Introduction 1
The issues 2
The challenge 5
A tailored path 8
A solution for today 10
Conclusion 17
Meet the team 18
Introduction

Although the path to the cloud is a journey and will take time for many organizations to fully cycle, it is clear that companies need to provide functionality, usability, and mobility now for a workforce that won’t wait.

Businesses are looking for options to balance their short-term needs—functionality and access to the latest technology—while making progress toward their long-term goals of agility and scalability. Cloud-based systems are designed from their core to quickly adapt and introduce innovations with multiple releases each year. Significant investments in systems and infrastructure make a rapid transition to full cloud something that needs careful consideration and a business-specific road map.

Additionally, HR executives should compete aggressively for the best talent through engagement and a progressive culture of innovation. Millennials now make up more than half the workforce, and they have high expectations for technology. Ease of use and mobility have become table stakes, and on the horizon are applications that take advantage of the next level of interactions being introduced through wearables and the Internet of Things. These technologies will inevitably be introduced through the cloud. The future of HR technology appears to be in the cloud. The likely challenge for companies is in managing the long-term strategic directions of HR and IT, while addressing the short-term demands of their current business users and organizational goals. It is imperative to strike the right balance between the current systems and processes, and the latest in talent engagement, culture, and technology.
The issues

Many organizations today have a large, complex web of systems and processes. In most cases, these are the result of early ERP implementations built on top of even older custom systems still running and managing portions of their data.

Complex legacy systems
Organizations have enhanced or even reimplemented systems, trying to stay relevant by adopting their current systems or partially moving back to a best-of-breed approach for some solutions. The typical result: system integration issues, slowing productivity, high costs of ownership, lagging technology, and stress on business performance.

In CIO investment analyses, system modernization ranks the highest in high-level investment. Businesses are looking for increased flexibility, mobility, and functionality out of their core systems. Unfortunately, the overhead of maintaining on-premise hardware and software is becoming more and more challenging. As a result, the focus of HR technology solutions today has been around cloud-enabled solutions that are mobile, and tailored to an ever-demanding workforce. Just more than 40% of organizations have reported that they are in the beginning phases of replacing core HR technology with a more modern cloud system.1

Employee expectations
Today’s workforce enjoys an advancing world of technology. From mobile shopping, to e-payments, to auto-calendaring, they carry out the business of their personal lives using the latest applications and devices tailored to every aspect of their existence. Yet they often do not experience the same level of sophistication from their HR technology. Entering time, updating personal information, or initiating an employee action, often falls short of functionality and mobility expectations, and is rarely available across multiple devices.

Understanding the reality of this demand, organizations are working to create an employee experience that meets expectations. Deloitte’s 2016 Global Human Capital Trends indicates that 42% of companies surveyed are adapting their HR systems for mobile, device-delivered, just-in-time learning; 59% are developing mobile apps that integrate back-office systems for ease of use by employees; and 51% are leveraging external social networks in their own internal apps for recruitment and employee profile management.2

At the heart of this situation are the Millennials, who make up nearly 50% of the workforce.4 Millennials lead a life heavily driven and influenced by technology. They typically hold very high expectations for automation and usability. They tend to be impatient with technology and their career, so they are quick to act if their employer cannot meet their career, culture, or work/life balance desires.

These trends are fueling a shift toward a technology-driven society and causing organizations to think about a world where “digital HR” drives innovation and market leadership. Leaders are “integrating mobile and cloud technologies… to incorporate HR programs in an employee’s daily life.”5 Many organizations who are actively doing so are seeing improvements as employees are finding work to be easier, more productive, and more enjoyable.

Deloitte’s 2016 Global Human Capital Trends indicates that...

| 42% of companies are adapting their HR systems for mobile, device-delivered, just-in-time learning. |
| 59% are developing mobile apps that integrate back-office systems for ease of use by employees. |
| 51% and are leveraging external social networks in their own internal apps for recruitment and employee profile management. |

“Emotions,” as the columnist David Brooks recently summarized, “are not separate from reason. They are the foundation of reason because they tell us what to value.”6
As organizations begin developing their long-term HR and IT strategies, they still face an impatient push from their workforce.

