8 INSIGHTS YOU NEED TO KNOW BEFORE

Choosing HR Software for Your Small Business

by Jaime Lizotte, HR Solutions Manager, ComplyRight

Employee
Training
Employee Onboarding
Integrated Payroll
Performance Reviews
Employee Self-Service Career Development
Recruiting & Applicant Tracking
Succession
Benefits Administration
Employee Handbooks/Company Policies
Time of Management
Documentation & Data Storage
Recordkeeping
Electronic Forms
Timekeeping
Reporting

HRdirect
**smart apps**

WHAT'S INSIDE?

- Why better HR is good for small businesses

- Strategic or traditional HR: Which is right for you?

- Features to consider

- Advantages of online software

- Purchase only what you need

- Tips on choosing an HR software vendor

- Addressing security concerns

- Test drive: benefits of demos and trials

[1]

Small Businesses Deserve Access to HR Software, Too

Just because your business is classified as "small" doesn't mean you should be short-changed when it comes to HR software.
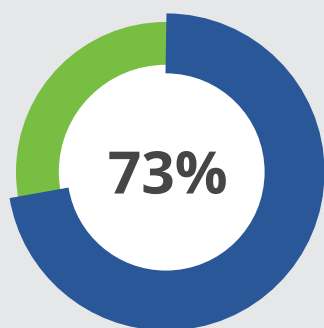
73% of business and HR leaders consider **"digital HR"** an important trend.

Deloitte: "2017 Global Human Capital Trends"

73%

For years, many small businesses shied away from HR software, and rightfully so, when the only game in town was the Human Resource Information System (HRIS). These behemoth solutions are comprehensive — and jaw-droppingly expensive — requiring businesses to spend days exploring, implementing and training to justify the purchase. That might be fine for businesses with thousands of employees, but it wasn't a cost-effective solution for small companies.

Thankfully, the HR software industry evolved. Today, dozens of solutions exist with varying levels of complexity across a bevy of platforms – suited for your desktop, mobile device or Web browser. Great news, right?

Yes, but only if selecting the right HR software for your business and budget was easy.

Which is exactly why HRdirect created this go-to guide. We did the heavy lifting, compiling vital information to help you make the *right* decision when searching for software that organizes, protects and keeps your business compliant now and into the future.

Business Sizes in the U.S.

Based on a 2014 Study from the United States Census Bureau

4%
MID-SIZE BUSINESSES
HR TEAM

34%
LARGE BUSINESSES
HR DEPARTMENT

62%
SMALL BUSINESSES
HR PERSON
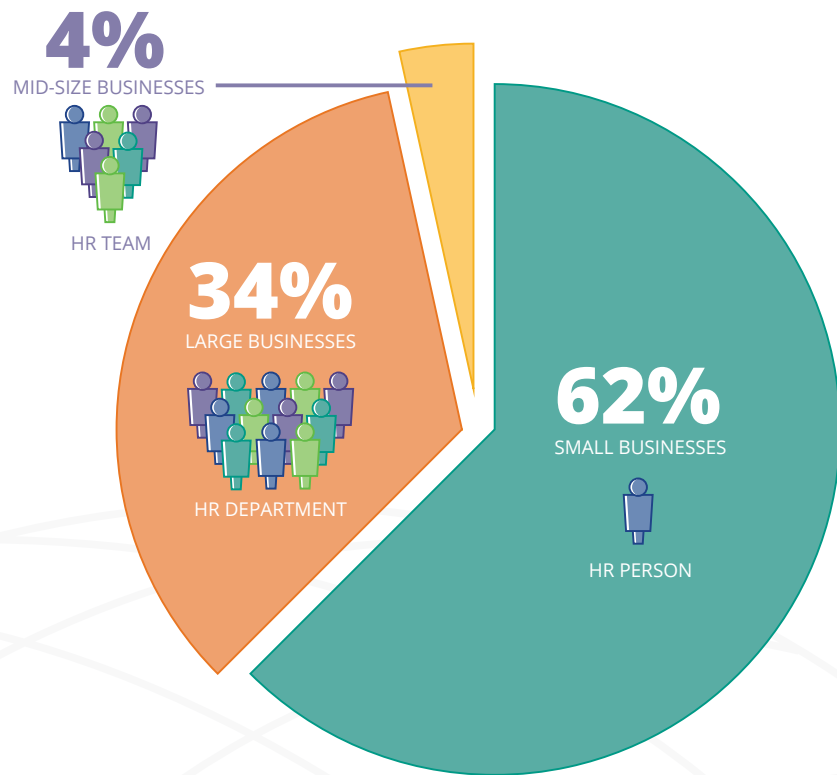
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Better HR Is Best for Everyone

HR tasks have evolved from paper-based processes to desktop software to cloud-based applications. This progression has made it easier for businesses of all sizes to manage everyday HR functions.

