



HRIS -- Rent or Buy?

You have determined that you need an HRIS. One of the questions you face is: should you go with a vendor-hosted cloud solution? Or, do you purchase an HRIS that runs in-house (on your server or private cloud). Below are four factors to consider as you evaluate your options.

Cost Cost Cost

The long term cost of your HRIS will significantly be less if you purchase the HRIS software outright. Let's look at some numbers. HR solutions where the HR vendor puts your data in a cloud hosted by them will mean monthly payments or recurring payments (like renting apartment space). Using an average employee monthly cost of \$5, we can see that the cost of a hosted service adds up over time:

75 employees: \$4500 (1 year) and \$13,500 (3 years)

125 employees: \$7500 (1 year) and \$22,500 (3 years)

250 employees: \$15,000 (1 year) and \$45,000 (3 years)

Purchasing an HRIS software package may cost you more up front, generally ranging from \$1,000 - \$9,000 but you can negotiate a payment plan that ends when the full price has been paid. Calculate the break-even point. It may only be 2 years. The software would be yours to keep, reducing your costs year after year. Upgrades are minimal since they happen only once a year.

Flexibility

A vendor-hosted HR solution uses a standard design that all clients use. That makes it more challenging to meet any special requirements you might have. Like an apartment renter, you are constrained by the structure of the system. There is only so much you can do. A purchased HRIS package, on the other hand is customizable, providing the flexibility needed for individual HR requirements. With the continuously changing corporate environment and government regulations, HR can respond more effectively with a flexible in-house system.

Data Availability and Security

With a hosted solution, you are dependent on your vendor's system and your vendor's employees to protect your data and fix their system should it go down (and is unavailable for you to use). Will they respond quickly when you are having technical problems and have questions? Also, Internet connectivity can be lost on your end, the vendor's end or anywhere in between.

When you purchase an HRIS your data resides on your computers at your facility. It is available to you when you need it, whether your internet connection is working or not. With the right network settings, you can even access it from remote locations. You choose the security measures and the people who will be working with and protecting your employee data. You can utilize your standard company backup process to ensure your data is backed up.

Business Continuity

Consider what would happen to you and your data should your vendor run into financial problems. As we have seen in the news, many established companies have gone out of business overnight.

What happens if your hosted solution runs into financial trouble? They can raise their prices, which increases your cost. They can sell out, or go out of business. If they close their doors, what happens to your data? How do you make sure that your employee data is protected? What do you do next?

When you have HRIS software running in-house, you can continue using it as long as you want. You have no additional costs. Keep it as safe and secure as your other in-house financial data.

A small to mid-size company should consider the costs, risks, uncertainties and flexibility when deciding between a vendor-hosted solution and a purchased HRIS. A choice that may seem safe and convenient today, may end up being a costly mistake in the long run.

Contact us to discuss your HR system needs.

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