Whatever the specific situation, HR and IT leaders face a difficult challenge as they contend with current investments in their on-premise HR systems. They cannot easily shift their investments, but the demand from employees must be met.

The reality is, these decisions take time. When IT leaders think about their technology investments, a lot of consideration goes into the “build/buy/use” investment strategy decision. What data and functionality may remain in house and which strategy should be outsourced? Which migration methodology will be used; a “big bang” migration—where the organization will “rip and replace” their entire HR suite at once—or a more incremental process done by division, process, or location? Regardless of the selected approach, cloud migration involves a well thought out road map based on thorough understanding of options and implications.

For large organizations, the complexity of their requirements can create additional difficulties—whether real or perceived—in finding and adopting a cloud solution that fits their needs. Beyond the software

“Emotions,” as the columnist David Brooks recently summarized, “are not separate from reason. They are the foundation of reason because they tell us what to value.”

Placeholder callout
itself, larger organizations must also identify and navigate the business process changes that come with implementing new systems. Getting employees to adopt and adhere to new ways of working is a significant undertaking.

In Merger and Acquisition (M&A) situations, integrating and harmonizing processes and disparate data should be a priority. Moving to the cloud may afford a mechanism to enhance and customize processes, and enable organizations to create a compelling and engaging employee experience in which technology plays a significant role.

While decisions and plans are being made, the workforce often grows ever more impatient. They expect technologies they use for work to be on par with technologies they use in their personal lives. Engagement and retention strategies have become increasingly as important as talent, because talent is arguably an organization’s greatest asset. An organization’s talent can become quickly disengaged when the technology they are required to use is not adequate. This issue likely stems back to HR technology, where user-friendly capabilities enable increased productivity, improving the engagement and loyalty of employees. Workers who demand highly mobile capabilities and streamlined user interfaces and experiences can experience cloud-like functionality and mobility now, even while the organization as a whole is still in transition to the cloud. Typically, the primary challenge for a complex journey to the cloud is that users want and need it now.

“Emotions,” as the columnist David Brooks recently summarized, “are not separate from reason. They are the foundation of reason because they tell us what to value.”

The Snohomish County Public Utility District (PUD) in Washington State was facing a daunting challenge: 35% of its workforce was set to reach retirement age within five years.

They needed to recruit and retain employees, but were competing with local corporate giants like Amazon for highly skilled employees necessary to ensure predictable and reliable service. In an effort to compete for talent, a modern work environment was needed to elevate job satisfaction levels and mimic the digital environments other organizations offered and the workforce had come to expect.

HR functionality at the public utility were a mix of manual process and three ERP systems, as well as a separate HR system that was only available to the HR staff. Employee appraisals were done manually. HR data was entered into the payroll system manually, and any changes to personal data or requests for information around vacation or other time-related issues had to be done via direct contact with HR. The process was time-consuming and costly for employees and managers, as well as HR personnel.

Case study

Energy corporation

A large global energy corporation had the opportunity to transform its HR organization after a series of divestitures reduced the size of the company from 15,000 employees to 6,000. The new organization’s focus is on exploration and production of oil, so it was necessary to re-evaluate their business processes to ensure they aligned with the overall business goals.

To provide the agility and flexibility desired in this industry, a SaaS (Software as a Service) solution was delivered in two phases, with Core HR, Contingent Workforce Management, Recruiting, On-Boarding, and integration to their ecosystem coming first; and Performance & Goals optimization, Learning, Compensation, and Advanced Reporting to follow a year later. The SaaS solution, coupled with Analytics, provides a single source of accurate, real-time HR data enabling both HR and business leaders to make informed talent decisions to enable their vision.

Will enhance the case study artwork further
A tailored path

There are multiple paths by which organizations can move to the cloud. The following implementation methodologies allow for a tailored cloud-based solution, accommodating the business needs of an organization.

**Big bang**

This constitutes a comprehensive migration of all legacy functionality to a SaaS solution.

