

## ***HRNX Whitepaper and ROI/TCO Analysis***

HR service organizations, those that sell employment screenings, drug tests and skills assessments, receive many requests from clients (and prospects) to build system integrations with their respective HR system vendors. The decision to build an integration for the client is often a strategic one. A risk-reward analysis will show that the upside to building a client integration with a HR system vendor will likely result in business won (or existing client staying), and possibly even referrals from the new system partner. On the other hand, if the partner relationship isn't established or the client integration isn't built, the HR services company is at-risk of losing to someone who can. Either way, one thing is for sure: HR departments across America are increasingly becoming aware of the benefits of integrated automation and asking vendors to work together to provide a seamless workflow experience. The industry will see a noteworthy increase in the demand for integrations from the smallest of regional businesses to the savviest of enterprise customers.

Unfortunately, the cost of "working together" is alarmingly high with barriers in both business and technology. When driven or motivated by clients, vendors take on the pricey burden of building, managing and maintaining disparate system integrations, quite unaware of the perilously capricious Return on Investment and high Total Cost of Ownership. Some vendors strategically partner with a select few, cornering the consumer to use only what's been built. Yet still, most integrations fall short in utility, friendliness and reusability. Moreover, vendors have great difficulty in supporting, much less upgrading integrations—lacking mutual Service Level Agreements and the proper visibility into each others' product roadmaps to be effective.

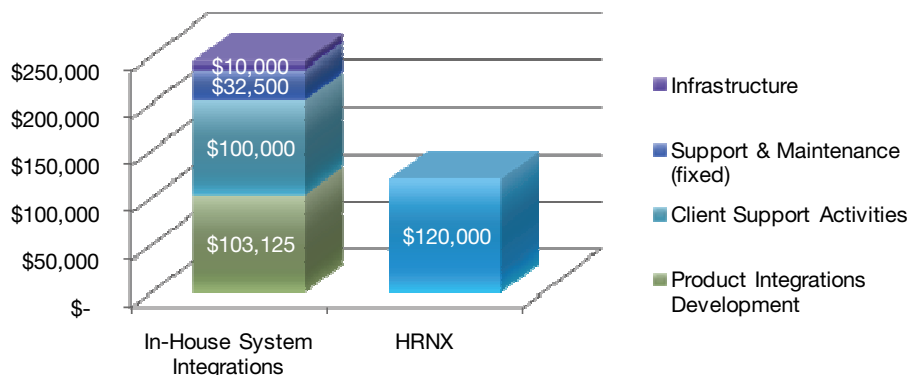
Our solution renders these scenarios and problems obsolete by aggregating and pre-integrating HR services and making them easily accessible through HRNX. Our SaaS-based integrations hub is built especially for HR services like employment screenings, drug testing, I-9 verifications and skills assessments. Companies like yours integrate with HRNX not just for enhanced integration capabilities but for access to a plethora of buyers, represented by a growing roster of prominent HR system vendors like Taleo, Peopleclick, Kenexa, PeopleSoft and more. Once integrated, clients of participating HR systems get unfettered access to your services, better than they would through traditional system integrations.

	<b><i>Traditional System Integrations</i></b>	<b><i>HRNX</i></b>
<b><i>General</i></b>		
Technology	Subject to in-house standards and limitations.	Enterprise Java (J2EE) with JBI extensions, BPM and Rules.
Messaging Style	Typically, XML or Web Services.	Any. HRNX is a normalizing medium capable of accepting any messaging format (i.e., TXT/CSV, XML-RPC, HR-XML, Web Services) over any commonly used secure Internet protocol.
Integration Pattern	Point-to-point.	Hub-and-spoke.

	<i>Traditional System Integrations</i>	<i>HRNX</i>
Distribution Model	Client-specific ("one-off"). (Delivered per client specification.)	Publish-subscribe.  (You "publish" services on HRNX and customers "subscribe" or order them in real-time and on-demand.)
Security, Reliability and Responsiveness	Subject to in-house or data center limitations.	ValueRelay™ technology logs, encrypts, queues, routes and transforms all messages  Our highly-responsive SaaS-based integrations hub features redundant servers that are geographically diverse.  Guaranteed messaging (MQ-style).
<b>Total Cost of Ownership (TCO)</b>		
Design, Build and Test	On avg. \$20,625 per partner integration.  (Approx. 275 man-hours @ \$75/hr burdened rate.)	Included.
Client Support Activities	Add up to \$5,000 for each client activated on partner integration.  (Up to 60 additional man-hours per client for activation, customizations, UAT, training, etc.)	Nominal. Client activation is a simple Web-based configuration exercise.  HRNX UI widget provides consistent and easy-to-use user experience on any HR system or platform.
Maintenance	Approx. \$6,500 / partner integration.  (25-40% of original development costs.)	Included.  We handle the maintenance with ATS and HRIS vendors.
Total time spent	Up to 400 man-hours per partner integration with clients on-boarded.	Negligible.
<b>Return on Investment (ROI)</b>		
Implicit ROI	<b>Poor.</b>  Limited to market demand and client commitment. Incalculable loss if client leaves.	<b>Excellent.</b>  HRNX features superior integrations functionality, reduces in-house operational expenses and provides access to new business through partnership network.
Break-Even Point	6 months to 1 year.	As low as 3 weeks.
Time to Revenue	4-6 weeks, when partner integration not built.  Otherwise, 1-2 weeks for client activation (e.g., customization, UAT, training and delivery).	As short as 2-3 days.  Client activations are simple and instant with HRNX configurable tools.

**Table 1** A direct comparison between traditional system integrations and the HRNX solution doesn't fully show the money saved through reduced time-to-revenue cycles, reduction of in-house resources and elimination of support and maintenance costs.

