natural hr
TRANSFORMING BUSINESS

A beginner's guide to HR software

Everything you need to know
about HR software

Introduction

Investing in HR software is not a decision to be taken lightly. As one of the very few pieces of software that your business will invest in that will be used by every one of your employees; it is important that you make the right choice that makes sound business sense.

Our own research found that 22% of businesses are still not using any kind of HR software to support their people. Given that it is a significant project, it is highly likely that many businesses are simply muddling through with out-dated processes and basic spreadsheets to manage their workforce.

In this eBook, you can expect to find out everything you need to know about evaluating, buying and implementing HR software. From key terms to know and questions to ask your provider to typical features and how to make your business case for investment; it's all covered.

Helpful terms

ATS

ATS is short for Applicant Tracking System. An ATS is a piece of software that enables the electronic management of your recruitment and hiring needs.

Cloud-based

A method of hosting HR software. Cloud-based software is hosted on the Internet rather than on a physical on-premise server or installed on personal computers.

HRIS

Short for Human Resource Information System, HRIS is software that allows you to transfer most HR tasks, processes and admin to an online system.

On-premise

This hosting method means software is hosted on local servers. On-premise software is installed on the user's computer through CDs or USB drives.

SaaS

Short for Software-as-a-Service, SaaS is a software licensing and delivery model in which software is delivered on a subscription basis and hosted in the Cloud.

SLA

Short for Service Level Agreement. This is a commitment between a software provider and their client in which aspects of the service are agreed between both parties.

What challenge do you need to solve?

Most companies looking for HR software often have a specific pain point they want to overcome. Whether they've grown at speed and managing an increase in headcount is becoming difficult or they're finding themselves bogged down in admin tasks with little time to focus on strategic HR initiatives.

As today's workforce becomes more dynamic and more diverse, working in HR can become incredibly challenging. With low unemployment rates threatening increases in employee attrition, the demand for a successful, strategic HR operation is more important than ever.

In any case, when starting an HR software project, it is essential to identify the key challenges you're looking to solve in order of priority and continuously evaluate them to track their success. Ask yourself: **what do I need this system to do?**

"We spend too much time on admin"

Managing administrative tasks manually can be laborious and time-consuming in any department, but particularly so in an HR capacity. With annual leave to approve, timesheets to check, interviews to carry out, candidates to screen, performance reviews to manage and a board report to deliver every month; an administrative burden often plagues passionate HR departments.

Not to mention that carrying out admin tasks manually often leads to errors, causing compliance issues and costly mistakes.

Any time spent on these manual tasks also drains efforts on hiring, managing employee turnover, increasing employee engagement, succession planning, and more. If that wasn't bad enough, your employees notice when there is not a proper HR system in place. If requesting time off, attending training and development courses, or doing any other HR task is cumbersome for your employees, it will leave them with a bad impression of your business.

How can HR software help with admin?

In many companies, a life before HR software meant the most drawn out processes for the simplest of tasks. For example, if an employee wanted to book annual leave or update their personal details, they would have to fill out a form, send it to their line manager for approval and it would then be forwarded to on to HR for review. Then an acknowledgement would need to be sent to the employee. You can see where we're going here; it's a lengthy process to action a simple task.

HR software automates the most banal of HR admin and brings your processes online. From allowing your employees to self-serve and manage their own HR requests to streamlining onboarding procedures, performance reviews and recruitment; it has the power to give you back the time you need to focus on your strategic HR efforts.

Top benefits experienced by users of HR software

72%
Reduced HR admin

56%
Could go paperless

33%
Made fewer errors

Source: Natural HR 2019

A key driver for HR departments is a well-rounded view of people data and insights into employee performance, yet it is something even the most seasoned of HR professionals struggle with.

One of the most common frustrations in an HR department is an inability to report on people metrics accurately. Disparate systems, multiple sources of data or legacy HR systems don't lend themselves to detailed or accurate analysis of information. As a result, many decisions that affect your entire workforce are made on a 'gut instinct' rather than hard data and information

How can HR software help?

