

HR TRANSFORMATION

# Considerations for Moving to Cloud-based Human Capital Management

**Anoop Chawla**

## INTRODUCTION

The last few years have seen a number of enterprises move closer to adopting a cloud-based human capital management (HCM) solution. Based on [a recent ISG study](#), the number of companies planning to adopt HCM software-as-a-service (SaaS) technology in 2020 is twice the number from just two years ago.

While the stories about the benefits of moving to cloud HCM are enticing and the move seems straightforward, the journey to the target state can be challenging. The move from an on-premises application to a cloud-based application is much more than a mere system change. The earlier organizations realize this, the greater the odds for a successful transition.



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A HR transformation affects various service delivery components, including the following: 1) organizational structure and governance, 2) roles and responsibilities, 3) skills and capabilities, 4) organizational change management, 5) functional processes, 6) service levels and metrics, 7) technology, 8) employee experience, 9) sources, alliances and third parties. Taking time to plan carefully for how a move to HCM SaaS will affect each of these components will increase the benefits. We recommend setting up of a transformation management office to best direct and manage the effort.



Figure 1: HR Transformation Affects Nine Service Delivery Components

Let's examine each of these components in the context of moving from an on-premises model to an HR SaaS solution and explore how to take advantage of the opportunities and avoid the pitfalls.

### Considerations for Moving to Cloud-based Human Capital Management



## Organizational Structure and Governance

Technology-driven transformation can make even mature HR service delivery organizations falter. Legacy organizational structures and governance mechanisms that cater to on-premises technology are rigid and slow moving. Implementation of a cloud-based HCM system requires changes to the governance model with specific attention paid to how process and system changes are made. To enable a new model, first address the following:

- Identify who will “own” the SaaS solution. Should it be HR, IT or a hybrid/joint ownership?
- Moving from a software development or customization paradigm to a configuration-oriented paradigm means system change management must become as much a “discipline” as it is a “release management” process.
- Determine the pace of change and design your organization to be agile enough to support the necessary functional and technical changes. A three-or six-month release calendar is typical.
- If merger and acquisition (M&A) activity is a way of life for your organization, be sure to set up specific governance processes so the SaaS solutions can facilitate mass changes, i.e., add, delete or move organizations.

Determine which items need to be addressed internally and which need to be addressed with implementation partners.

## Roles and Responsibilities

Certain roles specific to HCM transformation will need to be established, and key stakeholders in the enterprise will need to take on additional responsibilities. Prepare with the following steps:

- Identify the stakeholders who will play key roles in the HR transformation.
- Hire necessary resources to be dedicated to the transformation if they do not exist within the enterprise.

- Plan to backfill roles as the situations demands.
- Realign responsibilities in the current operations and IT teams as needed. Business analysis, reporting and configuration skills typically are found in the business teams while IT teams should take a lead role in integration of the solution within the enterprise systems landscape.

Enterprises might consider an HCM transformation as an opportunity to reward suitable resources and provide an avenue for career growth. Some of the leadership roles will be evident and can be quickly filled. Others may require a third party to play a part. The approach for a SaaS implementation is different than the approach for a legacy on-premises implementation, which can mean different roles and responsibilities than what is currently present within the organization. Agile implementation, ownership of the training responsibilities and integration development are a few of the scenarios with which your enterprise may or may not have experience. The initial planning phase is a good time to consider engaging with an experienced partner.



Figure 2: New Skills and Roles for HR SaaS

## Skills and Capabilities

An HCM SaaS implementation requires certain skills the enterprise may find it lacks.

Typical skills include:

- Agile development
- End-to-end testing and integration design and development.
- Specific integration and cloud technology development to take advantage of the innovations a cloud system offers.

Understanding which capabilities exist internally will be helpful during the process of selecting an implementation partner, so you can bring to the table complementing skills to execute a successful engagement. This also will ensure you are not saddled with costly change controls from the implementation partner, once you are in the implementation stage.

## Organizational Change Management

In the three components listed above – organizational structure and governance, roles and responsibilities and skills and capabilities – a common challenge is enabling change across people. It is a known fact that most large-scale transformations fail because of a lack of attention paid to manage change. An HCM cloud engagement is no different.

