# Future-proof and Time-efficient ways to choose a New Payroll/HR System: *A Three Part Series.*

Wow! How exciting; you have decided to purchase a new payroll/HR system. I know, I know the implementation is hard work, but let's have some fun with the review process.

This is a three part series: articles one and two will help you build a future-proof and time-efficient requirements document, while the last article considers short-listing and additional vendor evaluation options (see diagram below). This series has been specially written to provide you, the payroll and HR practitioner with some practical ideas and 'points to ponder' as you journey through this exciting process.

You will be able to use these articles whether you have decided to use an ASP, an in-house, an outsourced delivery model, or in fact you are still undecided.

Let's get cut straight to the mustard: the purchase process for a new system will vary from company to company, but will typically look like this:

A typical Decision Making Process for a New T&A, Payroll/HR System

SnP Consulting 2004
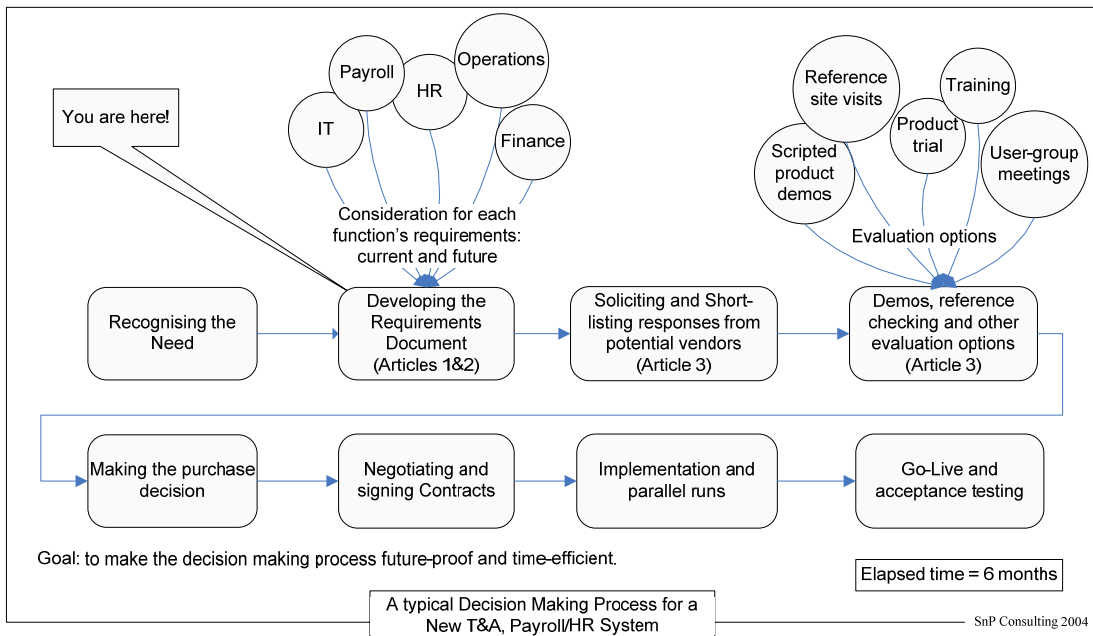
Let's start with the IT requirements and then consider the future and current payroll requirements. As you slip a pizza under the door of your IT department, add a note requesting the hardware and software specs of your application server, web-server, workstations, LAN and WAN. You should also find out what databases and reporting tools they support. Next, include in your requirements document a request for the vendor's hardware and software requirements. We will use this information later to perform a gap analysis and identify additional issues and costs. A user-friendly template can be found on the web[1].

A system review of this magnitude should cover a five year decision horizon. To future-proof your decision it is important to consider external forces in the political, legal and socio/cultural environment[2] that will shape your organisation's payroll/HR system requirements in the future.

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1 http://members.optusnet.com.au/paulamccarthy

2 Kotler P. (1991). *Marketing Management: Analysis, Planning, Implementation and Control*, 7th edition. Prentice Hall, Englewood Cliffs, N.J. p. 72.

Move to a quite place, find a comfortable chair, close your eyes and imagine your payroll/HR world five years from now [said in the velvet voice of the Love God].