Progress, however, is only beneficial if technology advances are readily embraced and not disruptive to productivity. For small business owners, "easy" is often defined by three specific directives:

- "It doesn't cost me an arm and a leg."

- "It's not complicated to understand and deploy."

- "It doesn't take me away from what matters most – running my business and serving my customers."

Your resources are likely stretched thin – especially if you're the Owner/HR Director/ Customer Service Manager/Bookkeeper/IT Director. So, your goal is simple: Find HR software that creates efficiencies for you personally and drives measurable results for the business overall.

PAIN POINTS FOR SMALL BUSINESSES

- **Lack of dedicated HR staff**
- **Ongoing regulatory compliance**
- **Accurate recordkeeping**
- **Hiring carousel**
- **Training employees/ performance metrics**

Positives Outweigh the Negatives

An added benefit of HR software, specifically online or cloud-based applications: It provides an opportunity to engage and empower employees. According to SHRM's 2015 Report on Employee Job Satisfaction and Engagement, "respectful treatment of all employees at all levels" and "trust between employees and senior management" were the top two contributors to satisfaction. Whoa! That's a revelation: Empowering employees by providing them access to a portion of your daily responsibilities may have a positive impact on their job satisfaction.

DID YOU KNOW?

Small businesses that have embraced digital technology show faster growth than companies that have not.

"Thriving in the Digital Economy", An IDC InfoBrief, sponsored by SAP, February 2016

Here are four additional ways HR software helps you manage your business better:

[1] **More effective decision-making.** Dashboards and other reporting tools provide easy access to key content and allow you to navigate quickly to important information when you need it.

[2] **Productivity improvement.** Automated processes are much more efficient than manual input via old-fashioned files and folders. Online scheduling and shift management provide self-service solutions for employees, shifting daily management away from managers.

[3]
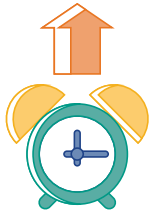
Measurable ROI. The initial time and effort invested to implement a new system may seem daunting, but the amount of time saved once your HR tasks are automated will be noticeable. The efficiencies gained through improved scheduling, time clock and personnel management will show up in your bottom line.

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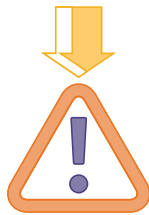
Risk reduction. Moving from paper systems to software-driven applications immediately reduces risk because information is centrally located and easily protected. You dramatically reduce the chance that private information will fall into the wrong hands, or get misplaced or lost.

[3]

You Don't Need Everything — You Need the *Right* Thing

Okay, so we've established that HR software is a good thing for small business owners. Now on to "what's the right fit for me?" If you've done some preliminary research, you already know there are a variety of software options from which to choose. Comprehensive options. Modular options. Expensive options. So many choices!

Having choices is good, but the smaller your company is, the less critical your need is for complex all-in-one solutions. You may need more traditional services vs. strategic services.

What's the difference?

Traditional or core HR services are tried-and-true administrative tasks that have been around for decades, used by both small and large business:

- payroll
- benefits administration
- time and attendance tracking
- workforce hiring
- policy management
- regulatory compliance

Chances are you use a variety of systems or processes to manage each of these categories, some paper and some electronic.

Strategic HR services, on the other hand, focus more on tools for developing and implementing long-term plans:

- recruiting/hiring process
- performance management
- training and development
- succession planning

Smaller business owners love the idea of strategic HR benefits, but they lack the time or resources to develop far-reaching plans.

When evaluating HR software, make sure you clearly identify your needs and compare them to the features the software provides. Do you really need all the bells and whistles that come with strategic HR planning? Are they nice-to-haves but not essential?

Traditional/Core HR

PAYROLL

BENEFITS ADMINISTRATION

TIME AND ATTENDANCE TRACKING

WORKFORCE HIRING

POLICY MANAGEMENT

REGULATORY COMPLIANCE

VS.

