

Building Your HR Software Business Case Webinar

Presented by: Lisa Laine

Today's Agenda

- Introductions
- What is a Business Case?
- Components of Business Case
 - Objective
 - Benefits
 - Costs
 - Risks
 - Critical Success Factors
 - Financial Analysis
 - Implementation
- Samples
- Q& A

Who is People ROA?

- 100% Focused on Human Capital Management & Payroll Solutions
 - Software Selection
 - Software Solutions
 - Implementation
 - Training
 - HR Consulting
- 10 Years experience helping organizations implement Human Capital Solutions
- US Partner for 2interact and Sage Abra

Who is Lisa Laine?

- 13 Years HRMS Experience
- Worked with HR organizations from 50 to 20,000 employees
- HCM Practice Leader
- Former programmer, functional consultant, project manager, practitioner

What is a Business Case?

- Business-focused justification for a new initiative or project
 - Example: HR help desk call routing technology
 - System focused: Will automatically route calls to department
 - Improve better customer service by minimizing lost call
 - Enable us to staff the call center with lower level skill set
- Format:
 - Formal or informal written document
 - Excel document with financial numbers
 - Power point
 - Verbal

Why Do a Business Case?

- Convince senior management investment is worth taking – demonstrate value
- Prioritize your project over others
- Risk analysis
- Financial Justification - Quantify the cost benefit
- Document your plan and alternatives
- Communicate end-vision state to readers

Components of a Business Case

- Objective:
 - Subject and Purpose
 - Reasoning
- Benefits
- Costs
- Risks
- Critical Success Factors
- Financial Analysis
- Deployment

How to Start?

