

PeopleSoft or SAP? Choosing the Best Human Capital Management Suite

A Comprehensive Study of the Costs and
Benefits for Existing SAP Users

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Choosing the Best Human Capital Management Suite

EXECUTIVE OVERVIEW

This paper is written for SAP customers who are looking to implement a new human capital management (HCM) application. Tackling your concerns about integration, resource requirements, functionality, and other key factors, it assesses the true costs and benefits of implementing and running SAP HR and compares them with the costs and benefits of Oracle's PeopleSoft Enterprise HCM.

The paper begins by explaining the dramatic changes that have swept through the enterprise software sector in recent years and how they have helped overcome many of the challenges associated with integrating applications from different vendors. It explains that integration between HCM and financials applications can now be handled by prepackaged solutions and points out that technical advances have made deep-level integration between PeopleSoft Enterprise, SAP, and legacy systems much easier. As a result, it makes business and technical sense for SAP users to consider a "best in class" approach for their HCM applications.

The key factors in selecting the most appropriate vendor center on cost and benefit. Drawing on the experiences of research analysts, independent consultants, and customers,¹ we have built a Total Cost of Ownership (TCO) model that compares investment in PeopleSoft Enterprise HCM with SAP HR over five years. This paper provides detailed insight into the key components of that model, assessing a wide range of costs from initial license fees to implementation charges, upgrades, and ongoing support. Even if you already own an SAP HR license, the combination of these factors means that the true costs of running PeopleSoft Enterprise HCM over five years may be lower than implementing and maintaining SAP HR.

In addition, the paper examines Total Benefit of Ownership, assessing how effectively HCM applications support customers' business needs. Key components of that equation include:

- Depth and breadth of product functionality (particularly in areas that generate high returns, such as self service).
- Ability to support core HCM business processes.
- Business intelligence capability, supporting both operational and strategic HR.

¹ Analyst references are annotated throughout this document. Customers and consultants are named where permission was given.

- The relative benefits of the underlying product architectures.

Finally, we conclude with two case studies of SAP customers that explain why they chose to implement PeopleSoft Enterprise HCM rather than SAP HR.

SECTION ONE—WHY “BEST IN CLASS” IS A REAL OPTION TODAY

The application software industry has gone through several sea changes over the years, evolving from proprietary environments that lock in users to open, standards-based setups that encourage collaboration. These shifts have taken place at a deep architectural level, moving from the mainframe environment through client/server to the flexibility of the internet. Where the proprietary nature of applications once forced users to align themselves with one or two specific vendors, the openness of today’s applications encourages heterogeneous IT environments.

But as the industry matures, integration between disparate applications has become an increasingly pressing challenge for CIOs. In today’s collaborative environments, companies need to be able to move data easily between different systems and link their business processes end to end, breaking down the historical barriers between different internal departments and even different enterprises. To do that, they must be able to build links easily between their different systems.

That requirement has been a major factor in IT purchasing decisions in the SAP environment. Until comparatively recently, purchasing enterprise applications from the same software developer was one of the safest ways to guarantee tight integration between modules, and this one-stop shop approach has long been a core tenet of SAP’s development philosophy. But as we demonstrate in this paper, that approach is simply not relevant to the HCM arena, where prepackaged solutions and new generations of technology provide the platform for almost all integration needs. As a result, organizations are free to look beyond their incumbent software provider and select applications on the basis of which best supports their needs.

1.1 Best in Class Comes of Age

Arguments about the relative benefits of a best in class approach versus the one-stop shop have raged for years in the IT sector. Historically, users have been forced to compromise in whichever path they took. If they went for best in class applications, they would enjoy richer functionality but typically had to spend more time integrating disparate systems. If they opted for the integration benefits of a single suite, they would have to accept that no single application developer could provide the best functionality across the board.

In reality, this interpretation of a one-stop shop oversimplifies the integration issues. Even where they’ve “standardized” on specific applications, most organizations run heterogeneous environments, supporting custom-built legacy applications and any number of other packages that were originally purchased to

meet tactical needs. And, to an extent, most SAP implementations themselves evolve heterogeneously. Because of the way SAP's applications are configured, customized and upgraded, most users end up running different instances of the same software release, and it's also common to find different versions of the same application installed across the enterprise. Integration, in short, has always been an issue, regardless of what strategic approach customers took.

If these integration concerns can be set aside, the advantages of a best-in-class approach to HCM are immediately apparent. It allows customers to choose:

- Functionality that best supports their business needs and provides tangible benefits.
- Products that support end-to-end HCM business processes.
- Suites that offer operational and strategic business intelligence.
- A supplier that demonstrates thought leadership and the ability to execute against a strategic HCM vision.

In addition, some customers prefer a best in class approach because it makes them more comfortable in terms of supplier management. For example, STMicroelectronics, the world's third largest independent semiconductor manufacturer and a user of SAP Financials, chose PeopleSoft Enterprise HCM in part because it believes that it's better to support a mixed IT environment rather than rely on one sole supplier.²

1.2 PeopleSoft Enterprise HCM to SAP Integration: The Practical Realities

Though the integration issues surrounding a best-in-class approach have long exercised the minds of IT theorists, in HCM environments, there are some simple and effective solutions.

