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Success begins at the beginning: Choose HR system vendors wisely

BY JACQUES GUÉNETTE

FOR MANY HR departments the purchase and implementation of an HR information system (HRIS) can be a painfully eye-opening experience. All of these projects start out with plans, warranties and a lot of determined, capable people ready to tackle any challenges head on, and yet many — too many — still end in disaster.

Buying and implementing an HR system is an extraordinarily complicated task. The process used to purchase pencils, trucks and inventory does not apply. Rather, the process used to select legal counsel or auditors is more appropriate. Conversely, if the supplier has only a standard contract, you should also be worried. Every implementation is unique, so too should be every contract.

The first step

The foundations for a successful HR system implementation are laid in the selection process. Here, everything begins with the request for proposals. The chief benefit of a well-structured RFP is the standardization of answers to make them comparable. But HR departments are not in the business of conducting a general market survey of dozens of suppliers.

A better pre-selection process would reduce the number of potential suppliers. A comprehensive HRIS has up to 5,000 data elements, many hundreds of tables, millions of lines of code, well over 1,000 screens, and many millions of lines of documentation. To be an adequate tool, an RFP would need to be equally extensive: It's the same subject.

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To avoid this complexity there is a tendency to use generalities like "manages training," "accommodates manual cheques," or "supports skills inventory." But simply saying the system can do these things gives the purchaser only a small fraction of the information required. In other words, there will be many surprises on implementation day.

Devil is in the details

What is the exact definition of a job or a position? It varies with every organization and with every HRIS vendor. The failure to recognize this important fact upfront means a lot of time in heated meetings repeating "We meant this..." and hearing, "But that is not what you said..."

What's more, a vendor may have a much better approach to "skills inventory" than your present approach (that's what the opportunity for re-engineering is all about), but because your specific questions relate to your present concept of skills, you may get a series of no answers and come to a wrong conclusion. Specifics can be as dangerous as generalities because the more specific the RFP is, the more it is describing the past and reducing opportunity for improvement.

Invariably a 10-pound RFP with "completeness" in description of your needs and directions will produce 25-pound answers from vendors. Getting a number of these responses to your RFP will cause more headaches than it's worth.

For example, the basic "comparability" of answers — the purpose of the RFP — is probably lost. The costs of examining these reports as well as followup meetings with all the potential vendors can be very costly.

From the vendors' point of view, the costs in preparing such answers may discourage them from even answering the RFP. The best potential supplier may have walked away. And you will never know it happened. This happens frequently.

The supply side of the market is well fragmented and there are probably not 10 good candidates for your organization. To avoid being inundated with an unmanageable number of RFPs — many from vendors that aren't realistic contenders — you may choose to use a specialized consultant to come up with a very short list of prospective vendors based on the nature of the requirement and available budgets.

These consulting firms depend on their credibility and objectivity for survival and do an honest job.

You can identify the three best potential vendors by examining 20 unknowns at great costs in an RFP, or you can ask one of these specialists who make it their business of knowing all suppliers. Their fee will be a fraction of your RFP costs, and you will save a lot of time and aggravation.

RFI versus RFP

Once the pre-screening is done, send those companies on your short list a request for information (RFI) rather than an RFP. The difference is in the question. An RFP says: Here is what I have and think I need. Do you have it? An RFI says: Tell me about what you have and why you think it is so good.

The answers won't be standardized and easily comparable, but there are only three, not 20 vendors to assess.

Invest in proper demos

With all the time saved from an efficient pre-screening and RFI process, you can now invest properly in the demonstration process. Pre-screened, short-listed vendors that have not invested a lot of money in an RFP now know the process is serious and will submit gladly to it for as long as it takes.

In some cases, for very large complex organizations (25,000 employees), a vendor could be put through six days of intense examination by a revolving group of between 20 and 25 people of various expertise.

This may seem like overkill, but reaching the same decision in three hours, even in a simpler, smaller, organization, may be overconfidence.

Use your time with vendors wisely. If you have just 18 hours, spend nine hours with the apparent best two, or six hours with three. This will be of greater value than spending three hours with six.

