SAPinsider

Are There Clouds in Your Future?

Choosing Your SAP ERP HCM and SuccessFactors Strategy

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It is becoming abundantly clear that cloud computing has a future in many enterprises. Organizations are already moving their processes and transactions to the cloud to save time, money, and resource efforts. The promise of the cloud is irrefutable: faster deployments, predictability of costs, less reliance on in-house IT, and functionality that meets the needs of the next generation of HR management initiatives.

Perhaps that's why there has been an intense focus recently on moving human capital management (HCM) processes to the cloud, particularly when it comes to talent management and HR analytics. HCM provides a compelling business case to jump-start a cloud initiative since the risk/reward ratio is so appealing. However, moving such business-critical processes to the cloud does not come without challenges.

Concerns over how the cloud could affect roles in HR and IT, organizational adoption of cloud services, and data privacy, for example, can often result in companies hesitating to move their core processes to the cloud. So how do organizations determine the optimal path forward? There is no "one-solution-fits-all" answer, but there are criteria to determine the appropriate roadmap for an organization as a whole.

Balancing Function and Form

Since its 2012 acquisition of SuccessFactors, a leading provider of cloud-based business execution software, SAP has been working with SuccessFactors to release a unified roadmap that will show how to gain the most value from their cross-functional business solutions. The convergence of SAP and SuccessFactors solutions meshes the best of on-premise technology with the flexibility of cloud-based solutions, and will ultimately affect how organizations leverage ERP solutions.

Customers who use SAP ERP HCM are already seeing benefits from the acquisition, such as enhanced talent, social, and cloud specialization. SuccessFactors' historical focus on talent management functionality, recruiting, learning, and core HR applications, combined with SAP's own HCM functionality, has allowed SAP to create a leading HCM ecosystem under one unified umbrella. Integrating two vastly different solution architectures and overlapping functionality is no easy feat. However, we are already seeing progress:

- SAP's focus on unifying SAP and SuccessFactors functionality allows it to leverage the strengths of SuccessFactors, while the ability to use cloud-based applications and keep some processes on premise gives executives good reason to support the SAP/SuccessFactors approach. The fact that these executives can protect their long-term SAP investments is also a boon.

- SAP's integrated approach allows HR leaders to keep their HCM processes tightly woven with other business functions, rather than dealing with isolated third-party platforms. SAP ERP HCM is now becoming the model for how an HCM solution can increase value to the whole organization and not just one aspect of it.

- SAP plans to leverage social, mobile, and collaboration technologies to move SAP ERP HCM software beyond just core employee data. This will enable meaningful connections with employees and customers and allow for exponential ROI as the HCM function extends outside the corporation.

- The SAP HANA platform will let HR sort through massive amounts of real-time data to produce actionable insights and new perspectives across business functions. This kind of HR analytics is emerging as a key weapon to help the organization better adapt to market forces.

SAP is poised to become a leader in developing applications and services built on innovative mash-ups of cloud, mobile, social technologies, and big data. However, to get the most out of their investment, companies need to determine which HCM solutions they will keep on premise, which they will move to the cloud, and which they will deploy with a hybrid approach.

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	On-premise approach	Cloud approach	Hybrid approach
Functionality	• Full-featured, integrated functionality • Control over timing of functional improvements, data security	• Rich, web 2.0 user experience and design • Next generation of HR applications focused on collaboration	• A blend of functionality: best of both worlds • Mixing transactional power with ease of use
Architecture	• Single-tenant, integrated environment • ERP integration	• Multi-tenant, integrated environment • Inter-cloud integration	• Opportunity to create "co-tenant" model — selectively choosing architecture based on long-term and short-term needs • Integration opportunities based on open architecture standards
Long-term costs	• Cost effective over the long term • Leveraged IT staff and support infrastructure	• Lower start-up investments • Vendor-managed infrastructure and support	• Scales up/down based on needs, roadmap, and changes in technology • Shift in HR and IT roles allows for optimization of resources

Which Approach Is Right for You? Considerations and Expectations

When deciding which HCM processes to deploy to the cloud, it is best to develop a well-thought-out strategy to ensure the company's most important goals will be realized. Keep the following guiding principles in mind when drafting this strategy:

• The decision should not be driven by technology, but by the business imperative. Without a clear integration value, returns will likely diminish and segregate away from the core business.

• Consider your HR transformation goals and develop your cloud approach around the HR service delivery components. Which functions will change how services are delivered to your end customers, and how will they affect new roles and capabilities in HR and IT?

• Keep one version of the truth. A distributed HCM environment can easily slip into a new collection of HR environments, moving you backward. Delivering HCM on a cloud-based platform is not about recreating existing capabilities.

• In the short term, keep like approaches together. Your approach to talent should either be in the cloud or on premise. Not split.

• An HR master data management strategy is important. Consider reviewing processes to manage systems of record and integration points.

There are no wrong answers when determining an appropriate SAP ERP HCM platform strategy. There are, however, many factors that should be weighed and considered to achieve success in the long term. These include the organization's overall cloud strategy and expectations for a unified IT architecture with existing ERP investments. Keeping an HCM process on premise, moving it to the cloud, or taking a hybrid approach all have their own benefits (see **Figure 1**). Which method you choose depends entirely on what you expect from your HCM processes.

No matter what approach you choose, balancing deployment speed, innovation, data privacy concerns, integration feasibility, and long-term costs will require thoughtful planning and a roadmap to ensure a successful transition. Most organizations are relatively familiar with the rewards and challenges of on-premise solutions, yet the lower costs and resource requirements for the cloud are very compelling.

The compromise, a hybrid approach, can be used to bridge immediate concerns with the long-term roadmap. This allows risk to be diminished over time based on the offering's maturity level. By using SuccessFactors' solutions, a process such as payroll could be used on premise or in the cloud, and could be outsourced or hosted simultaneously based on the regional or business need.

Learn More

As you assess the future of your HCM processes and decide whether it's time to move them to the cloud, you can turn to Deloitte for guidance and support. Drawing from our breadth of HR cloud solution knowledge, Deloitte has worked with organizations of various sizes to develop HR transformative roadmaps that fully leverage the technology opportunities. For more information, visit **www.deloitte.com/humancapital.** ■