

Good Vendor Relations

It's never been more important to pay attention to managing relationships with technology vendors.



By Bill Roberts

Relationships with technology vendors have proved to be far more important in the software-as-a-service (SAAS) model than in the licensed, on-premise model, according to HR professionals. Unfortunately, most HR professionals don't give their vendor relationships much thought.

"Very few HR organizations do vendor relationship management well," says Heidi Spirgi, co-founder and president of Knowledge Infusion LLC, a Minneapolis-based HR consulting firm. "It is the elephant in the room. There's not enough discussion about it in our industry, and it is a key inhibitor to success with SAAS."

SAAS is just one factor drawing attention to vendor relations. The growth of HR outsourcing and a spate of mergers and acquisitions in the HR software market also underscore the importance of vendor relations, especially partnership, service-level agreements (SLAs) and governance.

Many HR professionals manage relationships with vendors of benefits, recruitment, relocation and other services. They're less experienced with technology vendors, in part because the IT staff "owns" the traditional HR information system (HRIS) and the servers it runs on. Even the HRIS professional focuses more on technology and business process than on the vendor relationship. HR professionals at large organizations that adopt

HR outsourcing know the importance of agreements and governance. But the HR outsourcing model is more static and does not require the give-and-take of an SAAS partnership.

Promoting Partnership

After an on-premise software implementation, the vendor often disappears until there's a new version to sell. In SAAS, the implementation is just the beginning of a long-term relationship. The vendor hosts, maintains and upgrades the software, adding features with input from users who pay a monthly subscription fee. Like any relationship, this one needs nurturing.

HR professionals have little experience managing relationships with technology vendors. When the HRIS is part of a licensed, on-premise enterprise resource planning (ERP) system, the IT department maintains the software, which also includes financial and other enterprise applications.

"The ERP space is dominated by IT, which owns the vendor relationship. No one buys the ERP system just because HR thought it was a good idea," says Peter LeBlanc, vice president of HR service delivery for CareFusion Corp., a San Diego-based medical technology company with 14,000 employees worldwide. LeBlanc has spent most of his career dealing with the HRIS-ERP model, but CareFusion uses SAAS for human resource management. SAAS vendors target the business users, not the chief information officer who supervises information technology, he says.

HR may need the chief information officer's blessing, but the responsibility for

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the decision and the subsequent vendor relationship falls on HR. Because a SAAS vendor upgrades the software three or four times a year, if enough customers communicate to the vendor the desire for a particular feature, “it gets onto their product road map,” says Jeanne Bonzon, director of learning and development for BJC HealthCare, a hospital system with 27,000 employees based in St. Louis.

Bonzon has used a SAAS learning management system from Cornerstone OnDemand Inc. in Santa Monica, Calif., for three years. In the past, she used licensed software on-premise and licensed software operated by a hosting company. “There is much more interaction with a SAAS vendor,” she says.

Bonzon and three of her staff have regular contact with Cornerstone, whom they view as a partner. “We’ve had direct input in what has come out of Cornerstone, and that is kind of cool,” she says.

To get the most from software-as-a-service, the customer must be involved. One of CareFusion’s vendors is Workday Inc. of Pleasanton, Calif., which offers payroll and HR applications. “My staff is typically talking with Workday about the product road map,” LeBlanc says. “There are multiple releases throughout the year. The community of users and the vendor talk about features users would like to see as the road map evolves.” CareFusion has a comparable relationship with Taleo Corp. of Dublin, Calif., which it uses for recruiting and other applications, he adds.

Too Few Engaged

Taleo, Workday, Cornerstone and other SAAS vendors encourage tight relationships with their customers. “The need to partner is much stronger,” says James Harvey, vice president and general manager for the performance and compensation division at Taleo. How many customers do this? “Less than one-third is that highly engaged with us,” he says.

This does not surprise Bonzon. “I don’t think everyone gets this, not even in our user groups. One reason we are

successful is we know what we want and we are good about telling them,” she says.

Spirgi says successful relationships have several common traits: “Customers invest time in the relationship. They get

The IT role diminishes under SAAS but does not disappear. “We have 130 integrations in and out of Workday, and only about a dozen are HR systems,” LeBlanc says. “The others are ERP, role-based system security, et cetera.”

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to know the assigned team at the vendor. They go to user conferences and attend webinars. And they designate people on their team as advocates for the relationship. Like any relationship, when you give, you get.”

At Louisville, Ky.-based Texas Roadhouse Inc., a national chain of about 350 restaurants with 32,000 employees, HR now manages the relationship with its provider of payroll and talent management applications, says Mark Simpson, senior director of legendary people, the company’s top HR position. The vendor is Ultimate Software of Weston, Fla., which once offered licensed, on-premise software and later transitioned to SAAS.

