HRMS SOFTWARE
BUYER'S GUIDE

The complete guide to selecting and purchasing HRMS for your business

GUIDE HIGHLIGHTS

A 52-step HRMS software selection checklist

Pricing information from leading HRMS vendors

A template for producing HRMS RFP documents

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The HRMS software buyer's guide is a compilation of the key resources and information you weill need during your HRMS selection project.

INTRODUCTION

Sometimes, it's hard to know where to start when selecting and purchasing an HRMS. Sure, you know that you'll need to put together a selection team, make a shortlist of suitable vendors, do some demos and canvass major stakeholders…but how much time should you spend on each of these steps? How can you tell which features are essential for your business? How do you communicate these requirements to vendors?

With 40% of organizations either planning to replace their HRMS or evaluating their options, these questions are becoming increasingly commonplace, but that doesn't make them any less daunting. Coupled with the 40% decrease in HRMS implementation timeline length over the past three years, this means that you have more to do and less time in which to do it

To help ease this pressure, we have put together this comprehensive guide which breaks down the early stages of your HRMS selection and purchase into smaller, more manageable tasks.

KEY FACTS & FIGURES

2016 HRMS Software Market

40%
of organizations are planning to replace or evaluate HR systems [1]

$210
Average HRMS costs per employee in SaaS systems [1]

$199
Average HRMS costs per employee in licensed systems [1]

$427
Total HR technology cost per employee in small businesses [1]

40%
decrease in all HRMS implementation timelines in the last 3 years [1]

USEFUL DEFINITIONS

BRING YOUR OWN DEVICE (BYOD)

A system implemented by businesses which allows employees to use their own devices (mobile, tablet, laptop) in the workplace. These devices can be setup with self-service access portals to business systems including HRMS.

EXECUTIVE SPONSOR

The most senior member of the project team, the executive sponsor is usually identified from C-level. Their role includes communicating the project to the board.

LEGACY SYSTEM

Legacy systems, refer in general, to computer programs written specifically for a single organizational function, before the days of integrated software or HRMS systems. Legacy systems tend to be highly customized and somewhat difficult to maintain.

NATIVE MOBILE APPLICATION

Unlike a mobile web application, a native application is coded for a specific mobile operating system. Many HRMS vendors offer mobile HRMS access via a web browser, but few offer native applications.

PERPETUAL LICENSE

A software license which allows the customer to use the purchased HRMS system indefinitely.

POINT SOLUTION

A system which focuses on one specific discipline or function. These can often be integrated to form a complete HRMS suite.

REQUEST FOR INFORMATION (RFI)

An RFI document often precedes an RFP or RFQ and requests further information from a long list of HRMS vendors. This information is then used to narrow down vendor options during the production of a final shortlist.

REQUEST FOR PROPOSAL (RFP)

An HRMS RFP document is a formal invitation for a vendor to participate in a bidding process when a company intends to purchase HRMS software. Vendors are expected to submit a formal business proposal for fulfilling the stated requirements, including price.

REQUEST FOR QUOTE (RFQ)

An RFQ is similar to an RFP, but used for less complicated purchasing situations. It does not require any supporting discussion or alternative strategies; it is a straightforward request for the price required to deliver a specific product or service.

RETURN ON INVESTMENT (ROI)

A standard financial measurement intended to assess the profitability effectiveness of investments, calculated - in general terms - by dividing the expected return (profit, cost savings, etc.) by the financial outlay.

SOFTWARE AS A SERVICE (SAAS)

An HRMS license and delivery model characterized by a subscription license and central hosting.

TOTAL COST OF OWNERSHIP (TCO)

Total cost of ownership is a phrase that captures the idea that there are other costs in a software acquisition besides the initial purchase price. Annual maintenance fees, tiered licensing fees, expected upgrade frequencies, special consulting services, and hardware costs are a few - but not all - of the additional costs that accumulate over the life of a software purchase.

SELECTION CHECKLIST

To help you schedule your HRMS selection, this 50 step checklist is divided into seven sections. You can also view the checklist as a spreadsheet.

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Requirements gathering

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Return on investment (ROI) forecast

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Vendor shortlisting

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System selection

Download as spreadsheet

SELECTION TEAM

When it comes to HRMS software selection, the wrong team will almost always select the wrong system.

