



HCM

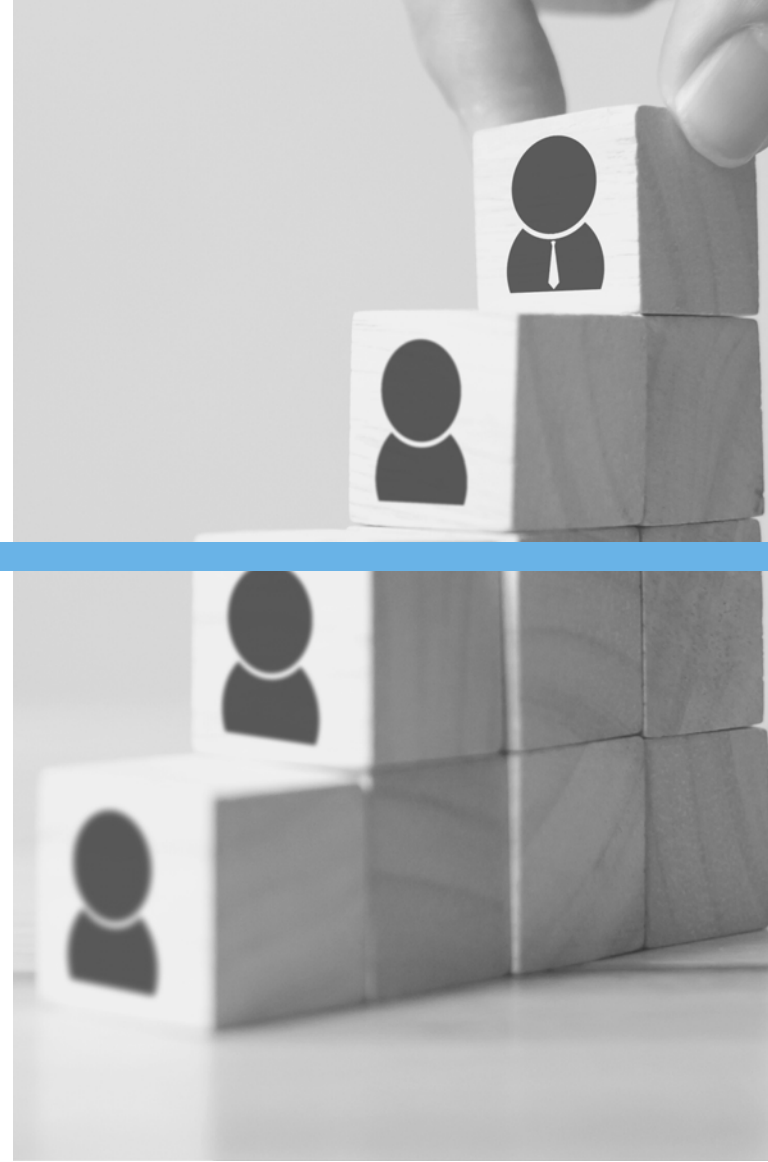
THE TAIL THAT WAGS THE DOG

AND CAN JUMP START
EXPONENTIAL PAYROLL
SERVICE BUREAU
GROWTH

HCM

THE TAIL THAT WAGS THE DOG

Once upon a time, the payroll business was decidedly payroll-centric. No longer is that the case. Human Capital Management (HCM) is now the new door opener, the differentiator, the must-have for any savvy, growth-minded payroll service bureau. Regardless of whether a company is going to use all the HCM capability a software platform affords, companies want the option available when and if they choose to do so. In the small to mid-size market, payroll firms and their employer clients are not looking for best-in-breed. Rather, they are looking for HCM capability that is easy to implement, easy to use, and easy to access on the go for both employers and employees. They want it tightly integrated, seamless and with a consistent look and feel. Did I say they want it to be easy?



In this white paper, we'll outline just what HCM is; what's at stake for your payroll software and service bureau and its clients if you're not offering it; and the myriad of benefits you and your clientele can expect when you make the move from a payroll-centric provider to a full-service partner.

“THEY JUST WANT SIMPLICITY.”

