



Buyer's guide: HCM essentials

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When it comes to your organization's people, few choices are as crucial as selecting the right Human Capital Management (HCM) system. Human capital management strategy is the intentional and integrated approach to effectively manage and activate the workforce to achieve strategic business goals (see Guide to HCM Strategy), and the right HCM system provides the tools you need to build the strategy you designed. Picking an HCM system isn't just another tech choice; it's a decision that can set the tone for your entire organization. These systems handle the nuts and bolts of employee information, connecting different parts of your organization.

Your HCM strategy is the blueprint for how you manage and support your employees, and an HCM system is your toolbox, helping you build that strategy by providing:

- ✓ **Smoother processes:** It's all about simplifying workflows and reducing manual tasks.
- ✓ **Employee support:** Enabling your employees to manage their own information and engage with the organization.
- ✓ **Data insights:** Providing data for tracking performance and making informed decisions.
- ✓ **Compliance ease:** Helping you stay on the right side of regulations while minimizing paperwork.



Knowing when it's time to buy a new HCM system

Some common reasons lead organizations to explore new HCM systems grounded in the realities of business operations, and understanding these drivers can guide your HCM decisions.

Organizations often consider adopting new HCM systems during growth, strategic planning, or cost-cutting phases. As operations expand, existing systems struggle with increased workloads, so new solutions are sought. Operational efficiency gains importance when manual tasks hinder productivity and cost-effectiveness, driving the search for streamlined processes. Focusing on employee satisfaction leads to pursuing user-friendly interfaces and self-service options. Amid evolving compliance complexities, automated systems ease regulatory burdens and mitigate errors. Data-driven insights further motivate the search for systems with robust analytics, simplifying decision-making by consolidating scattered data.

There are a few key indicators that you should look for when deciding if it's time to buy a new HCM system:

- ❗ Your HR system is outdated and unable to integrate with current software
- ❗ Your HR system doesn't include features you need or want, such as automation, analytics, or compliance tracking
- ❗ You cannot access or manipulate data in the ways you need to
- ❗ Your HR system is too costly to maintain
- ❗ You have regular errors and technical issues with your current HR system

How to approach the buying process

The buying process is more than just demos and contracts, although those are essential. When acquiring HR technology, the aim should always be adoption to guarantee long-term success and full value. This is a difficult challenge to meet with the quickly advancing tech and corporate needs.

Building an “HR Tech Stack” or a strategic plan for how your technology will support your strategic HCM planning can be complicated with many different tools and technologies. We suggest breaking your decision-making into a few key areas:

- ✓ **Understanding the overall process and strategy** you are solving or supporting and making a business case, if needed, for budget approval, etc. (See Building an HCM Strategy with Impact).
- ✓ **Researching and buying planning** — This is a great place to look at buyer’s guides and product demos, read reports and case studies, and refine requirements.
- ✓ **Evaluating and selecting** — Make a list of key things you want and need, make a checklist including product and partner-level questions, and determine how well the solutions meet those needs.
- ✓ **Implementation and change management planning** — How do you plan for the success of a project or technology.



What to look for in HCM software

HCM systems are like efficient coordinators, streamlining HR tasks for teams and employees. They manage employee data, payroll, benefits, performance, learning, and workforce insights. Businesses gain a comprehensive view of their workforce by bringing these functions together. This approach supports data-driven decisions, aligns HR with organization goals, and enhances employee engagement and productivity.

Selecting the right HCM system may seem overwhelming, but remember that you don't necessarily need to opt for the priciest or most advanced options. Use these four elements as the essentials for any software you consider.



Strategy informed HR: Aligns HR practices with organizational goals and strategies to enable leaders to develop and implement initiatives that support the overall business strategy.



Focus on employee experience: Prioritizes the employee experience through self-service portals, mobile access, and intuitive interfaces to empower employees and improve engagement, satisfaction, and productivity.



Consistent compliance: Automates compliance with labor laws, regulations, and internal policies to ensure organizations stay updated with ever-changing legal requirements and foster fairness.



Data-driven approach: Leverages data analytics to provide insights into workforce trends, performance, and engagement, allowing organizations to make informed decisions and align HR strategies with business objectives.

What's included in the Essential HCM Tech Stack

HCM technology comes with a variety of solutions to tackle different organizational needs. But there are a few must-have solutions you should look into, no matter your organization size or industry. Every organization needs these essential tools to attract, develop, engage, and retain talent. While these technologies can be a stand-alone point solution, bringing them together into one cohesive system has advantages. Seamless data flow, increased efficiency, consistent practices, enhanced reporting, and simplified IT management are benefits of unified systems to consider.

