

## Three Strategies for Implementing HR in the Cloud



Adoption of cloud-based, software-as-a-service (SaaS) human resource management systems (HRMS) has become one of the hottest trends in HR. According to a global study conducted by Information Services Group in 2014, more than half (51%) of survey respondents said their companies have already implemented or are currently implementing cloud-based HRMS solutions. Benefits that these companies expect from their new SaaS HRMS solutions include improved user experience, access to ongoing innovation and best practices to support the business, and faster implementation with quick value attainment.<sup>1</sup>

However, another of the survey's findings hints not only at reasons why so many organizations are getting on the SaaS HR bandwagon, but also at a critical challenge they face in attaining expected benefits.

According to the survey results, the top-rated area targeted for improvement by HR organizations between 2014 and 2016 is "strategic alignment to the business," followed by "talent acquisition and retention," and "driving business process improvements."<sup>2</sup> Through Deloitte's work with large multinational businesses, we have observed that an HR organization's ability to drive impact for and improve alignment with the business through use of SaaS HRMS

solutions is dependent on the implementation strategy selected. Even with the out-of-the-box functionality and limited configuration requirements of today's SaaS HRMS solutions, an organization still needs to choose the right path to SaaS – an implementation strategy that fits best the particular organization's HR goals in support of business priorities.

It's no surprise, then, that some HR leaders struggle with where to begin.

- What business priorities and objectives are you aiming to support with SaaS?
- What is the best way to implement SaaS and use it to meet business needs?
- How can you maximize your investment in SaaS deployment?
- What steps will ensure widespread adoption of the solution by employees?

A firm understanding of the driving forces behind your own organization's HR transformation and targeted use of a *talent* strategy, a *core HR* strategy, or a *transform* strategy can help bring clarity and focus to the deployment effort. This point of view examines these strategies and provides case studies of how HR organizations have made an impact for the business.

<sup>1</sup> "Human Resources Technology and Service Delivery Trends in 2014," Maribeth Sivak and Debora Card, Information Services Group, July 8, 2014, <http://info.isg-one.com/2014-HR-Technology-and-Service-Delivery.html>, accessed August 19, 2014.

<sup>2</sup> Ibid.

### Business priorities – all roads lead there

SaaS HRMS solutions are a natural fit for organizations that want to improve alignment between HR and business objectives. As mentioned above, user experience is imperative for rapid adoption, so it is one of the key reasons organizations are drawn to SaaS HRMS solutions. Most SaaS solutions come with the type of user-friendly web interface that employees have come to expect after years of using their favorite social media services or shopping websites. Minimal configuration is required, unlike legacy HR point solutions that often require complicated construction of a custom portal or user interface. All of this can help speed adoption of the technology among employees.

Moreover, SaaS is a common, scalable platform that can help draw together formerly siloed areas of an enterprise. With its preconfigured, multitenant structure, SaaS solutions can be easily accessed by employees around the world while requiring a smaller infrastructure investment and fewer internal resources than traditional outsourcing contracts or enterprise resource planning (ERP) solutions. SaaS's shorter implementation timeframes and increased flexibility can help accelerate return on investment in HR technology.

Achieving the many potential benefits of a SaaS HRMS solution requires careful consideration of important factors, including:

- Should we start with core HR functionality alone or implement an entire suite of HRMS applications?
- Where, in a global enterprise, should we target pilot tests of the solution and in what order should we proceed with rollout?
- What functionality is necessary to support short-term business strategies while enabling HR to pursue its long-term objectives?

From experience working with chief human resource officers (CHROs) and HR organizations, Deloitte has identified three implementation strategies – a *talent* strategy, *core HR* strategy, and *transform* strategy – that provide a framework to identify the business objectives that a SaaS HRMS solution can support, understand related opportunities and constraints, and establish a deployment roadmap.





"I need to know **where my people are** and to upgrade my **talent solution**"

- CHRO

The talent strategy is particularly beneficial for companies on the front lines of the open talent economy, where a number of recent trends are upending familiar talent patterns. Workplaces are becoming increasingly borderless. People who work "for" companies may not even be employees or even contractors. Employees have fewer reasons to stay with businesses long term. And it's increasingly important for an organization's magnetism to draw talent in.

Companies employing the talent strategy typically are focused on investments that can support the organization's talent vision – i.e., the employer's brand in the marketplace – while addressing an array of external forces such as the open talent economy and other mega-, regional, and industry trends that drive decisions across an organization. These companies give high priority to investments that reinforce critical workforce segments; those areas of the workforce that have strongest impact a company's success. They also want an approach that emphasizes measurement of business and talent outcomes, tying the outcomes to business results, and analyzing the results in a feedback-driven cycle of continual, informed improvement.