- VICKIE SOROKIN
25-YEAR INDUSTRY EXPERT



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DEFINING HCM

WHAT IS IT?

At its most basic, Human Capital Management is the comprehensive set of an organization's practices for recruiting, managing, developing and optimizing employees as intangible assets in order to maximize their business value. Those practices are divided into what Apex HCM Vice President of Product Management Wes Muschara calls the "five pillars of HCM":

1. Payroll
2. Human Resources
3. Benefits
4. Time and Labor
5. Talent Management

"For years, each of these elements was considered a very different, very separate thing," Muschara says. "Just think about payroll. Before there was any sort of software, payroll was its own department and everything was done manually. All information was sent to a processor, they did the calculations and sent back the checks. The same with HR and benefits. But as technology evolved, each of these five pillars evolved as well - separately at first, but now they've grown together."

Today, HCM done right is a far more robust function that integrates and streamlines those five pillars into one customizable, cloud-based software and service solution.

HERE'S WHY...



HCM TRENDS

DRIVING FORCE

Every industry from farming to finance undergoes change afforded by advances in their respective technologies. Three top drivers are behind the trend toward increasing HCM adoption by the most progressive and profit-minded payroll firms:

Technology is leveling the playing field

"The larger, enterprise clients have always had deep pockets. They can go out and get whatever software they want," Muschara says. "In recent years, we've seen technology break down those cost barriers, allowing smaller and mid-sized businesses to adopt the same capabilities as well."

Legislation and security mean cross-functional reporting requirements

Names, addresses, social security numbers, etc. - A lot of data points get shared across the five pillars of HCM. Rather than all that sensitive information being spread out among multiple systems and providers, wouldn't you rather your client data be locked down and accessible via a single, secure portal? "Reporting for the Affordable Care Act alone involves elements of benefits, payroll and time and labor," Muschara says. "With constantly added legislation, we're seeing more cross-functional reporting requirements. It's another driver toward single-source providers of all the HCM pillars."

Millennials & Gen Z employees expect it

As the Millennial and Generation Z workforce grows - and particularly as Millennials step into decision-making positions - they'll increasingly demand the kind of real-time easy access to their employee, company and client data that they've grown up experiencing with all sorts of information.

"Today's tech-savvy employees want to do everything from their smartphone, whether it's applying for a job, checking their paystubs or accessing their W2s at tax time," says industry expert Vickie Sorokin. "Employers want more information at their fingertips. Employees want better capabilities."

WHY HCM IS REDEFINING PAYROLL

WHAT'S AT STAKE...

Payroll and HCM integration undoubtedly is on the rise. According to the Aberdeen Group, an international intent-based marketing company that collects and analyzes data on buyer behavior across some 200 B2B sectors, more than 85 percent of best-in-class companies integrate their time and attendance system with their payroll system. And with good reason...

Efficiency

A common business concept is the 1-10-100. Research shows it costs an average \$1 to verify the accuracy of data at the entry point; \$10 to correct or clean data in batch form; and a minimum \$100 per record if the mistake goes unnoticed, including costs associated with resulting operational inefficiencies and customer retention rate drops. The more your payroll service bureau streamlines and automates the full five-pillar suite of payroll and HCM solutions, the more efficient your client's businesses and your own will run, particularly as cross-functional reporting requirements increase.

Data Security

A one-source HCM solutions system delivered via cloud services significantly reduces the potential for fraud, tampering and data breaches. Superior firewalls, encrypted transmissions, and equipment located off-site all mean not only better data security but improvements in remaining in compliance with government regulations.

Employee Engagement

HCM improves employee engagement in large part because it allows employees remote access to far more of their employee information from any location at any time. Integrated HCM allows for self-service to pay stub history, benefits information and enrollments, time off requests and accrual balances and address and tax withholding changes. This sense of being in better control of their data goes a long way toward employee satisfaction. Research shows that employees who believe their workplace effectively uses mobile tech are more creative, satisfied, and productive at work - a key factor considering that largely tech-native Millennials are set to dominate all business sectors by 2025. Further, HCM integration and products like Apex HCM's GPS Timekeeping and Company In/Out Board also help employers better keep a lid on potentially costly issues like buddy punching, believed to cost US companies upward of \$400 billion a year; and time theft, estimated at four hours and five minutes a week per the average employee according to the American Payroll Association.