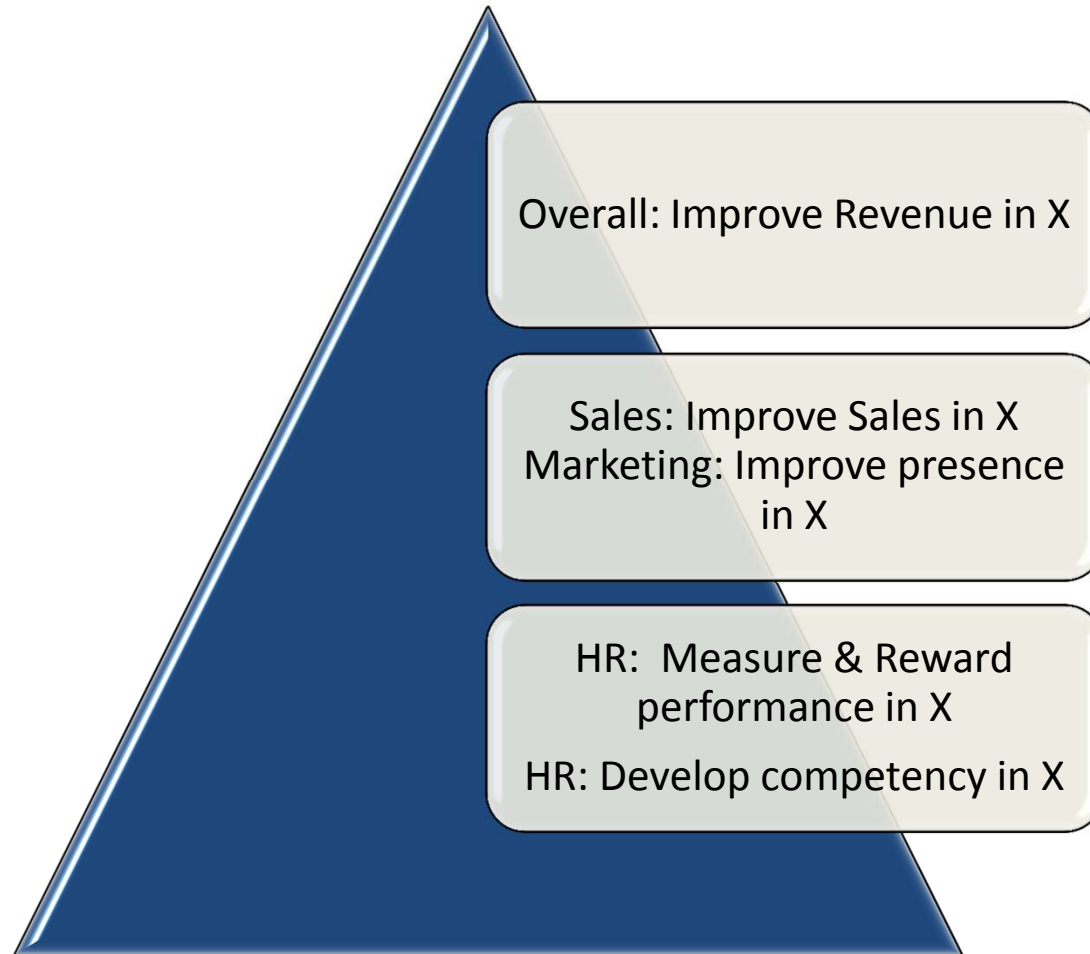
Choose a Perspective

- Pains - tie to inability to accomplish objectives
 - Pains are things that people can be fired for
 - Pains should get more significant as you get higher in the organization
- Goals - tie to ability to accomplish objectives
 - Start with strategic direction and follow down to business objectives
 - Tie project to objectives and if possible quantify strategy
- System & Process - defines labor savings and scalability
- Who decides? Is the company Public or Private? What is important to them? What will make them look good? What can get them fired?