Five years ago, Roadhouse licensed and operated Ultimate on-premise, then left for another vendor, and now has returned to Ultimate under SAAS. Whether using SAAS or on-premise software, “you still need a partner you can rely on,” Simpson says. “SAAS does change some of the dynamics because of

the upgrades. We have a manager of HRIS systems who manages the relationship now. Our senior manager of payroll is connected as well.” Because

Ultimate interfaces with the on-premise HRIS database, there is still a need for IT support. The dedicated IT person is also a key member of the team that partners with Ultimate, Simpson notes.

LeBlanc says the team spent months “negotiating our roles with the SAAS vendor, and between IT and HR.”

Reaching Agreement

Basic to any vendor partnership is the SLA, a negotiated agreement between customer and provider that spells out the common understanding of services, priorities, responsibilities, definitions, guarantees and warranties. It also sets forth how service goals will be measured and consequences for not meeting them, usually service credits.

Agreements are imperative to HR outsourcing but are appropriate for all technology delivery models, says Robert Lupp, SPHR. Lupp recently retired as vice president of HR/Direct, the shared services center for Pittsburgh-based Bayer Corp., U.S. subsidiary of Bayer AG in Germany. “The SLA helps control the partnership,” Lupp says. “One of the biggest mistakes people make is not getting all the parties involved upfront—legal, internal IT, the vendor—to agree on the content of the SLA. Problems with the vendor relationship can start right there.”

Ultimate offers every customer a basic agreement for system uptime and is willing to negotiate more-substantial ones, says Jon Harris, senior vice president and general manager for Ultimate’s enterprise division. “But we don’t have more-detailed SLAs with every customer. Not everyone asks for one that ties into service credits for downtime.” This surprises him. “With SAAS being

Online Resources

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so new, they tend to look at [the SLA] like something from the old days" that is irrelevant." Lupp says software-as-a-service has different contract requirements. For example, "the SLA needs to spell out that the vendor is liable for updating the software and service to comply with regulations. Data recovery and security will also be different."

An SLA is one component of a broader governance process, according to Michael Martin, a principal in the human capital business at Mercer LLC in New York. Governance is the who, what, when, where and why of decision-making and responsibility in corporate functions. Many HR professionals have experience in broader corporate governance.

Martin says much of what HR professionals know about governance generally can apply to HR technology governance. Accountability is a necessary concern. Governance policies should spell out philosophy and operating principles, the structure and roles, core processes, performance and accountability (where SLAs come into play), and effective governance councils to oversee this, Martin says. "HR technology governance cannot be set independently of the corporate governance model or the broader HR governance model."

Now, with SAAS, HR needs to concern itself with technology governance,

something the IT department was responsible for when the HRIS was part of the ERP system, Martin adds.

Shaken by Shakeouts

No matter how effective the vendor relationship, there's always a chance that another company will come along and gobble up the provider with whom your organization has developed a relationship.

Experts and HR professionals who have lived through this agree there's not much you can do before, during or after an acquisition to protect yourself. Most acquiring companies will honor the basic terms of a contract. But once the contract runs its course, the acquirer is likely to move you to its own platform and change the terms of engagement.

The staff you worked with is likely to disappear, and there's no guarantee that the customer service will be comparable.

"Beyond including a couple of basic things in your contract to protect yourself, after that it is a crap shoot," says Freddy Silverman, vice president for the Eastern Region at Jeitosa Group International LLC, a San Francisco-based consulting firm for HR information technology. The HR software market has seen many mergers and acquisitions in the past year: ADP acquired Workspace; Authoria and Peopleclick merged; Kenexa acquired Salary.com; Lawson acquired Enwise; SuccessFac-

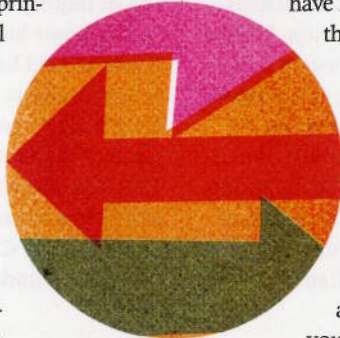
tors acquired Inform Business Impact; SumTotal acquired Softscape; and Taleo acquired Learn.com, just to name a few.

Market shakeouts happen, but Silverman says this environment is different: "The market is shaking out, and established groups have been acquired, but for every one that gets acquired there's a new one on the block. This is especially true in talent management."

The acquiring company's promises of continued support for your product, retaining the merged staff and improved customer support are "fairy tales" that often don't come true, Silverman advises.

Bonzon, who has firsthand experience, concurs. She had been using a licensed learning management system hosted off-site for six years, and had just renewed for another three, when she found out her vendor was being acquired. "The new company said, 'We'll support you for three years but then phase it out.' Then we would have had to pay the differences in licensing fees and pay new implementation fees for their software. There was no benefit for us. They never said, 'Here is why it is advantageous for you to make this leap.' The customer service was so poor. The help desk was a revolving door."

When the contract ended, Bonzon switched to Cornerstone. "Since SAAS is subscription-based, there is little problem in walking away from the relationship and starting with someone else," Bonzon says. And even though an organization still must implement the software, "you are not tied with all the sunken costs with the licensed piece." ■



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