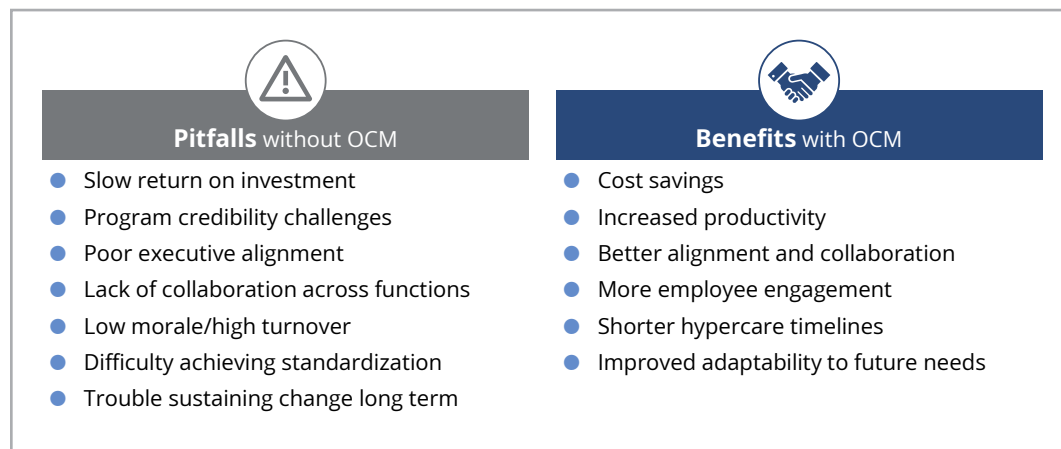


Figure 3: Pitfalls and Benefits of Organizational Change Management

To succeed, enterprises will have to:

- Inventory their internal change management capabilities and resources. Organizations vary dramatically when it comes to internal OCM practices and skills. This will also help in ensuring a realistic and attainable business case.
- Engage with a third party with an accurate picture of what is needed to support the overall transition and rollout. Organizations should ensure that the chosen third party can bring complementary change skills where gaps exist. An independent third party will tend to look holistically across a broad set of transformations rather than just at tech-only changes.

- Build a realistic case for change aligned with the business case.
- Ensure stakeholder alignment and a dependable network of change champions across the enterprise.
- Track the organizational benefits promised in the business case as the rollouts happen and new functionality is adopted.

## Functional Processes

SaaS HCM tools offer “best practice” processes and workflows, and they afford flexibility when it comes to designing/implementing various processes. While this is a good opportunity to leapfrog to a higher level of process maturity, enterprises do not always get the pre-work right. The following needs to be taken care of first:

- **Process inventory:** An inventory of existing process will not only help in accurately estimating the effort during an implementation but also facilitate adoption of innovations the SaaS tool might enable.
- **Policy and process harmonization:** Standardization of policies and processes across business units will help ensure a smoother implementation with minimal process variations and inefficiencies.
- **Simplification:** Simplifying and redesigning processes can eliminate inefficiencies that have crept in over time. It is a good idea to revisit years’ old decisions that might not have any value currently.

This is one of the more involved and time-consuming facets of a transformation, but it has the potential to have the most far-reaching effect on the outcomes of the technology implementation. The core process owners will be in a far better place to focus on implementation and take full ownership of the resulting product if processes have already been inventoried, harmonized, and simplified.

## Service Levels/Metrics

Distinct advantages of a SaaS HCM are its built-in data integration and analytics capability. These enable tracking of data for various processes and usability metrics. If your organization is like most organizations in which metrics and tracking service levels have been only aspirational, then this transformation presents a huge opportunity and a first step toward maturity.



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As they say, if you cannot measure it, you cannot improve it. Be sure to keep the following in mind while planning:

- Inventory of current SLAs and metrics: This will allow you to create a wish list of what you want to track. The executives in your organization will be more than happy to hear this and will be ready to come up with a list.
- Linkage with process improvement: Process improvement can only be seen and justified if you can measure the key data points. Typically, enterprises are stuck with specific metrics dictated by their current technology and it is difficult to imagine what is possible. The implementation partner should be able to help define a path to improvement right from the proposal response stage.
- Walk before you run: Start small and build on your successes when it comes to rolling out service levels and metrics across your organization.
- Shared services enablement: Depending on whether your organization has or is thinking about setting up HR shared services, an SLA/metrics regime will help enable the move and will form a key part of the business case for change.



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## Technology

Making an organization successful when it moves from on-premise HR technology to SaaS technology involves a great deal of unlearning. An HCM transformation can involve implementation of other enabling technologies that focus on employee experience, case management or point solutions where the SaaS has gaps. Transformation can help an organization move away from managing upgrades every three to four years and toward a cycle of constant innovation. It can help change the paradigm from “managing customizations” to “managing configurations” and from heavy reliance on large IT teams and spend to relatively leaner IT set-ups. To make this work, plan for the following:

- Gear up the implementation teams for change by ensuring specific, advanced SaaS HCM trainings for both functional and technical teams and putting governance in place.
- Manage risk by adjusting internal governance standards for cloud applications.
- Ensure IT teams move away from the “built for purpose” mentality that is so often part of managing legacy on-premise solutions. Learn to leverage the innovation of HCM platforms while simplifying and de-cluttering the overall technology landscape.



SaaS-enabled HR transformation will lead to a plethora of changes affecting IT service delivery and governance. Be open to transforming IT management practices and internal governance at the same time. Rather than looking at this transformation as IT vs. HR, allow both to play to their strengths; HR can focus on process transformation and improvements, while IT focuses on setting up system change management governance within the new SaaS context.