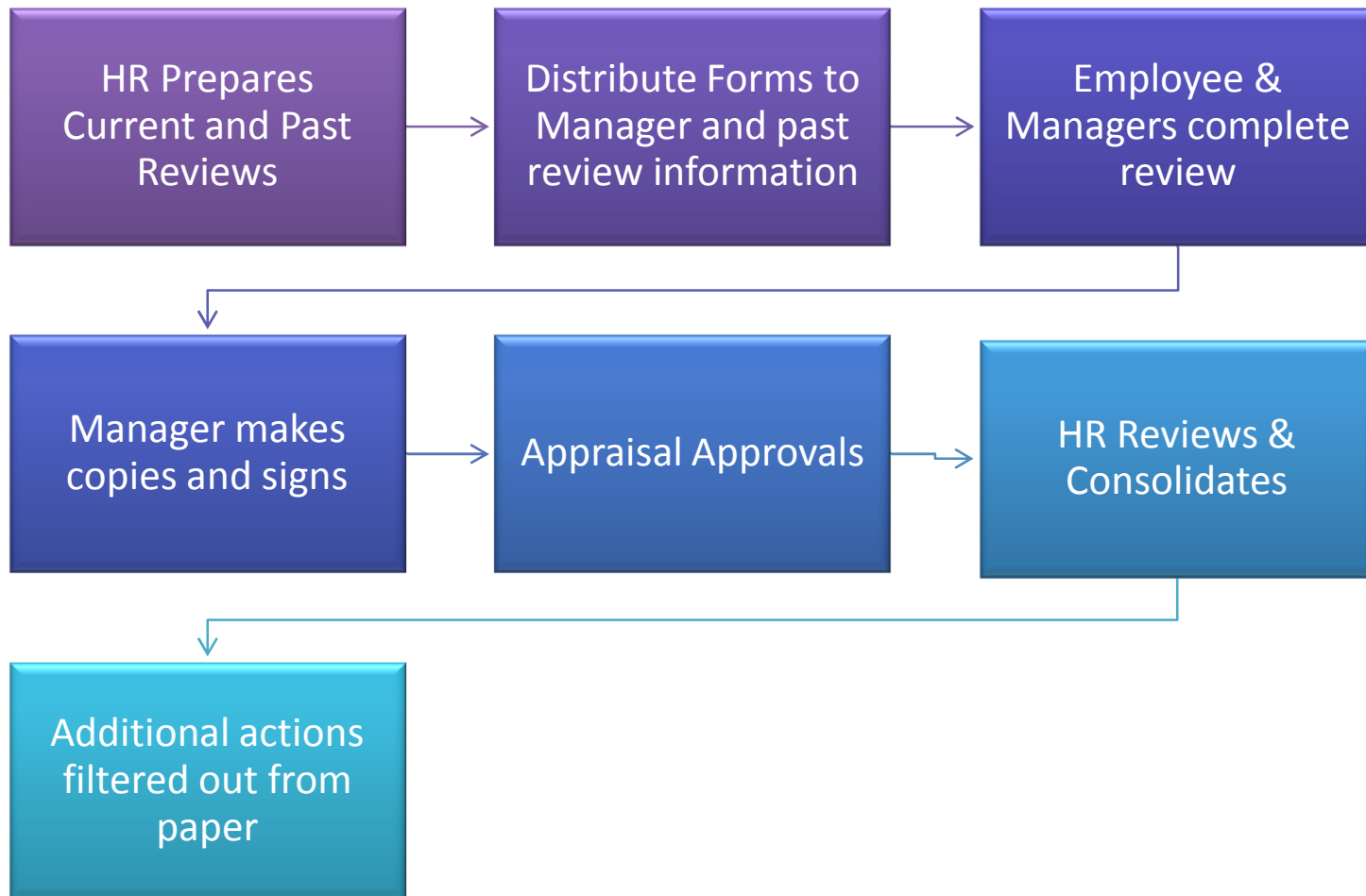
Pain Perspective: Example HR Pains

- Manual process too cumbersome
- Poor Reporting
- Compliance Issues
- Cannot implement corporate strategy
- Lack of visibility of current performance
- Lack of standardized ratings
- Managers complain of too much time completing admin
- Division Managers not achieving stretch goals (performance Management)
- Employer liabilities inaccurate
- Overpayment of benefits
- Turnover

Goal Perspective: Sample Performance Management Goals



Process and Systems Perspective: Sample Paper Process



Process & System Perspective: Look at System Advantages

- Productivity gains
 - Reduces time spent reporting
 - Reduces tracking time Lowers HR call volume
 - Reduces (or eliminates) paper handling
- Lower transaction costs
 - Reduces printing and mailing costs
 - Eliminates duplicate data entry
 - Improves data accuracy, integrity, timeliness
- Reduce (or eliminate) benefits billing errors
 - Improves accuracy of employee election and census data submitted to plan providers
- Improved service levels, employee satisfaction and retention
- Improves Data Accuracy of History
- Strategic HR orientation

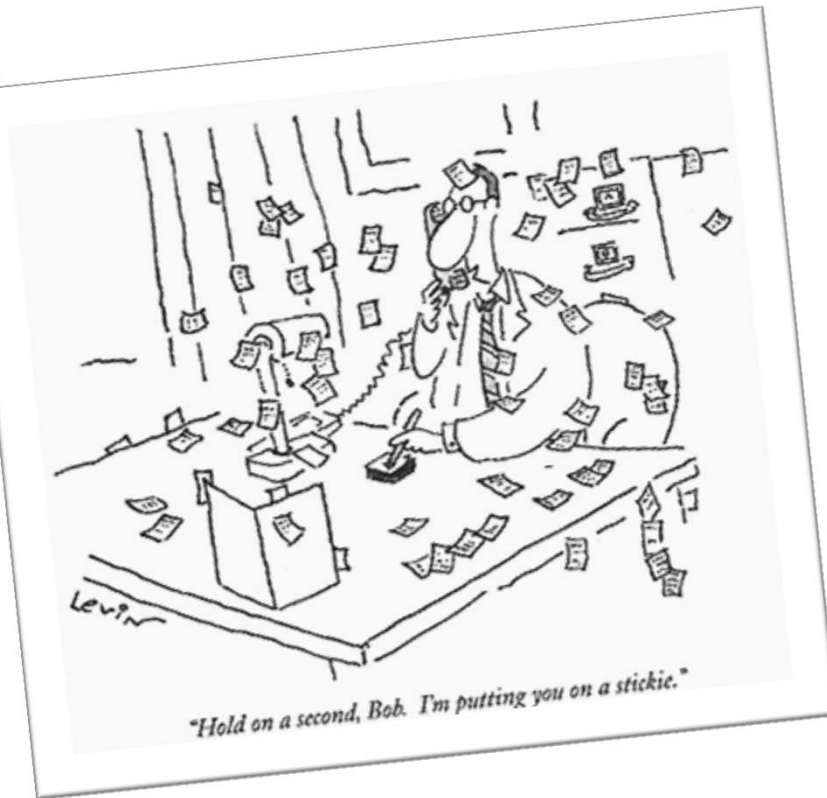
Subject and Purpose

- Subject and Purpose: Define what the business case is about
 - Define the action
 - Define the business benefit of taking the above action
 - Scope and boundaries
- Reasoning
 - Status Quo – a detailed statement of what you are trying to do and why the status quo is not sufficient
 - Ex: The objective is to implement a core HR system with recruiting and training administration capabilities.
 - Current issues – describe the problems and create a sense of urgency for change
 - Impact of no action – your biggest competition is the status quo
 - Goals - State your goals with respect to the company's strategic plan or defined business objectives
 - Alternatives - State the options considered and discuss why they are not being pursued.
 - Objective, accurate alternatives
 - Assumptions
 - Benefits rationale
 - Cost model