Candidates for the talent strategy need fast access to core HR data to enable talent solutions and meet business requirements, but they may not need end-to-end core HR processes as quickly. Deployment considerations include determining whether a point solution or broader, integrated solution is required and recognizing that further effort and investment will be needed to implement a full SaaS HRMS solution.

### Case study

#### Transforming talent management with SaaS

Situation	Solution	Results
<p>A large U.S. consumer goods company recognized the vital role talent management would play in attaining its aggressive business goals for the next decade. Visibility and insight into available talent pools were important to fill critical positions as the company pursued growth opportunities.</p> <p>The company had other talent matters to address as well. Recruiting, succession, and compensation processes were inconsistent across business units and divisions. A complex legacy technology environment made it hard to extract core talent data quickly and consistently. The company was struggling to attract, develop, and retain talent.</p>	<p>The company chose a leading human capital management (HCM) suite as the SaaS platform to better align its overarching business strategy with its enterprise-wide talent strategy and talent management. The platform would provide a broad array of talent management tools, such as recruiting, onboarding, learning, performance, compensation, and succession. The company also believed it would benefit from avoiding the heavy customization required with an ERP-based solution.</p> <p>In the first two years of the solution rollout, the company implemented three components of the HCM suite, on time and on budget: employee profiles and succession planning, performance, goals, and compensation planning for approximately 40,000 management personnel. Additional deployment of recruiting and learning management components is planned next, eventually to support more than 300,000 employees.</p>	<p>The SaaS solution is fostering hands-on talent management in the company by providing:</p> <ul style="list-style-type: none"> <li>• Visibility into detailed organizational charts that depict workforce capabilities and the talent pools associated with critical jobs</li> <li>• Detailed succession plans for critical positions through ranked and unranked successors</li> <li>• Improved enterprise capability to consistently rate performance</li> <li>• Executable annual compensation cycles that include merit and equity rewards through a central online process</li> </ul>



"I need access to **core HR data**... now"  
 – CHRO, CTO, COO

The core HR strategy puts the basics first: using effective practices to deliver core HR functionality to inform business decisions. It can be a good fit for organizations that struggle with their existing HR systems and data, as well as for those with a strong top-down mandate to enforce compliance with standards and timelines. In both cases, this strategy can support implementation of SaaS without extensive process reengineering. Global businesses can use the core HR strategy to scale new capabilities in sync with implementation investment in new markets. The strategy can also help organizations that currently have manual processes (e.g., use spreadsheets) or employ HR technology on a limited basis, and need to quickly implement automated processes on a widespread basis.

Core HR deployments focus on global data standards and basic HR management requirements. As an HR organization implements core functionality it can work toward transforming processes and operations, in parallel or after the initial technology deployment. This strategy helps HR prioritize workforce management activities, meet compliance requirements, and quickly implement simplified HR management for smaller countries. One caveat: the need for solution optimization after deployment is inevitable and should be considered in calculating the total investment.

### Case study

#### Driving global HR transformation for access to core HR data

Situation	Solution	Results
<p>A major global technology company determined that its HR administrative processes were too slow and lacked the necessary cycle time speed and ease of use that employees now expect. Managers also had limited visibility into their organizations' performance because reporting and analytics were hampered by both a lack of data and different country and business unit definitions for data elements.</p>	<p>The company decided to replace its legacy, highly customized ERP HCM environment with a leading SaaS HCM platform to enable the rapid transformation of HR processes. After a three-month planning and blueprinting phase, the project team launched into global design with local needs analysis. The company's HR, payroll and IT staff from around the globe collaborated over a six-month period to drive iterative solution prototypes and model the redesigned global processes. Hundreds of the company's team members participated in the iterative prototyping sessions to validate business requirements and confirm new processes could the global and country level needs.</p>	<p>The rapid implementation of this HCM platform helped the company achieve these business-driven results:</p> <ul style="list-style-type: none"> <li>• Reduction in the number of HCM integrations, from more than 700 in the legacy environment to only 350 in the new SaaS-based HCM environment.</li> <li>• Integration of more than 40 global payrolls into the new solution's system of record, an effort that included concurrent integration and implementation of a cloud-based payroll management application in 10 countries without impact to employee paychecks.</li> <li>• Extraction, transformation, loading, and validation of almost 20 million data records in about a week – the company had business needs that required not only the high volume of data, but a small window in which to migrate to the production system.</li> <li>• A comprehensive communications, training, and stakeholder engagement effort, along with targeted training for all of the company's HR and payroll support staff globally and a "white glove" service for key manager groups to assist them with using the tools at go-live.</li> <li>• Adoption of the new system by more than 40,000 individual employees around the world in the first three days of go-live, perhaps the ultimate tribute to the success of the project.</li> </ul>



