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The Ultimate Guide to ROI of HRMS

How to build the case for the impact of HRMS and measure it

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Need & Challenges to prove ROI for HRMS

HR is at the forefront of the workplace and workforce transformation, thereby slowly and steadily shifting its focus from being tactical to becoming more strategic. In fact, HR teams are doing a tough balancing act: on one hand, it's about transforming HR operations, on the other they need to help transform the workforce and the way work is done.

The need for technology investment by enterprises to strengthen the HR function has become all the more essential as it helps in providing the much-needed firepower to stretched-out HR teams.

However, although 76% of executives agree that organizations need to dramatically reengineer the experiences that bring technology and people together in a more human-centric manner, investment in HR Tech can be perceived as unproductive by the leadership teams.

One of the biggest blockers to this conversation is that leadership may not see the strategic advantage of HR Tech. They are wrapped up in running a business, and after all, HR is just supposed to take care of attendance and payroll, right?

Except, we know that this isn't true.

Research by G2 shows that 80% of HR professionals believe that incorporating HR technologies into their processes improves employee attitude toward the company. The right set of tools can enable HR to be a business-enabling powerhouse with an impact on the bottom line and beyond . But the perception issue isn't all we're dealing with right now.

Many regions in the world are gearing up for multiple waves of the pandemic, leading to forced lockdowns. This situation is weighing heavily on businesses, big and small. Companies face dire challenges in maintaining revenue, and a major factor in this endeavour is keeping employees engaged and retaining talent, as well as quickly plugging any talent gaps that exist. Requests for any investment at this juncture are likely to be met with staunch opposition.

HR Tech is exactly the kind of investment that can help solve the problems.

And not only will HR Tech investment solve your problems, but it will also in time become an ally in helping the business make people-related decisions with powerful predictive capability.

Demonstrating and faithfully measuring ROI will not only get buy-in for this essential investment, but it will also show leadership that HR is indeed a Strategic Business Partner. It is not an easy task, particularly because some of the ROI can be measured in quantitative terms (namely dollars & cents), while some others can only be measured in qualitative terms or have a major impact downstream–such as increased employer brand value, customer satisfaction, and brand perception.

So, how then, do you build a business case for leadership buy-in for HR Tech investment approval?

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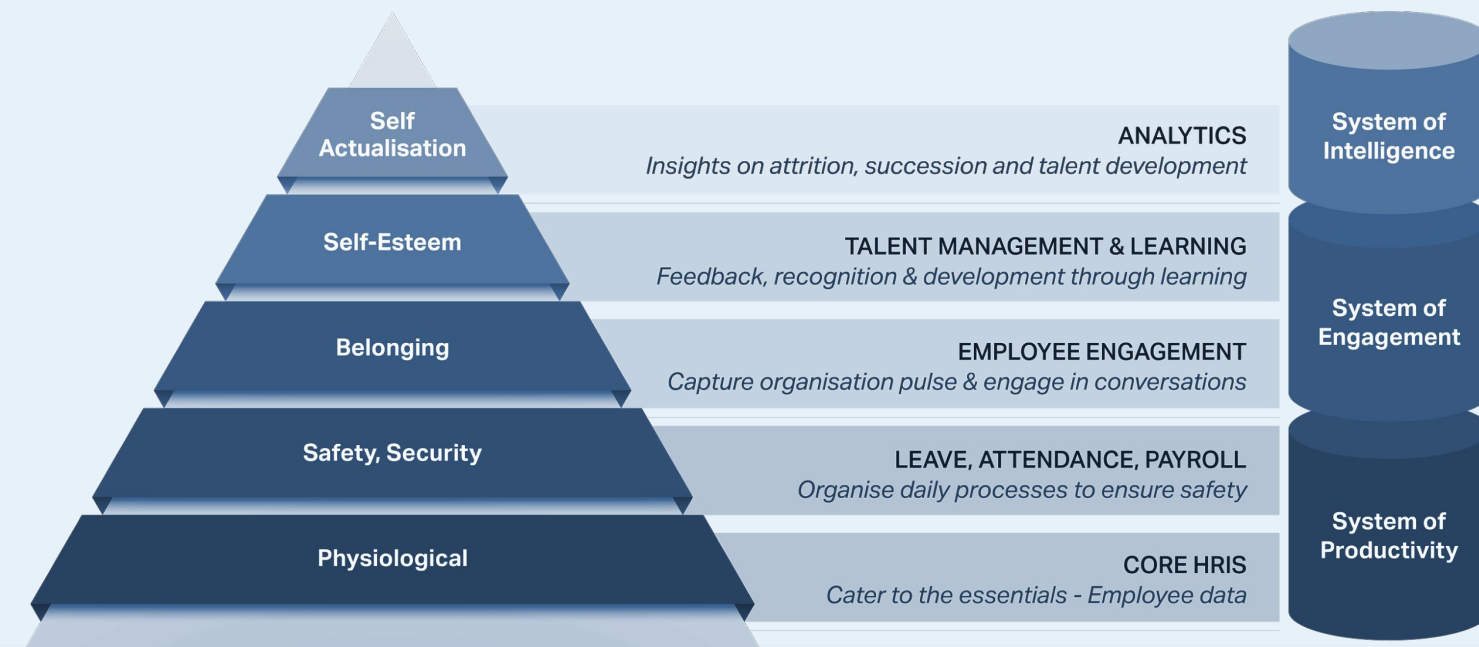
The Hierarchical Model of HRMS Transformation