Strategic HR

RECRUITING/ HIRING PROCESS

PERFORMANCE MANAGEMENT

TRAINING AND DEVELOPMENT

SUCCESSION PLANNING
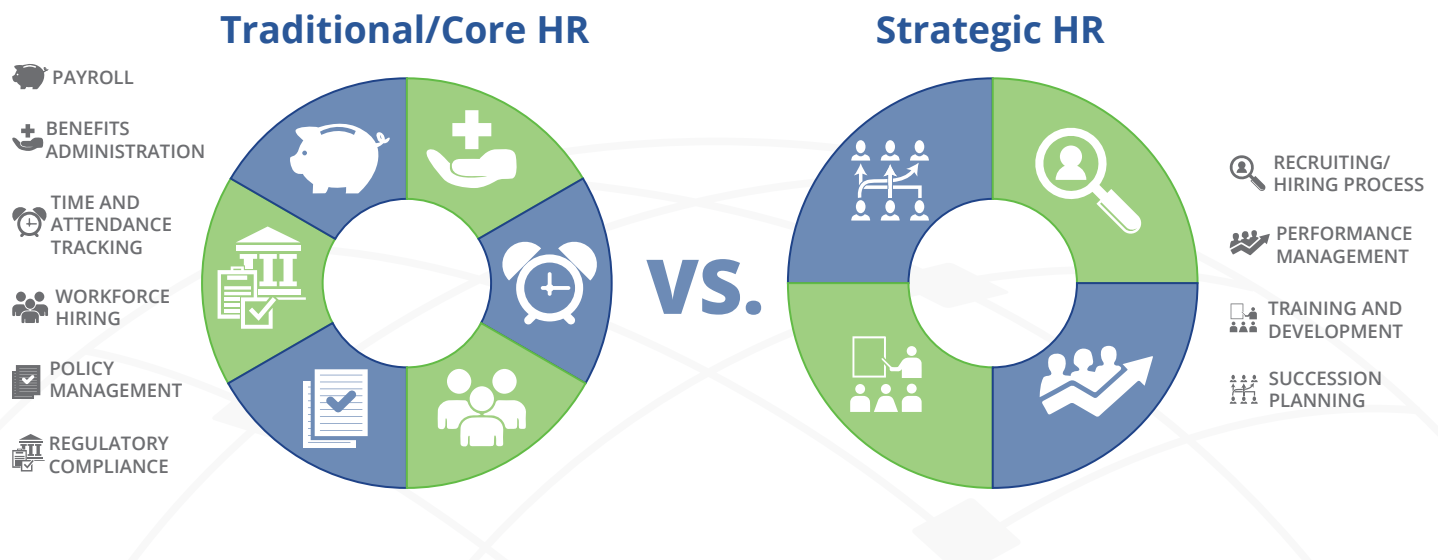
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Identify Your HR Software Needs

Before attempting a deep-dive into the software research pool, it's best to step back and evaluate what you already have and what you require. Once you understand what's most important to your business, you'll be better prepared to identify the HR software programs that best fit your needs.

Even better: You can eliminate software programs that offer more than you can manage. The temptation may be, "Ooh, that feature might come in handy someday," but it's best not to be seduced by nice-to-haves and focus more on must-haves, or features critical to operational efficiency.

Take your time with this list. Narrowing down exactly what functions you want will help you avoid purchasing a program that delivers more than you really need. (And you'll save money, too!)

Features to Consider

Have   Need

Employee Self-Service – Allows employees system access to manage personal information, scheduling and shift-change requests.

Recruiting & Applicant Tracking – Post positions, track candidates, consolidate hiring requirements, schedule interviews and create a database for potential hires.

Employee Onboarding – New-hire documentation, including mandatory I-9 and W-4.

Employee Recordkeeping – Maintain crucial employee information – job details, time and pay, emergency contact information and more.

Documentation & Data Storage – All required records are maintained online vs. paperwork/files.

Reporting – Template of standardized reports for easy compilation and distribution.

Timekeeping – Integrates with existing timeclock capabilities or add-on modules.

Time-Off Management – Track/manage employee PTO, sick time, leaves of absence.

Integrated Payroll – Instant transfer of employee hours to internal or external payroll system.

Benefits Administration – Store/manage employee plans and elections.

Employee Training – Schedule/track training programs, credits earned and online/offline training.

Employee Handbooks/Company Policies – Create, manage and track handbook/policy distribution.

Performance Reviews – Standardize performance management process, goal-setting and opportunities-to-improve data.

Career Development – Establish standards for upward mobility and monitor employee progress.

Succession Planning – Organization chart development/management and career-path tracking.

Electronic Forms – Create standard forms and distribute directly from the system.

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Online Applications vs. Traditional Software

There are two basic HR software options for small business owners:

- software you purchase and install on a computer, or
- software that lives in the cloud and is accessed through a website.

