

## Head in the Cloud and feet (firmly) on the ground:

A hype-free, business-driven approach to continuing investment in HR systems amid economic uncertainty

On average, 89% of an organisation's technology budget is spent on maintenance and infrastructure<sup>1</sup>. That leaves precious little for new applications. The Cloud and cloud solutions provide an alternative route to traditional technology investments in pursuing agile, cost-effective technology roadmaps. However, the dilemma for most CIOs and HR Directors is that their organisation already has an existing HR Management System footprint which may or may not be stepping up to meet the demands of a changing business. So, how will you decide where and how much to spend your investment on HR systems?

Economic uncertainty in the current recession has meant that businesses are demanding more from support functions such as HR, as they battle to balance revenue growth and cost-consciousness. Businesses will look

to challenge status quo - questioning past investments and reviewing further investments with a fine tooth-comb. However, there is also significant appetite to ride the technology wave (cloud, mobile and social) while developing new operating models (shared service, global process standardisation and networked). All this is in the pursuit of lower costs and higher service quality.

Many organisations will be looking at the next upgrade cycle to introduce these new models, processes and technical functionality. Upgrades can be expensive, take 2-3 years to become available and can require up to 18 months to deploy – defeating the very purpose of introducing them. Cloud-based solutions can provide an accelerated,



flexible, cost-effective alternative to investments in traditional on-premise applications. While this seems inevitably sensible, there is one challenge. Not all cloud investments have provided benefits as originally envisaged. Why?

### **It's not just about the hype:**

It's virtually impossible to miss the buzz around the Cloud. It is claimed that cloud-based solutions reduce total cost of ownership, offer 'pay for use' basis and faster implementation. These claims need to be carefully evaluated while drawing up your business case. Software-as-a-Service (SaaS) total cost of ownership is not guaranteed to be lower than on-premise over a long-term, even as it significantly reduces upfront costs. Similarly, research<sup>2</sup> suggests that 90% of SaaS pricing is not 'pay for use'. So unless negotiated in the contracts, organisations do not have the ability to reduce subscriptions without penalties.

SaaS implementation is faster for less-complex configurations however will need careful considerations for large, global configurations. Integrating legacy systems and maintaining solution performance for complex implementations also needs specialist expertise.



SaaS-based HR solutions have been around for more than a decade. Initially, this was predominantly seen as a cost-effective way of adding new functionality (such as e-Recruitment and Learning Management Systems) to core ERP based systems (such as Oracle or SAP). Partly as a result of this early history, adoption remains varied across the suite of HR functions. Recruitment was one of the first functions to embrace the benefits of SaaS. Talent, Learning and Compensation are seeing a phase of demand-led growth in supply options. Research suggests that more than 65%<sup>3</sup> of new recruitment and learning management solutions are being deployed as SaaS solutions. Some talent management suites are only available through SaaS. Adoption of SaaS based solutions for Core HR and Workforce Management has been slower to take off, but this is the area where analysts expect to see significant growth in investment in the coming years.

### **No more the 'New kid on the block':**

SaaS vendors are no longer just 'new kids on the block'. They are being viewed as serious competition by even the most established ERP vendors. It is no surprise then that two of the largest ERP vendors (SAP and Oracle) have both bought in to the SaaS delivery model through acquisitions (SuccessFactors and Taleo). The HRD and the CIO have so far been very proactive and independent while buying specialist solutions (such as recruitment, learning and talent) from SaaS vendors. The focus is now shifting to Core HR – an area traditionally served by an ERP system, not just for HR but often also for Finance and Procurement. This means that CFOs and CEOs will increasingly get involved in the SaaS investment decision, just as they did for the ERP investment decision.

### **Don't fix what ain't broken:**

A stable, on-premise ERP solution that is not due for replacement or a

major upgrade in the near term is unlikely to attract a strong business case for replacement by a SaaS alternative. This will be even more the case, if the installed ERP solution has (unused) functionality that SaaS offers. Additionally, stringent regulatory requirements around data privacy may mean that every organisation needs to test the suitability of the SaaS delivery and data hosting model for their organisational framework and employee populations. Global organisations with the requirement to consider multi-country data privacy requirements including employee contractual sign-offs about data access and hosting have a challenge that needs to be worked through before considering SaaS as a true alternative to traditional ERP.

