Choosing a Payroll/HR system: group decision-making techniques – part one

Hello again. I hope that you had a nice break over the Christmas period. Perhaps your New Year's resolution was to reignite that payroll review project and make that final decision. On the other hand maybe you are thinking about doing a little more analysis…but where are you going to find the time? and will it help? Hmmmmm….. sounds to me like you are procrastinating and maybe it's because you are:

- nervous about making the wrong decision; or
- not sure how to resolve the conflicting preferences of the evaluation team.

The next two articles will provide some ideas and techniques which will help you with making effective decisions with your evaluation team.

Which method do you think is the most common method of selecting a software vendor (for an in-house solution)?

a) Go with the cheapest vendor whose offering seems to meet the requirements
b) Go with the vendor whose offering seems to meet the requirements and who you (the group) like the most
c) Perform a detailed analysis over each functional requirement using a system of prioritising and scoring to precipitate a final decision
d) Go with the vendor who has the best track record in your industry
e) Incorporate elements of all of the above

Experience suggests the most common method is probably option b. It is popular because it does not require as much work as option c, and offers what is seen to be a reasonable balance of quantitative analysis and gut feelings. The amount of analysis is always a trade-off between time and resources so there is a tendency to rely on the level of rapport with the salespeople as a differentiator; this however is not a very reliable method of selection. The level of analysis significantly impacts the decision making process, so it is worth just reflecting on this point for a moment.

How much money and how many resources should be dedicated to the analysis of the various solutions? Using gut reaction is certainly much cheaper and takes less time. Unfortunately there is no bumper sticker formula to help you, nor is there a right or wrong answer. I suggest, however, if your analysis has not led you, and others, to identify significant differences between the solutions presented, the analysis is probably under-baked. Alternatively you might be focusing on areas which are becoming homogeneous such as self service leave application and payslips; these provide minimal opportunity to differentiate HR/Payroll products.

Equally it could be argued that an effective analysis will see all the stakeholders lobbying for different solutions for different reasons. HR will prefer solution x because of the online salary review process; payroll will prefer another because of the ad hoc reporting capabilities; finance another because it's cheaper; and IT may prefer the technology of yet another solution. Perhaps the more polarised the views, the more effective the analysis.

To reconcile these seemingly disparate views and opinions you are going to need some group decision-making strategies. The first strategy is to put all the shortlisted vendors' names in a hat and draw one out…or get a dart board with the vendors' names written in each corner…just joking! While these may be fun to try, explaining your process in the business case may raise a few eyebrows. If you want to build a slightly more scientific approach, read on.

In your efforts to execute a democratic process you have probably invited stakeholders from all over the business (every man and his dog), with a view to providing every opportunity for people to have a say in the decision. This is a great approach, however there are some implications for using this group to make the hard decisions later in the evaluation process.

Here is a crash course in group dynamics relating to decision making[1]:
- Groups are generally better for idea generation than they are for decision making
- The optimal size for effective decision making is 5-7 members
- Odd size groups are more effective than groups with even numbers
- The pressure for consensus can override the realistic appraisal of each solution
- The group's decision can either be much more conservative or riskier than the group members' individual decisions would have been
- All groups need to develop and practise making decisions before they become effective at making decisions.

So that is the theory; now let me show you how to apply the theory. There are various techniques used to circumvent some of these issues, however my favourite is Edward de Bono's six thinking hats. It sounds a bit 'out there' but really all Edward has done is to augment a concept which we all use all the time when we say things like, "I am wearing a hat at the moment - Payroll and HR…" By using hats we can categorise ideas to help organise them. We also give the decision-making process some structure and process. So here's how it works: each hat allows you to make types of comments which will not reflect on you personally. The first three hats are:

Red (emotional) – "I liked them [the vendor], they seemed honest and genuinely interested in solving our issues."
Black (negative) – "The system packages bottom up and we package top down."
Yellow (positive) – "The system looks easy to use and has extensive help notes."

There are three other hats, but let's do this in bite-sized pieces and focus on just these hats. Getting back to my earlier comments about choosing a vendor that you like (option b in the quiz), the good news is you can make emotional/gut-based comments when you have the red hat on: you can be as illogical and unscientific as you like.

We always have to have the black hat, but by using the hats people can make negative comments (perhaps against the favourite) without of fear of persecution. The time spent in black hat thinking should be balanced with time spent in the yellow hat. When one vendor is the favourite, the tendency is to overlook the negative aspects of that product or supplier, so you should always try and spend equal time in the black hat with each vendor.

The next article will cover the remaining three hats and how to use them in your evaluation team's decision-making process. I look forward to your company next time. Goodbye and good luck.

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[1] **Robbins P. Stevens (1991)** *Organisational Behavior* **5th Ed Prentice Hall, Englewood Cliffs, New Jersey.**