When making decisions, a thorough understanding of the trends that emerge in your people data is key. Without it, your decisions will be made on a wing and a prayer.

Fit-for-purpose HR software will make it easy for you to find, analyse and report on the people data that matters most to your business. It enables you, your managers and senior leaders to make smarter, more informed decisions that impact your people.
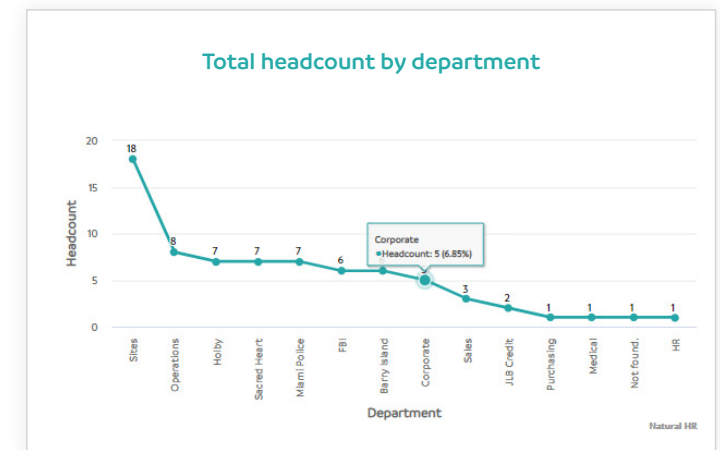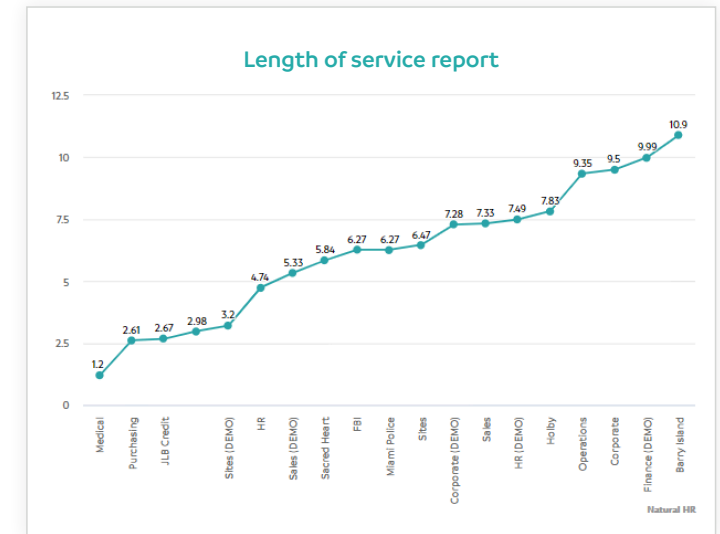
Examples of reports that can be created using HR software