SELECTION TEAM TASKS

1 — Select an HRMS selection project lead

2 — Identify key stakeholders including operational HR staff, HR management and employees outside of HR

3 — Randomly select a cross section of stakeholders to form user groups

4 — Identify requirements for consulting expertise

5 — Define scope and timeline for external consultancy resources

6 — Develop selection consultant shortlist and gather references from previous projects for each

7 — Identify a C-Level executive sponsor for your project

REQUIREMENTS GATHERING

Your HRMS requirements supply cartographic guidance for your selection; mapping existing challenges and future goals.

REQUIREMENTS GATHERING TASKS

1 Create a map of current HR processes to identify bottlenecks in efficiency

2 Identify paper-based HR process and shortcomings of existing HR systems

3 Identify key operational challenges you aim to solve with the new HRMS system

4 Estimate HR staff time currently dedicated to these operational challenges

5 Gather requirements from across the HR department

6 Document role-based access for each requirement

7 Prioritise requirements and provide a brief overview of the motivation behind priority scores

8 Take final requirements to end user groups to gather feedback

SYSTEM SPECIFICATION

Forget the bells and whistles, the success of HRMS software also comes down to core access and platform choices.

SYSTEM SPECIFICATION TASKS

1	○	Identify the total number of users who will require system access
2	○	Determine preferred delivery platform (cloud, on-premise, hybrid etc.)
3	○	Identify mobile access requirements (web-app, native iOS, native Android etc.)
4	○	Define ideal database structure (informed by regulatory requirements)
5	○	Determine any language and currency requirements
6	○	Identify requirements for integration with existing systems
7	○	Document existing hardware environment
8	○	Document existing network environment

VENDOR SERVICES

Often forgotten at the requirements stage, vendor services can require a selection project in their own right.

VENDOR SERVICES TASKS

1	○	Document requirements for support scope and delivery method (phone support, online support etc.)
2	○	Document requirements for training scope and delivery method (classroom training, on-site training)
3	○	Document requirements for implementation consultancy
4	○	Document requirements for external project management
5	○	Identify critical data and reports in your legacy systems (begin with compliance requirements)
6	○	Document data migration requirements for these critical data sets
7	○	Identify external requirements for system and network maintenance

ROI FORECAST

No sign of subjectivity here. Either the investment in an HRMS system makes sense, or it doesn't. The challenge is creating an accurate forecast for ROI.

ROI FORECAST TASKS

1	Identify preferred payment method (SaaS, perpetual license etc.)
2	Define timeframe for TCO and return calculations
3	Forecast the value of each system requirement including time savings
4	Forecast costs for the new system
5	Work with analysts and finance to produce final ROI forecast figures
6	Compare ROI forecasts for the new HRMS with those of other prospective points of investment (HR-focussed or otherwise)
7	Report on ROI forecasts to senior management and seek project approval

VENDOR SHORTLISTING

Now begins the true "selection" phase. Are you ready to narrow down hundreds of solutions to a shortlist of HRMS systems?

VENDOR SHORTLISTING TASKS

1	Research HRMS employed by similar companies (scale, regulatory environment etc.)
2	Identify HRMS solutions that meet your key requirements
3	Identify point solutions that meet your key requirements
4	Compile initial shortlist of vendors
5	Produce an RFI document and send to shortlisted vendors
6	Narrow shortlist based on RFI responses
7	Compile requirements and business processes in an RFP document
8	Narrow shortlist based on RFP responses to produce final shortlist

SYSTEM SELECTION

You can see the finish line. There is light at the end of the tunnel (or at the very least, a difficult decision).

VENDOR SELECTION TASKS

1 ⚪ Define the scope for your ideal software demonstration

2 ⚪ Build selection teams to attend software demos including user group members

3 ⚪ Book demonstrations with each vendor on your final shortlist

4 ⚪ Seek at least two to three references from each prospective vendor

5 ⚪ Produce an RFQ document and send to all vendors that were demoed

6 ⚪ Assemble selection committee to review all RFQ responses

7 ⚪ Make final selection decision and proceed to contract negotiations

HRMS SOFTWARE PRICING

PRICING MODELS

Despite the many pricing permutations – and leaving aside the 'freemium' option that some vendors offer – there are basically two types of HRMS pricing model: the subscription and the license; to put it into more evocative terminology: the rental and the purchase.