Make sure test users don't spend too much time verifying that the basics like the check-digit function works. Assume it does, or will. Concentrate instead on the needs that are the most essential to each user (with a checklist), and explore in depth those that the

Rigid selection process puts you in a corner

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users know to be totally specific to the corporation.

If the software can handle complex issues, and if creative approaches can be identified to meet unique requirements, the odds are the basic needs are well covered.

User involvement

Once a supplier has been identified, there should be an in-depth examination of the software, screen by screen, output by output, process by process, by each prime user.

If you're cornered in a rigid RFP process, this will only be done after the contract has been signed.

The internal costs of this examination must be incurred no matter what approach is taken, and the external costs are built in the global contract. It is better to separate this stage from the global contract. There are a number of advantages in doing so. Users will have conducted an in-depth examination before the global contract is signed. When users know during the demonstration that they'll have a second chance later on, they will be less nervous about committing a major omission mistake and will concentrate on exploring the possible benefits of the system. And finally, the supplier will have the opportunity to learn of the client's detailed needs and prepare a de-tailed plan with the proper information available, not before getting the information. Bear in mind that during the RFP, and the demos, the supplier only listens and doesn't get much opportunity to ask questions.

Implementation plan

The end product of the above process should be a solid implementation plan, with identified costs, a schedule and a contract ready for acceptance by both parties.

It is usually the case that the more air-tight an RFP, the smaller the corner in which you have painted yourself. If you insist on a detailed implementation plan (and even fixed costs to go with it) at the RFP stage, without allowing vendors to get the information they need, prudent vendors will tend to charge too much; imprudent suppliers will try later on to cut the corners.

And then there is the most frequent approach by a third type of supplier. These vendors like to "manage the extras."

They know that the RFP (the "fixed task") described at most 15 per cent of the detailed specifications, that most of the rest will fall in "extra" territory, and that even that 15 per cent will change substantially once the users better understand what they have bought, adjusted for new laws, reorganizations, acquisitions, mergers, changes in third-party carriers, internal policies,

Realistic budgets

NO MATTER how hard you try, you won't find a solution to a $1-million problem with a $100,000 budget.

HRIS vendors support their development costs and they'll have a good idea of what your internal costs should be and what their competitors costs offer.

There are two important points here:
•Tap the grapevine: There are numerous professional associations (International Association for Human Resource Information Management, Canadian Payroll Association) where you can get approximate figures on the costs incurred in similar organizations. Talk openly and informally to established vendors and you'll quickly discover if the budget is realistic or not.
•Be open about the budget and discuss it with potential suppliers: There is no danger or downside to this because every vendor will still make their most competitive bid eventually. The upside is that if the budget is insufficient, you will know upfront. You can then choose to either redefine your problem or redefine your budget before spending a lot of money (and a lot of the supplier's money) on the RFP you can't or won't afford.

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politics and so on.

The last chance

When looking for a vendor to supply your organization with a new human resources information system, you are really looking for a partner to assist in a very difficult task. A hard-nosed approach may look good for the crowd, but remember: suppliers have a lot of experience in the overall process, from beginning to end — you don't.

Suppliers live in a competitive world. They do not have unreasonable margins of profits. If you push them too hard, if you demand they take unreasonable risks or sign unreasonable contracts, they may comply for now, but expect the situation to rebound somewhere later on. When it does rebound, the situation will be unpleasant for all parties, but the odds are that your organization will be committed by the investment in the situation. By then, the supplier will have a long list of the inadequacies in your RFP to defend against the pressure from your executives.

A stiff RFP and a stiff contract commit your organization much more than the supplier, simply because you can not really express your needs completely, nor forecast the changes to these needs in mid-implementation. Canning the project will not make economical or political sense to anyone and changing the supplier will not be a realistic option.

In extreme cases where projects have been canned or suppliers changed, the project leader had his head handed to him.

In a nutshell, an adversarial relationship is not the right context for the success of an HRIS project, nor is it good for any of the individual or corporate parties involved. Establishing a good partnership based on reasonable risk-sharing, dedication and goodwill carries much greater probability of success.

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