From tracking employee attrition rates and trends in your headcount to monitoring the success of your recruitment process; HR software can ensure every decision you make as a department and business is made with all the facts.
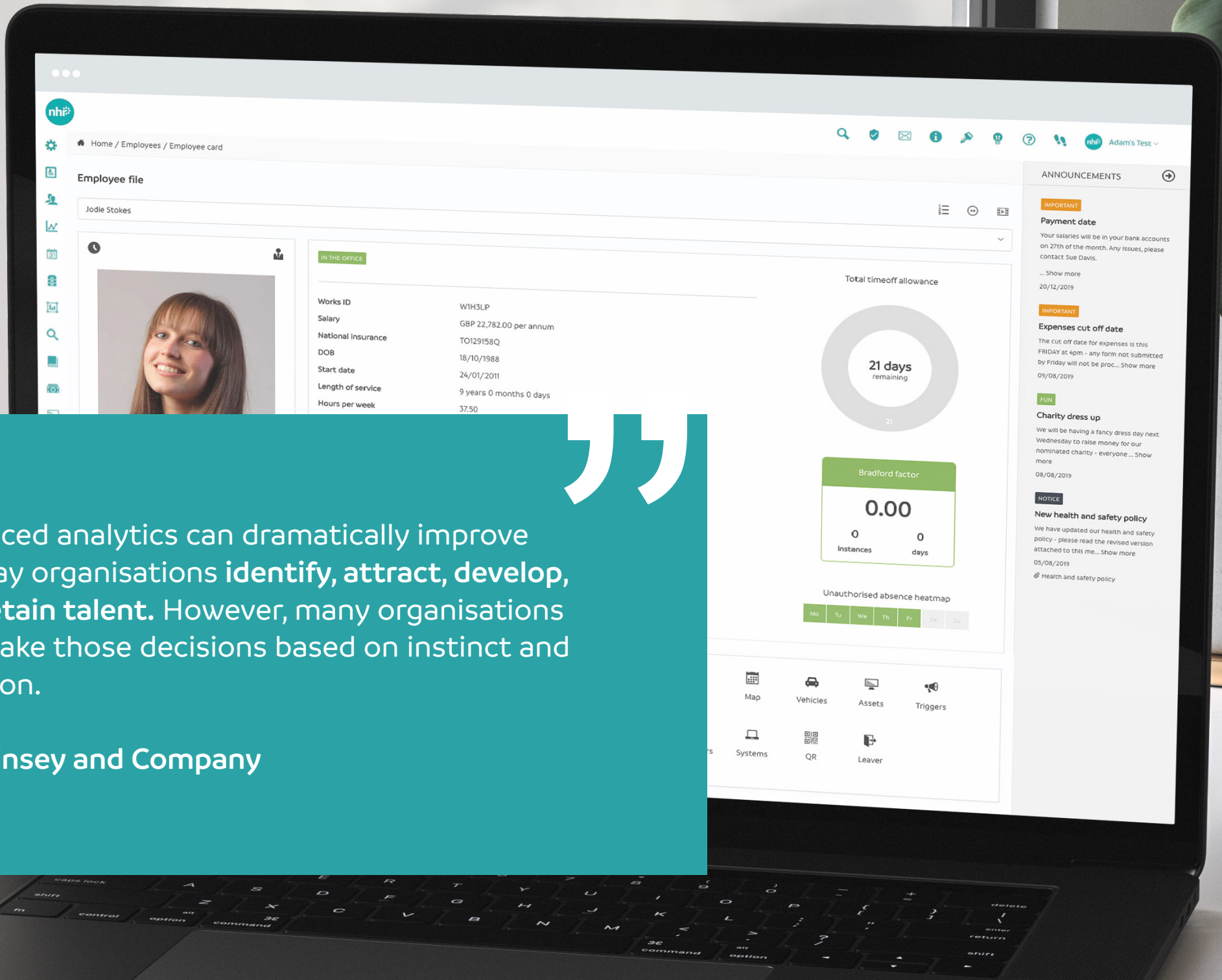
What's more, it makes creating reports and presentations a breeze with automated dashboards and easy-to-digest charts, graphs and tables.

"Ensuring we're compliant is proving difficult"

Keeping abreast of changes to employment law is a job unto itself. As HR leaders, you must ensure your policies and procedures demonstrate a thorough understanding of the legislation that directly concerns your employees and your business. This becomes even more difficult if your business operates in multiple countries or if you employ staff on different types of contract, such as zero-hour or part-time.

While many businesses are confident in complying with some legal responsibilities, such as the Working Time Directive and minimum wage requirements, they often feel less confident in complying with others.

Advanced analytics can dramatically improve the way organisations **identify, attract, develop, and retain talent.** However, many organisations still make those decisions based on instinct and intuition.

- **McKinsey and Company**

Ensuring your business is compliant is a huge task for HR teams and effective compliance programs need to be integrated into your overall business strategies. Failing to meet your legal obligations as an employer is not only unlawful, but can lead to tribunal claims or court proceedings.

On top of everything else on HR's plate, ensuring your continued compliance can feel like a monumental task.

How can HR software help?

Regardless of the size of your company, compliance is a vital element of your success.