Core HR/HRIS

At the heart of the HCM tech stack lies Core HR, also known as HRIS (Human Resources Information System). It is the central hub for employee data, encompassing personal information, work history, organizational structure, and payroll details. Core HR software handles essential functions such as managing employee records, tracking time and attendance, handling leave, administering benefits, and ensuring compliance. By automating these processes, Core HR systems alleviate manual workloads, streamline operations, and empower employees with self-service options to manage their data, request time off, and access payroll information.

Payroll

Accurately and timely paying employees is a key factor in upholding the employer-employee relationship, making it essential for organizations to have reliable payroll software. This will ensure that employees are paid correctly, trust is maintained, and any potential compliance risks are reduced. These solutions calculate and process pay precisely and seamlessly integrate with time and attendance systems to keep track of employee hours. They generate essential payroll reports and tax filings while allowing employees to access their pay stubs and tax documents through self-service options. Additionally, the software plays a vital role in mitigating legal risks by helping with compliance with tax laws and labor regulations, all while providing employees with easy access to their compensation information.

Time Attendance

Time and Attendance software plays a crucial role in the toolkit of HR professionals by efficiently tracking and managing employee attendance, which is a legal "must-do" for most organizations. This software automates attendance tracking, ensuring accurate record-keeping while streamlining the entire process of monitoring employee time to ensure compliance with labor laws and organization policies. Self-service features and mobile access allow employees to view schedules, request time off, and make changes to their personal information easily from any personal device.

Talent

Talent technology plays a crucial role in every HCM tech stack by helping attract, engage, develop, and retain top talent to boost organizational performance. This group of solutions has expanded significantly, requiring a strategic selection of essential software tailored to your talent strategy. Talent software consists of various solutions designed to handle talent acquisition, talent management, and employee experience, all of which provide invaluable insights into the workforce. It automates tasks, streamlines hiring and managing fairly, and fosters an engaging workplace.

Reporting

If you employ people, you need reports, and your HCM system should equip you with the basic reporting needs of your business. HCM system reporting generates insightful reports for analyzing employee data, including performance, compensation, and benefits. Reporting data pulled from time and attendance systems can provide valuable insights into employee productivity, scheduling, and attendance. This data can help organizations pinpoint areas of success and those that need improvement, which allows leaders to make informed decisions and strategic adjustments that positively impact the organization.

Beyond the essentials

As organizations mature in their HCM strategy, their tech stack often expands to offer more to employees and the leadership teams regarding data and insights for strategic decision-making.

When expanding the HCM tech stack, consider the organization's size, budget, and desired functionality. Some suggested solutions to consider are:

- ✓ **In addition to CoreHR/HRIS** — HR Service Management, Employee Self-Service, Org Chart
- ✓ **After Payroll** — Compensation, Pay Equity, Continuous Pay, Wellness/Well-being, Benefits Administration, Benefits, Rewards & Recognition
- ✓ **Expanding on Time and Attendance** — Scheduling, Labor Forecasting, Time Clock/Location Management
- ✓ **Talent Strategy** — Recruiting Software, Performance Management, Learning Systems, Succession Planning, Internal Mobility, Employee Surveys, Employee Engagement, Employee Comms
- ✓ **Moving from Reporting to Forecasting** — People Analytics, Workforce Intelligence



How to evaluate and select an HCM system

Picking the right HCM system is vital for businesses, affecting operations, employee experience, and success. But with so many options, how do you decide?

This guide outlines features, tech considerations, and process priorities to simplify decision-making. These steps provide a structured approach to help identify requirements, evaluate vendors, and pick the best solution that aligns with your HR strategies and goals.



1 Identify the problems you're trying to solve

The HCM evaluation and selection process starts with understanding why you want the project. This clarity helps communicate the project's purpose, construct a business case, and maintain your focus throughout. Pinpoint the issues with your existing processes and systems.

Identifying challenges:

- ❗ What are the issues?
- ❗ How have you addressed them with current resources?
- ❗ Why didn't it work? Or why won't it work for the future?

Group these challenges together connected to business results. This approach will show why your present technology and processes fall short and hold back your organization's progress. Ensure you involve stakeholders in these conversations; having them onboard from the outset helps align goals and secure crucial support.