Though functionality is basically the same, cloud-based HR software offers advantages over its installed counterpart.

CLOUD COMPUTING

The phrase originated in the '60s from the cloud symbol used in flow charts and diagrams to symbolize the Internet. The term "cloud-based" is synonymous with Web-based, Web apps, Web applications, online software, and software as a service (SaaS).

The Case for Cloud-Based Software

Instead of purchasing software at a store and loading it onto your computer, cloud-based software lets you purchase and access computing capability through a website. There's no physical product to buy or installment hassles with cloud-based HR software; you just log in through a Web browser and start working. Here are five additional advantages of cloud-based software:

[1]   **Instant access from anywhere.** You're not tethered to a designated computer. Because the software runs through a website, you can review employee records from any computer in the world, as long as you have Internet access.

[2] **Employees lend a hand.** Provide administrative rights to multiple people without purchasing multiple software copies or a local server. In addition to customizing admin access, you can grant employees access for managing personal information directly through the website.

[3] **Say goodbye to the IT guy.** Vendors regularly update their software behind the scenes so you always have the latest version. And you don't need to worry about running out of storage space on your desktop or dedicated server.

[4] **Accident-proof your data.** Once you enter data, it's stored securely on remote cloud servers managed by the provider. Companies using paper systems are at risk in the event of a fire or other natural disaster, and desktop-installed software users could lose valuable data if their computers crash.

[5] **Confidential info has never been more secure.** Cloud-based HR software providers maintain the highest business standards and certifications for database hosting and backups, user access and data encryption. When you think about it, storing data on paper in filing cabinets is a much greater risk.

[6]

What to Consider When Choosing a Software Vendor

Your shirt sleeves are rolled up; your fingers are furiously typing Google search terms, and you're poring over HR software provider websites. It's starting to seem real! If you're not excited yet, pour a cup of coffee, grab an energy drink or do some jumping jacks. It's go time!

As you review the available options, it's always wise to evaluate each program using the same criteria. You have your features list by your side to help narrow down your search, now ask yourself these questions for each software program you review:

- Is the company financially stable?
- Have they been around more than a few years?
- Will this vendor be easy to do business with?
- Does the software offer multiple layers of security?
- Is the software designed specifically for small businesses?
- Is the software the best solution – both functionally and economically?
- Does this software solution reduce technology complexity?
- Will this software help me manage operational, security and compliance risks?
- Will this create more time in my day so I can focus on more important matters?

Finally, the last question to ask is an important one:

Does the software provider have labor law and HR compliance expertise?

The answer should be "yes", and it's best if the expertise is on-staff vs. outsourced. Why? Labor laws are continually changing, and the government expects you to stay up-to-date with the latest forms, requirements and best practices. Even if you don't have an HR department dedicated to monitoring these changes, government agencies have no qualms about slapping you with heavy fines for being noncompliant unknowingly.

When you choose an HR software provider with in-house legal experts who monitor and track the ever-changing HR compliance landscape, you can have confidence that the processes you're following are in complete compliance with the most current requirements. The last thing you need when learning a new software program is to be uncertain if the new processes you're implementing are helping your business or actually putting you at risk. You could be putting your trust in people without any real HR expertise developing software in their garage. It's in your best interest to consider companies that provide both the HR services you need and the peace of mind that comes with onsite legal expertise.

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If You're Concerned About Security

To trust new technology, you need to know your information is protected. All providers should offer up-to-date and sophisticated security measures to secure your data. In the case of Web-based software, these security measures may include:

- Password protection and state-of-the-art encryption with transmitted information
- Impenetrable firewalls to prevent outside threats
- Automatic backup of encrypted data and multi-location storage
- Secure infrastructure that involves advanced servers housed in compliant, world-class data centers
- Security patches to keep internal systems current
- "Hardening" of operating systems to remove unnecessary or risky functionality
- Expertly designed software applications to eliminate potential vulnerabilities
- Regular auditing and testing of software
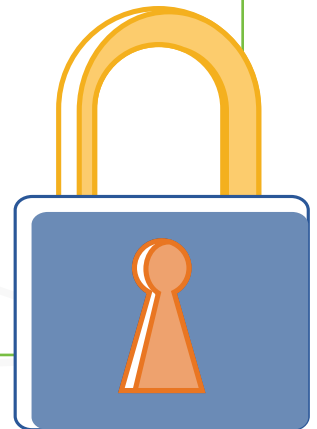
The best way to overcome any security concerns is — you guessed it — to research and verify the vendor's security practices. Obviously, this is not something to take lightly. Use this bulleted list as a reference, and don't make any decisions until all your concerns have been addressed.