If you're maintaining your employee records in outdated, cobbled-together software, or worse, in an Excel spreadsheet, it's highly likely that you're not generating the reports you need to keep your company out of hot water.

From accurate timekeeping, payroll and tax updates to consistent record-keeping and detailed reports, HR technology should be a top priority to help you manage compliance with confidence.

> By not complying with essential legal requirements of being an employer you open yourself up to the risk of bad reputation, loss of time and productivity.
>
> - CIPD

Typical features of HR software

Most respectable HR software providers offer a plethora of features. From a comprehensive HR database to the ability for employees to self-serve, it is important to think about your needs as an HR leader and decide what you need now, what you'll likely need later and what would be 'nice to have' but isn't imperative for the first phase of your implementation. Far too many software buyers give too much attention to the 'nice to have' features rather than the ones that are imperative to its success.

Decide which processes need automating, streamlining or bringing online. Keep the challenges that you face front and centre when considering the features and functionality you need.

If you're growing fast and managing the HR requests for hundreds of employees is becoming challenging, employee self-service is a must. What you require will depend entirely on the make-up of your business and your needs as an HR department.

Talk through the features on offer through with other senior managers, heads of department and HR colleagues; what might they need?

For example, your CFO might want detailed reporting into the monthly costs of employees and their associated benefits. In contrast, your managers might need help with carrying out performance reviews with their team.

It is better to get this down on paper now, than further down the line when you're in the throes of implementation only to find your chosen solution can't meet your needs.

List your requirements, the features you're looking for, and then try to match these with the features available in a potential HR system.

Here and overleaf, you'll find an overview of just some of the typical features of HR software and what they can do for your business.

Employee Self-Service

Employees can manage their own requests such as time off from anywhere, at anytime - leaving you to focus on what matters most, your people.

Core HR Database

Say goodbye to spreadsheets and filing cabinets with a complete HR database that stores all your employee information and company documentation in one place.

Payroll

A fully integrated payroll system that seamlessly communicates accurate data and provides a time-saving approach to building up to an employee's total gross pay.

HR Ticketing

Improve communication by allowing employees to log tickets with your HR team and collaborate as a team to promptly respond to queries with ease.

Expenses and Mileage

Gain complete control over expenses and mileage - claims can be easily uploaded, stored and approved at the click of a button.

People Analytics

Utilise real-time data in graphs, charts or tables to transform your employee experience and drive accountability with KPIs.

Rota Building

A timely way to plan, schedule and report on your staff rotas, giving employees a clear vision of their working hours.

Talent Management

Accelerate employee development and identify your organisation's rising stars with succession planning and a competency framework.

Asset Management

Record and track all company assets such as phones, laptops or tablets within one central repository, helping to improve your onboarding and offboarding processes.

Performance Management

A simple way to make a real difference to an employee's performance and engagement via 360 feedback in real-time, one-to-ones and performance appraisals.

Recruitment

Effortlessly manage and assess every step of the recruitment process from raising a requisition to hiring the best candidates.

Workflows

Save time and reduce errors by automating your company's processes as step-by-step notifications and tasks that can be assigned for further action.

Document Management

Streamline HR admin and become paperless - store all your key documentation in one secure system for a multitude of file formats.

Time and Attendance

Track and log everything from holidays and late records to timesheets and remote working; ensuring you have a complete understanding of all employee whereabouts.

HR Reporting

Customise your own or choose from standard pre-built reports to help gain key insights into employee data and make informed business decisions.

Just because a provider offers all the bells and whistles, it doesn't mean you necessarily need to go live with all of them from day one. The 'big bang' approach to IT rollouts has fallen out of favour recently, with many organisations preferring to 'land and expand' meaning they'll phase in new elements of HR systems over a defined period of time rather than launch everything at once. Prioritise your 'must haves' and consider whether your 'nice to haves' are really a necessity right now.

Have a clear plan of what you actually need your HR software to do and keep it front of mind throughout your selection process. And be cut-throat! Do you really need to opt for everything a system has to offer just because it's available or could you opt for a phased approach to rollout?

