SAP HR:
SaaS, On-Premise, or Hybrid – What's the Best Approach to Personnel Management?

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While there are a variety of SAP solutions that support processes in HR management, the surrounding discourse is focusing more and more on the use of corresponding hybrid scenarios. At the same time, many of the practical everyday issues in HR are evolving due to the new possibilities and different legal conditions that have emerged.

To find out how digitalization and innovation are changing HR activities, how hybrid scenarios can be implemented from a technical standpoint, and what tools and other resources are available to take on the challenges ahead in this field, I decided to ask an expert: Heiko Mouhlen, Business Lead Sales at Accenture Software for HCM

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Mr. Mouhlen, what changes are emerging in HR as a result of new technical possibilities and innovations like SaaS solutions?

Heiko Mouhlen: In the past, it was primarily the technology itself that determined whether and how a company's IT supported its HR efforts. The availability of IT resources was the deciding factor. HR departments had to work closely with their companies' in-house IT on designing and developing innovative solutions, which required a significant amount of time and effort. That's obviously not what an HR department is meant to be doing most of the time.

Software-as-a-service (SaaS) solutions, on the other hand, are available whenever you need them, be it for a pilot project or as a scalable, highly productive application. This enables HR employees to focus solely on their core tasks and take advantage of innovations much more quickly – or just give them a try.

What changes are taking place in how HR and IT departments work together?

Before SaaS, companies' information technology specialists advised their HR departments while also providing and operating their IT. This led to the development of solutions that were customized to each company's needs, but also extremely expensive and standalone in nature. In the case of SaaS applications, a company's IT department is more like a trusted companion for HR to rely on in choosing the best solution. This is then provided by specialized external providers in a format that's available from the cloud and freely scalable whenever required.

It's an approach that takes pressure off of companies and their HR departments. By their nature, IT solutions for HR have an undefined scope at first. After successfully piloting an application at your company, can you roll it out at scale in a quick and straightforward way? Or does the initial solution you've bought go beyond your foreseeable needs in HR? With SaaS, you don't have to worry about either of these problems.

Another hot topic at the moment has to do with which HR solutions make practical sense in a SaaS format – and which are better kept in-house. What trends are you seeing in this regard?

In principle, almost every general area of HR is compatible with a software-as-a-service model because the requirements don't vary much and specialized providers are able to capitalize on their advantages in terms of innovation and costs. In more specific HR areas, however, a SaaS arrangement is only worthwhile if there is an attractive market for a corresponding SaaS provider.

The thing that's important in HR is the ability to provide key functions like master data management, payroll accounting, talent management, and employee experience management in a smooth and stable manner. This is where you can rely on SaaS.

There are also supplementary software enhancements that make sure these features work without issue, which is why they should also be available in a SaaS format. They ensure data quality, support data protection efforts and data security in general, and facilitate efficient (but tailored) communications between companies and their employees.

How can hybrid scenarios be implemented from a technical perspective?

In hybrid scenarios, companies run some of the IT aspects of HR themselves and cover the rest through SaaS arrangements. Both sides work together and also depend on one another in some respects. In this "best-of-both-worlds" approach, the two types of solutions really need to dovetail. That's why it's important that providers of hybrid solutions be very familiar with both realms.

Meanwhile, the only way to foster the necessary trust and implement delicate scenarios like these successfully is to make sure that all those affected work together closely on setting up the interfaces involved.

How important is the quality of HR master data to modern HR activities?

The quality of HR master data has always been key. Due to the exponential increases in data quantities and processing speed, however, the requirements in terms of quality and security have continued to rise. Never before have we been able to process so much data as quickly as we can today. And even if you have a marginal error rate under one percent, the quantity is what counts.

There's a difference between processing a thousand data records or a million. The more data you have, the more serious the ramifications of poor decisions become. These days, purely HR-related data is also enriched or combined with other data sources. If you start with low-quality data, your HR department is always going to end up with results you can't really use.

The General Data Protection Regulation has introduced stricter legal requirements in all areas of business. How much progress have companies made in protecting their employees' data?

You might say that they're all on their way, but quite a few aren't yet where they need to be. Most companies have understood the problem they face and taken measures accordingly, but many are still looking for suitable tools and expert advice on ways to protect their data in accordance with the law. I'll give you an example: With SaaS solutions, software updates happen more often and companies with international workforces are required to fulfill the data protection regulations of other countries in addition to the GDPR.

This means that IT systems for HR need to be tested quickly and frequently, and the data used has to be relevant and anonymized. Luckily, there are efficient tools for these purposes.

Comprehensive digitalization opens the door to simpler (or automatable) communications with employees or applicants. What experiences are HR professionals having in this area?

The most important insight in that respect has been that communications need to be not only automated, but tailored and personal, as well in order to promote trust and reflect how much companies value their employees. Another thing that depends on the quality of such communications is the likelihood of finding the right applicants and winning them over.

Here, HR department employees need powerful, yet easy-to-use applications that produce excellent results in short order. Both they and the applicants they interact with can appreciate that.

When will bots and machine learning algorithms replace administrators in handling basic communication activities?

In the future, bots and machine learning algorithms will initially provide HR employees with effective support in carrying out highly standardized tasks. When it comes to specific inquiries and complex situations that demand an employee's full attention – along with the use of corresponding apps that facilitate successful HR communications with other workers – there are already a number of interesting prototypes.

As for the question of which areas can be supported most efficiently with machine learning, only time will tell.

What are the most important everyday challenges that are easy to address with solutions and tools?

Our apps focus on providing practically oriented solutions to HR departments. Here, it's basically all about data quality. That and compliance with legal requirements like the GDPR need to be ensured.

The latter subject area – confidentiality, data security, and data privacy – should be given the highest priority. This is where monitoring and compliance tools can make life easier for employees in HR.

What do you think the predominant topic will be in the SAP community in the next 12 months?

The migration to S/4HANA is one of the most prominent subjects for customers in the community; for HR managers, it's moving their core HR systems to SAP SuccessFactors. As most people know, SAP is using S/4HANA as a means of promoting flexible SaaS solutions.

This means that supplementary apps and partner solutions for handling the tasks ahead also need to be available in SaaS formats. The necessary software and data migrations involving SAP applications and enhancements for them will be keeping the community busy for much longer than the coming 12 months.

Mr. Mouhlen, thank you for taking the time to talk with us.

This interview was conducted by Helge Sanden, editor-in-chief of IT-Onlinemagazin.