

HRMS for the rest of us: solid mid-market products fill many needs

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A hospital wanted an enterprise resource planning (ERP) suite, including payroll and HR, with features designed for the health care industry. A fast-food chain wanted to exit an outsourcing relationship but did not want the hassle of installing and upgrading an HR management system (HRMS). A fast-growing medical instruments company was willing to go with a product offered by a newcomer in the human capital management market with the promise of the flexibility necessary to make changes on the fly.

All three companies wanted something less expensive and easier to manage than the mega-strength HR software from Oracle Corp., based in Redwood Shores, Calif., or SAP AG, based in Walldorf, Germany. They especially wanted to avoid the costly upgrades that can be added to those packages. All three chose mid-market products.

[ILLUSTRATION OMITTED]

The hospital chose Lawson Software Inc., based in Minneapolis; the fast-food chain chose The Ultimate Software Group Inc., based in Weston, Fla.; and the medical instruments company chose Workday Inc., based in Walnut Creek, Calif. In a product class dominated by SAP, Oracle and PeopleSoft (owned by Oracle), Lawson, Ultimate and Workday are among the many vendors offering solid HRMS products for companies with 100 to 10,000 employees.

"Those systems [SAP and Oracle] are very complex and expensive to run," says Paul Hamerman, an analyst at Forrester Research Inc., in Cambridge, Mass., who tracks the HRMS market. "If you don't have a large workforce or a multinational workforce, it is questionable whether you want to pay all the money to run these for your HR function. There are solutions less expensive that are perfectly adequate."

Finding the right HR technology solution for your company's size and business needs is an important decision that can greatly enhance its success in human capital management.

Putting Muscle Into the Mid-Market

As the demand for mid-market ERP solutions has grown, so have the number of products designed to serve mid-market customers. Last year, Hamerman analyzed 10 of the top HRMS products: Oracle, PeopleSoft, SAP and seven mid-market products. In the mid-market, he declared Lawson and Ultimate to be the best, but acknowledged that all the products have solid technology in this now-mature category.

At the time of Hamerman's analysis, Workday had not launched its first product, but in an interview Hamerman offers this assessment: "They're going to become significant in HR. What they've built so far is good. I like the vision, the model. You have to respect the management team."

Lawson and Ultimate are at the higher end of the mid-market, where they occasionally compete with Oracle, PeopleSoft and SAP. This is especially true of Lawson because it offers a complete suite of applications for financials, supply chain, payroll, HR and more.

Ultimate develops only HR software; its most popular licensing model is software as a service (SAAS), which means Ultimate hosts and maintains the product for its customers, who access it over the Internet. Customers own their data but not the software.

Workday, which offers only SAAS, is a newcomer getting a lot of attention in part because of its innovative technology--a services-oriented architecture (SOA)--and in part because of its lineage. Co-founder David Duffield is the man who developed PeopleSoft, the first client-server HR system. Companies adopting Workday are betting more on the future than on its present limited capabilities. For example, it does not offer payroll applications, although its functions can be integrated with a payroll outsourcer.

Mid-market products are appealing because the very idea of implementing an enterprise HRMS can overwhelm many companies, demanding time, money, technology infrastructure and expertise that some companies don't have.

Workday customer Kana Software Inc., in Menlo Park, Calif., needed only one month to get up and running on the vendor's human capital management suite. Jay Jones, Kana senior vice president and chief administrative officer, says a comparable PeopleSoft implementation at a company where he worked several years ago "took nine months and cost \$2.5 million." Jones declines to say how much, but Workday costs considerably less.

The reasons companies choose among mid-market offerings are as varied as the companies themselves.



Lawson: The 'Other' ERP

WakeMed Health & Hospitals, in Raleigh, N.C., with 7,000 employees at nine sites in North Carolina, chose Lawson several years ago. "We wanted an ERP system that would accommodate our materials management needs, accounting, HR and payroll," says Sharon Murphy, HR director for compensation, benefits and information systems. "Materials management is very specialized in health care, and one of the driving factors was that Lawson did have a lot of health care customers."

Years ago, Lawson made a strategic decision to concentrate on certain vertical markets, including health care, retail and government. Among Lawson's 1,100 customers, retailer Wal-Mart is the biggest, but the largest portion of customers are in health care, according to Larry Dunivan, vice president of global HR products. Lawson serves about one-third of the health care market, which makes it the leader in that segment, according to analyst estimates. Lawson's average customer has 5,000 to 10,000 employees.

WakeMed originally chose Lawson for reasons other than its HR software. But for WakeMed's HR department, it proved a fortuitous choice. Continuing to focus on what it can do for health care, Lawson last year acquired Competency Assessment Solutions (CAS), in Princeton, N.J., a provider of performance management software designed for the heavily regulated health care industry.

Coincidentally, says Murphy, WakeMed was already implementing CAS software. Because CAS was a startup, she had some concerns about its ability to support a large customer like WakeMed. "I was very pleased with Lawson's acquisition of CAS because I know Lawson will provide us the support we would need."

Performance management in health care is complicated. Hospital accreditation requires in-depth assessment of personnel on specific skills for which most systems are not designed. In acquiring CAS, Lawson signaled its continuing commitment to the needs of health care.

Compared to Ultimate and Workday, Lawson looks the most like the major ERP vendors. It is often included as the fourth in that class after SAP, Oracle and PeopleSoft. A study last year by Aberdeen Group Inc., in Boston, found that Lawson had the lowest total cost of ownership per user among these ERP products.