The key to making a case for investment in an HRMS, and actually measuring ROI, is to determine the transformative changes and impact that the HRMS will make and understand how they are linked to achieving business goals. The simplest way to think of it is in terms of monetary benefit.

That seems pretty straightforward.

The problem, though, is that the HRMS will touch multiple levels and areas of your organisation—processes, people, mindsets, and culture. All of these facets will affect business results in different ways and to different degrees. And while all of them have an effect on the bottom line, there are so many variables and not all of them connect.

The best way to measure ROI is with a systematic approach towards bucketing the various parameters of business that will be affected by your HRMS, and for this purpose, we suggest the hierarchical model of HRMS Transformation.

The **hierarchical model of HRMS Transformation** recognizes that not everything happens all at once. That is, your HRMS will affect your organisation at various levels and at different stages. It is interesting to observe that these stages draw a parallel with Maslow's Hierarchy of Needs (and it's useful to compare the models). The hierarchical model of HRMS Transformation plots a roadmap for the evolution of your organisation into a thinking entity, one that can use historical and real-time data to predict the outcome of an initiative.

Maslow Level	HRMS Function	System
Self Actualisation	**ANALYTICS** *Insights on attrition, succession and talent development*	**System of Intelligence**
Self-Esteem	**TALENT MANAGEMENT & LEARNING** *Feedback, recognition & development through learning*	**System of Engagement**
Belonging	**EMPLOYEE ENGAGEMENT** *Capture organisation pulse & engage in conversations*	
Safety, Security	**LEAVE, ATTENDANCE, PAYROLL** *Organise daily processes to ensure safety*	**System of Productivity**
Physiological	**CORE HRIS** *Cater to the essentials - Employee data*	

The Hierarchical Model of HRMS Transformation

A side note: Everything is evolution

"Digital Darwinism" is a term that refers to the phenomenon where technologies and consumer behaviours evolve faster than businesses can naturally adapt, thus driving the companies that fail to adapt to extinction. It's a term we sorely wish we had coined, but in any case it's a term that drives what we do at Darwinbox, because in business the only appropriate response to Digital Darwinism is digital transformation.What is interesting to note is that evolution appears to be a driving force behind everything, not just digital transformation. We see this concept represented across nature and human culture again and again. It can be mapped on to Maslow's Hierarchy of Needs, which can be seen to represent the evolving pursuits of successively higher forms of life, we can see the same theme represented in the Vedic system of the 7 chakras, and we even see the development of a human embryo recapitulating the evolution of all forms of life that came before it, from a single celled zygote to a fully formed human baby. This last one is called embryological parallelism, whereby the embryo goes through stages resembling or representing successive adult stages in the evolution of the animal's remote ancestors. As a matter of fact, human embryos follow this so closely that at one point they have structures similar to a fish's gills.In a sense, to not evolve is to deny the very core of life itself.
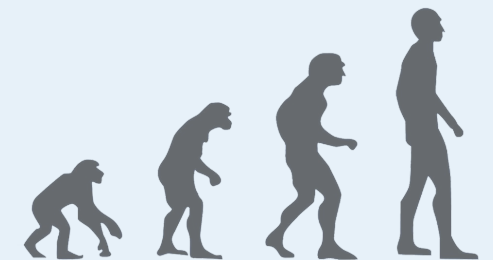
Let's get into what each stage of this model indicates

System of Productivity

The first stage of the transformation is all about getting the essentials of your HR processes right. In fact, you already have these in place, whether it is through point solutions and disconnected processes, or even in its most primitive form—lots and lots of excel sheets.