The subscription approach is common with off-site cloud HR packages and its popularity has risen due to it piggybacking on the Software as a Service (SaaS) model. The subscription payment is usually made on a monthly basis and the amount is often dependent on either the number of system users or, more frequently, the number of employees in the client organisation.

The license fee is a more traditional model and is still largely associated with systems running via on-premises servers. This is the "you-buy-it-you-own-it" model and carries a greater degree of responsibility for the system's operation but also a greater degree of freedom.

SUBSCRIPTION BEATS LICENSE

A subscription model often costs less up front and it's largely on this basis that it's become so sought-after, especially among small to medium-sized businesses who may not want a high initial outlay. The license fee (i.e. purchase cost) isn't the only factor that makes the 'day one' cost of the perpetual license more expensive. Licensed, on-premises software usually costs more to customise and integrate with your other HR and business systems. Similarly, depending on your requirements, you may incur additional hardware and middleware costs as part of the installation. SaaS HRMS vendors tout their low to non-existence maintenance costs, with 'owned' systems generally needing more in the way of manual upgrades, updates and patches.

LICENSE BEATS SUBSCRIPTION

So far, so SaaS. However, licensing HRMS is like buying a home; it may cost a lot up front but once you've paid for it, it's yours. The tenant in the property next-door will be paying rent every single month for as long as they live there; even if they decide to move, they'll be paying rent somewhere else. In that sense, the ongoing costs of the subscription approach are greater and, sooner or later (most sources suggest around the seventh year of use), the costs begin to converge. Before long, the total cost paid for the subscription outweighs that of the license. Bear in mind that these days, most businesses are buying HRMS hoping/expecting to get 10 years use from it at a minimum.

Furthermore, SaaS HRMS is often less customisable, and it's cheaper to maintain simply because there is less upgrading and updating being done – what you see is what you get.

At the end of the day, it's "horses for courses" and your decision depends on your business requirements. To stretch another analogy, it's the difference between buying ready-to-wear and going to a bespoke tailor: if you have a generic size and shape, you may be able to walk out of the shop wearing your HRMS SaaS suit, but a perpetual license outfit will not only fit you perfectly but it may last you a lifetime.

Hopefully this clarifies a few terms you may have seen during your research and will better prepare you for these costing terms coming up in conversations with vendors.

HRMS PRICE LIST

Pricing Information from September 2015.
Follow the source links for more information.

HRMS VENDOR	HRMS PRODUCT	PRICING MODEL	COST	SOURCE
BambooHR	BambooHR	Monthly subscription	$8 / employee	ⓘ
Breathe HR	BreatheHR Micro	Monthly subscription	$15 / employee	ⓘ
Cezanne HR	Cezanne HR Core	Monthly subscription	$2 / employee	ⓘ
EmpXtrack	EmpXtrack Basic	Monthly subscription	$1.25 / employee	ⓘ
FreeHR	FreeHR	Free	*Free	ⓘ
IceHrm	IceHrm	Free	*From free	ⓘ
OrangeHRM	Orange HRM Open Source	Free	*Free	ⓘ
People HR	PeopleHR Starter	Monthly subscription	$1.60 / employee	ⓘ

People Trak	PeopleTrak LT	Perpetual license	$9.95 / employee	(i)
Planday	Planday	Monthly subscription	$2 / user	(i)
SutiHR	Suti HR Professional	Monthly subscription	$2 / user	(i)
tribeHR	TriberHR Starter	Monthly subscription	$5 / employee	(i)
Zenefits	Zenefits Core	Free	*Free	(i)
Zoho	Zoho People Standard	Monthly subscription	$39 (<25 Users)	(i)

Pricing information reported on 15 October 2015. Pricing displayed corresponds to lowest pricing tier available.

* There is no such thing as a free lunch (or free HRMS in many cases). Be sure to read our explanation of free HRMS on page 19.

HOW THIS DATA WAS GATHERED

Pricing information for HRMS software is notoriously difficult to pinpoint as the costs involved can display extensive variety from project to project . The information shown above was gathered from a variety of public sources including, where possible, the vendor's pricing documentation (click on the source icon next to each product for more information). This data should be used as a rough estimate of HRMS prices and does not constitute an official price quote. Please contact customerteam@hrmsworld.com to report pricing changes.