Potential implications:
- High risk
- All-in
- Immediately on the cloud

**Hybrid**

This route can take on many variations as one or more HR/payroll applications remain on-premise, while others move to the cloud. There are many variations, but two typical scenarios are:
1. HCM remains on-premise, while talent moves to the cloud;
2. Payroll remains on-premise, and all other modules move to the cloud.

Potential implications:
- End-state solution
- Transitional approach
- Allows picking and choosing of modules
- Mitigates risk

Organizations that are implementing hybrid solutions should consider the user experience between modules. It’s critical to not just consider the technology backend, but how the end-user interacts with the technology and points where inconsistency and confusion may exist. Look for opportunities to incorporate a consolidated user interface that shares a common entry point and experience for the user that is intuitive as well as aligns with the long-term look and feel of the selected cloud solution.

**Phased**

Incremental implementation, typically done by location, business unit, or module. Many companies start out as hybrid, then progress into phased implementation.

Potential implications:
- Allows for reporting across one consistent category
- Mitigates risk

Similar to hybrid, when implementing the phased approach by module, you should carefully consider the user experience. Functional rollouts by phase add another dimension of ongoing change to the user. As each module is implemented, the technology changes and introduces disruption to the end-user. Look for ways to align a single entry point and common user look and feel to your end-state solution to help minimize the change to the end-user.

**Side-by-side**

Most commonly seen in M&A situations where one company continues to use their on-premise solution, and the other company migrates to the cloud. This deployment option may also occur where one organization never deployed on-premise HCM for a particular country, and may determine to deploy them to cloud HCM.

Potential implications:
- End-state solution
- Similar to phased approach
- Combined data to report across
A solution for today

Short-term challenges and mitigation

While a bridge to the cloud may be the end-state for organizations, the current market of HCM solutions can enable organizations to mitigate common short-term challenges. An organization's state of cloud-readiness should be determined. Leadership should then decide whether or not there is a need for a short-term mitigation plan to meet current workforce demand.

A hybrid approach helps businesses to move at their own pace, migrating solutions over time. As a result, HR and IT leadership can maximize their current technology investments while minimizing the overall risk that is associated with a full comprehensive migration. Regardless of an organization’s state of cloud-readiness, there are key considerations to think about when making strategic HR technology decisions.

Key considerations for an effective migration

While there is an overall market shift toward the cloud, that shift may look very different for each organization. Every business has their own set of technical requirements, combination of systems, customized workflows, and user demands that may alter the complexity, duration, and vendor of their cloud migration journey. When HR leaders think strategically about their migration, aligning with the organization’s strategic priorities is imperative. The “Case for Change” graphic delineates three overarching priorities: Talent, Speed, and HR Transformation.

Snohomish case study

The approach

After deciding to modernize their HR systems, Snohomish PUD opted for a “wave” approach to implementation—allowing for a rollout to happen piece by piece to the workforce.

Doing it this way gave employees and managers time to fully accept and embrace the changes,

Kristi Treckeme, Employee Resources Director at Snohomish PUD

The transformation started in early 2014. The first wave involved three initial months of redesigning business processes to ensure new technologies would support the organization effectively. This first wave included Core HR, learning, and integration with other HR-related applications.

The second wave ran from November 2014 to March 2015 and delivered the enterprise social collaboration software as well as functionality for performance and goals management, compensation planning, succession management, career development, and other activities.

The third and final wave started in August 2015 and introduced tools that addressed recruitment management, on-boarding, analytics, and advanced reporting. Finally, Snohomish PUD integrated the new functionality into an on-premise ERP solution.
The organization’s path and platform to migrate to the cloud will be defined by its driving priorities. For example, if the priority is to address gaps in talent, the organization would most likely implement a hybrid approach, leaving HCM on-premise. If transformation is the driving force, a phased implementation will enable more mature organizations to apply lessons learned and reinvent HR.

A speed strategy often uses a big bang implementation approach to take advantage of a burning platform (current system will lose vendor support) to overcome resistance to change.

Additionally, business leaders should understand the differences between cloud/SaaS and on-premise systems. While cloud software will provide expanded functionality and usability, the “out of the box” solution typically offers less customization opportunities than organizations have with on-premise HCM software.

