Selecting an online HR software system

This guide provides a check list of the key questions you should ask when evaluating online HR software systems. It will help you to identify ‘true’ SaaS vendors from those who are offering hosting by another name – and highlight those areas where you may want to focus your attention in order to ensure that you are getting the best possible return on your investment.

Selecting a new HR software system – especially if it’s for the first time – can be challenging. Not just because there are so many different solutions to choose from, but because the technologies underpinning them have changed enormously in recent years.

The first significant shift was the arrival of the World Wide Web. New browser technologies made employee self service, with the associated benefits of reduced administrative overheads and improved process efficiency, an attractive option for many organisations. And, HR software could now be hosted offsite, reducing the dependency on internal IT services (although rarely the cost).

Today, an even bigger change is underway: the delivery of HR solutions as Software as a Service (SaaS).

This new technology is having a major impact on every aspect of HR software – from the way it is supplied and charged for, to the frequency and type of product enhancements. SaaS solutions are generally proving to be faster to implement, easier to maintain, more up to date and more cost effective than solutions built on older technology platforms.

What has really changed?

The significance of SaaS is not just that software is delivered online or ‘in the Cloud’. The real change is that with true SaaS comes a whole new product architecture that allows software suppliers to not only host and deliver their online services more cost effectively than ever before, but also to take a more agile, customer-centric approach to product development and service delivery.

Questions to ask your supplier

What does the software cost?

Naturally, cost should not be the primary consideration when selecting an HR system. What matters most is that it fits your needs and delivers the business benefits you expect. However, it shouldn’t be ignored either. ROI (alongside return on effort) is an important consideration.

Some vendors still base fees on a combination of modules, users and an upper employee limit (i.e. the number of employees you think you will need to manage over the contract period). This has the advantage of certainty, as you can budget ahead.

However, it also means that you may pay more than you need to, especially if you have seasonal staff, staffing levels that fluctuate or you need to downsize at any time. It’s also often the case that it is easy to adjust your commitment up, but rather more challenging to persuade your supplier to allow you to reduce it during your contract term.

Increasingly SaaS suppliers are taking a ‘pay for use’ approach, where the supplier automatically adjusts subscription fees down or up based on the employees managed. With this approach you avoid the risk of paying for capacity you don’t need, and instead will see your costs vary in line with your headcount.
How do you charge?

SaaS suppliers typically charge a subscription fee that is paid on a periodic basis (for example, annual, quarterly or monthly). Sometimes vendors will ask for payment in advance, others will bill at the end of each period. Make sure you understand the billing approach, so that you can check it's aligned with your budgets. Being hit for a full 12 months subscription fee upfront can make quite a dent in your budget if you’ve not planned for it.

What does the subscription fee include?

Normally, there will be an additional charge for initial training and for any data upload or configuration services you ask the supplier to provide. However, your subscription fee should cover support and data backups, as well as product updates with associated documentation and/or training. Some suppliers make an extra charge for data storage, which can quickly ramp up if you are storing a lot of documents, like CVs or contracts. Make sure you ask for all of the costs up front.

How long is the subscription term?

In the bad old days, software suppliers would tie you in for 3 or even 5 years. When software needed to be installed at your offices, and there was a lot of effort on both sides to implement the solution, this made sense. Today’s online HR solutions are much more agile, so subscription terms should be much shorter. 12 months is common. With business – and software – changing so fast, it doesn’t make sense to get stuck with a long-term commitment.

How frequently do you update my system with new features?

True SaaS suppliers have developed their HR systems from the ground up to allow them to deliver product enhancements much more frequently than was possible in the past. All customers are kept on the most up-to-date version of the software, so the supplier isn’t challenged with managing and maintaining clients on older releases. Instead, they can concentrate on adding new features that everyone can benefit from.

You should expect to receive multiple minor – as well as some major – updates each year. If not, or updates are only selectively applied, the chances are the system is simply hosted and not using the latest product architecture. Ask to see the release notes for the previous year, and the plan for the next 6 months. Check whether there are costs to take – or implement – updates. Updates to your existing modules should be completely free. Brand new modules are likely to cost more.

How are updates applied?

The answer should be: “automatically, during our standard maintenance windows”. Rather than the highly disruptive and infrequent upgrades of the past, SaaS suppliers manage updates on behalf of their customers – usually over a weekend during a pre-defined maintenance window. It’s important to check if updates will impact on any configurations that you’ve made, and if they do, who is responsible for managing this and what the cost could be. Talk to some existing customers about their experiences of updates or upgrades.

How quickly can I be up and running?

This depends in part on how ready you are. However, assuming you’ve got your key employee records stored somewhere; know what processes you want to support; have set aside some time for training and are prepared to manage the data input or import yourself, you should be able to get going in just a day or so. Sometimes even faster.

That’s because SaaS suppliers will already have the software and hardware infrastructure in place. So all they need to do is to “provision” your system for you, and send you the logon details.

Can I implement the solution myself, or will I need to buy services from you?

Today’s SaaS solutions are designed to be configurable by the customer. There should be no need for the supplier to customise or configure the product by making changes to the actual code. This not only makes these systems easier to implement, but easier to update too as the supplier doesn’t run the risk of “breaking” customisations each time they add new features.
What happens if I need functionality you don’t offer today?

Should you need extra features that can’t be achieved through configuration, find out from the supplier if these can be included as standard product functionality in a future release. If you do decide to ask the supplier to customise the system for you, make sure you understand how much this will cost - and whether these customisations will be carried forward into future releases of the product or if you will need to pay to implement them again.

How do I add new users or increase the number of employees I am managing?

It should be simple for you to do this yourself. Ask the supplier to show you how it’s done. Also find out how the supplier helps you to manage your service. How do they monitor uptime? What kind of reports do you get to allow you to track system usage? What billing reports do you get? How do you check for duplicated employee records? You don’t want to pay for the same employee twice.

How secure is my data?

Companies have a legal responsibility to keep sensitive data safe, and HR data is extremely sensitive. A quick way to check to see that a company is taking data security seriously is to find out if their data centre is independently audited and certified to a recognised standard. The two certifications to look out for are ISO27001 and SAS 70 Type II. The latter is a US standard, and is based around financial auditing processes. The former is a European-wide standard focused specifically on security.

You should also check that their data centre is based in Europe. If not, you’ll need to consider European data protection legislation.

How do I ensure my voice is heard?

An agile development approach means that the software supplier should be looking to you for ideas – as well as having some themselves! Check to see if the company has some kind of online portal or forum where you can post enhancement requests – and perhaps even vote on ideas posted by others.

What happens if I want to cancel?

Normally, you’ll need to give some kind of notice in order to cancel at the end of the subscription period. Check the terms and conditions to see what you need to do and by when. You should also ask how you get your data back. Will the supplier provide it to you, or are you expected to run the data extracts yourself before your contract ends?

Are you in this for the long haul?

Saugatuck Technology, a US-based research organisation, recently highlighted that simply offering SaaS solutions is no guarantee of supplier viability. In fact, with SaaS, suppliers have to make considerably more upfront investment in the product and in the infrastructure than with older hosted or on premise software. As part of your selection process, you’ll want to look at the kind of customers the supplier is supporting today, their track record of delivering new HR features and products, and their support expertise.

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