2 Explore the functions and features that address your problems

Exploring different software and providers helps you identify features that tackle the challenges you've pinpointed. A solid grasp of these functions based on your research before contacting providers ensures vendor discussions center on your organization's needs versus what's trendy. You'll also find functions and features that are industry — or size-specific in your research, so be sure to include them on your requirements list.

→ Employee information management

At its core, an HCM system is the central repository for employee data, encompassing personal info, work history, skills, and certifications. It should facilitate easy updates, secure access, and data privacy. Most organizations use multiple types of workers, so look for systems accommodating all — full-time, part-time, regular, temporary, contract, and contingent workers.

→ Payroll and benefits management

Effective payroll and benefits management is critical for employees to have access to their compensation. An HCM system should automate payroll calculations, tax deductions, and compliance with labor laws. It should generate pay slips, track salary adjustments, and allow flexible pay options, meeting employees' needs. Benefits administration should simplify healthcare and retirement plans and enrollment processes, verifying eligibility and supporting automated deductions.

→ Time and attendance tracking

Accurate employee time and attendance tracking supports productivity and compliance. The HCM system should include timekeeping features like clock-in/clock-out, timesheets, and leave tracking. To enhance workforce management, look for automated overtime, scheduling, and engagement options such as shift-swapping.



—> **Workforce planning and analytics**

Analytics and reporting capabilities in an effective HCM system offer insights for data-driven decisions. Robust analytics tools visualize trends and correlations in workforce data, while real-time reporting provides on-demand access to HR metrics. Some systems feature predictive analytics for forecasting and benchmarking against peers for better decision-making.

—> **User experience**

A system is only good if people use it, so usability is key. When assessing the tech, consider the impacts on all users. Admins, recruiters, HR, managers, and employees all matter. The software should simplify work, not complicate it. Well-designed HCM systems offer a seamless, personalized experience. Mobile access, user-friendly interfaces, and customization options enhance engagement and efficiency while boosting satisfaction.

—> **Compliance and risk management**

Effective HCM systems build-in compliance and risk management with employee-related regulations like FLSA. Look for automated timekeeping, wage calculations, reporting, and compliance notifications to help prevent violations. Ethical AI should be considered when selecting an HCM system; look for a statement of AI ethics that addresses privacy, fairness, and accuracy.

—> **Data security and privacy**

Data security and privacy features ensure employee data confidentiality and compliance with regulations like GDPR. Pay attention to HCM systems using encryption, access controls, secure storage, authentication, activity logs, and audit trails. Privacy features include data anonymization, consent management, and data subject rights support.

—> **Integrations and scalability**

Integrations are a common source of frustration with HR software. An effective HCM system should seamlessly connect with existing and future systems, such as HRIS, TA, and ERP. Compatibility and strong APIs enable smooth data flow and third-party app integration.

—> **Vendor fit**

Evaluating vendor fit is pivotal for a successful partnership. Beyond the system, consider reputation, expertise, and support. Assess implementation, customer service, and commitment to updates. In addition to conversations with the vendor, look at their website, speak with references, check out how their employees feel about them on employee rating sites, and visit their booth at events.

—> **Implementation and training**

Implementation and training are vital to ensure a smooth transition, improve adoption, and maximize the system's effectiveness. Assess the vendor's implementation plan, including project management, data migration, and support. Evaluate the level of support during implementation, including training resources, documentation, and dedicated specialists. Consider available training options, like on-site or virtual sessions, user manuals, and online resources.



3 Evaluate products to meet your needs and budget¹

During the evaluation step, it is essential to ask relevant questions, seek clarification on any doubts, and request demonstrations of key workflows and processes. Shortlisting and product demonstrations allow you to better understand the system's capabilities, assess its suitability for your unique needs, and make an informed decision based on firsthand experience with the solution.

✓ Shortlisting

Shortlisting helps you identify the right vendors to spend time with so you can plan more in-depth assessments of a manageable number of options. Create a requirements checklist based on research and stakeholder input, listing must-haves and nice-to-haves. From 10-25 options, explore provider websites, business cases, demos, and videos. Assess them against your checklist to narrow down to five-ten that meet your needs and preferences. This focused approach saves time and guides your choice effectively.

✓ Product demonstrations

Product demonstrations provide an opportunity to see the system in action and assess its functionality, user interface, and overall user experience. Demos involve more than one presentation, with each interaction helping the vendor better understand your needs.