## 1Y Total Cost of Ownership Traditional Integrations vs. HRNX



	<i><b>In-House System Integrations</b></i>	<i><b>HRNX</b></i>
Product Integrations Development	\$103,125	Included with HRNX subscription.
Client Support Activities	\$100,000	Nominal. Client activation is a simple Web-based configuration exercise.
Maintenance	\$32,500	Included.
Infrastructure	\$10,000	Included.
<b>TOTAL</b>	<b>\$245,625</b>	<b>\$120,000</b>

**Figure 1** It costs in excess of \$240,000 to integrate with five (5) separate HR system vendors in-house. In contrast, to integrate with the same five vendors with HRNX, it costs nearly half that amount. A key difference is that HRNX gives you access and exposure to most, if not all, of your partner's client base, helping you add new business. No custom solution can deliver that.

In one calendar year, a mid-sized HR services company (revenues under \$20M) can partner with as many as five (5) HR system vendors of varying size and importance. Finite in-house delivery capacity generally yields around 20-25 clients leveraged onto these partner integrations, rendering a weak 4:1/5:1 client to partner ratio. (We have seen this overall ratio skew as low as 2:1 when clients seek integrations with in-house proprietary systems.)

On average, a product integration with a HR system partner can occupy between 250-300 man-hours to design, build and test. At a burdened rate of \$75/hour, that means it can cost \$18,750 - \$22,500 over a span of 4-8 calendar weeks to construct. This excludes labor for actual client activations including individualized initialization and setup, code customizations and other delivery-related activities (like training and UAT). This can add up to 50-75 man-hours per client, averaging an additional \$5,000 (per client).

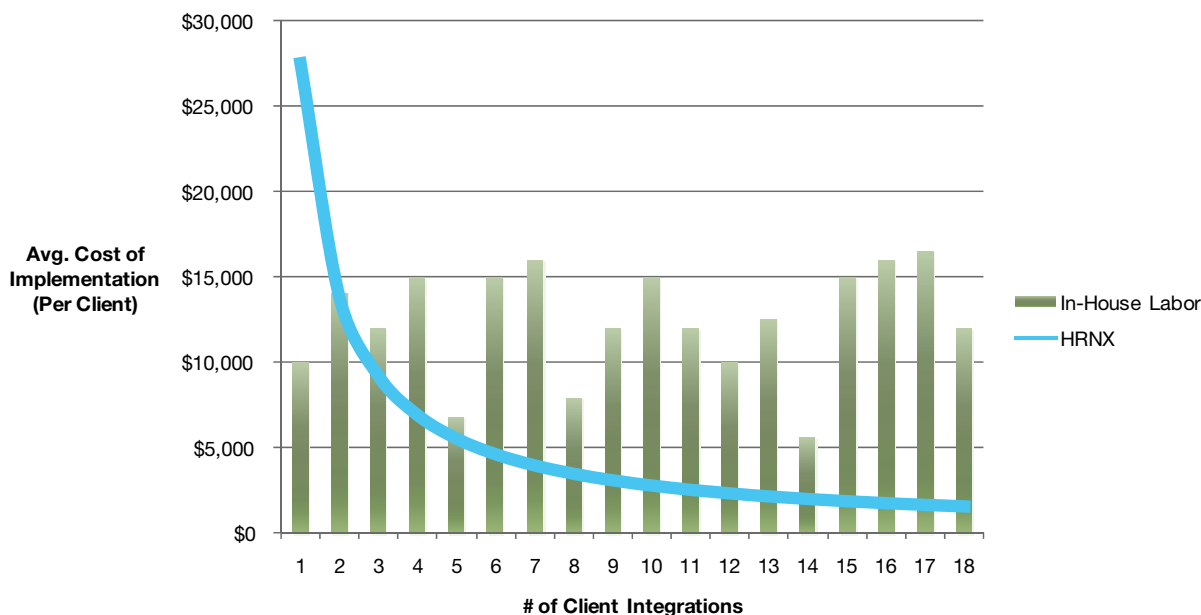
Moreover, there are on-going costs related to integrations technical support and maintenance. This is estimated to be an annual cost somewhere between 25-40% of the original development costs. Accordingly, this is approximately \$6,000-\$7,000 per product integration annually.

# HR | Integrations

In short, a mid-sized HR services company can quickly expend approximately \$250K in one year to build 5 product integrations capable of serving approximately 20-25 clients maximum. In comparison, HRNX delivers more at half the cost with no restriction on number of clients. Multiply this by how much bigger your demand for integration is and the value of HRNX becomes much more compelling.

**What's shocking is that integration expenses are often treated as sunk costs. Often, these costs are not passed on to clients. They are billed internally as customer acquisition or retention costs. As such, the ability to recoup these costs and make a profit occurs past the break-even point, which can exceed 6 months and up to 1 year.**

## *HRNX: Superior Economies of Scale*



**Figure 2** HRNX licenses can cover an unlimited number of HR system partners and clients. The more its used, the more value it delivers. In contrast, traditional system integrations require varying amounts of labor, notwithstanding on-going costs. HRNX pays itself back after the first few integrations.

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HR Integrations is an innovative new software company and advisory firm helping companies leverage their existing technology more effectively through our SaaS-based integrations platform HRNX, eliminating system integration challenges and maximizing business potential with the HR services buying community. We also specialize in transforming process-heavy and resource-dependent programs into leaner, more efficient lightweight processes. With both product and service offerings, HR Integrations adds value to your company, delivers operational cost savings, boosts new revenue opportunities and helps achieve near zero time-to-revenue with client opportunities.