An evaluation matrix can be particularly useful here. It will help you to evalute a set of attributes pertaining to HR software against a set of criteria you need to take into account and score these in order of priority. Overleaf, you'll find an example evaluation matrix that demonstrates how to prioritise the features you require in an HR system using a traffic light system for priority one, two and three features.

Feature	Importance	HR value	Employee value	Score	Priority
Core HR database	5	5	5	15	1
Employee Self-Service	4	5	5	12	1
HR reporting	4	4	2	10	2
Recruitment	2	4	2	10	2
People analytics	4	5	3	11	2
Expenses	5	5	5	13	1
Payroll	5	5	3	13	1
Performance management	3	3	4	10	2
Time and attendance	2	3	4	9	3
Rota building	2	3	3	9	3

Starting your search

Once that you have a clear idea of what you need from your HR software, now is the time to begin your search in earnest. But where do you look?

When researching any product, Google is usually our first stop. But with approximately 1,930,000,000 results for the search query "HR software", you can quickly fall down a rabbit hole of unrelated, useless information that won't help your search at all.

If you've had no experience with HR software before, knowing which vendors are in the marketplace can be difficult. In this case, we'd recommend starting with an online review site like **Capterra** or **G2**. These sites are renowned for their hundreds of thousands of impartial software reviews from real people that use them. You can filter these reviews by industry, available features, the number of employees, location and even from best to worst. You could ask your peers, colleagues, friends or family members that work in HR to share their experience and find out which systems they use or have used in the past. Which have they preferred and would recommend?

> Use a variety of research methods - from reports to speaking to other customer companies - to generate a list of possible vendors.
>
> - TechTarget

Attend industry events like the CIPD Annual Conference and Exhibition or Festival of Work to meet vendors in person. These events are a great way to meet with a number of software providers in a short space of time to get a taster for what they provide. Often, you'll be able to get a short demo on their stand, helpful collateral and the contact details for their team to arrange a full demo at a later date.

If you have the budget, reach out to a software consultant or reseller that can advise you on the ideal product to meet your needs. They will have a selection of providers on their books that can be best matched to your requirements. They'll be able to help you with the selection process, implementation and change management too.

Once you've collated your long list of potential providers that appear to meet your needs, contact each one to arrange a demonstration of their product. It is beneficial to see a demo of all the systems that you're considering – and the more tailored to your requirements, the better.

Key considerations

As with any piece of business software, there are a number of key considerations to keep in mind throughout your evaluation process and subsequent demonstrations.

Hosting

As covered in the glossary of key terms at the start of this guide, there are some clear-cut differences between how software can be hosted. In today's modern workplace, the prevalence of cloud-based systems (the likes of Zoom, Skype, Dropbox, Google and Slack) often make the decision between on-premise and cloud systems an easy one.

But for those businesses that have not yet adopted cloud-based systems, the decision can be more difficult. It is crucial to think about where your company is today, and where it will be in 5 years. Here, we've detailed some of the key differences between cloud-based systems and on-premise to help you to make the decision that is right for your business.

> It is now rare for customers to select on-premises products over cloud products as the HR software market continues its journey toward cloud-only options.
>
> - Gartner, 2019

Cloud-based software

- Fast startup

- No server hardware

- Subscription model – lower commitment

- Monthly fees

- No tangible assets

- Rapid deployment of upgrades

- Monitored network and server security

- Off-site backup facilities

- No physical access to servers or storage

- Requires an Internet connection

On premise software

- Takes time, personnel and equipment for set up

- Purchase and maintain server hardware

- Long term planning – strong commitment

- Large upfront costs

- Tangible assets which could be resold

- Slower, costly upgrades

- Requires additional time and software for security

- Tape/CD/DVD backup or additional service

- Access to servers and storage in-house

- Optional Internet connection (website hosting)

Security

How your HR software provider ensures the security of your sensitive data is critical. If they aren't up to scratch, not only are you putting your employees at risk of fraudulent activity but you're opening your business up to fines under the GDPR, a tarred reputation and lack of trust.