- **Discovery call** — You and the vendor should have a conversation to determine if there is a potential fit between the HCM solution and the organization's needs.
- **Product demo** — Usually, you will have a first demo that runs 30-45 minutes to give you an overview of the product and organization.
- **Pricing request** — If the system meets your requirements, ask for a pricing proposal that outlines implementation and maintenance so you can assess the financial feasibility.
- **Deep-dive demo** — Based on the initial product demo and pricing, narrow your list to two-three finalists and request a more in-depth demonstration. This presentation should be a tailored and customized demo that dives into the details of the HCM system.

✓ RFP

The Request for Proposals (RFP) lets you lay out requirements, and vendors respond with pricing and solutions. While function lists are common, modern solutions differ in service, innovation, and approach, so your RFPs must reflect these distinctions. The RFP process should further develop the vendor relationship and allow you to be more targeted as you finalize the evaluation step.

The RFP review process can be time-intensive, so only send them to your top three-five vendors in preparation for deep-dive demos. In addition to features and functions checklists, include scenarios and provide opportunities for the vendor to offer solutions to the situation — they might be able to solve them in a unique way.

¹ Aspect43 Research, 2023



4 Select a solution that will make your organization better

By following a structured decision-making process, involving stakeholders, and considering all relevant factors, organizations can select the most suitable HCM system and create a roadmap for successful implementation and adoption.

Compare finalists

Compare the features, functionalities, implementation plans, customer support, and any other relevant factors of the products you saw in the deep-dive demos. Evaluate how well each solution solves the organization's problems. Assess vendor fit, customization, scalability, and integration. Analyze how well each product and vendor meets your unique needs and supports growth. Review pricing against the budget, including ongoing support costs, and consider the implementation plan's alignment with the organization's timeline.

Build consensus

While everyone may not agree on which product is best, it is important to build consensus. Engage key stakeholders, including HR, IT, finance, and executive teams, to ensure a holistic evaluation of the vendors. Facilitate open discussions and actively address any concerns or reservations raised by stakeholders. They should feel heard and valued even if the final choice is not their favorite.

Make a decision

Select the preferred vendor after a thorough evaluation, comparisons, and stakeholder input. Consider all the factors evaluated, including alignment with requirements, budget considerations, and stakeholder feedback. Communicate the decision to stakeholders, clearly and concisely articulating the rationale behind the decision and any relevant next steps.



Conclusion

Selecting the right HCM system is about finding the best fit for your organization's needs and culture to simplify HR processes and enhance the employee experience. Using a structured approach and focusing on your organization's needs will lead to a successful HCM system evaluation and selection. Identify problems, explore features, evaluate products with demos, and choose the best solution. Devoting time and effort to this endeavor enhances the probability that the HCM system you select is in sync with your HR strategies and objectives, fostering lasting success in a competitive business landscape.

HCM evaluation

Your payroll and HR services impact every employee and every part of your organization. So, it's important to find a Human Capital Management (HCM) system that connects people and processes. The right solution can streamline day-to-day operations, support growth, reduce compliance risks, and boost employee engagement.

- ✓ **Identify business needs** — Clearly outline your organization's needs and priorities before starting the Human Capital Management (HCM) vendor selection process. This will help you stay focused and evaluate vendors based on how well they meet your HR and Payroll requirements.
- ✓ **Define success** — Establish the criteria and objectives to determine whether the HCM solution is effective and aligns with the organization's goals. These measurements may include KPIs, benchmarking, timeframes, or outcomes specific to your organization.
- ✓ **Conduct thorough research** — Gather information on different HCM vendors, their products, and their reputations in the market. To understand their strengths and weaknesses, look for customer reviews, case studies, and industry reports.
- ✓ **Build a shortlist** — Narrow down your vendor options based on their alignment with your requirements and reputation. Create a shortlist of vendors you want to evaluate further.
- ✓ **Evaluate product fit** — Assess how well each vendor's HCM solution aligns with your needs. Look for features, functionalities, and customization options important to your organization's HR processes. Be sure to consider if it meets your organization's security standards and supports your compliance needs.
- ✓ **Understand integrations** — Assess the compatibility and connectivity of the HCM system with other existing systems and applications within your technology ecosystem. Be clear about the specific data elements that need to be shared, available APIs and middleware, and data security factors.
- ✓ **Request proposals** — Prepare a detailed request for proposal (RFP) document outlining your requirements and ask shortlisted vendors to provide proposals. Communicate your expectations, evaluation criteria, and timing.
- ✓ **Consider vendor fit** — Evaluate the vendor's experience with HCM products, their track record of successful implementations, and their understanding of your industry and business needs.
- ✓ **Review customer references** — Request references from the vendor and contact their existing customers. Ask about their experiences with the vendor, implementation process, customer support, and overall satisfaction.
- ✓ **Evaluate implementation and support services** — Consider the vendor's implementation methodology, timelines, and support services. Ensure they have a structured implementation plan and can provide adequate support during and after the process.