Many customers' integration needs center primarily on five or six key integration points that link their HRMS/payroll application to finance. One most common requirement, for example, is for details of payroll transactions to be transferred from Oracle's PeopleSoft Enterprise Payroll to the SAP General Ledger. Other needs include linking time details to project management applications, or aligning cost center data structures so that employee-related expenditure can be appropriately allocated. In some instances, this data can be transmitted satisfactorily in overnight batches as a simple text file, but real-time integration is becoming increasingly necessary. For example, where a new project is created, users will need to report their time that day rather than wait for an overnight batch update.

We supply different solutions to resolve these issues under the AppConnect strategy. Where customers choose to integrate PeopleSoft Enterprise Payroll with

² STMicroelectronics started to implement PeopleSoft Enterprise HCM at the end of 1996, having already committed to SAP Financials. As well as supplier diversity, it cites flexibility and global support as key factors in its decision to implement PeopleSoft Enterprise HCM. See Case Study, Section Four.

SAP General Ledger, for example, integration requirements can be met by using Oracle's PeopleSoft Enterprise Payroll Process Integration pack. The Pack synchronizes business units, accounts, and market exchange rates while mapping HR departments to the SAP cost centers, and then it manages the posting of payroll data to the general ledger. It can be installed just once to manage core integrations, and when either PeopleSoft or SAP systems are upgraded, it maintains the integrations and so preserves your integration investment.

Surprisingly, linking SAP HR to other SAP applications is not always this simple. Users may face several unique challenges, including:

- If a SAP customer decides to implement SAP HR, it must standardize all its other applications on the same version and same release to integrate the new module fully. This process is a major undertaking and stems from the fact that SAP's applications are tightly coupled and inter-independent. The alternative is to buy an older version of HR and miss out on the latest functionality, or run the standalone HR system and build interfaces.
- Even where SAP customers have managed to standardize on one release, they run multiple instances, which increases the integration effort.
- As we explain in Section Two, the complexity of the SAP environment makes the integration task longer.

The net result of these factors is that it may be cheaper for SAP customers to integrate with PeopleSoft Enterprise HCM than SAP HR.

1.3 Integration Broker: Building a Platform for Collaborative Working

The PeopleSoft Enterprise Payroll Process Integration Pack is one component of our AppConnect strategy, which is designed to minimize integration challenges. Another key element is Oracle's PeopleSoft Enterprise Integration Broker, a technology that ships with current versions of Oracle's PeopleSoft Enterprise 8.

PeopleSoft Enterprise Integration Broker manages integration across the enterprise and between different companies, providing a platform for collaboration and allowing organizations to automate cross-departmental processes. It's primarily deployed for three key purposes:

- To connect PeopleSoft Enterprise applications to existing legacy systems. Customers do not need to rewrite their existing integrations—PeopleSoft Enterprise Integration Broker works with what is there.
- To build and manage real-time links between applications rather than rely on batch file transfer. This capability can translate into direct cost savings for key HR processes.
- To provide an integration environment that links Oracle's PeopleSoft Enterprise applications with other applications within an organization and

provides external links to customers, partners and suppliers. This technology is essential to build interdepartmental and inter-enterprise business processes.

Real-time information exchange is important in a number of HR processes. For example, rapidly exchanging information with HR service providers for background checks can save money—the earlier an organization knows that a prospective employee is unsuitable, the less time it will waste carrying out other aspects of the hiring process. In addition, some third party HR service providers offer discounts if transactions are carried out in real time by using industry standards such as XML. At the other end of the employee lifecycle, speed of information dissemination is important during a hostile termination, when system authorizations need to be changed quickly.

PeopleSoft Enterprise Integration Broker provides the platform for this kind of integration. An intuitive, easy-to-use development environment, it's designed for application developers rather than highly technical software engineers to use, and it is built on PeopleTools, the common development environment for PeopleSoft Enterprise applications. By using either prebuilt or easily customized connectors, it collects messages from different applications and legacy systems, routes them to the appropriate destination, and translates them from one system "language" to another. Its message-based integration allows, for example, HR to query the finance system, receive a response, and generate a payroll action in one continuous process. Because of its centralized "hub and spoke" design, PeopleSoft Enterprise Integration Broker also reduces the work required when individual applications are upgraded.

SECTION TWO—TOTAL COST OF OWNERSHIP

Though many customers focus on the upfront costs involved in purchasing a new application, the true costs of installing, maintaining, and developing enterprise software are much broader. Total Cost of Ownership is an equation designed to assess all the factors that contribute to technology adoption, from the initial license fee to future upgrades.

Working with a team of independent researchers, we have developed a TCO calculator that analyzes the cost of implementing and running PeopleSoft Enterprise HCM over a five-year period and compares it with the costs of SAP HR. This section outlines the key components of this TCO model.

2.1 Software License Fees

As an existing SAP user, you may have already paid for an SAP HR license even though you haven't implemented the system. If not, it's fair to assume that you could be offered a heavy discount to match our pricing. There's a very good reason for this. It's not the license fee that accounts for most of a customer's financial outlay—it's the implementation costs, upgrade fees, and ongoing maintenance.

As we demonstrate in this section, the costs associated with running our applications are lower than SAP's in many key areas. That means that even if SAP gives away its HR license, the Total Cost of Ownership of PeopleSoft Enterprise HCM applications will typically be lower.

2.2 Architecture: Underpinning the Total Cost of Ownership Equation

The architecture of an HCM application has a direct bearing on Total Cost of Ownership, impacting issues such as ease of implementation, customization and upgrade. Many customers that have selected PeopleSoft Enterprise HCM say that the underlying environment was a critical factor in their decision, especially for company-wide employee self-service deployments.