This stage maps to the physiological and safety needs of Maslow's model and corresponds to basic organizational hygiene - i.e to setup systems that ensure efficient, accurate and productive Core HR and transactions

- **Core HR**: The essentials of the HR function—your employees' data. It is kept secure within a single source of truth that makes it available across the organisation to whoever needs it for relevant processes.

- **Leave, Attendance, Payroll:** These are the relevant, daily processes that form the basics of employee management in any organisation.

System of Engagement

Mapping to the more complex needs of Maslow's model, belonging and self-esteem, facets of HRMS cater to fostering community as well serving the individual goals of employees. This stage emphasizes delivering a great experience with every point of interaction between the employee and the system. People are people, not automatons. A holistic HRMS will help you do this by delivering key modules.

- **Employee engagement:** Leverage social dynamics to get your employees engaged in conversation with management and each other through a dedicated internal social network for the organisation. Use pulse surveys to gauge their sentiment on important matters.

- **Talent Management, Learning, Recognition**: Manage your employees desire for upward mobility through training and opportunities for career advancement. Build programs that allow employees to recognize each other's good work and make their efforts public.

System of Intelligence

Many HR leaders are eager to invest in technology to immediately drive this stage. But,` as we mentioned before, not everything happens at once. The much-needed input for an intelligent system– the DATA–needs to be generated, gathered, refined, and modelled over time before it can actually provide insight of significant accuracy and impact.

One caveat: the system will capture and generate the data faithfully, but you will also need to invest in expertise to collect it and understand it.

- **People Analytics:** With advanced data analytics, your HRMS can become the hub of "people intelligence", unleashing your ability to model certain events and take proactive action. You can potentially predict attrition, plug possible knowledge gaps with timely training, and other oracular tricks.

Identifying The Metrics That Tell The ROI Story

Now that we understand the stages of evolution in the hierarchical model of HRMS transformation, let us take a look at how we can bucket our data points across these stages.

Keeping with the spirit of evolution, what you will immediately notice is the complexity of the data points increases as we go up the hierarchy. That is to say, initial stage metrics are highly objective, and can be picked out of a system or a spreadsheet without any ambiguity. As we go higher up the hierarchy, we find that it becomes necessary to measure more complex variables, such as employee sentiment, which is not so black and white.

Here is a comprehensive list of data points that help you closely track the ROI of your HR Tech transformation. While this is a master list, it is important that you choose variables that are relevant and highly significant for your industry and organization. There is no limit to what you can track, although there is one rule: the variable should impact your business/org performance.

1 **Productivity systems** mostly yield benefits along the lines of speed, bandwidth saved, and manual errors avoided and hence cost leakages saved. Although some amount estimation may be required, the data points are all very objective.

2 **Engagement systems** produce results in terms of things like **better outcomes, a higher engagement** that translates to **better retention**, and the ability to **attract more and better talent.** This is a little harder to gauge, but still scientific.

3 **Intelligence systems** create advantages in the realm of being able to predict outcomes based on historical and real-time data. This will involve looking at a number of potential variables, like c**hange in attrition, effect on revenue**, a shift in **employee satisfaction**, as well as a broader feeling of **"Are we getting better at this?"**

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System of Productivity

Data Point	Owner	How to measure
Recruitment		
Cost of advertisements	TM, Recruitment team/HR Finance team	Records
Cost of agency		Records
Cost per hire		Records
TAT for recruitment	TM, Recruitment team/HR team	Historical or estimate
Conversions per recruiter		Records
TAT for position closure		Historical or estimate
Time spent on scheduling interviews, etc		Historical or estimate
Time spent in onboarding processes		Historical or estimate

Data Point	Owner	How to measure
No. of manhours spent by HR Team on functions		
Payroll	Payroll/HR team	System or estimate
Attendance	Attendance/HR team	
Talent Management	TM, Recruitment team/HR team	
Employee lifecycle		
Reporting, data management	HR team	

