

Psssst! Wanna Free HRMS?

OrangeHRM, an "open source" HRMS has been available free for years for smaller companies. Now it faces the challenge of adapting to SaaS -- an issue never imagined when the open source movement started years ago. The two brothers/owners are making the transition, while trying to stay true to their roots.

By Bill Kutik

What the software industry calls "free open source software" is all around us.

These products have caretaker companies, rather than normal owners; their code is sometimes maintained and extended by a community of volunteer engineers; and it is always given away free to end-users to do with as they please.

Look under the hood of any large system, and you are likely to find open source products: Linux, an incredibly popular kernel of the UNIX operating system; MySQL, an equally popular database; the Apache web server or Tomcat for Java.

Or just look on your desktop, and you may find Firefox, the open source web browser maintained by the Mozilla Foundation (which started with Netscape, before Microsoft beat it to death with Internet Explorer).

Why not HR technology?

That's exactly what brothers Sujee and Dinesh Saparamadu thought six years ago, long after they had left their native Sri Lanka to attend college here.

And they aimed specifically for the under-served SMB market, which everyone defines differently, but they define as companies with up to 3,000 employees with a sweet spot of 300-to-500-employees.

In 2006, they started OrangeHRM, wrote the first line of code themselves (Sujee had been in IT for Morgan Stanley for a dozen years) and never looked back.

Five years later, the company has 40 employees, its first small round of funding and an estimated 1,000 or more companies around the world using the software. But how do they make money giving it away? By selling razor blades, of course!

Which in the software business means selling subscription or one-time customer services, such as help with loading the Excel spreadsheets the customer used previously and other implementation issues, on-site training workshops, training webinars, etc.

Of course, that's on top of the free help they already offer, including instructional videos on YouTube.

But for years, a company buying services was about the only way the brothers knew who their

customers were! They just put the software on SourceForge -- a sort of free Apps Store for open source products -- and people simply download it from there. No sales and marketing costs; no revenue.

But remember, this is a business model, not starry-eyed philanthropy. The brothers don't publish all their modules for free, including their more complete benefits administration, which means the company is a hybrid and should technically be called "commercial open source software."

They've also never had a community of engineers coding the product out of love. Mostly they've had to pay people to do that. But they do have an online community of more 6,000 HR people telling them about bugs and what they want to see in the new performance-management module.

The two are understandably proud that the product has been downloaded from SourceForge 530,000 times and won some awards from the service.

They suspect that many more than 1,000 companies are actually using it. They know PricewaterhouseCoopers uses it in Jamaica; Duke University, in Singapore; the University of Belize, in Mexico; and a marketing company, in the United Arab Emirates.

Plus, there are amusing users such as the Asian dog-grooming business that uses it to track its dogs instead of employees. But what are their KASOCs?

Sujee claims to have taken business away from (or beaten in vendor selections) ADP, Ceridian, Ultimate and PeopleSoft.

That might have been difficult, but his toughest test is adopting the open source model -- created when all software was installed on-premise -- to the rising tide of hosted software and SaaS. Both of them require the vendor to stay involved and perform real work that can't be given away.

In 2009, OrangeHRM started hosting the product and now has about 100 clients (mostly without IT departments) paying \$2 per employee per month. Sujee says that, at that price, it's still a service and not really revenue.

But last June, at the annual Society for Human Resource Management Conference of all places, they announced OrangeHRM Live, a fully-featured SaaS offering (multi-tenant but also multi-database) with all their proprietary modules included for about \$6 per employee per month. They have 25 clients at the moment.

"But we're always going to offer the basic product for free from SourceForge," Sujee insists. "We want to be the world's most used HR system."

A noble goal, but splitting into two products may auger a different future.

As for the basic open source product, a brief demonstration showed you sometimes get what you pay for, but sometimes you get more.

It has basic functionality for building a company structure, employee record-keeping and information management, role-based functionality and security, job descriptions, a very simple recruiting

application (but one that automatically carries all the information for hired candidates forward!), project management and job-costing, performance management and some hard-coded workflow (with e-mail alerts) for process approvals. Only five standard reports, including EEO-1, of course. No payroll.

Sujee is particularly proud of the product's absence management and time and attendance functionality. He points out that Red Hat (the leading Linux company) uses OrangeHRM globally for those functions instead of its PeopleSoft system.

OK, it costs a lot less. But if you're a small company looking to make the leap from paper, you owe it to yourself to compare it to Sage's Abra, ADP's Workforce Now, Ceridian, NuView and other competing products for companies of your size.

Maybe FREE! will work for you. It certainly does in direct mail.

HR Technology Columnist Bill Kutik is co-chairman of the 14th Annual HR Technology® Conference & Exposition, October 3-5, 2011 in Las Vegas. Speaking proposals were due in January, but stars are still being considered. Forms are available on the website, where 78 blogs about this year's event are posted. You can comment on this column at the Conference LinkedIn Group , which does not require prior attendance to join. He is also host of The Bill Kutik Radio Show®. He can be reached at bkutik@earthlink.net.

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