PeopleSoft Enterprise 8 is an internet-based application architecture. This concept is not an esoteric issue for technologists—it has important cost ramifications. In fact, the different designs of the two architectures have six significant implications:

- **PC support costs.** Internet applications require no software code to run on the client machine (the desktop or laptop). That means that when a PeopleSoft Enterprise HCM application is upgraded, customers don't need to make any changes to end users' PCs or other access devices. SAP users will be aware that most application software upgrades require some level of hardware and/or Windows version maintenance on client PCs, which is a major undertaking for IT departments that have sites scattered across the world. Depending on the SAP GUI upgrade, SAP customers may also have to install new versions of PC operating systems to handle upgrades (for example, Windows 2000 for R/3 GUI 4.6).
- **Flexibility versus complexity.** Our architecture is built from the bottom up on open internet standards and is designed for a heterogeneous environment. SAP's architecture is built around a proprietary kernel with open standards wrapped around it and has an additional SAP-specific architectural layer in the form of the Web Application Server (WAS). This four-tier model adds a layer of complexity for IT engineers and application developers, significantly extending deployment times, and requires additional hardware. Many large corporations have already standardized on IBM Websphere or BEA Systems for their IntraNets, which creates a redundant infrastructure.
- **Support requirements.** PeopleSoft Enterprise HCM users vouch for the flexibility of the applications and the ease of use for application developers, which reduces support resource requirements. One IT manager tested HR scripts on both applications during the selection process, and concluded: "I feel very positive that you would probably be able to support a PeopleSoft environment with close to a third of the support staff for the SAP environment."³

³ Financial sector company that chose to implement PeopleSoft Enterprise HCM while running SAP Financials.

- **Impact on non-HCM systems.** As we outlined in Section One, the interdependency of SAP's applications has serious implications when a SAP Finance or Manufacturing customer decides to implement SAP HR. To integrate the new module fully, the customer must standardize all its other applications on the same version and same release; alternatively, it will have to buy an older version of HR and miss out on the latest functionality or run the standalone HR system and build interfaces to the other applications, foregoing the tight integration. If PeopleSoft Enterprise HCM is implemented, it has no impact on existing SAP applications.
- **Obligatory portal implementation.** Unlike PeopleSoft Enterprise HCM, SAP HR users have to install its Portal product to run employee self service, a process that can be cumbersome and lengthy (see Section 3.1).
- **Future upgrades to new architectures.** The steps SAP takes to resolve these technical complexities may, ironically, create further cost outlay. It's likely that at some point during the coming five-year TCO lifecycle, SAP will attempt to develop a new, internet-based HR application. This new application will require users to pour resources into an additional major upgrade. By contrast, PeopleSoft Enterprise HCM, which is built on the new internet architecture, will provide a platform for the next five years and beyond.

Fundamentally, PeopleSoft Enterprise HCM was designed first and foremost for the HR environment. In the words of Nick Messerschmidt, a veteran of the HR applications arena with extensive hands-on experience of enterprise implementations: "PeopleSoft cut their teeth in human resources. It knows the HR space so well, it's almost intuitive."⁴

2.3 Implementation Costs

Typically, the industry measures the resource required for an implementation in relation to the license fee, and existing SAP users will be aware just how high those fees can climb. For example, in a review of SAP's mySAP Financial Applications, research firm Gartner reported that the cost of SAP implementations typically range between six and ten times the cost of initial license fees, with consulting services alone costing anywhere between \$1,000 and \$5,000 per day.⁵

Although a backlash from users and industry commentators in the mid-1990s prompted suppliers like SAP to take steps to reduce their implementation times, market analysts indicate that it remains an issue. In a survey of SAP's reference customers published in March 2003, Nucleus Research found that "nearly half the companies studied reported that their implementations of various SAP applications

⁴ Nick Messerschmidt, a 20-year veteran of the HR sector, implemented PeopleSoft Enterprise HCM at an aerospace company and later at Boston Scientific, a medical devices company.

⁵ "SAP mySAP Financial Applications," Gartner, May 2002.

exceeded the initial deployment budget.” The spend on consulting alone ranged anywhere from \$1.5 million to \$45 million.⁶

As we explain in the following section, our implementation costs are lower, and the techniques reflect its experience in the sector. The Compass implementation methodology is built around best practices that reflect a long heritage in the HCM space. As part of our efforts to enhance the Total Ownership Experience, we have also launched a range of initiatives to make implementation easier, from automating initial installation procedures to improving usability and developing the PeopleSoft Enterprise Payroll Process Integration Pack outlined in Section 1.2.

2.3.1 Configuration, Customization and Business Process Change

SAP users will likely have experienced the complexity of configuring and customizing its financial or manufacturing applications, and SAP HR is no different. In its study of the SAP user base, Nucleus Research found that “excessive customization” and high personnel costs were two key reasons why SAP customers were unable to achieve a positive Return on Investment (ROI). In addition, it found that SAP customers spent twice the average license fee on consultants’ fees alone to handle customization, back-end integration and development of user interfaces.

