

SaaS IN THE enterprise

where IT executives get answers about applications in the cloud

John Edwards

HR Cautiously Turns to SaaS Offerings



John Edwards, Technology Journalist, 4/1/2014

[Bio](#) [Email This](#) [Print](#) [Comment](#) 10 comments

Rate It



50% 50%

[Save It](#)

[Information Services Group](#) (ISG), a Stamford, Conn., technology insights, market intelligence, and advisory services firm, reports that, while there is a high level of interest in SaaS solutions among enterprise HR buyers, conversion to actual contract signings is more measured.

"Enterprise demand for SaaS is surging on a number of fronts," said Julie Fernandez, ISG's director, in a [statement issued by the company](#). "But despite a frenzy of market activity, when it comes to actual deal closures we see large HR buyers moving with caution and recognizing the value in letting the dust settle."

Jason Averbook, former CEO of Knowledge Infusion, a human capital management consulting firm acquired by cloud services provider [Appirio](#), predicted last year that up to 90 percent of Fortune 1000 companies will replace or reimplement their core HR systems in the next four years. Many of these enterprises are expected to discard legacy on-premises systems -- some of which date back to the 1960s -- in favor of cloud-based HR systems.



(Source: Ricky Martin)

Among the 25 HR organizations with 5,000 or more employees surveyed by ISG, 17 (68 percent) said they were highly motivated to buy HR technology either in the form of an upgrade or an entirely new platform. Yet only seven clients (29 percent) actually opted to purchase or upgrade HR technology during the past year, the company reports.

Multiple deterrents

"The complexity of evaluating, buying and implementing SaaS solutions, combined with a wide range of available options, are deterring clients from signing contracts," Fernandez said. "While HR buyers are quickly sold on the usability, analytics and simpler infrastructure delivered by

SaaS, they are less prepared for contracting, systems integrator selection, and rapid implementations, which are quite different from traditional ERP."

According to ISG, buyers assessing SaaS solutions are forced to choose between focusing on core HR and payroll processes or on expanding and integrating talent platforms. The company notes that the latest HR SaaS offerings from [Oracle](#) and [SAP](#) are rooted in talent management acquisitions made in recent years, while retrofitting core HR and payroll records. On the other hand, native SaaS HR solutions offered by vendors such as [Workday](#) lead with a strong core HR and payroll base, while still rounding out talent services.

ISG also notes that buyers must select between internal versus outsourced HR administration using a new SaaS HR platform. Early in the process, the company notes, buyers tend to overlook features not included in HR SaaS systems, such as broader portal tools, inquiry chat, call center, and integration to tools outside of the SaaS suite. Solving these gaps is a larger challenge than most buyers are prepared to address internally, leaving many traditional HR outsourcing providers scrambling to adapt their solutions to SaaS, ISG observes.

Outlook

Over the next few years, ISG expects the depth of SaaS/BPO solutions to expand significantly. In the meantime, it urges buyers to not only assess a new technology, but to consider how future innovations may be integrated on an ongoing basis and how services will be delivered.

[Email This](#) [Print](#) [Comment](#)

Copyright © 2015 TechWeb, A UBM Company, All rights reserved.