WHY HCM IS REDEFINING PAYROLL

WHAT'S AT STAKE... (CONT.)

Reporting & Compliance

ACA, COBRA, Workers' Compensation, employee leave, hiring and termination, payroll taxes - all of these HCM elements and many more are subject to compliance to an ever-growing, often changing plethora of state and federal laws. Plus, employment policies vary greatly from company to company. Keeping up to date on all the rules and regulations can be daunting and there's no such thing as a one-size-fits-all solution. But a comprehensive, streamlined HCM software platform eliminates guesswork and takes tremendous risk burden off your employer clients.

Bottom Line

When sourced separately, each of these elements can prove costly for employers. But that scenario also represents wide open opportunity for your payroll service bureau to not only land new clients but upsell existing customers as well. A recent Nucleus Research study of various sized companies in a range of industries showed that implementing cloud-based HCM returns an average of more than \$9 for each \$1 spent; costs up to 79 percent less than on-site solutions; and saves upward of 90 percent in ongoing systems maintenance. Those numbers will sell!



MUST HAVE COMPONENTS

DISTINCT HCM COMPONENTS THAT LEAD TO SUCCESS

While your payroll firm's immediate client base is employers, it's top consideration must be your clients' end-user, advises Apex HCM's Director of Sales & Account Management's Misty Blakesley.

"Ultimately, your firms's success is about your products and services being employee-focused," Blakesley says.

"HCM is an opportunity to provide our customers a more holistic approach to serving their employees," adds Apex HCM Sales Engineer Marco Schiappa. "That model means providing payroll service bureaus with the tools that will best assist their employer clients right from the start of the employment process - From recruiting using an applicant tracking system, to and through onboarding, then managing the full lifecycle of that employee."

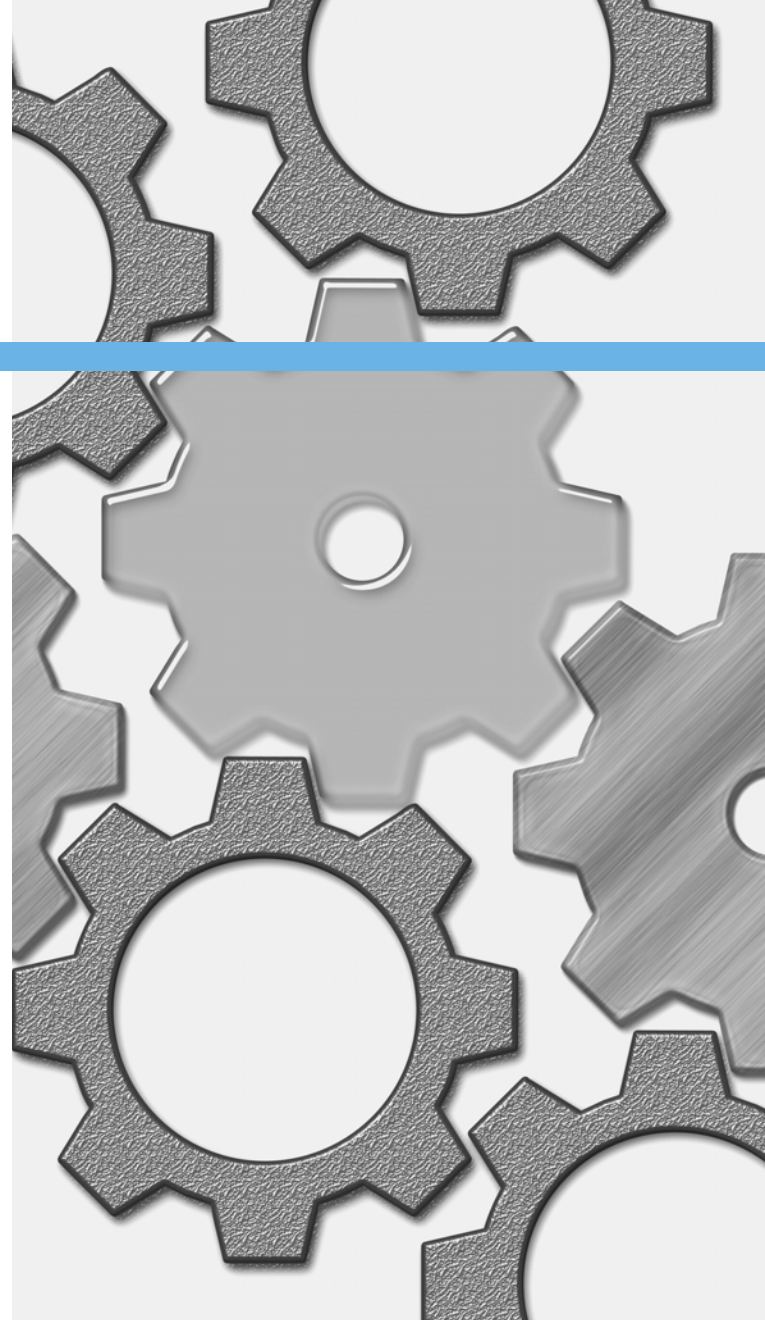
A comprehensive, full-cycle HCM program will include tools to simplify and maximize each of the four major phases of an employee's tenure with a company:

Hiring

From crafting and posting effective job opening announcements; through identifying, vetting and interviewing the best applicants; to choosing and hiring the right candidate. This is crucial because hiring well from the beginning can help save money and time, maximize productivity, boost morale and increase chances for a long and mutually beneficial working relationship.

Onboarding

Automating delivery and completion of all documents required by employers and government agencies; orienting new hires to the corporate culture and policies as well as to their particular roles; communicating expectations and requirements for success. Research shows that an effective onboarding program can boost employee productivity by 11 percent and retention by 25 percent.



MUST HAVE COMPONENTS

DISTINCT HCM COMPONENTS THAT LEAD TO SUCCESS (CONT.)

Training

According to the Association for Talent Development, companies that offer comprehensive training programs have 218 percent higher income per employee than companies without formalized training. These companies also enjoy a 24 percent higher profit margin than those who spend less on training.

Retain

Studies show that it costs an employer an average 33 percent of a worker's annual salary to hire a replacement. In dollar figures, that's \$15,000 for an employee earning a median salary of \$45,000 a year. Ongoing training and career development with consistent tracking of KPIs (key performance indicators), quick and thorough response to employee issues and concerns, competitive benefits with easy enrollment and management - all are critical success factors achievable with Apex HCM software products and services.



MUST-HAVE COMPONENTS

HOW HCM CAN JUMPSTART YOUR FIRM'S GROWTH

Adding HCM to your payroll service bureau's offerings can generate an additional \$5 to \$10 per client employee per month beyond conventional payroll service fees. For a midsized firm, that can mean 20- to 30-percent incremental revenue growth per month. That growth comes via three primary new benefits:

Expanded market

Adding HCM to your payroll firm's product and service roster helps expand your total addressable market. Simply put, more products mean more prospective buyers, whether those buyers are opting for the full suite or choosing products a la carte. While payroll once was a higher-touch, personal service, in today's tech-centric environment it's become more of a commodity. This makes offering the full package of payroll and HCM increasingly critical.

Access to new niche markets

HCM also affords you the ability to better target niche industries that, more so than other fields, depend upon payroll and HCM being integrated and for which a solely payroll-focused firm can't compete. An example, Sorokin says, is the hospitality industry, where the vast majority of employees are younger, tech-savvy workers accustomed to living their lives via mobile apps and where elements like manual scheduling and shift change reporting can be overwhelming.

Propelling you past your payroll-centric competitors

"Integrating HCM into your payroll firm's offerings is truly an investment in your future," Sorokin advises. "Nobody is looking solely for payroll anymore. They're looking for a full suite of services. Even if a prospective client doesn't buy all those services right away, they want to know you offer them. This gives you the opportunity to upsell that client down the road."