The reasons for this high spend include:

- **Architectural complexity.** The complexity and monolithic nature of SAP, combined with the specialist demands of the underlying code base, require extensive resource and specialist skills. As we have outlined previously, our architecture is simpler.
- **Quality of tools.** PeopleTools are designed for use by application developers rather than heavyweight IT engineers. As Nick Messerschmidt explains, this tool has financial repercussions: “SAP’s development tools are not as slick as PeopleSoft’s, so you’re taking longer to do the customization.”
- **Additional configuration requirements.** Even for “vanilla” or low-customization implementations, SAP requires more configuration than PeopleSoft Enterprise HCM. For example, there are two workflows to configure—one for the web-facing applications, one within R/3—and user authorization procedures differ in both environments.
- **Functionality gaps.** The less functionality that’s delivered out of the box, the more custom design needs to be undertaken. One consultant argues that prebuilt functionality results in an average license implementation ratio of 1:2, while applications without prebuilt functionality have a ratio of 1:4 or more.⁷

⁶ “The Real ROI from SAP,” Nucleus Research, March 2003.

⁷ European consultant with 14 years of experience in process reengineering and enterprise software as a customer, implementer, and consultant.

As we explain in Section Three, the breadth and depth of PeopleSoft Enterprise HCM vanilla functionality is widely recognized: to match it, SAP customers may need to build.

- **Business process change.** Many customers will need to re-engineer their business processes to conform to the constraints and rigid nature of the SAP application.
- **Global complications.** Handling global rollouts requires additional work. For example, SAP has 36 different payroll products, with a separate country line for each. PeopleSoft Enterprise Payroll is built on a single code line for multiple countries and currencies.

2.3.2 Reporting

PeopleSoft Enterprise HR reporting capability provides for a significantly lower TCO than SAP, primarily because it offers more than 400 standard reports for its HRMS and allows users to run ad hoc queries through a browser. SAP's HR reporting capability has long been the subject of complaints from its HR user community. As one independent consultant points out, changing and creating reports generally requires IT intervention, which significantly increases the costs and incurs additional ongoing maintenance charges.⁸

As a result, SAP tends to recommend that customers implement its Business Warehouse for “what if?” style analysis. That means that customers are left handling two different engines and toolsets, which makes the reporting process more complex to implement and support. We recommend Oracle's PeopleSoft Enterprise Warehouse on the basis of business need—such as a requirement for non-HCM data sources—not to sidestep difficulties. These issues are explored in more detail in Section 3.3.

2.3.3 Training

The TCO model takes into account both IT and end-user training requirements. From an IT perspective—which typically accounts for less than a third of training outlay—some economies of scale can be achieved when SAP users implement SAP HR, because they already have skills and experience in-house. These benefits are counter-balanced by a far heavier requirement for Power User training in the SAP environment however to cater for the complexity of the GUI.

2.4 Upgrades

The extent of any upgrade is dictated by factors such as how many different instances of the application are running globally and how much customization has been made to the original system. In some instances, upgrades effectively amount

⁸ Independent consultant with experience with both SAP and PeopleSoft environments and a specialist in enterprise application selection.

to re-implementations. Where the underlying architecture changes, so too do the business objects, functions, and processes, which means that data has to be migrated to accommodate new rules and customizations need to be rewritten.

SAP users who adopt PeopleSoft Enterprise HCM will implement internet architecture, version 8, which will provide a platform for the entire five-year TCO cycle and beyond. By contrast, depending on which version of SAP they currently run, customers face the possibility of having two major upgrade projects in the five-year cycle if they implement SAP HR. As we explained previously, SAP customers will not enjoy full integration if they upgrade individual “pillars” of the product suite—so, if they purchase version 4.7 of SAP HR, they will need to upgrade all their existing applications or run it alone. In addition, it’s reasonable to assume that SAP will introduce an internet architecture at some point in the next five years, which will require a further re-implementation.

SAP users should also be aware that:

- The extent to which an HR application is customized impacts future upgrades, because some elements of the customization will need to be replicated manually in the new environment. Because we provide more functionality out of the box, SAP HR requires a greater amount of customization to achieve the same capability.
- Global payroll upgrades can be complex, as SAP has 36 different payroll products. Though some code is shared, each country line is built separately. Our payroll application is built on a single code line for multiple countries and currencies.
- Because SAP HR runs code on the client, many employee workstations have to be modified when a central application is upgraded. There may also be hardware implications at both the client and server ends.
- Upgrading the integration points between PeopleSoft Enterprise HCM and SAP applications can be eased using through the PeopleSoft Enterprise Payroll Process Integration Pack and PeopleSoft Enterprise Integration Broker. For example, with PeopleSoft Enterprise Integration Broker, when a business object is upgraded, any new field will be made available to the HR message definition attached.

2.5 Transaction Costs

One of the best ways to reduce costs through HCM applications is to implement employee and manager self-service. According to research carried out by Cedar, enrollment in benefits falls from a manual cost of \$98.94 to \$21.79 when using our collaborative applications. Similarly, manager review and status request of a salary

change drops from \$44.67 to \$18.26 in an environment where electronic mail is already used.⁹ Overall, the average saving per self-service transaction is \$1.24.¹⁰

Though SAP may argue that it also offers cost reductions through self-service, the important factor is how many transactions can be carried out in this way—the more manual transactions that can be automated, the bigger the ongoing savings. We currently provide easily implementable functionality for around 200 transactions, 97 for employee self-service and 103 for manager self-service. By contrast, SAP offers a total of only 80 manager and employee self-service transactions. Of these, around 20 can be implemented relatively quickly, mostly for basic tasks such as viewing 401(k) statements—the remaining 60 transactions have to be customized. That differential translates into major cost savings when our collaborative self-service applications are implemented.