Integrating cloud and on-premise platforms may also require additional infrastructure or third-party solutions. There may still be a clear business case for moving ahead with a hybrid or even a side-by-side migration for M&A situations, but companies should have a full understanding of their requirements, as well as cloud-based software rules. If not well planned, the mix of the two platforms may result in an inconsistent user experience and adoption erosion. Organizations should explore and identify the transitional impacts on non-HR systems, such as finance, procurement and logistics execution, product, travel management, environment, health and safety, incentive, and commission management.

A long-term migration approach may cost more than expected over time. Leaders should approach the effort with a comprehensive strategic plan that includes specific goals, benchmarks, and fallback measures. It is also crucial to address change management around the scope of the ingrained HR processes that are moving to the cloud, as well as the increased reliance on governance.

The cost of maintenance and upgrade for existing on-premise systems is another consideration. Tailored on-premise systems generally become more costly to maintain and upgrade, perhaps even more costly than the original implementation if vendors will not support customizations.

Across all migrations, there are five key considerations to take into account for an effective incremental migration to the cloud:

- Globalized approach to design
- Implementation team
- Consistent user experience
- Data security, privacy, and integration
- Stakeholders

These key migration considerations will likely be familiar to organizations who deployed traditional ERP systems. While there are similarities, the shorter duration and shared nature of the software can open up companies to different challenges. For a more detailed look at what to anticipate from each of these considerations, refer to the Five Key Considerations Chart on the following page.

**Gold mining organization**

A leading gold mining organization launched their road map toward migration to the cloud in a vision to standardize and optimize HR services globally, deploying a system that has leading capability for HR functionality.

A hybrid implementation was proposed between HCM on-premise and a SaaS provider that consolidated employee data from four regional on-premise HCM instances into the cloud platform. The implementation of the cloud-based Talent, Recruiting, Compensation, and Learning modules further reduced infrastructure costs, integrated HR reporting, and provided an intuitive, user-friendly environment for employees, managers, and HR alike.

**Case study**

A more accessible, more intuitive HR experience

**Gold mining organization**

Will enhance the case study artwork further
Based on experience with HCM cloud projects of many varieties, Deloitte offers the following leading practices for consideration when migrating to the cloud:

**Globalized approach to design**
Focus on standard, global business processes.

**Implementation team**
Implementations are slowed down by decision making, not the software.

**Consistent user experience**
An incremental approach can provide an incremental user experience between cloud and on-premise applications.

**Data security, privacy & integration**
Data privacy and security are critical items, especially in a global implementation.

**Stakeholders**
Need for engaging stakeholders throughout the project and ensuring they understand the project goals and business case.

---

### Five key considerations chart

<table>
<thead>
<tr>
<th>What is the same?</th>
<th>Why is it new?</th>
<th>How do I change?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Globalized</strong></td>
<td>Globalization</td>
<td>Adapt to the cloud environment.</td>
</tr>
<tr>
<td><strong>Approach</strong></td>
<td>to integrate</td>
<td>Adjust business processes to work in the cloud.</td>
</tr>
<tr>
<td><strong>Design</strong></td>
<td>to design</td>
<td>Customize the interface to match the new environment.</td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td><strong>team</strong></td>
<td>Ensure that the implementation team is familiar with the cloud environment.</td>
</tr>
<tr>
<td><strong>Consistent</strong></td>
<td><strong>user experience</strong></td>
<td>Streamline the user experience to make it more efficient.</td>
</tr>
<tr>
<td><strong>Experience</strong></td>
<td><strong>Data security</strong></td>
<td>Ensure data security and privacy in the cloud environment.</td>
</tr>
<tr>
<td><strong>Data security</strong></td>
<td><strong>Stakeholders</strong></td>
<td>Engage stakeholders throughout the project.</td>
</tr>
</tbody>
</table>

---

**Snohomish case study**

After a process and technology transformation that took roughly 15 months, Snohomish PUD is seeing results that leaders expect will support the organization’s workforce well into the future, including:

- **Ease of use**
  A streamlined cloud-based solution for all HR information needs.

