

# THE BUSINESS CASE FOR HR TECHNOLOGY — DOES IT HOLD UP FOR SMALLER ENTERPRISES?

**Optimizing HR Service Delivery, largely through automation and process rationalization efforts, can realistically result in reducing HR operating costs by \$1,000 to \$1,800 (depending on industry) per employee per year.**

You're an executive with a business that's been doing well from a top-line perspective, and you're hiring new people. The upswing has also triggered a question at recent management meetings about whether it's time to invest in HR technology. Responses generate other questions such as: "But aren't those systems for companies much larger than us?" and "Shouldn't we maybe table the decision for a year or so until we're somewhat larger?" Such inquiries can make you want to shy away from the whole topic, either because you can't justify the cost right now, or worse, perhaps you don't know how to conduct a proper business case.

Let's clear the air and break down how HR technology can help a smaller organization and whether the investment might be business-justified.

## BY THE NUMBERS

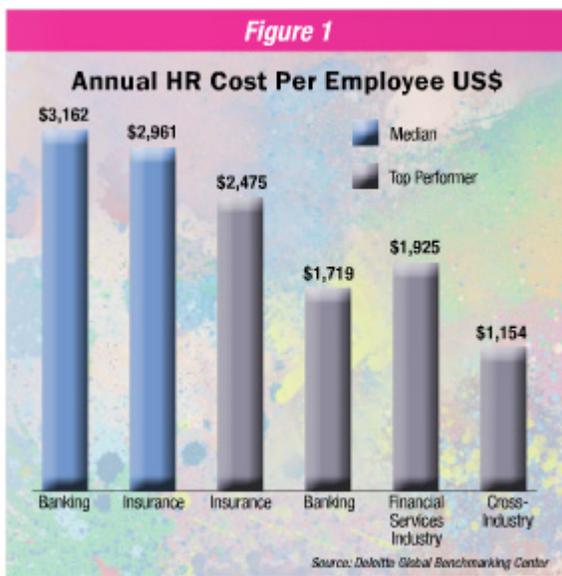
The business case for investing in HR Technology is typically framed in a couple of ways:

1. New HR technologies will drive efficiency gains and associated cost savings, e.g., by spending less on HR service delivery infrastructure. This is generally defined as HR staffing costs, resources charged to HR from IT, outsourced HR functions, external staffing agency and search firm usage, external training, and any technology or consulting elements that are part of HR Service Delivery. Organizations with as few as 100 employees incur many of these same costs.
2. New HR technologies will effect improved worker outcomes, e.g., employee productivity, engagement and retention. This may come as a result of proactive Talent Management, or the HR-related processes, programs, strategies and activities designed to leverage human capital (aka the workforce) for competitive advantage.

The chart on the next page from Deloitte highlights the typical cost of an HR Service Delivery Infrastructure on a per-employee basis. Deloitte, PwC, Saratoga Institute and others have generally put this at an average of \$3,000 per employee annually. The key data point to take away from the chart, however, is that optimizing HR Service Delivery, largely through automation and process rationalization efforts, can realistically result in reducing HR operating costs by \$1,000 to \$1,800 (depending on industry) per employee per year. This represents the difference between a median and an upper quartile company's average spend on running the HR function, and these figures are guideposts for fairly small companies as well.

### Example:

A 100-employee company that employs just one full time HR professional at an annual salary plus benefits cost of \$100,000, supported by a part-time HR admin-type for another \$35,000 per year (someone probably using Excel spreadsheets and manual files for HR Administration and Recordkeeping), and spending roughly \$75,000 annually on total workforce training and approximately \$150 per employee (or \$15,000 annually) between outsourced Payroll and Benefits Administration is spending a total of \$225,000 annually on HR costs. This equates with \$2,250 per employee without any investment in HR Technology at all. So, in this context, even a 100-employee company can potentially shave \$100,000 – \$180,000 annually off their HR costs.



Compelling industry findings also exist to support increased investment in Talent Management. In multiple industry studies, firms like Bersin by Deloitte, Hackett Group, E&Y, Aberdeen and others have shared the quantifiable business impact of achieving “best in class” Talent Management, often by implementing the right HR system:

- 29% higher employee engagement
- 26% higher revenue per employee
- 17% lower voluntary turnover
- 18% higher earnings

## THE BOTTOM LINE

The quantifiable cost savings of employing a streamlined and automated HR Service Delivery Infrastructure, and the impact of elevating Talent Management processes and programs speak for themselves. So why are some smaller organizations still hesitant? The answer might relate to the nature of the business. For example, in a business that naturally has high

employee turnover or that uses many hourly workers or seasonal staff, investments in best-in-class Talent Management programs and tools might be harder to justify.

And we haven’t yet looked at the cost of procuring and deploying “appropriate HR Technology” – either licensing or renting it via the cloud subscription model. Moreover, we haven’t really looked at the results of extending the business case framing to include several other qualitative benefits associated with robust HR Technology capabilities, including:

- Projecting the type of modern, tech-centric corporate culture that makes it easier to attract top talent
- Analyzing and confirming the linkage between pay and performance and/or skill level
- Highlighting legal compliance risks

The benefits of HR Technology can therefore be quite compelling, even for a 100-employee company, given the right surrounding circumstances. Now think about the gains and savings in the context of a 200- or 300-employee company.

Learn more about NFP’s HR Technology capabilities and contact us if you’d like to learn more.

## MEET THE EXPERT



**Mark Rieder, SVP**  
HR Technologies and Benefit  
Administration Services

Mark joined NFP in January 2010 to launch the company’s national benefits administration practice, which supports more than 100 brokering and consulting offices throughout the U.S. Since then He has expanded the practice area to provide HRIS consulting services through its newly formed HR Services division. Most recently Mark has played an integral role in the development the NFP Marketplace, NFP’s exchange solution. Before joining NFP, Mark spent the previous nine of 17 years in the employee benefits industry as CEO of a leading employee benefit consulting firm based in the Philadelphia area. Mark has a bachelor’s in finance with an emphasis in economics from The Pennsylvania State University.