FREE HRMS EXPLAINED

You've probably heard the phrase, 'if it sounds too good to be true, it probably is'. How about, 'anything free isn't worth having'? On the other hand, 'they' do say, never look a gift horse in the mouth… Enough clichés, the real question is, is free HRMS software really free? And if it is, how can the vendor afford to give it away?

DOES 'FREE' HRMS MEAN FREE?

The answer in purely monetary terms is likely to be yes. When the likes of OrangeHRM and FreeHR say their system will cost you nothing, that's true. Your bank account balance won't change at all; it's download and go. Of course, there are costs other than financial… Free HRMS packages tend to be basic and stripped-down (not in all cases, but mostly so). For example, IceHRM is slick, modern and – of course – free, but it only offers personnel recordkeeping, time and attendance monitoring and leave management. Now it might seem churlish to complain, but if you'd really benefit from a learning and development module, or software to run your payroll then what you're getting for nothing only meets some of your needs. Factor in the cost of buying those functions elsewhere, then the lost opportunities from running separate and non-integrated HR software and ultimately it might be less painful in the long run to buy a shiny all-in-one package from the get-go.

WHY WOULD A VENDOR OFFER FREE HRMS?

As to how these vendors can afford to operate as a charity, the simple answer is that they don't. The free options are almost always for a limited number of employee records or users, or the ongoing support package is a pay-for added extra. Nothing underhand about it at all; they just use the 'freeware' as a loss leader and as an advertising platform, eventually making their profits on other products.

Then you need to consider the other costs of implementing new HR technology; training, data cleansing, possible hardware upgrades. Long-term, 'free' isn't free; but on the other hand, for the right business with the right needs, these options are still viable.

EXAMPLES OF FREE HRMS

OrangeHRM is a well-established free HRMS system which is also open source, so if you've a passion for software development you can tinker with it to your heart's content. That said, OrangeHRM's hosted SaaS option carries a fee, so if you want the flexible benefits of a cloud system, you need to reach for your wallet.

IceHRM is well-nigh perfect for a micro-business because if you have less than 10 employees, they'll even throw in free hosting, which gives you free HRMS in the cloud. That said, it's unsupported at this point in their pricing model. If you want aftercare or if you expand past a headcount of 10, there's a fee.

Finally, **Zenefits** remains fairly unique on the market. With Zenefits, size doesn't matter and you get HR management, payroll, benefits, and even 401(k) without a price tag. The reason is that Zenefits doesn't do any of these things, they provide the software interface between you and the outsourcing companies who do; Zenefits get their fees from those providers.

THE TCO OF HRMS

The old phrase about knowing the price of everything and the value of nothing is often strangely reversed when it comes to HR software. Most businesses see the value in having an up to date HRMS, but it's very easy to be misled about the price.

COMMON ELEMENTS OF TCO

The TCO, or total cost of ownership, is the key figure, the one you look behind the price tag to find. TCO matters because what you pay at the point of purchase (or subscription) is only part of the picture. The price of your HRMS is whatever it costs you during the entire time you're using it; that cost goes beyond what you hand over to the software vendor.

So what goes to make up the total cost of ownership? First of all, naturally, comes the one-off cost of the license or the monthly subscription fee (depending on which of the two basic pricing models you're going for). Then you should consider the following factors: labor costs (both internal and external), data cleansing and migration, updates and maintenance for the lifetime of the system, then there's staff training – quite apart from the cost of buying or developing a training package/ materials, the trainees (and usually, in these days of employee self-service, that's every member of staff) will need to take time away from their day jobs.

SUBSCRIPTION TCO VS LICENSE TCO

So, are there any differences in TCO between the subscription and license pricing models? The short answer is, yes. Perhaps for a start, just to be pedantic, subscription model SaaS systems should have TCR (total cost of rental) instead of TCO. But let's not get bogged down in the nomenclature...

Installation is often cheaper for subscription systems – being off-premises means there are fewer hardware costs, and cloud HRMS tends to be much less customizable, much more of an 'off-the-shelf' experience; this may mean it's less flexible but it's also cheaper. SaaS systems also tend to have a far less dramatic upgrade schedule compared to 'traditional' licensed options. Similarly, maybe due to its online nature, user training for a SaaS system is more likely to be online, saving on the inevitable overheads of face-to-face training.