Data Point	Owner	How to measure
No. of manhours spent by employee on HR tasks		
Employee	Employees	System or estimate
Payroll		
Avg no. of errors in a year	Payroll/HR team	Historical or estimate
Cost of errors	Payroll/HR team/Finance	Historical or estimate
Interest payments due to delayed salary/gratuity payment		Historical or estimate
Audit deviations in payroll		Records

Data Point	Owner	How to measure
Other		
Cost of stationery (should go down due to digitisation)	HR team/Finance/Admin	Records
Loss of time or concentration due to context switch between multiple systems	HR team/Employees	Estimate
Ease of use of system	HR team/Employees	Likert(Survey)
Satisfaction with HR processes	HR team/Employees	Likert(Survey)
Attendance adjustments instances	Attendance/HR team	Records
No. of security breaches	IT team	Records
Compliance % to workforce plan	HR team	Historical or estimate
ISO/GPDR compliance	HR team	Yes or no

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System of Engagement

Data Point	Data Owner	How to measure
Employee engagement		
Employee NPS	Employees	Likert(Survey)
Employee engagement score/pulse		
Talent Management		
Attrition rate	HR team	Records
Cost of attrition	HR team/Finance	Records

Data Point	Data Owner	How to measure
Training		
Employee training costs	HR team/Finance	Likert(Survey)
Actual use of training (by identifying relevant training opportunities, rather than training for its own sake)	Employees/Managers	Likert(Survey)
How do recipients feel about training	Employees	Likert(Survey)

Data Point	Data Owner	How to measure
Recognition		
No. of recognisitions	HR team/Managers	Records or estimate
How people feel about recognitions	Employees	Likert(Survey)

Data Point	Data Owner	How to measure
Goal setting and reviews		
Adherence to set goals across org	Managers	Records
Duration of goal setting period	Managers	Historical or estimate
Ease of setting goals	Employees/Managers	Likert(Survey)

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System of Intelligence

Data Point	Data Owner	How to measure
People Analytics		
Hours saved of HR employee involved in report creation	HR team	System of estimate
No. of reports generated across org	HR team/IT team	Records or estimate
Ease of setting up, sharing dashboards	Managers/Employees	Likert (Survey)
Ability to actually use data	Managers/Employees	
Confidence in ability to predict outcomes based on data	Leadership	
Ease of access of data (in terms of approvals required, etc.)	Managers/Employees	

Data Point	Data Owner	How to measure
Other		
Total cost and subscription of point solutions - prorated cost of HRMS for those modules	HR team	One time measurement
HR:Employee ratio cost	HR team/Finance	Records
Improved employer branding	HR team	Candidate NPS
Reduced stress	Employees	Likert (Survey)
Improved teamwork	Employees/Managers	Likert (Survey)

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The All Important Step: Data Collection Across Three Stages

Collecting the data is not as straightforward as it might sound.

1. First of all, data structures are not refined on their own.

2. Second, you will have multiple owners accountable for various variables at each stage of HRMS transformation, but there must be a single point of accountability for the whole HRMS transformation. This SPOC could be the HR Head. Some orgs even have an HR Tech Ops designation to make sure that all the data is coming in, and that it is reported in the right format. The SPOC should ideally help define these report formats so that reports from all data point owners can simply be superimposed to give a complete picture.

3. Further, you need to periodically conduct data adherence or completeness audits to check if raw data is being recorded accurately on the system and if it is being enriched by way of great employee adoption of the platform. This is important to build towards a more robust system of intelligence in the future.

The All Important Step: Data Collection Across Three Stages

Identify data owners

Using the list of variables we have presented, or taking it as a guide to developing your own list, you will be able to identify who owns those data points or who is closest to them. This will help you set up a cadence with them to capture those data points at appropriate times for ROI measurement.

Benchmarking—Doing the pre-implementation data collection

The biggest problem with ROI measurement arises when benchmarking isn't done. Leaders are sometimes so eager to see the benefits of a new initiative that they skip this step, only to find they have nothing to compare the results of the new initiative with.If time and resources are limited, then you don't need to benchmark everything. Identify the metrics that you want to move the needle on and take the current state measurements of those.Depending on the maturity of your current systems, the complexity of obtaining this data will vary. Accordingly, there are multiple approaches you can take.

- From your systems, records, historical cost: You might be able to pick out some data values from your current systems. Or else your team has been keeping records, and in some cases you can make use of historical data.

- Expert estimation: In the absence of system data and record, take educated estimates from the experts who are in charge of those data points (which may very well be you in some cases).