Ensure your HR software provider is handling your data with the utmost care and attention. An excellent online HR software supplier will have made sure they are using a cloud hosting company that employs state-of-the-art technology to protect their servers and any information passing between them. After all, their reputation in the market revolves around safeguarding your data.

It is best practice to involve your IT team in your discussions around security practices and the procedures enlisted by a vendor if you aren't comfortable doing this yourself.

Integrations with existing systems

As a business, you probably already use some business-critical pieces of software that have streamlined your business. In some cases, you will be

> Data protection issues have an impact on most HR activities, from handling recruitment to employee record-keeping, performance monitoring and references.
>
> **- CIPD**

able to integrate your HR software with these and keep using tools you already know and love.

Most good HR software providers offer an open API (Application Programming Interface) that will enable your existing systems to interact with your HR software. This means that your existing applications can interact with your HR software ensuring employee data and important documents are kept up-to-date and aligned across your business systems.

Whether that's triggering HR workflows to send notifications to a Slack channel, integrating your Outlook calendar with your HR calendar or posting open positions to job boards and recruitment sites; these types of integrations are readily available and will often remove the need for multiple data entry.

Implementation

Implementing HR software doesn't happen overnight. It takes preparation, planning and some forethought. Research published in Forbes estimates that a staggering 54% of software implementation projects fail due to poor management.

At Natural HR, we've supported countless implementations of HR software and have found the most successful all share one common denominator: **preparation**.

Before you start down the implementation path, think about who's help you will need (wider HR team, IT, finance, heads of department?), who will take responsibility of critical tasks such as collecting data, mapping processes, workflows and procedures?

Implementing HR software is a project, not a single task. For this reason, you might choose to phase your implementation, introducing elements of the system that tackle your biggest pain points first. This will enable you to get some 'quick wins' under your belt before moving onto the functionality that requires more complex implementation but has a longer-term pay off.

Take the time to find out how each HR software provider supports you throughout implementation. Are you left to fend for yourself or does your vendor offer a dedicated implementation manager, handy project management software and, regular catch-ups to progress your project? If you've not implemented HR software before, the latter can be a serious game-changer.

> Make a list of every person, team and department that will use the new tool. This includes day-to-day users, as well as leaders who consume data the tool will produce. Be sure to not only address who your stakeholders are, but how they will be impacted and the timing of the impact.
>
> - Software Advice

Training

A critical factor in the success of your HR software project is making sure your employees are able to use it. It is important that your people can use the new software with confidence and use it to its full potential. But so often this aspect gets forgotten or rushed.

Implementing new software of any kind is a big change for many employees, but especially so when you are implementing HR software. Given every one of your employees will likely be using it to book annual leave, sign documents or claim expenses; ensuring they have been trained and given time to adjust to your new software will be key to its ongoing success.

The tasks your line managers need to be able to complete in your HR software are very different from what their team members will need to do. Managers will need to understand how to approve holiday requests, monitor absences and schedule performance reviews. Whereas their team members will need to be able to request holiday, check documents and submit expenses.

Questions to ask

After you've been through the demo process with your shortlisted vendors, next comes the task of making a decision on which vendor is right for your business. When you're evaluating suppliers, there are some key questions to ask when comparing HR software. Of course, this is also whether each vendor satisfies your needs in terms of features on offer.

Things you need to know

- [ ] Will it be hosted in the cloud or on premise?
- [ ] Is the solution configurable to your needs?
- [ ] Is it user friendly?
- [ ] Does it offer everything you need?
- [ ] If not, what's missing and how important is it?
- [ ] Can employees self-serve?
- [ ] Will it help to reduce any security/business risks?
- [ ] Is an SLA available?

- [ ] Will it help you to reduce HR costs?
- [ ] Will employee data be secure?
- [ ] How will training be delivered to users?
- [ ] Is there a support desk/helpline?
- [ ] How often are product updates released?
- [ ] Who will be involved in your decision making?
- [ ] Do you need additional internal resources to manage the project or system?

