



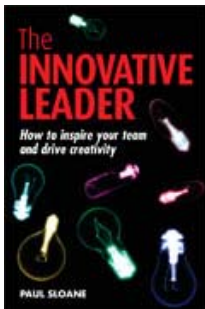
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Lifting the lid on SaaS in HR

The demand for Software as a Service (SaaS), where applications are hosted and configured by vendors and made available to customers over the internet, is growing rapidly - not least in the HR space.

To find out why companies are increasingly choosing SaaS solutions over traditional “on premise” applications, we talked to Ryan Tweedie, CEO of US-based Sapien LLC.



Sapien, formed in 2004, has grown rapidly on the back of the founders' vision to deliver SaaS HRMS and HCM solutions; with a focus on HRMS with bundled HCM for mid-market customers with 250 – 10,000 employees, and HCM to larger firms, such as Capital One and Verizon Wireless.

In just over two years from product launch, Sapien has achieved a turnover in excess of 10 million US dollars with over 20 million of deferred revenue, given that most contracts are three to five years. Additionally, Sapien has built an impressive list of happy customers – many of whom are household names.

Q. What's driving the adoption of SaaS for Human Resource Management?

The number one reason is cost. When companies come to upgrade their HR systems, they're looking at the upfront and ongoing costs of their on-premise solution much more carefully. They're often not comfortable with what they find. The reaction tends to be “we just can't believe we're paying our existing fees”. Oftentimes, just upgrading from one version of their existing to platform to another can be three to four times as expensive as a Sapien solution.

SaaS provides a much more cost-effective, and controlled, way to get the HR solutions they need – without sacrificing any application functionality. There's virtually no upfront investment in capital and staffing, the IT infrastructure and software management responsibility goes away because we take care of it for them and customers simply pay a monthly fee to access the full suite of services – including support and product upgrades.

Q. You've become the provider of choice to companies with household names who need to support joint ventures, divestitures or subsidiaries. For example you've recently signed GE Plastics and before that Infoprint Solutions Company, a JV between IBM and Ricoh. Why do you think this is?

Three reasons: cost, functionality and time to implement.

Typically the parent company will be using an on-premise solution like PeopleSoft or SAP, However, the new company will have a separate P&L and simply cannot afford to absorb the massive operation costs of their parent company's HR system. These systems require too much up front investment in IT infrastructure and resources. Also, they are too inflexible and they take far too long to implement. Making the switch for the new operation is something that normally needs to be done in a very compressed timeline – say three to four months.

Every day these new companies can't manage absence, benefits, payroll, career planning, etc., is

a problem – data gets old, HR and line managers don't have the information they need to make decisions, and it can be a nightmare to catch up.

We're able to offer them a solution that has all of the functionality they want, that can be deployed in a fraction of the time, will scale as they grow – and is much more cost effective than going the on-premise route.

Q. Is the US market different from other countries?

We are definitely ahead of Europe and the rest of the world. US companies generally feel very comfortable with the SaaS approach. We don't need to convince them that it's a viable approach – just that we have the right solution.

Q. Are your clients only operating in the US?

Absolutely not. The Sapien/Cezanne technology is Unicode compliant and also supports security based on not just roles but countries too. That means we can offer our solutions anywhere in the world. We've recently signed a client in Dubai and we're working with one of our US clients to roll out access to China and Malaysia. Multi-lingual capabilities, expatriate management, country-based screens and currency conversion are also good examples of functionality required from a true global platform, which is what we're offering.

Q. What advice would you give to companies considering implementing SaaS?

There are a couple of key things that I think are absolutely essential.

Configurability is critical. Lots of vendors claim it, but the truth is they don't have it. They'll really be offering a "managed hosting" service, and doing a lot of work behind the scenes to configure the application in order to win the business. Chances are the client will get nailed later, when the vendor looks to recoup the initial expense. We're seeing a lot of examples of that. Be aware!

Obviously you need to look at functionality and make sure the solution delivers what you need. The SaaS market, especially HRMS, is still immature, so a lot of solutions lack depth and breadth. Something you might not see immediately. The HCM market seems to be more advanced than the HRMS market, at least in the USA.

Security is a major issue – both at application and network infrastructure level. At the application level, make sure the solution supports roles-based security, and is built around a robust non-rectangular security model. You need to slice and dice information in a different way when you are rolling out employee and manager self service, so getting the security model right is essential.

It's important that the application has been designed from the ground up to support enterprise-wide deployment – especially if you want to provide access in multiple countries worldwide.

Older-style web-enabled applications can suffer performance problems because of latency across the internet. You can end up with several versions and related separate builds of the application, with all the associated problems of data synchronization etc. across continents.

And finally, there is a lot of discussion about the importance of multi-tenanted architecture in SaaS. In reality, most of our clients resist it. With so much highly sensitive data being held in the system and the need to have data conduits set up to service third party applications, such as payroll providers, clients prefer to have their own virtual private machine. They want to know that their data is safe. We've been working with virtual machines and see that as the status quo for the next few years. Arguably, multi-tenant is coming and is being accepted more often, but we don't see general acceptance for HRMS solutions for greater than 500 employees for a few years.

Cezanne Software & Sapien Software – working together to deliver SaaS

Sapien's SaaS delivery is based on the Cezanne Software suite of integrated HR applications for

HRMS and HCM. These applications, which have been designed from the ground up for delivery over the internet, are available as a SaaS or in-house offering from all of Cezanne's offices and partners.

In addition, Sapien has developed their own set of SaaS configuration tools that make it easier for their clients to set up and manage all of the solutions offered by the company.

About Ryan Tweedie

One of the co-founders of Sapien, Ryan Tweedie is responsible for the overall vision and strategy of the company with direct responsibility for sales, marketing, business development, and international operations. With nearly 15 years' experience of technology, operations, sales and Human Resources in the HRMS and HCM industry, Ryan has worked with over 200 organizations globally, most well-known, to implement HRMS and HCM solutions. Before Sapien, Ryan was the CEO of HRSoft, a firm specializing in HCM software solutions for global Fortune 500 companies including Pepsi, Johnson and Johnson, and JP Morgan Chase.

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