- Enlist the help of a consultant: An external expert who is well versed with your industry and organisations of your size will be able to provide insight into your current state metrics.

Plan and execute post implementation data collection

You will then do a continuous data collection after implementation of the HRMS, for which you will have to plan with care. Assess your technology partner on their ability to track post-implementation success and make them accessible to you at all times. Your new system should make it easy for you.Some best practices for this phase:

- Track and analyze the success metrics chosen from the above list, conduct quarterly reviews for business impact/cost impact points.

- Check user analytics data to determine employee adoption.

- Conduct employee satisfaction surveys and focus groups to assess their experience with the tool and possibly gain valuable insights for improvement.

- As mentioned before, conduct periodic data audits.

Making the business case for HR Tech

Digital technology is necessary for the survival of every organisation. This is no longer a debate. According to a paper by IDG, 89% of organizations have adopted or have plans to adopt a digital-first business strategy.

> " **Still, the task lies with the champion of any digital investment to convince their leadership just how much the investment is worth. And 69% of transformation leaders find it challenging to justify the value of digital transformation through ROI.**

We recognise the challenges, and to help we've developed an online ROI calculator for HRMS transformation which can be used to kickstart the discussion, as well as other resources shared at the end of this document.

As with any digital transformation, there are short term and long term benefits to HRMS transformation. You must be able to paint a complete picture to your leadership. Certain points must be played up in the beginning of the conversation.

Largely, an HRMS will deliver the following results:

- **Data security:** A centralised system will keep your data secure. It would (or should) be compliant with local and international data laws, and data protocols can be updated easily if there are any changes to the laws.

- **Efficient and easy daily tasks:** Save hundreds of manhours by automating mundane tasks and empowering employees to self-serve.

- **Strategic recruitment:** Process candidates more efficiently with automation, implement a more effective screening process with tools and learnings from past data.

- **Democratized secure information access:** Permission structures ensure departments access to relevant employee data without lengthy approval procedures.

- **Culture building:** A solid HRMS can help you build or enhance your organisational culture. Social interaction and peer-to-peer recognition bring teams closer together.

- **Targeted training:** Linking performance management and a growth plan to your LMS means employees can plan for more relevant training programmes rather than training for its own sake.

- **Ability to identify high performers:** Determine which employees have the most promising trajectories and put them on a managerial track.

- **A centralised view of HR data:** Get a comprehensive overview of your current HR operations, making it easier to optimize and scale according to the changing needs of your business. An HRMS can also easily talk to other systems (financial, operational, etc.) to help leaders get a more comprehensive view of organisational data.

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Some tools to get you started

We leave you with some tools that we have developed at Darwinbox to get you started on your HRMS transformation journey.

While the actual task of measuring ROI is, as we've seen, a very involved process, it might help to have an initial number just to get your foot in your CEO's door, so to speak.

- **For this purpose, we've developed an online ROI calculator, which will help you arrive within minutes at a number you can work with.**

- **Further to that, we have developed a more elaborate toolkit for HR tech transformation that will take you through the whole journey.**

And finally, these are live case studies of major brands that are on successful digital transformation journeys with Darwinbox and finding incredible ROI with positive projections for years to come.

- **Ramky Enviro,** one of Asia's leading players in the integrated environmental management sector.

- **Tata Cliq** is a major Indian e-commerce site.

Presenting your leadership with a detailed plan towards measuring ROI is half the battle won.

Additionally, make use of industry reports, expert blogs, and case studies of organisations that have proven success with an HRMS. With some thoughtful data collection and a compilation of all the compelling arguments, you'll make a case to your leadership that will be hard to deny.

" **A robust HRMS can bolster HR to become what it was always meant to be—a strategic business unit, and not just a necessary cost centre. And your approach to the CEO and leadership must demonstrate your ability and willingness to be a strategic partner.**

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Darwinbox is a disruptive mobile-first, cloud-based HCM solution built for organisations of all sizes to attract, engage and nurture their most critical resource - talent. Darwinbox is Asia's fastest growing HCM platform that takes care of all HR needs across the employee life-cycle from hire to retire.

hrtech.sg is a Singapore-based HRTech Market Development & Analyst firm, that helps Enterprises in identifying the right HRTech solutions to support the CHRO's transformation agenda. With over 100 service providers, our marketplace is the largest and curated HRTech marketplace in Singapore.

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