Things IT needs to know

Naturally, the questions that your stakeholders will ask may differ from those that you have as an HR department. It is often the case that IT personnel get involved in HR software projects in order to support data migration, user set up, access and implementation. With this comes a series of questions that are more pertinent to them as a department around security, backup, disaster recovery, scalability and so on.

When deciding upon your HR software of choice, consider the following in your conversations with potential providers and either relay this to your IT team or better still, involve them in your conversations.

- [ ] Does it integrate with your existing systems?
- [ ] What does the implementation process entail?
- [ ] How is data migration managed?
- [ ] How often is the software updated?
- [ ] Does data get backed up? Where to?
- [ ] What is the Disaster Recovery Plan?

- [ ] What security credentials does the supplier have?
- [ ] Does the software have a single sign-on process?
- [ ] What does testing and 'go live' look like?
- [ ] What system or systems is this replacing?
- [ ] Are any internal development resources needed?
- [ ] Is it scalable as user numbers change?

Similarly, your finance team will likely have a raft of questions about costs, billing, invoice terms and licence fees.

- [ ] What is their pricing model?
- [ ] How and when are you invoiced?
- [ ] When can you expect an ROI?
- [ ] Are system updates included in the cost?
- [ ] How long is the contract for?
- [ ] What are the terms of the contract?
- [ ] Is it subscription-based?
- [ ] Are there any additional costs for implementation, support, training, updates, new users etc?
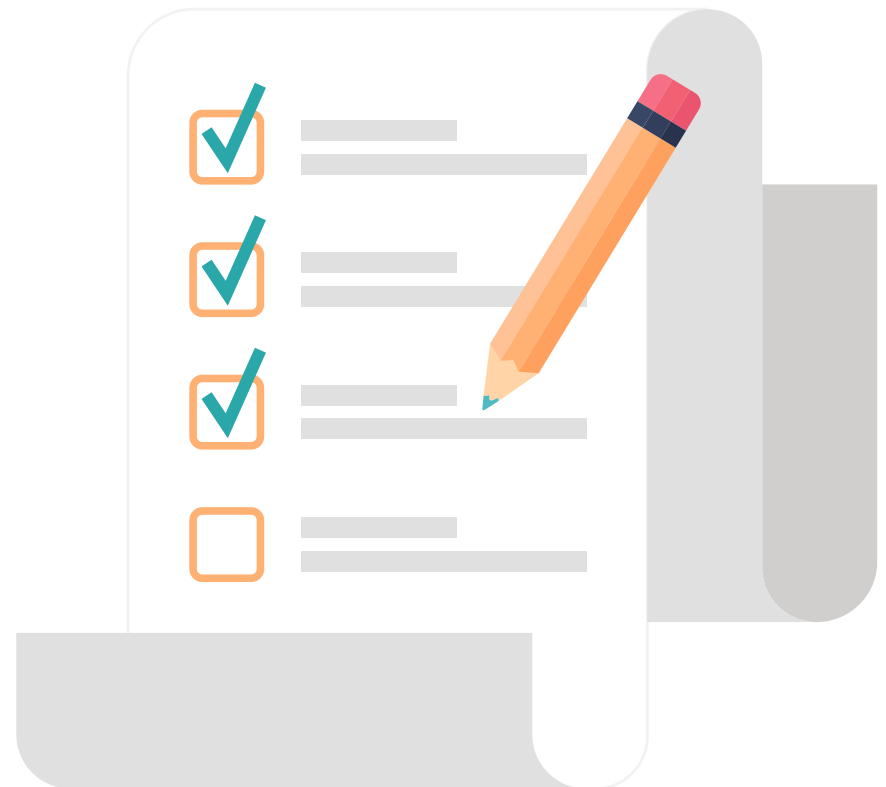
How to present your business case

After all of your hard work, evaluating and selecting an HR software provider; now comes the task of presenting your business case to your leadership team for investment.

As HR software will directly impact every one of your employees, your case for investment needs to be watertight and should be detailed enough to prove the reasons why you think your chosen provider is right for your business.

There are some key areas to focus on in your presentation and top tips to prove to your leadership team that your chosen vendor is right for your business.

