Will Your Human Resources Information System (HRIS) Deliver?

AVOIDING COMMON MISTAKES THAT ERODE VALUE

Over the past 20 years, companies have embraced the idea that the knowledge and skills of their workforce drive the majority of their value creation. Yet most still spend more time and money measuring and tracking their physical assets than their people.

90 percent of the Fortune 1000 companies will replace their HRIS in the next decade. It is easy to slip into the misconception that replacing an HRIS is a simple technology change. To be sure, an HRIS solution can improve the speed and accuracy of HR reporting, reduce the cost of the HR department and increase employee engagement; however, the likelihood that these benefits will materialize is as much about how an organization goes about its HRIS implementation as it is about the technology itself.

Avoiding common mistakes

The truth is these tools are not silver bullets. In fact, if an organization thinks an HRIS, alone, will solve its talent management challenges, it is almost guaranteed to fail.

Conventional wisdom tells organizations that "if they build it," the automation of HR transactional tasks and the availability of new workforce data will create the capacity and insights necessary to improve retention and engagement. Common and avoidable mistakes often produce systems that deliver the automation, but have very little strategic value to the organization beyond that.

Before making this significant investment, consider some of the lessons gathered from our work helping countless companies navigate this change:

Secure leadership across the organization

First of all, to make this transformation effective, it cannot be an initiative exclusively led by HR. If the solution is to support the company's strategic initiatives or have a sustainable impact on the organization, the involvement of all senior leadership is a must. The first, and perhaps the most important, task is to align key leaders — the Chief Financial Officer, Chief Human Resources Officer, Chief Information Officer and Chief Executive Officer — on talent strategy and how an HRIS solution should enable it.

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Before going any further, an organization's leaders should all be in close agreement on what success looks like both from a system perspective and a behavior perspective. This central point of view will act as a compass through the entire process and will help the team to avoid costly delays later as different stakeholders quibble over competing priorities.

Don't shortchange the upfront planning and requirements gathering

Too often companies believe they have a deep understanding of their organizations' business and technical requirements, but they have not actually spent the necessary time interviewing stakeholders across the company and understanding their needs. Requirements cannot be defined in an "HR vacuum." Key stakeholders from HR, finance and accounting, and operations should all be asked to contribute.

Case in Point

We had a client who bought and began implementing an HRIS system without any formal requirements gathering or business case development. Leaders felt fairly confident that the system was a good fit based on perceived needs and target return on investment (ROI).

As implementation began, however, the client realized the system lacked critical functionality, requiring numerous customizations and, in some cases, manual workarounds that significantly delayed go-live and increased costs. By the time the implementation was done, the client spent 10 times what it expected and the end product was a subpar system that failed to meet the business's needs. Requirements gathering and planning matter. They set the stage for success.

A strong understanding of the business requirements is critical to the ultimate success of the project. Not only does it help an organization choose the right provider, but it also represents one of the first steps in encouraging adoption of the new solution. If you do not have an internal resource who has credibility with the diverse stakeholder groups and who understands business goals and can translate them into technical requirements, you may want to consider finding an experienced, objective partner who can lead the organization past any blind spots it may have to gather, prioritize and finalize a comprehensive list of business and technical requirements. An unbiased voice at this stage can facilitate tough trade-offs, early, and avoid costly customizations late in the game.

Choose the software provider that is fit for the organization

There are hundreds of HRIS vendors. It can be incredibly daunting to select the right one for an organization. With so many new, smaller and less expensive offerings, companies can make a hasty decision, which could require future customizations that negate any cost advantage, or even worse, fail to deliver the anticipated benefits.

When an organization does not have the right tools, there are real consequences — it can impede strategic planning, create cost overruns or make an organization less competitive against its peers. When selecting a provider, organizations should focus on three key areas of fit: 1) Fit against company strategy, 2) Fit against business requirements and 3) Maximization of the business case or ROI.