Benefits

- The reasons supporting your business case, even if you can't quantify them.
 - Increase in productivity
 - Increase data quality (for decision making)
 - Save costs
 - Increase process compliance/reduce risk
 - Improved Customer or Employee Satisfaction
 - Improved Market Share/Revenue
 - Access to capital/cash flow

Types of Benefits to Include



- Streamline processes
- Central database
- Simplified Reporting
- Enables Analytics
- Align objectives
- Reduce costs
- Save time/improve productivity
- Etc...

Types of Benefits to Include (continued)

- Benefits
- HR Admin
- Process Automation
- Manager approvals
- Alerts
- Reports
- Hiring costs
- Improved time to hire
- Reduced turnover
- Improved time to productivity
- Turnover costs
- Payroll Processing fees

Costs

- Initial project/solution search – The time spent researching, reviewing proposals, etc...You will want to use an average burden rate for those involved in the decision making.
- Project management (internal selling) - the time spent getting support for the project as well as managing the project implementation.
- Software – be sure to include the license and support costs or the monthly cost of using software as a service. If you are doing a multi-year analysis, don't forget to account for price increases.
- Hardware – the cost of servers, network equipment, if you don't know the costs yet, leave the line item in with a placeholder.
- Implementation & Installation – the cost of implementing and training on usage of the software and hardware
- Maintenance – cost of maintenance and support (internal and external)

Risks

Ex:

- Lack of resources/priorities to complete the project on-time
- Technological risk for complex processes
- Lack of response from benefit carriers may delay our implementation schedule.
- Lack of project management

Critical Success Factors

- Critical Success Factors – When embarking on any project, it is important to understand what the critical success factors are for your project.
- Ex: For example, by removing some of the responsibilities from your HR manager will allow them to participate in the meetings for the project.

Financial Analysis

- Simple analysis
- Cost of doing nothing vs. making an investment
- Return on Investment (ROI)
- Total Cost of Ownership (TCO)
- Advanced Analysis (cash flow, IRR, or economic value added)

ROI vs TCO

- In an CIO magazine online survey of 225 technology managers,
 - 59 percent said that ROI influenced whether they pursued a project in the past 12 months,
 - compared to 41 percent who reported TCO justified the decision.
- 62 percent of respondents favored ROI compared to TCO's 38 percent

ROI Example

Summary	Year 0	Year 1	Year 2	Year 3	Total
Initial Investment in License & Implementation	(\$124,337)				(\$124,337)
Cost Savings		\$15,715	\$15,715	\$15,715	\$47,145
HR Staff Time Savings		\$57,950	\$57,950	\$57,950	\$173,849
Productivity Savings		\$31,178	\$31,178	\$31,178	\$93,535
Total Savings		\$104,843	\$104,843	\$104,843	\$314,529
Continuing Support & Services		(\$22,102)	(\$22,102)	(\$22,102)	(\$66,306)
Net Savings	(\$124,337)	\$82,741	\$82,741	\$82,741	\$248,223
Cumulative Savings	(\$124,337)	(\$41,596)	\$41,145	\$123,886	\$123,886

Note: To override automatic investment and savings summary calculations, enter shaded cells above.

Measure	Value
Average Annual ROI (Return on Investment)	66.5%
IRR (Internal Rate of Return)	44%
Payback on Initial Investment (in months)	18

Costs to Include in TCO

- The cost to build or acquire the system (hardware, software, network costs)
 - don't forget the ancillary costs to the above (for example a system may require an add-on license for an RDBMs or middleware)
 - the cost to operate, maintain, and upgrade
 - the training costs (administrators & users)
 - the cost to install and implement
 - the cost to upgrade or troubleshoot and fix any impact the system will have on other existing systems
 - the potential consulting cost to re-engineer processes that are being automated
 - the cost to temporarily back-fill any headcount that has been 'seconded' for this initiative
 - the labor components of all of the above (procurement staff, IT staff, new-hire administrators, trainers, consultants, and so on).