How this vendor meets company needs

Outline to your leadership team how introducing your chosen vendor's software will meet your company's short- and long-term goals.
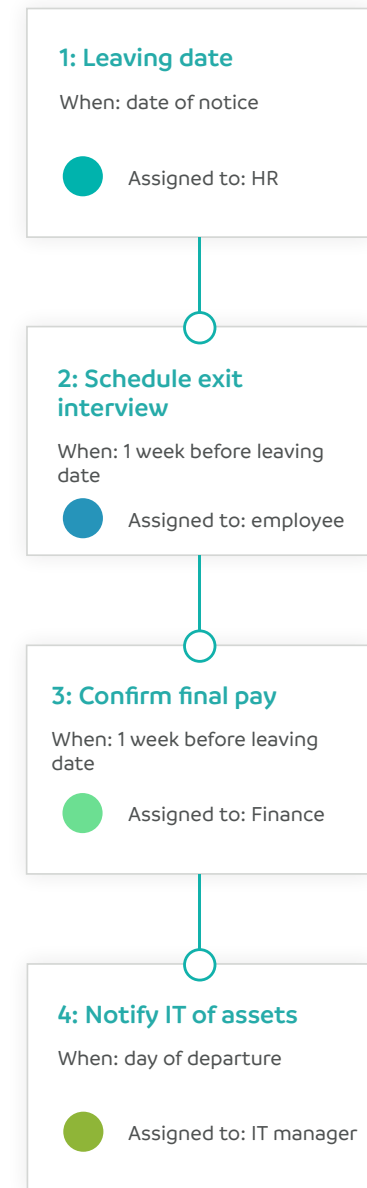
Which current challenges will this solve?

Whether your business is struggling with inefficiencies, compliance and security or a lack of management insight into your people data; state your case clearly and confidently. Prepare specific examples of current processes that take too long or cause conflict with your compliance and security efforts (such as keeping employee data in a spreadsheet) and how this software will help to overcome this.

Take the time to explain why change is needed in your business, and why it's needed now.

Make compelling use case examples

In presenting your business case, convey use cases that will bring your leadership around to your way of thinking.

Take off-boarding, for example. Most of the tasks involved in processing an employee's departure can be automated. As soon as a leaving date is finalised, a series of emails can be triggered, so the relevant teams are informed. Finance will be informed to give them enough time to pay expenses, facilities will be made aware they have a work station available

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1: Leaving date

When: date of notice

● Assigned to: HR

2: Schedule exit interview

When: 1 week before leaving date

● Assigned to: employee

3: Confirm final pay

When: 1 week before leaving date

● Assigned to: Finance

4: Notify IT of assets

When: day of departure

● Assigned to: IT manager

Example: Automated offboarding

and IT a couple of days before so that they can deactivate access to business systems.

For your board, share some of the high-level insights into the level of people information that they will have easy access to. From stats on employee churn and costs to stats on absenteeism, recruitment and much more; highlight the ease of accessing these reports compared to your current processes.

Demonstrate the return on investment

We all know that leadership teams are sticklers for demonstrable ROI, and rightly so. Showcasing the expected return on investment can help to cement your decision making, particularly with your finance and board members. Help your leadership team to understand exactly when they could expect to see the benefits will further help your business case.

Where possible, calculate how much time you're spending on HR tasks that could be automated and how having an HR system could reduce this. This can be really impactful for your leadership team; it will demonstrate the value of HR software and the time and cost savings that can be made.

About Natural HR

Natural HR provides software which enables HR professionals at the frontline of the rapidly evolving modern workplace to engage, manage and pay their people so that they can better contribute to productivity and growth.

Headquartered in Birmingham, Natural HR delivers an all-in-one solution for HR teams managing a workforce of over 100 staff.

Entirely developed in Birmingham, and proudly so, Natural HR was founded in 2010 by husband and wife duo, Jason and Sarah Dowzell. The software delivers everything an HR department needs to support and manage their people, freeing up valuable time to focus on their organisation's strategic HR objectives.

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