That said, on-premises HRMS is still perceived to be just more secure and should a data breach occur, you might find that the upfront cost savings of storing all your HR information in a distant data centre are wiped out by recovery costs and non-compliance fines. Also, the longer you use the system (and the previous industry lifespan of 5 years has increased in recent years as businesses seek to get more value from their IT investments) the more inevitable it is that your monthly subscription will add up to far greater than any initial license fee.

The total cost of ownership will ultimately vary from business to business. Knowing how ready you are for the HRMS implementation will give you an indication of any costs you may incur outside of the actual investment.

HIDDEN COSTS & ROI

Return on investment is the holy grail of any project and implementing a new HRMS is no exception. While the first thought in business often turns to the bottom line, i.e. money, HRMS ROI may be evidenced in one of three ways: financial savings, staff savings, or improved efficiency of HR services. However, simply looking at the system's price tag, your HR department's headcount figures or KPI performance is not enough.

MUDDIED WATERS

As mentioned previously, the pricing model associated with a system often influences the costs which manifest themselves over the lifetime of the system. Clearly, with the license, the longer you use the software, the better your ROI as the initial payment is effectively 'spread' over more years; whereas the longer you use a subscription service, the more you pay.

That said, a few years ago, in the earlier days of SaaS, a study of businesses who changed from licensing software to subscribing to SaaS solutions found the ROI on such systems was 1.7 times better. These days, subscription fees have increased and businesses tend to hang on to their software for longer meaning these waters may have muddied further. Regardless of the pricing model employed, there are significant hidden costs associated with all HRMS projects.

HIDDEN COSTS

System installation – the cost of implementation, getting it all up and running; including data cleansing and migration, plus any initial hardware costs if you're deploying your HRMS on-premises.

System upgrades – the periodic costs related to upgrading to the latest version.

Direct labor costs - the cost of employing the staff necessary to support the system (these tend to be more when you need in-house IT staff to support on-premises hardware).

Outsourcing costs – costs deriving from any outsourced services.

Direct non-labor costs – including selection and implementation consultants, the vendor's added extras and/or facilities, plus any related corporate overheads such as the downtime as staff/users undergo system training.

System maintenance costs – the IT costs specifically related to maintaining the system.

Indirect labor costs - labor costs for employees involved in 'HR activity' that is directly related to the system (e.g. collection of staff data, timesheet monitoring, answering staff questions, and so on).

Finally, it's not only a question of what you pay, but also how you pay it. That's the operating vs. capital expense issue. Depending on your organisation, you'll find it easier to obtain and manage operational expenses or capital funding. That aggravation (whichever way around it is) can make a significant difference to your choice because – once again – the pricing models differ. Given that SaaS/cloud systems are effectively being rented, the subscriptions are classified as operational expenses; however, a perpetual license is usually seen as a capital cost.

Although the wealth of options when purchasing HRMS software may seem daunting, the secret to success is to use your requirements gathering and planning phase to make the tough decisions for you.

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AN INTRODUCTION TO HRMS RFPs

You're looking for a new HRMS. The business case has been made and signed off. You know exactly what you need by way of functionality and you have established the HR processes this new tech must support. You have a budget. You almost certainly have a project plan (even if all the details have yet to be added). The next step is to go to the market and invite some vendors to make proposals.

Of course, you could simply make a few calls to random vendors you've googled and ask them to pop round and show you what they've got. You could, but if that approach results in you acquiring the most appropriate system for your needs and budget then clearly you are one of the more fortunate people on the planet!

WHAT IS A REQUEST FOR PROPOSAL?

Instead of relying on good fortune and Google, you should create a Request for Proposal (RFP). A clear statement of requirements that lays out what you want, why you want it, and how you intend to evaluate systems as part of the selection process. It's in response to the RFP document that interested vendors will then submit a proposal.

"your RFP should create a level playing field for vendors and make it easier (and quicker) for you to reach a decision"

Put simply, your RFP communicates your HRMS requirements framework to software vendors so they can present their products in the best possible context and enables you to assess vendor's offerings against an established set of criteria. In other words, your RFP should create a level playing field for vendors and make it easier (and quicker) for you to reach a decision.

HOW DO YOU KNOW IF YOU HAVE A GOOD HRMS RFP?