HCM requirements checklist

Your human capital management (HCM) strategy impacts the innovation, productivity, brand, and performance of your organization. So your HCM software should support your efforts to hire, support, compensate, and retain your workforce.

The following are the most common HCM functions and features to consider when evaluating solutions. Use these as a starting point to build and prioritize the list of your own requirements.

Core functionality

Does the system cover essential HR tasks such as employee data management and time and attendance? Will it support your organizational structure?

Payroll and benefits management

Does the system provide accurate calculation and processing of employee salaries, deductions, taxes, and compliance with payroll regulations both locally and globally? Does it accommodate any special payroll situations your organization needs?

Workforce planning and analytics

Can the system help with workforce planning, forecasting, identifying and managing talent gaps? Does it provide the reporting you need to prepare your business for the future?

User experience

Does the system offer self-service capabilities for employees to access and update their information? Is it mobile-capable and has a user-friendly interface? Is it easy for managers and employees to perform routine tasks?

Compliance and risk management

Does the system have robust features to ensure compliance with labor laws and data privacy regulations and enable risk management? Does it provide the regulatory reporting you need? Does it quickly and correctly adapt to ever-changing compliance requirements?

Integration and scalability

Can the system integrate with other existing HR or business systems, and can it scale as the organization grows?

User experience and interface

Is the system user-friendly — for employees, admins and managers, intuitive, and designed with a clean and modern interface to support adoption?

Data security and privacy

Does the system prioritize data security measures, encryption, access controls, and compliance with privacy regulations to protect employee information? Does it work with your single sign-on/dual authentication systems?

Vendor fit

Does the vendor have a solid reputation, a history of providing reliable software and good customer support, and a clear roadmap for future development? Do they understand your business, your pain points, and your priorities?

Implementation and training

What support does the vendor offer during the implementation process, including training resources, documentation, and assistance with data migration? Do they provide change management guidance?

HCM stakeholder alignment

In the HCM buying process, it's essential to involve stakeholders with a vested interest in the system's success. Getting stakeholders on board ensures the organization's needs are met, gathers perspectives from different people, gets support and resources, addresses concerns and risks, and enhances user adoption and engagement. Engaging stakeholders throughout the process fosters collaboration, ownership, and a shared commitment to the success of HCM implementation and adoption.

Who	Why	What they care about
HR Leadership	Plays a crucial role in the buying process as they are responsible for driving HR strategies and ensuring alignment with organizational goals.	A solution that improves HR efficiency, enhances employee experience, and enables data-driven decision-making.
IT	Essential in evaluating the technical aspects of the HCM software. Bring them in sooner rather than later to avoid wasting time on solutions that won't work for your organization.	The software's compatibility with existing systems, security features, scalability, and ease of integration. Integrations are the #1 frustration with current solutions, so pay attention to this during the buying process. ²
Finance	Assess the financial impact of implementing the HCM software and ensure it aligns with the organization's budgetary constraints.	Concerned with cost considerations, return on investment, and budgeting; ensures the system meets financial compliance and security standards.
User representatives: Managers and Employees	Provide valuable insights into the specific needs and pain points of end-users.	User-friendliness, intuitive interfaces, and features that streamline their daily tasks and enhance their overall experience.
Legal/ Compliance/ Risk Management	Aware of potential risks and requirements involved with the system and related processes.	Ensures the software meets regulatory standards, data privacy laws, and industry-specific compliance requirements..
Executive Leadership	CEO or CFO should be informed about the HCM buying process and its strategic implications.	Overall impact on the organization's performance, strategic goals, and long-term growth.

² Aspect43 Insights at Work Research, 2023

About Aspect43

Aspect43 supports enterprise technologies, high-growth startups, and investors focused on HR, Talent, & Future of Work. For HR and Talent Teams, our analyst group produces free reports each year and provides training and education sessions to help better navigate the HR technology market.

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