65%
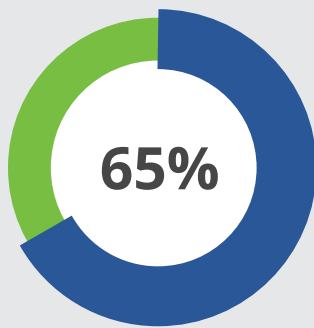
Percentage of respondents who were confident that the cloud had equal or greater security than internal IT systems.

Cloud Security Alliance January 2016 survey

And once you purchase an HR software system — whether it's traditional software or cloud-based — it's critical to develop a policy regarding access. Define who has administrator access to your HR software, the importance of confidentiality and the consequences should that confidence be breached.

When admin access is shared outside of trusted employees, you run the risk of personal information falling into the wrong hands. So, in addition to being satisfied that your data won't be hacked from the outside, you need to make sure you can fully trust those you provide with admin access. To drive the point home: 62% of data breaches were the result of human error, according to data security provider Egress Software Technologies.

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Try It Out

Now you're down to the nitty-gritty. You've done your research, you've narrowed your choices, and your confidence is brimming. There's one last step, and it's a critical one: the demo.

You wouldn't buy a car without a test drive, would you? The same applies to HR software. The user experience is as important as the advertised features, so request access to a demonstration website that allows you to explore the software from both a manager and employee POV.

Demos help you get a feel for the software, and sometimes software just doesn't feel right. If you're not "feeling" it, don't force it. Move on to the next demo. As long as you've narrowed your search to a handful of choices, you're bound to have a "Goldilocks moment" where one program feels just right.

Beyond the test-drive, it's also smart to request a trial period, which allows you to use the program for a specified period of time, usually 30 days, before incurring any costs. Trial usage is important, too, because it lets you use the program on a daily basis and have access to the customer service team supporting the software.

If you opt for a trial, take advantage of that time to engage with customer service. Not only will you get up to speed faster and improve your efficiency, but you can also evaluate the quality of the customer care. Are they responsive? Is customer service driven by a live call center, online chat sessions or back-and-forth emails? Are your questions getting answered the first time or are you placed on hold and passed around? A red flag: If you need to be directed step by step to use the system, it's probably not the simple solution you're looking for. It might be best to pull the plug and consider your Plan B option.

The challenge here, however, is the time investment. If you trial a software solution, that means you're entering data, learning the ropes and possibly training others, so you may be resolved to "make it work." Again, don't force it. Step back, take a deep breath and move on, if necessary. The time you spend at the outset evaluating, test-driving and possibly course-correcting will yield significant benefits down the road when you find the right solution.

YOU'RE NOW PREPARED TO MAKE THE PERFECT CHOICE

Armed with these insider tips on selecting the right HR software for your small business, you're ready to move forward in the decision-making process. Just be patient as you research options and whittle down your list. With this guide at your fingertips, keep asking questions until you're satisfied with the answers. Only then will you be confident that you've found the HR software program that's right for you.

About the Author

JAIME LIZOTTE

As the HR Solutions Manager, Jaime brings her multi-product management experience to forward-thinking HR processes and solutions. Her career in HR began in 2007 as an HR manager at a small marketing firm. Extremely passionate about HR, she is full of ideas to improve HR in small businesses. She is focused on developing next-generation products to replace traditional HR solutions, making HR management easier for employers.

FUN FACT: Jaime enjoys shopping for shoes and handbags, but she is also highly competitive against her friends in their fantasy football league.

HRdirect is Here for You …
When You're Ready

For more than 30 years, HRdirect, a division of ComplyRight, Inc., has helped employers efficiently, affordably and legally manage the employee side of running a business. There are plenty of HR resources out there for big businesses, but our area of expertise is with smaller companies – businesses like yours.

We encourage you to visit our website **HRdirectApps.com**. You'll quickly discover ways we can help you and your business maintain compliance, better manage employees and improve your bottom line.

THE HRDIRECT ADVANTAGE

- We recognize most small businesses juggle multiple responsibilities, with limited time and financial resources.
- We value your independence and desire to solve workplace problems quickly and effectively.
- We believe HR management and compliance tasks don't have to be a burden, nor should they require complex, "one size fits all" systems.
- We are committed to evolving and growing with today's small businesses to support an increasingly digital workplace.
- We strive to keep your business up-to-date with regulatory compliance issues and fully protected from legal risk.

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