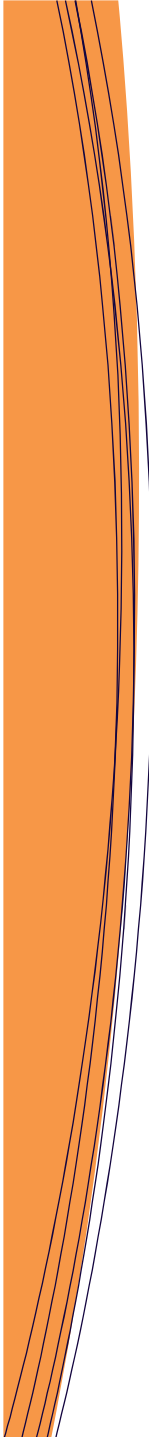
TCO Sample

TCO	Option 1 License	Option 2 SAAS
License	\$ 124,337	
S/W Support 5 Years	\$ 110,510	
Monthly Fees (5 Year)		\$ 420,000
Implementation	\$ 50,000	\$ 40,000
Manual Steps		\$ 12,000
Training Staff	\$ 5,000	\$ 5,000
IT Support	\$ 50,000	
Total	\$ 339,847	\$ 477,000

TCO Best when benefits are agreed upon and are deciding between options

Questions to Ask Yourself

- Content should address the following questions:
 - Should we fund the proposed project?
 - How much funding is needed to complete the project?
 - How do we maximize returns and minimize risks?
 - How do we measure success?
 - How do we comply with vendor selection requirements?
- Is this business case credible?
- How accurate are my numbers
- Are the options biased?
- Does it align with defined business goals and objectives?



ROI Analysis – Process Focused Sample Calculation

Sample Company Assumptions

Parameter Description	Parameter
Employees	1200
Number of EEs per Manager	6
HR Staff involved	5
Avg. HR burdened salary/hr	\$25
Avg. Manager Salary/hr	\$65
HR Reps – Prep time...	16
Reviewer admin time per EE	.10
Supervisor admin time per EE	.20
HR Reps – Wrap Up – reporting, etc..	8

HR Representative's Prep Time

Parameter Description	Parameter
HR Reps preparation time	16 hr
# of HR Reps involved	5
Average Salary of Reps	25/hr
Savings = \$2,000	\$2,000

HR Representative's Wrap Up Time

Parameter Description	Parameter
HR Reps Wrap Up Time	8 hr
# of HR Reps involved	5
Average Salary of Reps	25/hr
Savings	\$1,000

Supervisor's Administrative Time

Supervisor Admin Time per EE	.2 hr
# of Managers Involved	200
# of EE's per Manager	6
Average Salary of Managers	\$65/hr
Savings	\$15,600

* Omit the time spent actually doing the review and meeting with the employee

Additional Reviewer's Administrative Time

Reviewer Admin Time per EE = .1 hr	.1 hr
# of Managers Involved	100
# of EE's per Manager	6
Average Salary of Managers	\$65/hr
Savings	\$3,900

* Omit the time spent actually doing the review and meeting with the employee

Total Time Savings

Task	Savings
HR Reps – preparation time..	\$ 2,000
Reviewer Admin Time per EE	\$ 3,900
Supervisor Admin Time per EE	\$ 15,600
HR Reps - Reporting	\$ 1,000
Subtotal Time Savings	\$ 21,400