The majority of customers, including WakeMed, license, install and operate Lawson in-house. However, Lawson recently launched a hosted model. Lawson previously focused on customers in the United States and Canada, but last year acquired a Swedish ERP company, planting a new stake in Europe.

Ultimate: Pure-Play HR System

After using PeopleSoft for about six years, and then an unsatisfactory fully outsourced solution for about two, Stan Stout, chief people services officer for AFC Enterprises in Atlanta, was more than ready for an HR system that would let him control the data and use the applications but that didn't require him to do any maintenance or upgrades.

Stout chose Ultimate. On the SAAS model, AFC Enterprises paid a startup fee and pays a quarterly subscription fee. After downsizing from five businesses with nearly 20,000 employees to one-Popeye's Chicken and Biscuits restaurants--with about 1,800 employees, AFC was an ideal candidate for this mid-market product.

With downsizing, the internal IT staff had dried up. "We wanted to get away from an HRMS being driven by IT," says Stout. "That's no knock on IT, but in a services model you don't tie up your internal resources.... We looked at four or five options."

After the company downsized by selling off all but the one business, it didn't make sense from AFC's perspective or from PeopleSoft's to continue that relationship.

The fully outsourced solution it purchased for two years proved to be too taxing. "You have to be very good when you write the contract and very knowledgeable about how the outsourcer works and really know all your little processes," he advises. "No sooner do you get up and running than you realize there is something you forgot, and then you do a change order and you end up spending a lot of time managing your outsourcer.

"With Ultimate, we own the data but we don't own the IT headaches around upgrades and system enhancements," Stout continues. "Ultimate handles upgrades and enhancements. If there have been any hiccups with those, we are not aware of them."

Ultimate is built around a core personnel and payroll database, with applications for performance management, recruiting, succession planning and other HR disciplines. Ultimate has nearly 1,500 customers, with an average size of 1,000 to 2,000 employees, says Linda Miller, Ultimate's senior vice president of marketing and communication. It also has a few large customers, including a bank with 30,000 employees.



In his report, Hamerman wrote that "as a pure-play HRMS provider for U.S. companies, Ultimate Software has a strong mix of functional capabilities for medium-size companies, extending into larger companies as well."

Workday: New Kid On the Block

BioSite Inc., in San Diego, is among a handful of early Workday adopters. The company, which designs and manufactures medical diagnostic instruments, was looking for alternatives to established vendors, which it viewed as too costly. Suzanne Zoumaras, director of worldwide HR for the company's 1,100 workers, vetted all the usual suspects.

"We concluded that for the price we could pay all we could get from established vendors was an off-the-shelf product that allowed us no flexibility to scale or modify as our business changed," she says. "Workday off the shelf allowed us from day one to run our business [and to] make changes."

BioSite frequently changes its compensation plan, restructures organizationally and manages a contingent manufacturing workforce that makes up 10 percent to 15 percent of the total workforce. Zoumaras believes Workday will give her staff the flexibility to handle those matters smoothly. The product is not as complete as she had hoped, but she has been impressed with how quickly Workday responds to the company's requests.

Workday started with HR features, including recruitment, compensation, performance, succession planning and self-service. Version one is somewhat limited, according to early users, but Workday plans an upgrade this year. In time, the vendor plans to offer a full array of ERP applications. Workday only offers the SAAS model, so presumably upgrades will be virtually invisible to users.

Starting with a clean slate, Workday designed its software using existing open standards technologies, including SOA, web services and XML. It insists the result will reduce the cost and complexity of implementing and upgrading enterprise applications.

Workday allows users to create new applications without writing code. "The No. 1 thing they've done is create a whole new way of thinking about applications development," says Bruce Richardson, an HR software analyst at AMR Research Inc., in Boston. The software is designed so a business user can link several objects--XML, web services and SOA pieces--and the application more or less configures itself, he says. "It sounds like magic, and it is hard to get your mind around. Think of it as putting LEGO pieces together."



The pixie dust apparently comes from a kernel of about 20,000 lines of Java code that interprets all the objects and links them to accomplish an application. This eases the pain of applications development. Workday estimates its own developer productivity is six to eight times better than industry averages, says Richardson.

Something for Everyone

Ultimate, Workday and Lawson are not the only choices for mid-size companies. Some other options are worth mentioning.

A young startup, OrangeHRM Inc., based in Secaucus, N.J., offers an HRMS on the same open-source license as Linux. Users can download a free version and run it at no cost, but must contribute changes back into the open-source community. OrangeHRM plans to make money by selling services and support similar to the model found at RedHat and other Linux providers. According to CEO Sujee Saparamadu, OrangeHRM has had 30,000 downloads, and so far has four paying customers for services.

Hamerman says open source has a future in HRMS. "Open-source applications in general are maturing, and have potential because many companies feel constrained by traditional licensing models."

And no mid-size company should automatically ignore SAP or Oracle. Both are developing new architectures similar to Workday's SOA and have rolled out services as software models for the mid-market. Gretchen Alarcon, vice president of human capital management product strategy at Oracle, says the company has smaller and larger companies buying all of its HR products, which include the Oracle brand, and PeopleSoft and J.D. Edwards, which were acquired.

The HRMS market offers many options, Hamerman concluded in his report, making it possible for a company of any size to adopt a platform. "Virtually any company with more than 100 employees should have an automated system in place to effectively manage employee records and people-related processes," Hamerman wrote.

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