Cedar has also carried out research among organizations that have conducted post-implementation audits. On average, respondents report potential cost reductions of 50 percent across all self-service transactions.¹¹ Oracle's PeopleSoft Enterprise eApplications, by comparison, deliver 67 percent savings for employee self-service transactions and 59 percent savings for manager self-service transactions.¹²

2.6 Maintenance and Support

By far the biggest support cost is system administration, which typically makes up four fifths of the support equation. The rest is split between application help desk and application development.

Theoretically, running SAP HR in an all-SAP environment should allow CIOs to pool their IT support resource and therefore save money. In practice, however, this is not normally the case for three key reasons:

- **Different technical demands.** SAP HR requires different skill sets to other SAP environments because of the way it's built. Unlike SAP Financials, for example, the SAP HR architecture includes “info types” that determine screen sequences and behavior and help cater to regional differences in the way the systems are used. Because of these differences, an SAP Financials support team would need to be retrained to handle SAP HR.

⁹ “PeopleSoft Self-Service/Portal Effectiveness Assessment and Audit,” conducted by Cedar, 2001-2003.

¹⁰ According to Cedar calculations, the total savings per employee from all reviewed PeopleSoft transactions is \$201.91 annually, and on average, 163 transactions are conducted per employee per year, yielding \$1.24 savings per transaction.

¹¹ Cedar 2002 Human Resources Self Service/Portal Survey, December 2002.

¹² Review of 56 most commonly implemented self-service transactions in “PeopleSoft self-service/portal effectiveness assessment and audit”, conducted by Cedar, 2001-2003.

- **Resource requirements.** Existing SAP support teams will typically need to be increased to handle the extra workload supporting HR—few organizations today run with sufficient spare capacity to handle a whole new application set.
- **Complexity.** Most important, because of the complexity of the SAP environment, its support resource requirements are high.

Taking this complexity into account, the TCO model conservatively estimates support to be equal to 20 percent of implementation costs annually for SAP and 10 percent for PeopleSoft Enterprise applications.

Under the Total Ownership Experience initiative, we are continuing our efforts to reduce the support overhead. It is simplifying the structure of certain products—for example, the number of transformation steps in the Data Warehouse has now been halved—and is introducing embedded diagnostics to help customers identify and tackle problems more quickly. It is also streamlining the way that maintenance upgrades are handled to make it easier for customers to monitor and manage updates.

SECTION THREE—TOTAL BENEFIT OF OWNERSHIP

Total Benefit of Ownership is an analysis of both hard and soft factors that relate to software investment and is designed to assess how enterprise applications enable businesses to maximize both efficiency and effectiveness. Depth and breadth of functionality are extremely important here, but total benefits are also derived from a vendor's ability to support HCM business processes and provide a comprehensive analytical framework.

Though SAP's roots lie in the manufacturing space, we originally focused first and foremost on the human resources arena. Both companies have, of course, expanded their development effort to other application sectors in the intervening years, but we have consistently built on the HCM heritage.

This experience is reflected in the depth and breadth of the PeopleSoft Enterprise HCM application suite. Having worked closely with customers and partners, we have built a wealth of HCM expertise, which is reflected in:

- Rich product functionality, designed to generate tangible business benefits.
- Ability to support core HCM business processes, reflecting industry best practices.
- Ease of use, for HCM developers and end users alike.
- Business intelligence tools, supporting both operational and strategic HR.
- Broad customer base, including SAP users who selected PeopleSoft Enterprise HCM.¹³

¹³ See Case Studies, Section 4.

By contrast, the bulk of SAP's development effort has been on other components of its enterprise suite.

These five key factors are examined in more detail in the remainder sections of this paper.

3.1 Functionality: Tangible Returns from Self-Service and the Employee Portal

Depth and breadth of functionality is a core component of any software selection exercise, and the richness of the PeopleSoft Enterprise HCM suite remains a key factor in customers' purchasing decisions. The strength of the competency management application, for example, is one reason why IIPC, one of the world's largest users of SAP manufacturing and finance applications, opted to run PeopleSoft Enterprise HCM.¹⁴

Though most application suites on the market today support the basic administrative activities necessary for effective people management, there are significant differences in their ability to handle some key HCM needs. Richness of functionality is particularly critical in areas such as employee and manager self-service, which are a rapid and effective way to minimize HR costs. For example Owens Corning, which runs PeopleSoft Enterprise HCM alongside SAP Financials, expects savings of tens of thousands of dollars by replacing outsourced open enrollment with in-house functionality. It is also piloting Oracle's PeopleSoft Enterprise ePay, which allows employees to view their paychecks online, and expects to save tens of thousands of dollars in mailing costs.¹⁵

In addition to these cost savings, self-service frees the HR department from its traditional focus on transactions and gives it the tools to tackle more strategic HCM initiatives. By automating manual processes, it also improves data collection and data flows across the organization, aiding decision-making at both an operational and strategic level.

As we have explained, SAP's self service suite lags behind both in terms of architecture and functionality:

- SAP offers only 80 self-service transactions—20 are easily deployable, and the remaining 60 require customization. Our collaborative applications automate more than 200 employee and manager self-service transactions with minimal work for the customer.
- Because of SAP's underlying architecture, it's not easy for users to build their own automated transactions. Business connectors have to be built to link the Internet Application Component (IAC's) with the R/3 backbone.

¹⁴ See Case Studies, Section 4.

¹⁵ Owens Corning, supplier and developer of advanced glass and building materials, which implemented PeopleSoft HR in 1991 and continues to run it alongside SAP Financials.