For a start, when a potential vendor reads it, they should be left in no doubt about the current state of your business's HR technology needs. If they can properly understand your existing HR processes and your vision for improvement then they can focus on demonstrating how their product will fulfill your specific requirements. And if they can't demonstrate a fit against your RFP, you have a framed argument to drop them from your final shortlist.

A successful RFP should, paradoxically, make narrowing your shortlist more difficult. Intelligent vendors (the kind you want) will ensure their proposal clearly addresses each item in your RFP, meaning you have to shortlist from high quality, relevant offerings. A quality problem and reflection that your RFP has done its job.

It's also worth bearing in mind that your RFP is part of the legal bidding and contracting process. In essence, this first formal communication between you and the ultimately successful vendor is the foundation of the future contract between your two organizations. Another reason to make it a precise and unequivocal expression of what you want.

Finally, the process of putting your RFP together has another benefit... it forces you to review your HRMS requirements. If they're at all unclear or muddled, you have to lick them into shape because muddled requirements results in muddled proposals, which may force you start the process all over again. Investing time and care in your RFP process ensures your HRMS needs are crystal-clear and greatly increases the likelihood you'll select the most appropriate system for your organization.

OUTLINING YOUR HR REQUIREMENTS

This first step in developing your HRMS RFP is to illustrate your organization's context and base level HR requirements; listed, prioritised and documented.

As part of the original business case and/or scope document for the project, you'll have conducted a comprehensive review of your HR processes and systems and drawn up a list of HR requirements you expect the new HRMS to support. If you didn't, do it now. It's this review that forms the basis of the RFP; it's your shopping list, itemising everything you want and, hopefully, everything you'll find in a vendor's HRMS. Here are some areas to consider.

WHAT ARE YOUR CORE HR REQUIREMENTS?

You'll have a list of functionality you have identified to be central to the success of your organization's HR wellbeing. This list will be part legacy document (what works now and what is immovable) and part visionary statement (where you want to be). Once you have established and communicated your core requirements you can explore the outer reaches of each vendor's products safe in the knowledge that the foundations of your new HRMS are understood and accepted.

CLARIFY THE ESSENTIAL AND DESIRABLE

You'll quickly realise a modern HRMS is almost infinitely enhanceable. Your prospective vendors will have no shortage of modules and apps for you to consider. But there's a caveat: just because it's possible and just because you can have it, doesn't mean you should. If you find yourself (or your project team or sponsors) getting over-enthusiastic about non-core requirements, then take a step back and re-assess the list of potential enhancements in a frame of what will be business-critical over the next few years and what will be 'nice-to-have'. In other words, create two lists of criteria: essential and desirable and make it plain to vendors which is which.

CONSIDER ACCESS TO YOUR HRMS

Ask yourself what you expect and what would you like in terms of employee self-service and manager self-service. Do you simply want people to be able to update their own personal details

or will they be accessing work schedules from mobile devices, making online requests for time off, booking themselves on training courses (with automatic notifications to line managers and subsequent prompts for them to jointly complete pre-course preparation), do you hope to use the HRMS to leverage a whole new era of social collaboration in your corporate culture…?

CONSIDER YOUR CURRENT HRMS

By way of context you should also provide some insight into your current HRMS, if you have one. What levels of functionality you want to maintain and what you want to improve. For example, does your current system have difficulty integrating with other business intelligence systems; maybe it has limited capabilities when it comes to predictive analytics, or lacks mobile functionality, etc.

Just remember, whatever you're asking for, you need to know how you're going to measure and assess it when it's placed in front of you – i.e. have a clear criteria evaluation system.

PROVIDE THE BIGGER PICTURE

Finally, give vendors the bigger picture, the wider context of what your business or organization stands for. Its vision and purpose, key strategic goals, core markets or clients, your staff numbers (full-time, part-time, casual/contingent/agency etc.), any anticipated expansion projects in the next few years, any particular compliance areas when it comes to HR and people management.

Put simply, If they understand you then vendors should be able to present a system that will work for you.

HRMS REQUIREMENTS TEMPLATE

Table 1. shows an HRMS RFP requirements template covering recruitment, onboarding, learning & development and more. This table structure can be expanded to include any functional and technical specifications that you identified in your requirements gathering project. To download an expanded version of this table as a spreadsheet, click here.