MUST-HAVE COMPONENTS

UPSELLING YOUR BASE

While prospective new clients are always welcome, keep in mind that as a formerly payroll-focused firm adding HCM into your product and service mix, you've already got a well of customers who already know and trust you with a vital element of their business. Here's why your existing client base is primed for up-selling to a more robust HCM suite:

You'll save them money and time

Integrating payroll and HCM can help your employer clients significantly reduce the money, time and effort they're spending dealing with multiple vendors and software programs. Instead, you can offer them a customized, cloud-based, one-source system that streamlines their operations and frees up resources that can be better spent on their core business.

You'll help them recruit the best of the growing Millennial and Gen Z workforce

Because of their high-tech and hyper-connected upbringing, these younger generations surging into the workforce bring a new set of behaviors, expectations and preferences - much of which are directly related to workplace technology and employee data access. Employers who can best deliver what top young candidates are looking for will have the best chance at landing and retaining the brightest up-and-coming minds in their fields.

You'll help keep their employee data more secure

A recent survey prompted by several high-profile employee data breaches revealed that 55 percent of responding HR professionals don't identify employee data security as a serious issue; 41 percent of businesses surveyed don't train all HR personnel on data security; and 46 percent of businesses don't screen for data security features when buying HR software. Cloud-based, off-site HCM will take that risk burden off your clients.

SUCCESS STORY | KAZDON, INC.

DAVID ACOSTA, SENIOR BENEFITS ADVISOR

For 20 years, Texas-based Kazdon, Inc. has offered payroll as well as a few other HR and cafeteria plan services. Trouble is, even the limited product and service line forced reliance on a minimum of five different software providers at any given time. As the business grew and employers increasingly sought to modernize their payroll and HCM operations, it became clear that Kazdon's best bet for continued success would be to better consolidate its own operations and offerings. Officials sought out the best potential new providers and recently made switch to Apex HCM.

"Apex HCM's open API gave us the opportunity to bring together all of our clients under a more streamlined system and allowed us to offer a different, fuller line of services," says Senior Benefits Advisor David Acosta, noting that while still a work in progress, the switch will help Kazdon ultimately eliminate reliance on at least half of its roster of vendors, saving the company time, cutting costs and maximizing profitability.

Thus far, "feedback from our customers has been great," Acosta says. "They love the increased functionality and being able to get everything done with a one-source solution. Most other providers out there require customers to use three or four different sources. With Apex, our services are better integrated."

Acosta notes that automation of the most commonly frustrating HCM operations such as new employee onboarding, document collection and employee data management and security, has eliminated many frequent headaches reported by customers. But the best news...

"Our business typically grows by 5 to 10 percent year year. With the new resources Apex HCM provides, we'll now be able to grow 20 to 30 percent year year. That's pretty successful growth."



CONCLUSION

Don't let the comfort of being payroll centric stunt your service bureau's growth. The industry is changing, and you must change with it or become irrelevant in the not so distant future. Make the switch from single-service-focused to offering a full suite of payroll and HCM solutions to not only boost growth and maximize profit margins now, but also to ensure that when it comes time to retire, you'll do so in style. In just five years, an HCM transformation could mean the difference between your business being valued at a 1.5x revenue multiple and a 4x revenue multiple. That's an exit strategy you can bank on!



ABOUT APEX HCM

Apex HCM provides a state-of-the-art software platform allowing our clients to take full advantage of the benefits of cloud computing technology. We help organizations escape the bindings of traditional software, including the hidden costs of protracted implementations, disaster recovery, data security, software upgrades, and everyday technology needs.

Apex HCM is a market leader in licensing cloud-based payroll, benefits and HR technology. Over 300 payroll service firms nationally use Apex's technology as the core of their business foundation. Our highly customizable and comprehensive suite of products and services include payroll & tax, time & attendance, benefits enrollment, ACA, human resources, mobile apps, reports & analytics, employee onboarding, applicant tracking, and other business management tools normally reserved for large enterprises. Apex HCM's cutting edge cloud-based software allows its customers to effectively compete feature-for-feature with larger established firms while dramatically improving their workforce productivity. For more information, please visit apexhcm.com or call 877-750-APEX (2739).