- Users are required to implement SAP’s Portal before they can roll out self-service applications, requiring extensive involvement from the IT department.

Although customers are not obliged to implement Oracle’s PeopleSoft’s Enterprise Portal to run self-service, those who have done so acknowledge that it’s designed for both ease of implementation and ease of use. One critical difference between the applications is the way they allow end users to understand the relationship between different elements on a window (for example, when an employee clicks on 401(k) benefits on the right side of the window, associated information appears on the left). SAP uses a “drag and relate” technique to do this, but because it has no associated meta data, the IT department has to map every relationship between associated information manually. By contrast, subject matter experts, not IT, deploy Oracle’s PeopleSoft Enterprise Intelligent Context Manager.

Other important differences between the portals include the following:

- SAP’s design is more complex. For example, each managerial role has to be defined by function (such as finance or HR). With PeopleSoft, information can be distributed to a simple manager tab.
- SAP portals are currently designed for the Microsoft environment. We support Microsoft and a wide range of other leading databases and operating systems.

Combined with Integration Broker, PeopleSoft Enterprise Portal can provide online access to data from a wide range of different applications beyond HR, including financials, facilities and other operational systems. As such, it takes the concept of self-service to the next level, providing a highly collaborative, information-rich working environment.

3.2 Supporting End-to-End Processes and Industry Best Practice

Though organizations tend to be designed from a hierarchical, departmental perspective, the business processes that really drive the enterprise are cross-functional and often extend beyond the enterprise. Our collaborative applications are designed to support these requirements, combining standalone functionality with the messaging technologies required to automate and manage different business processes.

One example is Oracle’s PeopleSoft Enterprise Recruiting Solutions. Viewed as an end-to-end process, it includes:

- **Workforce planning.** Our workforce planning tools, part of Oracle’s PeopleSoft Enterprise Workforce Analytics suite, bring HCM into the core business planning process.
- **Skills and competency analysis.** Part of the talent acquisition process involves identifying existing skills and competencies within the organization. Competency management is provided as part of the core HRMS and is a key differentiator for some customers.

- **Process management.** Oracle’s PeopleSoft Enterprise eRecruit and Oracle’s PeopleSoft Enterprise eRecruit Manager Desktop are now licensed to some 300 customers around the world—by contrast, the first fully-fledged version of SAP’s e-recruiting solution was only scheduled for general availability in June 2003. In addition, Oracle’s PeopleSoft Enterprise 8.8 includes job “agent” functionality, which intelligently routes information to potential recruits based on the interest they’ve expressed.
- **Contingent workforce capability.** We have built extensive functionality in its Services Procurement application to analyze and manage contingent workforce costs and help organizations better source and leverage contractor talent. By managing both contingent labor and direct hires from a single solution, organizations for the first time will have complete visibility into total headcount and spend. By contrast, SAP only offers this functionality through partners.
- **Integration with third-party services.** We have prebuilt integration to major third-party service providers for internet job postings and background checks and has formed alliances to support outsourcing of tasks such as resume management and applicant testing. It also provides tools to help organizations define, measure, and manage their relationships with external service providers.
- **Making new hires productive.** Our recruitment applications are integrated with its core HRMS and payroll applications to ensure that new hire information is acted upon rapidly. The collaborative applications are also easily integrated with asset management systems to ensure that new hires have the equipment they need when they join. Through self-service, new employees can also quickly enroll for benefits, learning courses and so forth.
- **Employee development.** By purchasing the Oracle’s PeopleSoft Enterprise Learning Management suite, customers can manage all aspects of an organization’s learning activities, including enrollment, learner tracking and cost allocation. Organizations can carry out multiple methods of learning: online or offline; instructor-led or self-paced; on-the-job, in virtual classrooms, or traditional classroom-based training. To provide the most relevant learning, we have partnerships with leading content providers.
- **Measuring effectiveness.** Customers are able to measure the effectiveness of the recruitment processes by using tools bundled with the core HRMS suite and recruitment applications. Oracle’s PeopleSoft Enterprise HRMS Warehouse and Oracle’s PeopleSoft Enterprise Workforce Scorecard also allow them to analyze the drivers behind metrics such as employee attrition.
- **Global capability.** Unlike many recruitment applications available today, our recruitment suite has been built to take account of country-specific needs, particularly in terms of compliance with privacy regulations.

Just as interdepartmental processes rely on individual business units working effectively together, so the different software components that support these processes need to be tightly integrated. Our applications are built on a common platform and are linked together by using industry standards-based integration technology.

3.3 Business Intelligence: Supporting Operational and Strategic HR

Our performance management capabilities are recognized in both the user and analyst community. In February 2003, for example, AMR Research described our analytic architecture as “industrial strength” and noted that it “continues to lead all the ERP vendors in the completeness and vision of its Enterprise Performance Management products.”¹⁶ We have worked with the key HR thought leaders in building these applications, including David Ulrich, Row Henson, Jac Fitz-Enz, Charlie Grantham, and Robert Kaplan.