VENDOR RESPONSE KEY

OOB = HRMS requirement is provided Out-of-the-Box

CUS = HRMS requirement is available through customization

BOL = HRMS requirement is available through a bolt-on at additional cost

3RD = HRMS requirement is available through integration with 3rd-party software

FUT = HRMS requirement will be available in the near future (define a timeframe)

NA = HRMS requirement is unavailable

Table 1			Vendor Response					
Feature Requirement	Priority	Timeline	OOB	CUS	BOL	3RD	FUT	NA
Talent Management								
Recruitment								
Automated publication of jobs to job boards								
Custom recuitement funnel for applicant tracking								
Resume parsing								
Referral rewards								
Recuitment scheduling								
Collaborative candidate notes								
Integration with LinkedIn								
Hiring analytics								
Onboarding								
Customizable onboarding process								
Probationary periods								
Eliminate paperwork with digital data entry								
New hire system access prior to start								
Learning & Development								
Integration with external training services								
Internal training directory								
Reminder notifications for course start & end								
Optimum next job to start at shop floor level								
Mobile access to training courses								

HOW TO GET BETTER RESPONSES TO YOUR RFP

The more you can standardise the format and shape of vendor responses to your HRMS RFP, the easier your selection decision, and any subsequent discussions with individual vendors, will be.

Firstly, as well as outlining your core requirements, your RFP should provide an order of priorities and timescale of implementation.

You should ensure each vendor provides basic information about their product in an easily-comparable format. One way of doing this is to provide a limited range of initial responses to each requirement, such as:

• Basic, out-of-the-box option

• Available as a standard 'bolt-on'

• Only available as a custom option

• Available via a 3rd-party partner

• Will be available in the future (if so, when?)

• Not available

You can allow room elsewhere for the vendors to wax lyrical about the subtle nuances of their products, but this type of formatting framework will make your shortlisting much easier.

Other key information that you will want to demand of all vendors includes:

Timing and scheduling – you've been clear on your timescales, you need vendors to put into writing what they can deliver by when, and with what resources.

Key personnel – you need to know the names and backgrounds of any key personnel. After all, if a vendor promises expert implementation consultancy as part of their package, you want to know who you're getting, what experience and skillset they have, and therefore be able to legitimately challenge any role changes later on when the project is under way.

Cost – this is where you expect them to lay out the details of their licensing structure, both as a total figure and a breakdown that clarifies issues such as number of users, customisation, ongoing maintenance and support, upgrades, and the payment terms.

Having established the basics of what the system can do, when it can be delivered and who will be carrying out the delivery, there are a couple of further issues you will need to clarify with all vendors (or at least all vendors who want a chance of making your shortlist).

"The more you can standardise the format and shape of vendor responses to your HRMS RFP, the easier your selection decision, and any discussions with individual vendors, will be."

The first addresses a key risk factor when entering into a long-term relationship with any supplier: viability. After all, whatever form of license you agree, your hope is that this HRMS will serve your needs for a number of years and you need to be certain the vendor will be around to support it. So, your RFP should include a request for financial information, at least sufficient to be reassured they're in reasonable shape as a business; namely, financial results, product investment levels and client acquisition rates.

The second point is the need for references. A minimum of two (preferably three) references from previous (ideally existing) customers should give you some additional perspective. Your HRMS RFP should request the name of the business, basic details of the service/product provided (so that you know it's comparable to your own requirements) and a contact name for following up.

DEFINING YOUR HRMS SELECTION CRITERIA

A key part of your HRMS RFP is defining the criteria you will use to make your HRMS selection decision. Some people have been known to balk at this but take a moment to think about it. If you don't tell a vendor the basis on which they and their product will be judged, it's a little like inviting a potential employee to a job interview and only telling them the title of the vacancy. If you don't tell them what the duties are or the skills required, they cannot prepare properly and you essentially set them up to fail. It's the same principle with selecting a new HRMS.

Your RFP should include a clear statement of the relative importance of each of your requirements and, ideally, a scoring mechanism to illustrate how you will use the vendor's responses to measure suitability.

For example, the selection criteria section of your RFP will likely be grouped under the following headings or something similar. In a sense, this section pulls together, in one place, the items to be dealt with in more detail throughout the RFP document.