OK! Now open your eyes (but hold those thoughts) and let's review the literature to see what the experts say. To save you reading "60 HR predictions for 2008"[3]; here are three relevant predictions:

- Employment contracts will become more creative and support flexibility in hours and work location, and include more 'at risk' pay;

- Company intranets will become major tools for communication with employees; and

- Family and life interests will play a more prevalent role and workers will continue struggle with their work/life balance - and it will get worse;

Did you share the same vision? So if these are the predictions, how do you transpose these into questions on your requirements document? The following table should provide some ideas to help you with this process.

Converting Payroll/HR predictions to Requirements Documents Questions

Payroll/HR Prediction	Ensuing Requirements for a Payroll/HR System	Suggested Requirements Document Questions
Employment contracts will become more creative … and include more 'at risk' pay.	To store many difference leave types, with flexibility on how leave types are accrued, taken and paid out. Employee and company performance ratings need to be stored, linked and flow through to payroll for bonus and salary increase calculations.	Does the system calculate leave accruals based on different pay-codes and leave types? Does the system store employee and company performance ratings, and can the system reference these figures to calculate bonus payments?
Family and life interests will play a more prevalent role…workers will continue struggle with their work/life balance…	Leave rules should be date-effective to cope with changing arrangements. Storing additional employee information in the future.	Does the system have date-effective leave rules? Can the end-user create additional fields? What are the capabilities and limitations?
Company intranets will become major tools for communication with employees.	Employee/Manager-self service (ESS) functionality should integrate with the company's existing intranet. Capabilities should include: payslip access, leave forecasting, leave requests with workflow, and line management reporting.	How could the proposed ESS module be integrated with our existing intranet? What ESS capabilities does the system have?

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3 Anonymous (1998). "60 Hr Predictions for 2008" *Workforce*: January, p. 50.

The purpose of this exercise is to provide a process for thinking about future functionality requirements.

And now ladies and gentlemen, the moment you have all been waiting for: transposing your wish-list into requirements. This is where you get to flex your payroll muscle and lay down the law for the vendors. This is a dynamic process: you start with a wish-list and as you move through the review process and augment your knowledge of the market; your requirements are likely to vary both in content and priority – so keep re-evaluating.

The requirements document will require input from IT, Payroll, HR, Operations and Finance so it is important to make the process as time-efficient as possible. The key to developing cost-and time-efficient requirements documents is to write questions designed to deliberately tease out the differences between the systems and avoid the dreaded 'homogeneous vendor response'[4]. This homogeneous vendor response makes it very difficult to discern which systems to legitimately exclude from the short-list based on functionality. The following table should provide some ideas and 'points to ponder' to help with this process.

Re-Wording Wish-list Requirements into Requirements Documents Questions

Wish-list Question	Functionality Considerations	Suggested Questions for a Requirements Document
The system should provide salary packaging.	Some systems can't store and report the non-paid package amounts like company cars *effectively*. Other systems can store salary package values but can't perform salary packaging modeling.	Does the system provide for 'top-down or 'bottom up' modeling? How does the system store and report the Total Package, Allowances and Sacrifice amounts, and the Cash Salary? Does the system store and use the statutory formulas to calculate FBT for employees with novated car leases?
The system should have an ad-hoc report writer?	Some systems have internal ad-hoc writers others use third party products and some use both. If third party products are used, additional licenses and training may be required.	Does the system use an internal report writer or third party products or both (third party products should be listed)? What information does the user need to know about the database tables to use the ad-hoc report writer?
The report writer should be able to report on any database field.	In some systems not all the database tables are linked. This can make some ah-hoc reports that access different tables very difficult.	Are all the database tables linked? If not, how does the report writer guide the user through the process of linking tables when writing a report?

To achieve this successfully, you do require some knowledge of the different systems; however the purpose of section was to provide a thought process for creating time-efficient requirements documents.

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4 All the vendors answer "Complies" to all the questions on the requirements document or tender.

In the next journal I will go through a similar process for your HR, Finance, and Operations requirements. I hope that you gained some insights - I have certainly enjoyed sharing my knowledge with you.

Paul McCarthy B.A., M.B.A. is an independent consultant who specialises in helping organisations review and implement new T&A, Payroll and HR systems. t. 02 9400 7300 e. snpconsulting@optusnet.com.au w. http://members.optusnet.com.au/paulamccarthy