While ERP upgrades can be expensive and time-consuming, new release management and adoption are well within the control of the organisation. This is less so for SaaS solutions where the release process for an upgrade is governed by the solution provider and the client is just a 'user'. SaaS releases may outpace the organisation's adoption rate therefore, mandating that a SaaS user organisation is always equipped to understand the impact of technology changes on their operations. This requires an alternate mindset to organisational technology compared to what we see today.

### **So why would an organisation opt for a SaaS solution?**

The demand for SaaS solutions is driven by the business. Hence adoption is likely to be high where the business feels the benefits (profitability, agility and acceleration) being delivered.

- **improving profitability:** making the organisation more efficient;
- **agility:** enabling flexible, innovative ways of running the business;
- **acceleration:** allowing faster deployment of products, services, processes and platforms;

The table below summarises the business value, enablers and barriers to SaaS-adoption.

	Business Value	Enablers	Barriers
<b>Profitability</b>	<ul style="list-style-type: none"> <li>Operating efficiencies</li> <li>Reduced risk</li> <li>Customised pricing and licensing options</li> </ul>	<ul style="list-style-type: none"> <li>Incremental operating expense rather than intensive capital expense</li> <li>Reduced IT infrastructure footprint</li> </ul>	<ul style="list-style-type: none"> <li>Total Cost of Ownership</li> <li>Valuation of ongoing cost commitments</li> <li>Pricing and penalties</li> </ul>
<b>Agility</b>	<ul style="list-style-type: none"> <li>Immediate, transparent response to demand</li> <li>Process configuration flexed to business areas</li> </ul>	<ul style="list-style-type: none"> <li>Flexible module choice</li> <li>Scalable</li> </ul>	<ul style="list-style-type: none"> <li>Integration with legacy systems</li> <li>Reliability of solution</li> <li>Multi-tenancy</li> </ul>
<b>Acceleration</b>	<ul style="list-style-type: none"> <li>Reduced time to market</li> <li>Faster large-scale deployment</li> </ul>	<ul style="list-style-type: none"> <li>Standard configurations</li> <li>Reduced infrastructure procurement</li> <li>Standardised processes</li> </ul>	<ul style="list-style-type: none"> <li>Data ownership, privacy and compliance</li> <li>Business readiness</li> <li>Cultural shift</li> </ul>

**Capgemini’s 3-Step Deployment Model:**

Our 3-step deployment model not only provides a robust decision framework to arrive at the right technology solution for your organisation but also establishes a foundation for the successful realisation of business benefits. Each step brings out the business value, leverages the enablers and mitigates the barriers of deploying a SaaS-based HR solution.

**Step 1:** Prepare the case: There is a wealth of research which suggests that investments in technology are not producing expected returns. In our experience, the most common reasons for this are (a) a non-representative business case not fully reflecting the business needs (b) poorly defined benefits not owned by the business, and (c) overselling the benefits and underplaying the risks and effort. Capgemini’s **SAFER** approach integrates business case

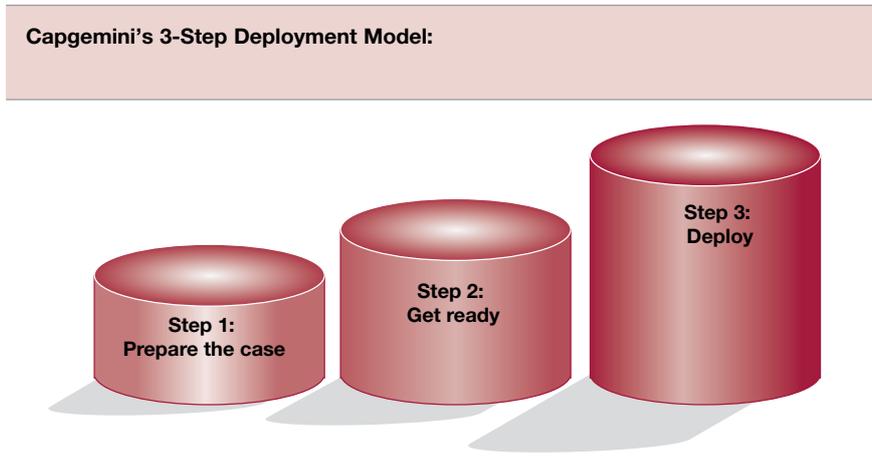
and benefits management frameworks to build a realistic business case but more importantly gain business ownership and stakeholder buy-in.

A well-constructed business case is more than simply a document to help make an investment decision. It should provide a mechanism for communicating and gaining buy-in from major stakeholders to a proposed course of action. It should also help to ensure that key stakeholders in the organisation understand the longer term business changes required to deliver benefits.