In evaluating these three criteria, consider functionality, cost, ease of integration, operational effectiveness, business segmentation and scalability, as well as the system's ability to engage employees including mobile, social networking and messaging capabilities.

Do not underestimate resistance to change and the impact on value

To more effectively manage people assets, organizations will need to do more than replace their technology. They must undergo a mindset shift and drive the necessary behavior changes across the organization.

All people naturally resist change; however, resistance is especially strong in established companies with many long-term employees. People will have difficulty changing what they have done the same way for five, 10 or even 20 years, but allowing this tendency to drive costly customizations not only erodes potential value, it squanders an opportunity for massive improvements to productivity and performance.

The answer is early engagement with employees to help them understand the overarching business case for transformation, highlighting not only the benefits to the organization, but to each group impacted. Employees are much more likely to support and adopt change when they feel invested in the process and outcome. "Widening the tent" to include more people in requirements gathering and testing phases and securing strong executive sponsors who can support communications and training will go a long way to quieting internal resistance.

Consider an experienced, objective partner to help select your software provider and navigate the process

These systems do not come at an insignificant cost, and the usual players all have their own motives that will influence their advice and recommendations to an organization replacing its HRIS. For instance:

- **HRIS software providers**, who sell a given product, are interested in one primary goal — maximizing the number of seated users and revenue from their customers. They want to close the deal now so they can hit their quota and hand an organization off to an implementation partner.

- **Implementation partners**, also known as system integrators, are charged with moving an organization on to the selected platform. Their focus is deploying a standard (i.e., noncustomized) process that will consistently deliver technical viability according to agreed-upon timelines with little concern for whether or not business value is achieved.

An objective resource or third party with experience planning for, selecting and implementing HRIS solutions can provide leadership and guidance to an organization, helping it avoid common mistakes and increasing the likelihood that the desired outcomes are achieved, without any competing motives.

Case In Point

A global client of ours struggled with how to select and implement an HRIS system that could satisfy the needs of its international business units. International operations had very specific requirements. The risk of implementing a system that failed to deliver could impact critical business activities, and in some cases, violate regulations within the units' home countries.

We instituted a formal structure to gather and prioritize requirements across global operations, and without financial ties to or bias for any one provider, we were able to lead the system selection process in a way that ensured selection of the software provider who could best satisfy the client's needs at an optimal ROI.

SUMMARY

One of the best investments a company can make to improve the bottom line is to ensure it is effectively recruiting, training, incenting, engaging and retaining its top people. A new HRIS solution can automate many of the transactional components of HR and either reduce HR headcount as a cost savings or allow for the reallocation of these resources to higher value activities to help the company place the right people with the right skills in the right roles to support their vision of the future. The way in which an organization plans for, selects and implements a solution impacts whether or not a solution will simply automate or drive real strategic value.

Remember:

1. **Secure leadership across the organization.** To be successful, it cannot be an initiative exclusively led by HR. Gain alignment to create a compass on how HRIS will support the organization's overall talent strategy.

2. **Don't shortchange the upfront planning and requirements gathering.** Almost universally, companies understand less about their technical and business requirements than they think they do. A disciplined approach not only helps you choose the right provider, but also represents one of the first steps in encouraging adoption of the new solution.

3. **Choose the software provider that is fit for the organization.** Consider fit against company strategy, fit against business requirements, and the business case or ROI for each provider before selecting a partner.

4. **Do not underestimate resistance to change and the impact on value.** Over-customization to support "the way we have always done it" is costly and erodes value. Be inclusive, over-communicate and provide adequate training to bring key stakeholders along.

5. **Consider an experienced, objective partner to help select your software provider and navigate the process.** An objective resource or third party with experience planning for, selecting and implementing HRIS solutions can provide leadership and guidance to an organization, helping it avoid common mistakes and increasing the likelihood that the desired outcomes are achieved, without any competing motives.
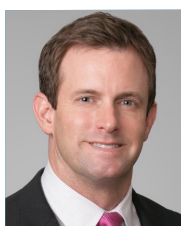
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Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change and achieve results.

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