The company’s HCM analytical capability consists of:

- **Out-of-the-box functionality.** Some 400 reports are delivered as standard with HRMS, while tools delivered with Oracle’s PeopleSoft Enterprise 8.17 allow users to run ad hoc queries through their web browser.
- **Data warehousing.** By using PeopleSoft Enterprise HRMS Warehouse, customers are able to bring in data from multiple sources, allowing them to view consolidated data about the workforce and relate it to financial information, customer information and other business-critical data. PeopleSoft Enterprise HRMS Warehouse offers hundreds of predefined maps to populate its prebuilt metrics and data model for consolidated reporting. These tools are system agnostic—it doesn’t matter where the data resides.
- **Metrics, benchmarking, and insights.** The PeopleSoft Enterprise HRMS Warehouse comes with 160 pre-defined metrics to measure the effectiveness of HCM business processes. These metrics were developed in conjunction with Saratoga Institute and Towers Perrin to follow industry standards, so customers can bring in benchmarking data to help compare results to their peers. A set of Insights is also delivered, allowing users to do multidimensional analysis of headcount, workforce movement, diversity, benefits enrollments, absence and so forth.
- **Workforce scorecarding.** PeopleSoft Enterprise Workforce Scorecard uses the same data as the source applications. Rather than simply presenting the data in a report, the scorecard illustrates the target for each measure, the outcome of the measure, and how that outcome may impact the organization. The PeopleSoft Enterprise Workforce Scorecard, which is based on Oracle’s PeopleSoft Enterprise Balanced Scorecard, includes 31 predefined Key

¹⁶ “Profiles in EPM,” AMR Research, February 2003.

Performance Indicators (KPIs) that are used to measure and evaluate the success of the HR function.

- **Compensation planning.** This capability is built into PeopleSoft Enterprise HRMS application. Sophisticated modeling tools are also available within Oracle's PeopleSoft Enterprise Workforce Rewards, (part of PeopleSoft Enterprise Workforce Analytics suite), which allows managers to pull in data that is not traditionally associated with HR-based compensation planning, such as meal allowances.
- **Retention planning.** Retention planning (included in Workforce Rewards) helps customers better understand retention issues and how they impact the business. It can track specific employees who possess critical skills and are key performers and analyze potential retention risks in that population.
- **Workforce planning.** Oracle's PeopleSoft Enterprise Workforce Planning assists analysts with high-level planning around workforce competencies and skills. The application works similarly to Workforce Rewards, allowing analysts to establish rules or alternatives for competency needs and proficiency levels and then create scenarios for assessing competency levels within an organization to meet a certain goal.

In addition to its business intelligence packages, the PeopleSoft Enterprise HCM suite contains an advanced level of analytical capability in its transactional and management applications. They include, for example:

- **Enterprise incentive management.** Oracle's PeopleSoft Enterprise Incentive Management provides a platform for organizations to model and manage complex incentive schemes, by using historical and forecast data. The first specialist application is Sales Incentive Management, which allows managers to set targets in the context of corporate objectives.
- **Online performance management.** Oracle's PeopleSoft Enterprise ePerformance provides a framework for individual performance measurement and also links to the learning and competency management applications. It allows managers to align results-based metrics and behaviors with corporate goals and track them on an ongoing basis. Unlike SAP, it also allows organizations to customize performance management for different employee groups and regions, reflecting the diversity of requirements across global enterprises.

By contrast, SAP's basic reporting functionality is cumbersome and usually requires a super user or third-party expert to create and run reports. Because of this complexity, SAP has tended to recommend that users make an additional investment in its Business Warehouse, a very different environment from the ABAP-based reporting of SAP's HRMS.

SAP's HCM analytics suite has an engine, but most of the KPIs in its suite are generic, and only a limited number are specifically populated for the HCM

environment. We offer the greatest number of predefined metrics for measuring HR processes and workforce investment (for example training ratios, compensation value, workforce composition, workforce ROI).

In addition, only we have predefined planning and forecasting applications, not just tools, for aligning the workforce to business objectives.

3.4 Architectural Benefits

In Section Two, we explained how architectural complexity increases the TCO of SAP HR. But as well as reducing costs, our design offers a number of significant benefits to HCM customers. They include:

- **Ease of implementation, customization, and ongoing development.** Users and consultants who have experience with both implementations testify to the fact that the PeopleSoft Enterprise environment is easy to use. Not only is it architecturally less complex than SAP, but PeopleTools is an intuitive development environment.
- **Ease of upgrade.** As well as benefiting from a simpler design, PeopleSoft Enterprise HCM users do not have to worry about end-user PCs or other devices when they upgrade. Unlike SAP, we run no code on client machines.
- **Flexibility.** One result of the close coupling between SAP's applications is that there's less flexibility within the individual applications. While our customers can set up jobs and structures as they want because the rules are stored in the database and not hard-coded, SAP HR is rigidly position-based, which can make setup overly complex and creates additional system administration overhead for updates, changes, and maintenance.
- **Common workflows.** All of our products use a common workflow to automate the flow of information within and between applications. Workflow is a critical aid in building a cohesive HCM strategy and aligning disparate operations.
- **Ease of navigation.** Every part of PeopleSoft Enterprise 8 can be accessed through one common interface: a standard web browser. SAP's R/3 application, by contrast, offers three different graphical user interfaces—the R/3, the SAP for HTML (for the internet), and SAP for Windows—all of which need to be supported by the IT department. In addition, power users need to be trained on up to three different navigation techniques for the standard SAP R/3 menu, its self-service applications, and its portal.

Navigation and general usability are a key focus of the Total Ownership Experience. Customers and independent analysts comment favorably on the PeopleSoft Enterprise HCM product suite's ease of use, and we are committed to further enhancing the user experience. In 2003, we doubled the size of our HCM usability team and carried out extensive usability testing across the entire product set. We have also launched several development initiatives, including:

- Streamlining navigation around the product.
- Making the design of the PeopleSoft Enterprise HCM products even more intuitive.
- Introducing dashboards, such as a recruiter dashboard, that present summary information on specific activities on a single window and allow users to drill down for further information.