THE SYSTEM ITSELF

These are the HR process-related requirements regarding functionality, i.e. what you need the system to actually do. Naturally, the essential criteria/requirements are must-haves and if a particular offering lacks one or more, that's a dealbreaker. As well as particular functions and features, this heading includes issues such as data security, configurability, customisability and potential for integration with other business systems.

SUPPORT OPTIONS

This establishes the level (or levels) of available support. The primary focus is likely to be the support package(s) that come with the software, frequency of updates and upgrades (including any downtime issues) and emergency support. Then there's support available through the implementation process which requires a certain degree of expertise and experience which you may or may not have in-house. Consultancy support could be provided by an independent third-party supplier but the vendor may be prepared to bundle such assistance with the system.

VENDOR VIABILITY

As previously mentioned, you need to be assured that the vendor's business is stable enough to last as long as you intend to use the HRMS.

REFERENCES

No vendor is going to provide negative references but careful discussion with a vendor's clients can elicit useful information about how the vendor deals with obstacles in the implementation process or handles unexpected system problems.

Additionally, you'll factor in some of the 'bells and whistles', all the extras that the vendor throws into their proposal. However 'shiny' they are, these cannot turn an unacceptable option into a potential purchase, but they may help to differentiate between two or three front-runner vendors.

As for how to grade or assess performance against the HRMS selection criteria, one simple rating scale that may be used is:

- 0 = does not meet requirements
- 1 = partially meets requirements
- 2 = fully meets requirements
- 3 = exceeds requirements

Of course, there are risks in being overly 'mechanistic' in your assessment but such a scale can help 'sort the wheat from the chaff' and give an objective framework to your HRMS selection criteria.

HRMS RFP FRAMEWORK

A cheat-sheet to help you create a clear and
concise RFP document.

You've defined your core requirements, you've created an RFP format that elicits comparable vendor responses and you've establishes a simple grading system that helps you identify winners and losers.

We've distilled some of these key points into 14-step HRMS RFP framework. Use it as a checklist to ensure you cover all important elements in your HRMS project RFP.

INTRODUCTION

- **Overview** – set the scene, drawing on the HRMS business case to explain why you're looking to make this purchase, at this time, and what strategic business goals it is intended to help HR to support.

BUSINESS CONTEXT

- **Brief introduction to the business** – your organisation's vision and purpose, core markets and clients, staff numbers, office locations, customer locations, relevant expansion projects, particular HR compliance areas.

- **Sector/industry background** – any relevant context from your 'line of work', notable trends that may have an impact on people management, etc.

- **HRMS project** – the goals of the project, including scope, timing/schedule, and key deliverables.

- **Past or legacy systems** – details of previous HRMS (if any) and any other relevant business intelligence systems, especially there are integration requirements.

- **Hardware and systems** – relevant in-house platforms, infrastructure and resources.

- **Project team** – key personnel with responsibilities for delivering the new HRMS.

- **Stakeholders** – details of key stakeholder groups with interest in and/or influence over the HRMS project.

BUSINESS REQUIREMENTS

- **HR processes** – full details of the HR functions and procedures that will require HRMS support. These should be drawn from the original business case and/or scope document and include any additional functionality, such as ESS/MSS and predictive analytics, that you are intending to leverage. Each requirement should indicate the priority, timing, reason/need, any integration or configurability requirements and any additional expectations. It's good practice to invite the vendor to state degree of availability of each requirement in their product. (You may wish to give details of the rating scale you intend to use in the selection/shortlisting process).

VENDOR INSTRUCTIONS

Be crystal-clear about the format in which you require a response from the vendor, including:

- **Timing and schedule** – be clear about the timing and deadlines for responses that vendors must follow in order to be considered.

- **Key people** – ask for full details of the relevant personnel that the vendor would deploy as part of your HRMS project, including their experience, skillsets, particular expertise and availability.

- **Cost** – a breakdown of the cost of the product, including licensing, support options, customisation, maintenance and any consultancy.

- **Viability** – proof of the vendor's financial stability.

- **References** – at least 2-3 previous/existing satisfied customers who can be contacted and whose requirements bear a degree of comparison with those of your own organisation.

This guide was written by Dave Foxall, HRMS World Columnist, with contributions from Kathryn Beeson, HRMS World Editor

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