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## **Employee Experience**

One of the biggest impacts of a SaaS-enabled HR transformation is on the employee experience. SaaS tools deliver consumer-grade website-like experiences that help organizations reach their aspirations for HR service delivery improvement. Enterprises experience a multifold uptick in employee self-service and manager self-service transactions, giving HR business partners more time to focus on strategic tasks. Because this facet of a SaaS system rollout impacts each and every associate in the organization, deliberate planning and thought must go into the following:

- Self-service processes: in other words, take advantage of the flexibility of SaaS tools to roll out these processes in a way that suits your culture, i.e., a “big bang” roll out or a phased roll out.
- Organizational change management: build a full-fledged OCM track as an integral part of your transformation management office to ensure a smooth rollout and successful adoption of the SaaS solution. Lean on third parties in conjunction with internal teams as needed.
- “Moments that matter:” use design thinking to make the most of the functional processes that impact employees, managers and executives.

A key metric of successful HR transformation is the overall adoption of the solution by employees. Employee experience will play a significant role in ensuring a high adoption rate; organizations that keep this metric at the forefront of how they determine success for the program will have a better chance of achieving the desired goals.



## Sources, Alliances and Third Parties

In a transformation of this magnitude, the enterprise will need to collaborate and lean on numerous third parties, partners and external entities. Software providers, implementation partners, recruitment agencies and independent contractors are key to solving the resource puzzle. Depending on which capabilities exist in-house, a network of providers will be more or less critical. Enterprises should also explore partnering with technology advisory firms like ISG to ensure they can effectively plan for, source, and contract the right third parties to make the transformation a reality. While building this network, keep these key points in mind:

- Leverage existing providers in the enterprise's technology ecosystem as they will offer the advantage of knowing your culture, technology systems and infrastructure and will have existing relationships with key stakeholders.
- Look beyond the implementation to think about post-implementation services and whether you will need to partner with any third party for on-going services.
- Build consolidated governance across all aspects of the engagement via a transformation management office, which can ensure a cohesive effort across the various projects and tracks of the transformation engagement.

Whether you choose new partners or depend on existing ones, be sure to conduct appropriate due diligence during the selection process. On-going support and governance will be crucial in ensuring a successful transformation.

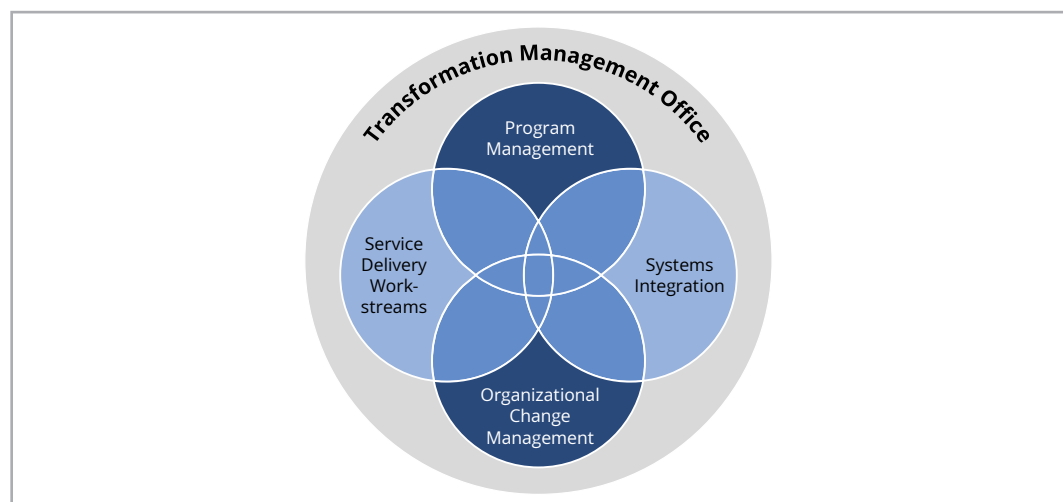


Figure 4: Transformation Management Office



## Conclusion

To reap all the potential benefits of a SaaS-driven HR transformation, enterprises must make a concerted effort to analyze and plan across a number of different service delivery parameters. The factors discussed here are interrelated; only with the right mix of experienced partners can an enterprise achieve the desired level of maturity in a SaaS-driven HR transformation. As is often the case, an HCM implementation is accompanied by other complementary projects and efforts across the business. A transformation management office can cohesively manage all the moving parts and deliver success. Bringing program and change management under one umbrella increases cross-project visibility and prevents change fatigue from derailing the transformation.

## ABOUT THE AUTHOR

### **HR Transformation: Considerations for Moving to Cloud-based Human Capital Management**



#### **ANOOP CHAWLA**

Anoop Chawla is a Principal Consultant with 20 years of progressive experience specializing in all facets of human capital management (HCM). His expertise spans HCM large program management and solutioning in HCM SaaS and HCM shared services arenas. He has helped clients define and implement HR shared services models to suit their specific need and has led large multi-million programs to rollout HCM technology and set-up global shared services centers.



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