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When Selecting HR Technology, Don't Rule Out the RFP Process

By Tara Morey

R-F-P. Those three letters alone conjure up images of long hours spent in front of a computer, sealed proposals in triplicate, not to mention a tremendous number of hoops to jump through. The buzz in our industry is that many organizations are challenging the effectiveness of traditional RFPs. However, as part of an overall strategy, an RFP for selecting the right HR technology solution could save a company a fair amount of time and money down the road and make certain the system can support the organization's HR and talent management strategies.

According to the Sierra - Cedar 2015-2016 HR Systems Survey, without an enterprise strategy for the HR technology stack, organizations are finding that they not only spend more on total HR technology expenditures per employee, but they also reduce the overall number of employees they can serve per HR resource. More than 40 percent of organizations are looking at improving or developing a new Enterprise HR Systems Strategy this year.

Value of Doing an RFP

The technology field in our industry has changed dramatically just in the past five years, making the selection process extremely overwhelming for HR managers. The process itself is much more complex than just picking from the upper right quadrant in industry analyst reports such as Gartner. This is where an RFP exercise, to help narrow down the number of potential technology vendors, can be very helpful for organizations looking to make a technology transition or upgrade. Selecting a new tech system or suite is an expensive and long-term commitment, typically hundreds of thousands of dollars that will last six or more years. Therefore, spending resources in the beginning stages to weed through all of the technology options in the market can ensure companies choose the right vendor to fit their HR needs.

Tips for an Effective RFP Process

Before even looking at technology systems, an organization needs to look at their overall strategy. Have your HR technology strategy articulated on paper and be prepared to share it with the vendors. Make sure you know in advance what you're looking for by bringing key stakeholders together - HR, IT, Finance - before you run the RFP to make sure everyone is on the same page when it comes to priorities and requirements.

When it comes to an effective RFP process, less is more. Don't invite 10 vendors to respond as this can waste a lot of time and energy. Instead, get to know the market and key players in order to narrow the market down to five or six initial vendor options, and then eventually to the top two or three vendors. Also, go paperless and automate scoring by using online tools to streamline the process.

Once the field has been narrowed to a handful of choices, invite finalists in for a thorough scripted demonstration. Be mindful of the time commitment these meetings require of vendors and your organization. Develop a very targeted and scripted agenda. Be sure to leverage the responses from the RFP so not to rehash what the vendor has already supplied. The in-person demonstration should be geared at seeing how the technology can support your key business scenarios.

To assist in the final decision-making process, create a weighted scoring matrix. This will also help down the road when the selection team needs to explain why this particular vendor was selected. It never fails; someone will always challenge the selection decision. This scoring matrix should include key decision criteria, such as RFP scores, finalist meeting scores, references, pricing and any key considerations unique to your organization (e.g., global capability, integration capability, scalability).

Lastly, use the RFP as part of the contract. Hold the vendor responsible to do what they said they could do in their RFP response.

By taking the time to look at specific needs and overall strategy, companies are able to select the right technology solution. This offers the client confidence that their investment in a technology platform meets their needs, allowing more opportunities for HR to focus on business-critical issues, reduce costs and improve employee and manager satisfaction.

¹ Sierra-Cedar, 2015 – 2016 HR Systems Survey, Innovation, Insights and Strategy

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