

Alternatives to in-house hosting

Factors to consider include security, privacy and system changes

BY AL DORAN

HR is a critical partner when it comes to the bottom line. An effective human resources department brings in the right people when they are needed, reduces turnover, develops and retains the best talent and helps control the cost of benefits.

This effectiveness does not come easy, and even the best HR department needs processes and technology to support it. Human resources management systems (HRMS) should be based on a design that enables the users to configure it in such a way to manage the needs of the organization. HR managers must be able to enhance their productivity, and that of employees, by being able to configure the HRMS to match the exact needs of the company.

Further, an HRMS should be capable of being deployed right across the organization. The best tools have employee self service and manager self service capabilities that engage everyone, from the applicant wishing to join the company to the line manager trying to anticipate staffing levels to the compensation manager planning pay rates. The HRMS is not just for the HR department — it's a corporate-wide information management tool.

When people ask, "What is the best HRMS out there?" the least popular but most truthful answer is: "The one that best

meets your needs."

Therefore, to find the right HRMS, every organization absolutely must do a thorough examination of its requirements and prioritize them so there is a checklist of items the HRMS vendor must prove it can meet.

Probably the biggest change to evolve in HRMS in recent years is the move away from systems that are housed on a server in-house to those that are hosted elsewhere, by the vendor or a third party. A few years ago, the thought of putting something as important as the information on the most important corporate assets (its employees) into someone else's care would have been met with strong resistance, especially from the information technology (IT) side of the house.

But with stronger security and a full menu of benefits — not least the outsourcing of the IT expertise and resource needed to provide maintenance and support — IT managers and others are welcoming off-site hosting of HR information.

The two main options available to the HRMS shopper are hosted applications and "software as a service" (SAAS). It is important to understand the difference between the two.

Hosted software

Hosted software is substantially the same as an application an organization might run in-house on its own servers, but it's based on a server in a third-par-

ty data center. Most first-generation offerings from application service providers followed this model, and many solutions still do. This separate hosting architecture is a stage many vendors arrive at as they try to adapt complex stand-alone applications to the Internet — and to new payment models.

Hosted applications can exploit economies of scale to function better in an on-demand framework. However, the math tends to break down as scales increase, products evolve and individual customer configurations become more complex and unique.

The best yardstick to use when comparing costs is to have the vendor cost out a solution for in-house hosting and provide a comparable cost for the hosted option. An evaluation of the host data centre should be part of the vendor evaluation process. Typically, the data centres hosted by vendors outperform in-house data centre operations in areas such as disaster recovery.

An important thing to look for with a hosted option is its ability to configure for the company's specific needs and to determine what the impact will be when the vendor makes major software changes.

Software as a service

The SAAS concept is based on one software system serving many customers. Applications designed this way are generally

thought to be easier to manage by the host and easier for customers to configure.

This combination should make SAAS applications more affordable. But one of the biggest questions, especially for Canadians when looking at SAAS, is related to the security and privacy of the information. If part of the system is hosted in the United States, many Canadian companies would want to know what the implications are under the Patriot Act. Will the U.S. have unfettered access to the entire Canadian firm's HR information? If the vendor cannot give a satisfactory response to this question, it may be time to look at other options.

SAAS is hosted outside corporate firewalls at highly secure, and often redundant, hosting centers. However, this does not get over the fact sensitive company HR data is stored on servers beyond the company's sphere of security and control. It is an act of trust.

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