"I need to **transform HR** – service delivery, process, harmonization – and I need a **full HCM solution** to support it"

– CHRO, COO

The transform strategy is suited to organizations that want to support a new business strategy or transform their HR service delivery model as part of an integrated redesign across processes, operations, and technology. The transform approach can also benefit organizations in which talent management is an increasingly important component of overall business strategy, as well as those seeking efficiencies and cost savings through a standard global model. While technology is just one component of the transform strategy focus, SaaS can be an enabler of such a model.

A critical element of this strategy is upfront focus on defining strategic HR objectives, how leadership wants the HR function to be organized, and how individual roles and responsibilities can support achievement of the objectives. This emphasis on upfront planning naturally leads to the development of an implementation roadmap that reflects the full future state vision rather than simply focusing on the technology implementation and then using a continuous improvement approach to achieve the envisioned future state.

Another factor contributing to the strategy's long-term benefits is adhering to the principles of the new HR service delivery model across all aspects of the implementation. Also, even with a compelling value proposition, the transform strategy needs to demonstrate wins along the way to keep leaders and the broader business engaged.

### Case study

#### Transforming HR from the ground up

Situation	Solution	Results
<p>HR operations at a global financial services firm incurred high costs and required substantial manual activity due to its fragmented HR service delivery, as well as inadequate and inconsistent use of technology. HR spent nearly three-fourths of its time on transactional and administrative tasks, which hindered its ability to support the businesses strategically.</p>	<p>The company undertook an HR transformation initiative to enable new, business-focused activities with bottom-line impact – attracting, assessing, educating and retaining talent. It aimed to create a single, integrated HR operating model and information system to consolidate administrative activities, improve service delivery by deploying more self-service HR functionality, standardize global processes, data, and reporting, and reduce costs.</p> <p>The company deployed global shared services capabilities using two SaaS-based solutions: a human capital management system as the HR information system and a customer relationship management system to support the shared services center. The company also consolidated and outsourced payroll to regional vendors and implemented portal and self-service tools for managers and employees.</p> <p>Critical to the success of the initiative was developing a clear understanding of the current state of the HR function – costs, resource allocation, technology, processes, and organization. With that understanding, the company could then articulate a future state delivery model for HR processes, technology, and locations. That, in turn, led to a business case and roadmap describing major activities and their timing as implementation proceeded.</p>	<p>SaaS-enabled transformation of this company's HR function led to tangible value creation:</p> <ul style="list-style-type: none"> <li>• Dramatic reduction in the company's need for in-house resources to maintain core functions, allowing HR to focus on system configuration for local business requirements and continuous improvement.</li> <li>• Enforcement of standard processing protocols globally, a key to gaining efficiencies and scalability.</li> <li>• Potential estimated savings of \$500 million over 10 years, with a targeted 40 percent reduction in HR cost per employee.</li> </ul>

**Stay focused on what the business needs – everything else will follow**

The drivers behind HR transformations vary as widely as the companies undertaking it. It is imperative that each company carefully examine its HR environment in the context of overall business objectives and strategies so that planned changes to the HR service delivery model, processes, organization, and supporting technology all align with the business.

SaaS HRMS solutions are proving to be key enablers of HR transformation for many organizations around the world. HR leaders wanting to realize the benefits of SaaS solutions can start by confirming their strategic objectives for such a deployment and weighing the talent, core HR, and transform strategies for implementation. Choosing the right implementation strategy, identifying potential constraints to deployment, and assessing the organization’s tolerance for such a change can help position organizations to capitalize on SaaS technology.

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**Three key steps for choosing a SaaS HR implementation strategy**

SaaS HR solutions represent an important opportunity to enable HR leaders to execute against their strategic plans. The following are three steps organizations can take to determine which SaaS HR implementation strategy would produce optimal business results:

**1** Identify current and future business needs and develop a future HR vision that aligns on the “destination” for the journey. Understand how services are delivered today against future aspirations to measure organizational appetite for SaaS-enabled HR transformation

**2** Based on business objectives and future vision, prioritize each implementation strategy by considering the types of journeys involved and their key characteristics such as variations in strategic focus and value, speed, and investment required, as well as the anticipated outcomes and implications expected from each strategy

**3** Determine any organizational, service delivery and technology constraints to deployment. Choose a strategy that best enables the SaaS solution to focus on the right priorities with a suitable implementation timeline

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