- **Efficiency**
  The new integrated system means that workers spend less time seeking and managing their information.

- **Accuracy**
  A central HR solution gives the utility company a single, up-to-date source for its reporting and compliance needs without information gaps or discrepancies that might have occurred with the old systems and manual processes.

---

**What are the results?**

- **Efficiency**: The new integrated system means that workers spend less time seeking and managing their information.
- **Ease of use**: A streamlined cloud-based solution for all HR information needs.
- **Accuracy**: A central HR solution gives the utility company a single, up-to-date source for its reporting and compliance needs without information gaps or discrepancies that might have occurred with the old systems and manual processes.
Conclusion

To make the transition to cloud-based solutions, every organization should consider strategic priorities. No two implementation plans will be identical. Regardless of challenges and company-specific hurdles, each organization will need cloud-like services that provide functionality and mobility now.

Cloud appears to be the future. For many companies to remain competitive, it is no longer a choice, but a matter of how and when to migrate to the cloud. Equally important are the measures taken to meet employee expectations for functionality and mobility while the migration to the cloud is managed. To retain top talent in this new world of work, providing the expected functionality in the interim is as important as the migration itself.

Bridging to the cloud with interim solutions will help address the gap between the current situation and the future state of HR technology.
Meet the team

Kris Khanna
Director, HR Transformation
Deloitte Consulting LLP
kkhanna@deloitte.com
Kris is a director in Deloitte Consulting LLP’s Human Capital practice and has more than 17 years of HR systems and process experience. His primary experience is in the area of HR and Payroll, and he specializes in SAP- and SuccessFactors-driven global transformations. Kris has been a leader in the SAP-driven mobility and user experience space with a focus on HR Renewal and SAP Open LRS. Kris collaborates with complex, global clients—with an emphasis on companies with complex employee bases—to transform Human Resource and Payroll strategy, service delivery, and organizations with a business-driven focus. Through the balance of strategic planning, organization design, process transformation, technology deployment, and governance, Kris consults with large enterprises to generate tangible business value through human capital.

Leendert van der Bijl
Principal, HR Transformation
Deloitte Consulting LLP
lvanderbijl@deloitte.com
Leendert is a Deloitte Consulting LLP principal focused on HR Transformations enabled by SAP HCM solutions, including SuccessFactors. He is an experienced Engagement Principal, Program Manager, and Solution Architect. He has strong HR functional and technical skills and extensive experience leading, managing, and delivering full life cycle HR/Payroll and Talent implementations. His specialties include HR Technology strategy and road map development, leadership of HR Transformation projects and programs, solution architecting large global HR/Payroll implementations, HRTS application evaluation and selection, delivery, program and project management, HR functional and technical knowledge, and employee and manager self-service and portals.

Erica Volini
Leader, HR Transformation
Deloitte Consulting LLP
evolini@deloitte.com
Erica is a leader in Deloitte Consulting LLP’s HR Transformation service line. As the leader of Deloitte Consulting LLP’s HR Transformation practice, Erica is responsible for the overall strategy, financial performance, and delivery of HR Transformation services across the United States. Throughout her career, Erica has worked with organizations to determine how best to deliver HR services that enable global growth and drive enhanced profitability. Erica serves on Deloitte Consulting LLP’s Board of Directors, the Human Capital Management Committee, and sits on the Governance Committee for the firm’s campus recruiting efforts.

Rick Herschberg
Senior manager, HR Transformation
Deloitte Consulting LLP
rherschberg@deloitte.com
Rick is a senior manager in Deloitte Consulting LLP’s Human Capital practice. Rick has worked in HR since 1986 and joined Deloitte in 1999. His primary focus is in the area of SAP system implementations, integrations, and upgrades. His experience includes all phases of the project life cycle and spans multiple functional areas, project roles, and industries. Rick’s business background in HR and finance, combined with his technical background in systems, has been foundational in his successful delivery of projects where integration and innovation are required. Rick is the product manager for AccessEdge and has been responsible for the product since its inception, supervising the original design, build, and go to market.

Endnotes
