Insights of the month
Getting HR IT Budget Right

It is budget time again and like almost every year, it's a financial battle. When we fight for budgets we're motivated by two things: the desire to improve and the struggle to get the necessary resources to survive. In this competitive climate HR is a target for cutting and outsourcing, not investing. It is always hard to get people to accept a simple truth: some investments are worth more than the numbers show, while some, that look like they have the best ROI, are robbing Peter in order to pay Paul. *[Click on the ROI button on our homepage to read more on that].*

This is especially true for HR Technology. The technology is supposed to pay for itself by taking the people out of HR's own processes such as cutting overhead in compensation and benefits. It is almost impossible for HR to get any credit for excellent employees, better work processes, increases in productivity, and an enhanced ability for the company to penetrate new markets or launch new products.

Basically, we need to answer the following question: does HR Technology make a company better? If the answer to that question is YES, it is _not_ because it makes HR cheaper. Instead, the improvements arise from the technological tools which help HR identify and attend to employee needs & capabilities, while providing the company powerful asset management and loss management capability. HR Technology is a good investment because it improves the ability to manage complex, volatile, and expensive assets and liabilities.

Making the business case for an HR technology investment rests on "YES" answers to these questions:

1. Is the company willing to face how bad its current use of HR technology is and what that costs in terms of productivity, expense on people, and capability?

2. If the company had good HR technology, would current management be able and committed to take advantage of it?

3. Is there a plan for improving the HR technology and using it to get better business results from HR processes and data?
4. Is the plan affordable?
5. Can you measure the outcomes?

It is not enough to sell the vision of a better, more responsive and efficient HR. In this economic environment you have to show how you can save the company major dollars in what it spends on people. You have to be prepared to go on the offensive:

- Show where the company is throwing money away through bad people processes and data.
- Identify and keep track of executives and departments that waste human capital and drive away talent.
- Propose using HR technology for auditing company's management of return on what it spends on employees.

With good HR technology you can know who your employees are, who's doing what, when they will be available to do the job you need done, and how they feel about doing it. Good HR technology is what makes it possible for you to match rewards to people's needs and achievements. With good HR technology you can identify weak spots in your company and learn what it takes to plug the leaks in payroll, benefits, and employee overhead.

The opportunity for leverage is spectacular. No HR IT budget today represents more than a fraction of 1% of what a company spends on people; HRIT budgets are only a small percentage of the overall HR budget.

How often does a company with a $5 billion payroll have no consistent way of tracking time and attendance or absences? How many payroll errors, how many are "normal", how many employees are paid when they haven't even got the tools and information to start working? How costly is it that a company with 50 thousand employees has to scramble to find out exactly how many it has in different demographic

groups, and can't evaluate the probability they will take the early retirement option, or a lower cost drug plan if offered?

It is never too late to start building the real business case. Even if it is for next year's budget battles, start to plant the seeds now.

In the meantime, if you are looking for simple benchmark data to back-up your arguments, fill out our quick survey and we will provide you with basic data you can use for benchmarking free of charge. Send us a note to yuliya@daviddell.net to take part in our on going HRIT budget Benchmarking.