



Series for Small to Mid-Size Companies

HR/Payroll Solution: “Integrated” vs. “Interfaced”

When looking for an HR system, some organizations consider a combined HR/Payroll solution. This may come from one vendor (integrated or interfaced), or it may come from two vendors (interfaced). What's the difference between an "interfaced" and an "integrated" solution? The following is a discussion on the two options, and why the interfaced option may be the solution that's best for HR.

In an “integrated” database, HR and payroll share all current employee information, working from one and the same database. The figure below shows this situation.

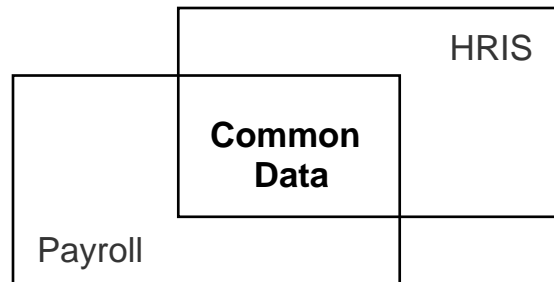


Figure 1. Integrated Database: HR and Payroll share the same database

The other option is separate databases for HR and Payroll. An interface is then needed to add or update data from one database to the other. In the diagram below, some data can move from HR to payroll while other data moves from payroll to HR. The interface can be automatic and set to update the databases every night or manual where HR clicks a button to update when needed.

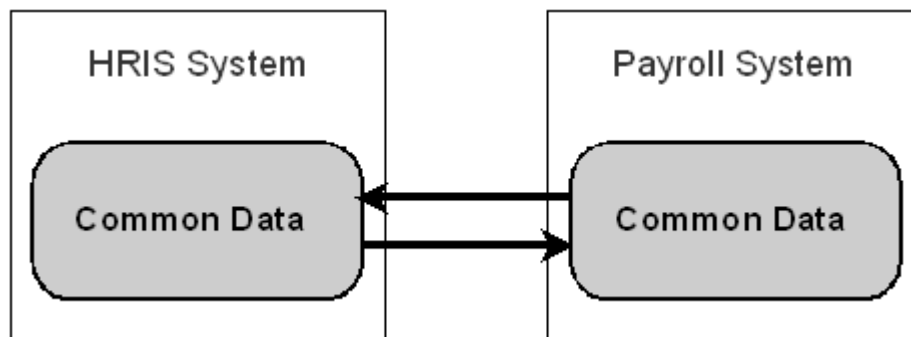


Figure 2. Interfaced Solution: Payroll and HR exchange data



While an integrated system has the benefit of having current data for both HR and Payroll, an interfaced HR/Payroll system has its own advantages.

Here are some **advantages of an interfaced solution** between HR and Payroll:

1. **An interfaced solution meets the specific needs of the HR department.** Payroll and HR are separate functions that have different needs, and those needs, especially on the HR side, can evolve quickly. An integrated HR/payroll system may not be easily adjusted to meet the evolving needs because changes on the HR side may adversely affect the payroll side. Should this situation arise with an interfaced solution, the HR database can be adjusted easily without affecting the Payroll database. This would not be easy to do if both HR and Payroll are on one integrated database. It is likely that HR's needs will be unmet thereby relegating HR staff back to using spreadsheets for their data analysis needs.

An example of this is HR's usual practice of tracking employee benefit plan enrollment, coverage level and benefit plan costs, while Payroll is interested in tracking deduction codes and employee deduction amounts. Payroll may want to roll multiple benefit plans into a single deduction code, which may conflict with the detailed benefits enrollment data that HR needs.

Another example is organizational analysis. Payroll and Finance may want to create an organizational and departmental structure that optimizes financial reporting. HR, on the other hand, may want a database supporting an organizational structure that can analyze and generate reports based on position type, training needs, or health/safety/environmental issues

2. **An interfaced solution enables HR projects to move forward independently.** HR projects and Payroll projects may compete for the same resources. For example, if HR is introducing a new performance review process and Payroll is changing the quarterly accruals, the same staff may be needed to support both projects. And Payroll will almost always prevail because of urgency of their issues. With an interfaced solution, different personnel support HR and Payroll systems, so there is no competition for resources.
3. **An interfaced solution provides the “best of breed” for HR and Payroll.** If a payroll company is offering an integrated HR solution, the HR piece may have limited features. Does it have recruiting, applicant tracking, and hiring/onboarding functions? Does it track training, licensing and certifications? Does it alert you to when these dates are about to expire? It is important that the HR staff conduct a detailed analysis of the integrated solution's HR features to make sure HR's needs are sufficiently met.



4. **An interfaced solution ensures a support staff that knows their areas of expertise.** If a payroll company is offering an integrated HR solution, the Payroll support staff may be less familiar with HR-related issues and the HR features of its software. When you call to describe your HR-related question, you may not get knowledgeable HR support staff to help you resolve your HR issue. Furthermore, the Payroll support staff may not be current on HR regulatory changes.
5. **An interfaced solution reduces your dependency on your payroll vendor or payroll service provider.** If for some reason you are unhappy with your payroll vendor or the service that is provided, you have the option to change your payroll company without disrupting your HRIS system and vice versa.

Conclusions

Note that some systems offered by a single vendor claim to be “integrated”, but in reality they are two systems that require data updates from one system to the other.

When evaluating interfaced HR/Payroll solutions, here are some questions to ask:

1. How often can the interface be run?
2. Which fields can be included in the interface?
3. How many steps are needed to run the interface?

Remember that the goal is to eliminate having to enter the same data twice. When evaluating “interfaced” vs. “integrated” solutions, make sure HR’s needs are met. Finally, evaluate for VALUE = performance/price ratio.

Initially an “integrated” HR/Payroll database may seem like a good option, but upon further analysis, there are some disadvantages to HR. With an “interfaced” solution, HR has more options, you get the best of both worlds (both for HR and for Payroll), and each database is optimized for its specific function and organizational role.

For a list of payroll systems that interface with HRSource HRIS, visit

<http://www.HRnetSource.com> The site also contains other articles and information to help you make your HRIS decision. You can view additional articles on [News and Articles](#).

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