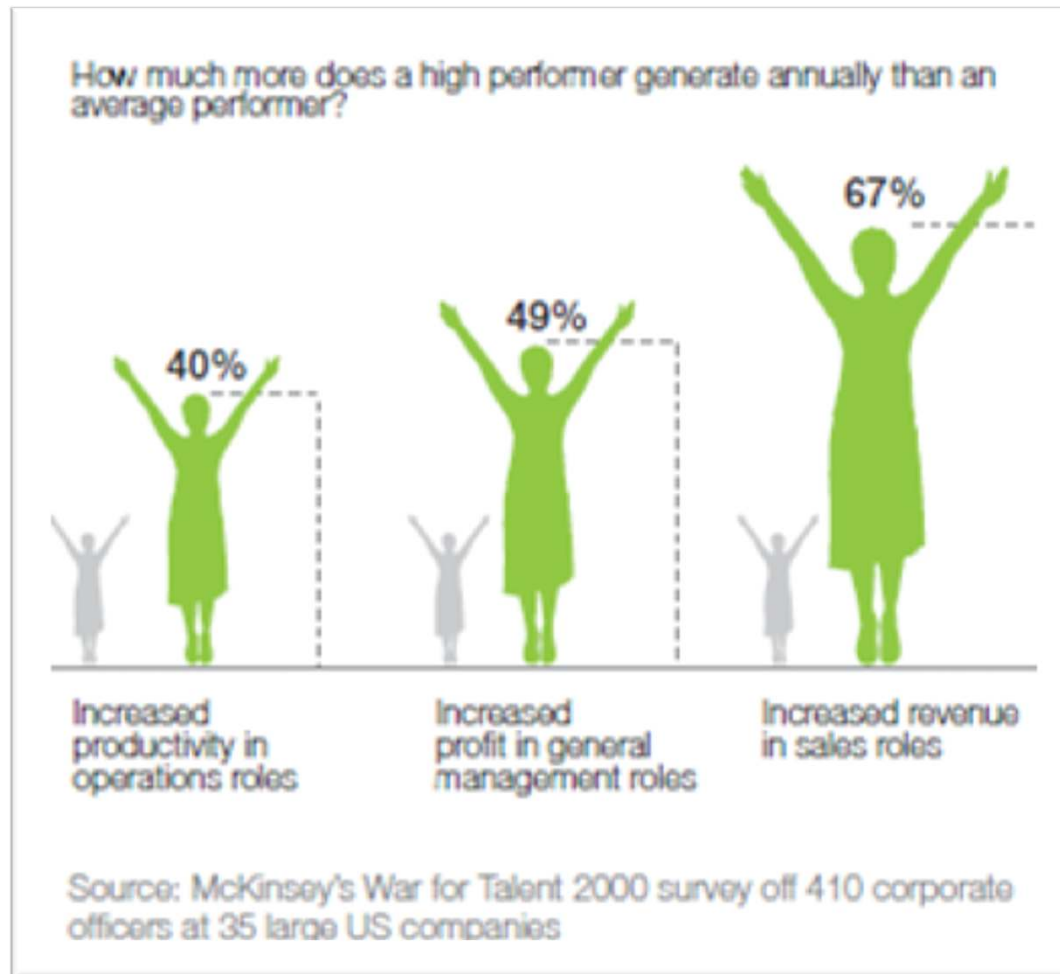


ROI Analysis - Results Orientation

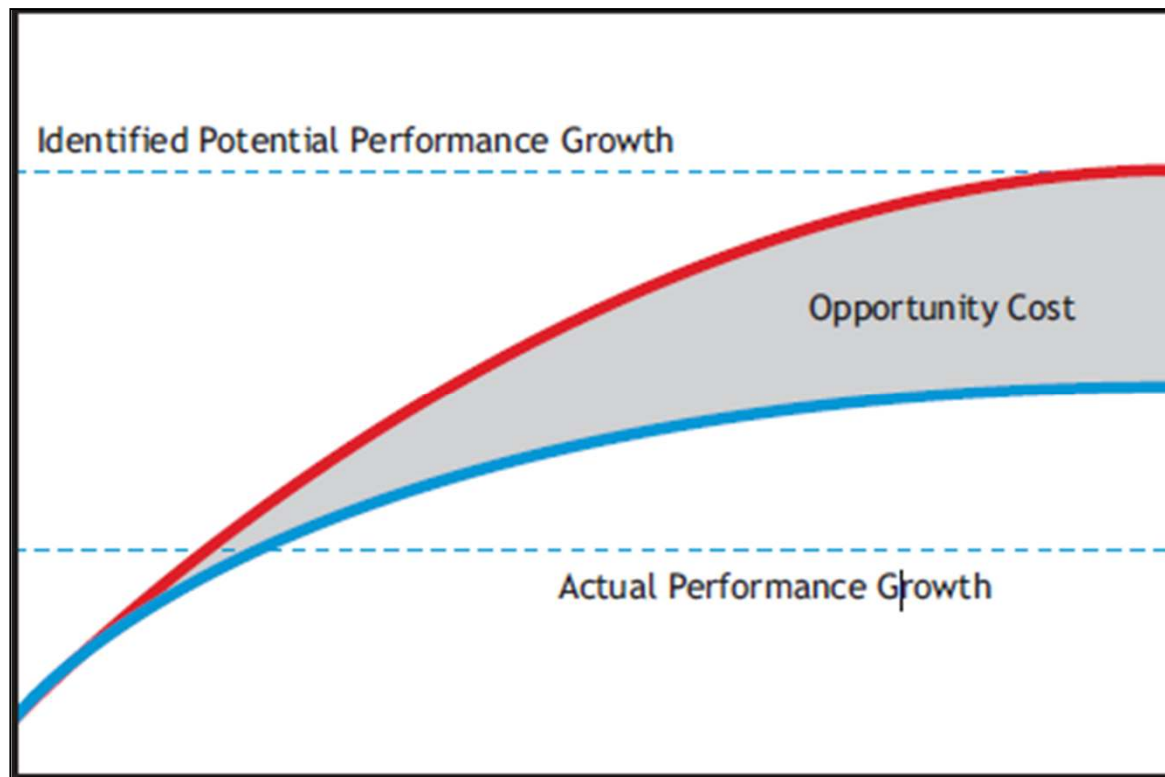
Goals of Program

- Improve average sales rep performance by 2% through better marketing, customer support, & sales support
- Other possible goals not used in this example
 - Filter out bottom performers
 - Move average performer to top performer
 - Improve retention/job satisfaction (lower turnover costs)

How Valuable are Top Performers?



Lost Opportunity Costs due to performance



Improved Revenue Sample

Parameter Description	Parameter
Total Sales	\$1,000M
% of top performers	10
% of average performers	80
% of bottom performers	10
Top performers avg annual sale	\$14M
Avg performer avg annual sale	\$10M
Bottom performer avg annual sales	\$6M

Revenue Impact

Parameter Description	
Average sales performer revenue	\$10M
New Avg sales increased revenue	\$.2M
% of avg performers	80%
Total revenue increase	1.6%
Total revenue	\$100M
Total Overall Revenue Increase	\$16M

Cost of Performance Management Investment

Initial - Software License	\$30K
Initial - Server Hardware & Software (if needed)	
Initial - Consulting (implement, customize, train)	\$30K
Initial - Internal HR/IT implementation time	\$10K
