and pricing which helps to narrow your focus, while inducing vendors to respond. At a minimum, an RFP should include:

- Information on your company, users, objectives, technology infrastructure and other background information necessary for the vendor to understand your organization and its needs;
- A way to objectively compare software functionalities and technicalities, such as a list of mandatory requirements in a questionnaire for the vendor. Some companies choose to narrow their mandatory requirements list down to the 50+ key requirements that are likely to differentiate vendors and evaluate other requirements during demonstrations and one-on-one discussions;
- A request for pricing, according to specified terms (e.g., by module or number of named users);
- The software selection process, due dates, contact names and other essential project details.

6. Assess Proposals, Prepare for and View Demonstrations

Based on the proposed solutions and pricing, select the two or three most suitable vendors for demonstrations. Note that it's extremely important to prepare ahead of time for a demonstration. Ensure the right individuals are in the audience for each demo, clearly outline to the vendors beforehand exactly which functions you expect to see and in what order (a demo "script"), and develop a "score card" for those in attendance to indicate their likes and dislikes during each demo. Small systems could require only a few hours for a demo, while large systems could require a few days. You'll need to strike a balance between getting enough details and not making the process onerous for the vendor (or the selection team, for that matter).

7. Identify a Preferred Vendor, Perform Due Diligence and Finalize Contract

You're almost finished! Spend a week or two (or three) confirming some of the vendor's information, performing reference checks and generally making sure there's no "showstopper." (For one of my clients, due diligence turned up the fact that most of this vendor's senior executives had just quit—a disturbing piece of information that led them to delay the project and reconsider their options.) Once you're comfortable that the preferred vendor meets inspection, it's time to obtain senior executive "blessing" of the decision and negotiate the contract including pricing, terms and conditions.

At long last, you've finished the selection process—which is to say, welcome to the starting line. When the contract is finally signed, run, don't walk, to the nearest exit and take a vacation before you start the implementation. Once it's finally up and running, your efforts will be rewarded with an integrated system that maybe, just maybe, will release you from the Saturday shift.

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