SECTION FOUR—SAP USERS CHOOSE PEOPLESOFT ENTERPRISE HCM

4.1 Case Study: IIPC

A joint venture between IBM and Chinese computer company Great Wall Computer Group, IIPC manufactures and ships computer products around the world and is one of the top 10 exporters out of China. Although the company runs one of the biggest SAP systems in the world for its manufacturing, distribution, and financials operations, it selected Oracle's PeopleSoft Enterprise HRMS 8 in 2001. According to CIO Johnny Wong, there were several reasons behind that decision, including:

- The needed technology was provided to handle competency management.
- PeopleSoft Enterprise 8 has a high volume of flexible interfaces to external systems such as time recording and web recruitment.
- IIPC wanted to access its different applications through a browser, which plays to the internet architecture that underlies PeopleSoft Enterprise 8. This architecture has generated a number of benefits, including reducing training costs for new hires.
- The software provides the best localized fit for IIPC's HR needs in China.

Phase One of the implementation, which went live in October 2001, focused on automating manual processes in areas such as employee records, recruitment, benefits, and variable pay. The system was integrated with a number of other applications, including IBM's central recruitment website and time recording system. IIPC has also implemented PeopleSoft Enterprise Global Payroll, which reduced HR resources in that area by 60 percent and shortened the payroll cycle from 11 to four days. In addition, it has begun to implement our collaborative self-service functionality.

Under Phase Two, IIPC is now concentrating on areas such as competency management. As a rapidly growing business with a relatively young employee base, one of its key concerns was to gather competency data about its workforce so that it could better handle its changing business environment. It did so by defining company-wide competencies, followed by a second tier related to specific functional needs in departments like IT or production and a third tier related to specific positions. This data will be used to determine the skills required to meet

pending business changes and will also be the basis for defining what courses should be developed in the IIPC University, due to open later this year.

4.2 Case Study: STMicroelectronics

STMicroelectronics, the world's third largest independent semiconductor supplier, had already committed to SAP Financials when it began looking for a global HRMS system. Its decision to implement PeopleSoft Enterprise HCM—which was upgraded to version 8 at the end of 2002—was based on several key issues that are as relevant today as they were during the initial installation. As Pierre Mollon, corporate HRIS manager, explains, they were a mix of technical and functional issues:

- More flexibility. The PeopleSoft Enterprise HCM infrastructure allows individual countries to retain autonomy in the way they run HR processes while still retaining one core software platform. For example, if there's a specific way to calculate a headcount report, it can be done with some customizations.
- PeopleSoft Enterprise HCM was able to meet STMicroelectronics' requirements in 31 different countries.
- It's better to support a mixed IT environment than rely on one sole supplier—that way, each supplier knows that if problems arise, it's easier for the customer to switch.

The company rolled out PeopleSoft Enterprise HCM to more than 43,000 employees in 31 countries on a country-by-country basis over three years and is now starting to deploy some eHR services, such as web-based training enrollment and job-requisition creation, after upgrading to PeopleSoft Enterprise 8 at the end of 2002. Mollon acknowledges that for outsiders, the total implementation time may seem lengthy, but this was a deliberate tactical choice—the company's keen to roll out applications slowly on a phased basis, allowing it to accommodate the different rules and cultures of the various countries. From a practical perspective, the key issue relating to implementation time wasn't the software itself but the data conversion and the number of different countries involved.

Above all, though, it's the underlying design that matters most. Prior to the rollout of the HCM applications, individual country offices used their own local and legal processes to handle HR activities like recruitment and training, differences that could be handled within the application with some customizations. "It has been possible to move everyone to one single software platform yet still allow individual countries to manage their own business and legal processes," says Mollon. "The real key point was flexibility—and if I had to make the choice today, I would do the same."

CONCLUSION

Numerous factors come into play when organizations select their HCM applications, from technical compatibility to the software provider's track record in development and support. But for SAP customers facing a choice between implementing SAP HR or PeopleSoft Enterprise HCM, the key issues can be distilled into five questions:

- Which vendor offers the lowest Total Cost of Ownership? From initial implementation through support and upgrades, PeopleSoft Enterprise HCM will typically have a significantly lower TCO than SAP HR.
- Which product offers the richest functionality? The depth and breadth of PeopleSoft Enterprise HCM suite provides the functionality users need and support for key end-to-end business process. PeopleSoft Enterprise HCM suite surpasses SAP in critical areas that deliver tangible cost-savings, such as employee and manager self-service.
- Which product provides the best business intelligence to support operational and strategic HR? Our analytics capabilities surpass SAP's both in terms of the functionality bundled with the core HRMS application and its Workforce Analytics suite.
- Can the HCM application be easily integrated with existing SAP applications? Thanks to the unique requirements of the HCM market and the capability of Oracle's PeopleSoft Enterprise Process Integration Packs and Integration Broker, users can implement PeopleSoft Enterprise HCM and still leverage their existing investment in SAP.
- Have other customers already gone down this route and demonstrated that it works? The experiences of customers like IIPC, STMicroelectronics and Owens Corning illustrate that SAP users do have a choice. Running Oracle's PeopleSoft Enterprise HCM in an SAP environment brings proven business benefits.



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