Subtotal Initial Costs	\$70K
On-going Client internal HR/IT support time	\$10k
Subtotal Ongoing Costs	\$10K

ROI Calculation

Item	Year 1	Year 2	Year 3	Total
Initial Investment	-\$70K			\$70K
Ongoing Costs		-\$10K	-\$10K	-\$20K
Labor Savings		\$21K	\$21K	\$42K
Improved Revenue		\$8,000K	\$16,000K	\$24,000K
Net Savings	-\$70K	\$8,011K	\$16,011K	\$23,953K

3 Year Average ROI Calculation

$$\text{ROI} = \frac{(\text{Net Savings}) / 3}{\text{Initial Investment}} \times 100$$

$$\frac{\$ 23,953\text{K} / 3}{\$70\text{K}} \times 100 = \frac{\$7,984\text{k}}{\$70\text{K}} \times 100 = 114 \times 100 = 1140\%$$

Payback Calculation

Example	Year 1	Year 2		Total
Initial Investment	-\$70K			\$70K
Ongoing Costs		-\$10K	-\$10K	-\$20K
Labor Savings		\$21K	\$21K	\$42K
Improved Revenue		\$8,000K	\$16,000K	\$24,000K
Net savings	-\$70k	\$8, 011K	\$16,011K	\$23,953K
Cumulative savings		\$7,941K	\$23,952K	

Payback is in 2nd year

Final Thoughts

- ROI is only one part of the business case positioning
- The Strategic Opportunity is just as important
- Be conservative. A gazzillion % ROI will not be credible. Projects with 40%+ ROI and payback in the 18 month range are realistic

Questions



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