Benefits management should be more than simply monitoring whether targeted benefits have been delivered. It should provide a way to help the business achieve and sustain maximum benefits from an extended programme of implementation and business change – keeping a focus on delivering value, rather than simply a technical solution. It should also be integral to programme and change management, acknowledging and managing barriers in the same way as benefits.

**Step 2:** Get ready: Having made the decision to invest in a SaaS deployment model, the next step is to select a credible partner or partners and to assess how ready the organisation is for the cloud.

Some significant considerations need to be made in selecting an implementation partner - defining a clear scope, pricing and penalties, renewals and price caps, inclusions and exclusions, data ownership, recovery and protection, capability building, testing capabilities and fees, service levels and maintenance and support services. Capgemini’s **Vendor Selection** service provides insight on how to navigate through these considerations and ensures organisations are well prepared for the future.



Simultaneously, businesses need to consider how ready they are to embrace the cloud - the people, skills, technology infrastructure, processes, financial resources, legalities - are some areas for consideration. These are all likely to be at different stages of readiness and need a co-ordinated plan of action. Capgemini's **Cloud Readiness Assessment** method allows organisations to create this integrated plan of action.

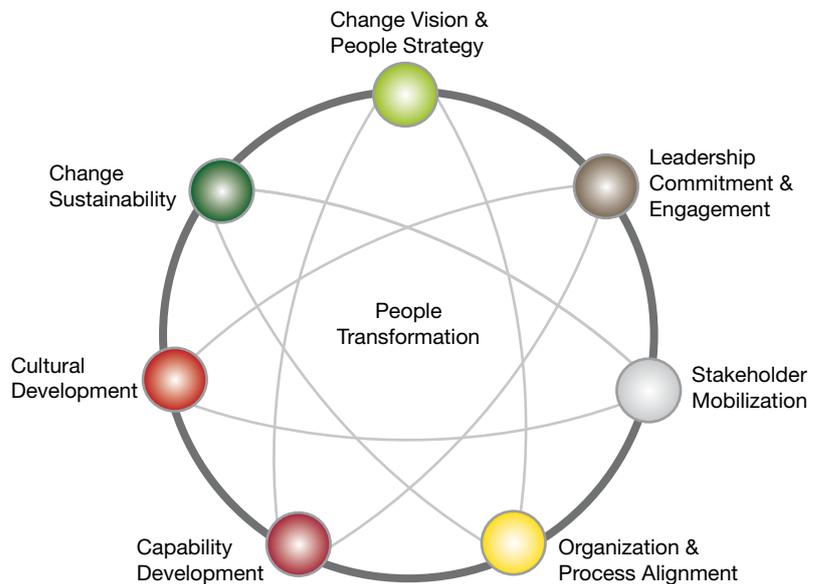
**Step 3: Deploy:** The final step is execution. When implementing any SaaS solution in HR, organisations are faced with the challenges of:

- Determining the correct technology landscape to access SaaS and integrate it with existing systems
- Data cleansing, extract transform and load (ETL) and then putting in place the required data privacy protection
- Interfacing to and from other systems and service providers
- Keeping the project and various third parties on track to deliver the new solution.

Capgemini have extensive experience in managing such complexities and their Rightshore services combined with a range of technical tools, help organisations deal with these challenges to ensure a successful SaaS implementation. Through our partnering agreements with many of the SaaS vendors we have access to their technology and work with them to continuously improve the implementation experience for clients

Successful execution also requires effective change management – including stakeholder engagement - through the transition to new ways of working. Capgemini's **Change Management** framework (Figure 1) provides a structured approach to address the various levers of the transformation.

**Figure 1 : Capgemini's Change Management framework**



Technology is at the core of SaaS-based solution deployment however adoption is being led by the business. It makes sense therefore to put the business drivers (profitability, agility and acceleration) at the heart of any SaaS-based deployment. Using our 3-step deployment model will provide organisations a hype-free, business-driven approach to continuing investments in HR systems.

The Employee Transformation team within Capgemini Consulting consists of HR professionals with expert consulting skills. Many of our consultants have real life hands-on experience of HR gained through line HR roles within industry coupled with extensive people consulting experience.

Capgemini's IT transformation solutions help clients get maximum value from existing systems and new investments. Our professionals are experienced in working with both technology and business executives to help them do more for less.

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