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ready for you;  
are you ready  
for the cloud?



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Building a better  
working world

# Getting prepared now makes cloud adoption easier and more sustainable

“Let’s wait until after we finish the audit.”

“Right after we finalize the next project.”

“Not now! It’s budget season.”

“Nothing can be done before year-end is completed.”

## **Sound familiar? These are common responses when deciding to move to a new and improved software platform.**

Technology implementations related to HR transformation impact people, process and technology strategy across the organization. To navigate this landscape, it is critical to understand the main trends that drive the need for change so that the technology can support these business needs.

Disruptive forces include workforce globalization and changing demographics; M&A, divestitures and the resulting restructuring; the digital economy; increased risk and compliance; a continued pressure on costs; geopolitical uncertainty and the growing scarcity of talent. All of these disruptive forces should be considered in the functional strategy, and effort should be made to align the workforce with the technology choices so they are relevant and sustainable. Cloud or not, it’s important to ensure that technology is enabling the organization itself, the operating model and the overall business strategy.

When taking on an HR transformation project, it is important to note whether the transformation will be technology-enabled or technology-led as the approaches are very different. In either case, leadership needs to consider a range of contingent aspects such as functional breadth and alignment to business strategy, data, security, supply chain, vendor relationships, controls and compliance. There are a lot of choices to be made relating to software selection and, of course, initial cost and total cost of ownership are key considerations. Cost is only part of the equation; vendor support models, uptime, maintenance, storage and other components also need to be considered. One last thing is that your deployment timelines need to be realistic for your organization. Agile cloud technology can move quickly – can your organization match that pace?



# Contents

<b>The benefits of cloud platforms</b> .....	<b>4</b>
<b>The importance of preparation</b> .....	<b>6</b>
Find the right people .....	7
Use technology as a starting point .....	7
Plan for improvement .....	7
Define reporting needs .....	8
Migrate – and archive – data .....	8
Adjust business operations .....	9
<b>Keys to successful implementation</b> .....	<b>10</b>
Establish test scripts and scenarios .....	11
Plan for patches and release testing .....	11
<b>Components for successful migration</b> .....	<b>12</b>
Release management governance .....	13
Update and refresh training content .....	13
Focus on the future state .....	13
<b>Conclusion</b> .....	<b>14</b>

01

# The benefits of cloud platforms





02

## The importance of preparation

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Preparing for a cloud transition involves a lot of planning, from people and technology needs to process design, data architecture and analysis.

## Find the right people

It is important to put the right people in place to support an implementation, but it can be difficult when bandwidth and capacity are ongoing limitations. Organizations that have successful implementations typically find a way to put their “A team” in the implementation and backfill of production and maintenance roles.

Try not to look at the project’s talent structure as an extra cost, but rather as part of the overall investment. An organization that is engaging with the implementation team and participating in the journey is much better positioned for sustainable knowledge transfer than one with minimal involvement that is handed a cloud platform they don’t organically understand.

If your organization is going through restructuring, the sequence of the reorganization’s impact should be considered before you start the cloud project. If you are involving people in design, data and testing decisions and activities that won’t be involved in receiving and using the new cloud application, that’s a flaw that could have long-term consequences in adoption, productivity, knowledge and training.

Having leadership involvement is essential to alignment on expectations. Leadership needs to be involved in or informed of key decisions. Status reports should clearly reflect the project overall status; updates and major changes provide transparency and visibility to risks and progress. You just can’t over communicate on expectations, and leadership can be a strong lever in helping you remove barriers to success.

## Use technology as a starting point

Technology is just part of the solution; you also need to think about process and customization. Technology is always better leveraged when your requirements map to the delivered software feature functionality framework.

It is important to remember that a bad process on better technology is still a bad process. Cloud or not, technology alone cannot fix a bad process. Implementers should tell you when they recognize a bad process; be sure to remain open to messages that need to be heard. The implementer’s goal is laser-focused on getting you to a successful implementation and on a road to improvement. Leveraging the collective experiences of your implementation team allows you to understand leading practices,

apply lessons learned and embrace the notion that you are approaching a project holistically to obtain the best possible outcome that is also sustainable.

And while the cloud cannot fix a bad process, it also cannot be customized in the same way as on-premise solutions. Organizations on legacy SAP and PeopleSoft platforms very often substantially customized the software to meet their business needs. In many cases, this customization impaired or prevented upgrades or patching because the customization would be modified or lost altogether.

The removal of customization in the cloud has helped to minimize the bad practice of customizing the technology to enable the functionality or business process. Cloud software customization is not allowed because the cloud must not deviate from the core configuration. This enables patching and release management to work across multi-tenant enterprises without “breaking” or being limited by customization. Companies may not like this change, but it is a reality in the cloud.

## Plan for improvement

It is never too early to be forward-looking and determine where improvements are needed. At this stage, you should identify where you currently have problems so they can be addressed by requirements and design.

It is quite likely that your organization understands what kinds of problems or limitations are in place today, even if they do not know why they exist. Even if leadership presents a list of issues, it is still a good idea to bring together a team of people from a cross section of the organization – people who use the system and understand the issues or limitations in a workshop approach can help you identify problems or potential issues. This early engagement promotes buy-in and support of the technology change, but you may need to be prepared for some simple frustration: “The system is slow.” ... “I can’t get my reports.” ... “It takes forever to get approvals.” ... “There’s no interface to that system.”

Once the collective issues are clearly understood, divide them into groups that fall into three core categories: people, process and technology. It is important to recognize that these are interrelated. When you have a gap in one of these core categories, the others must compensate for it. For example, if your reporting is always late or requires a lot of massaging or data manipulation, you likely have a limitation in the structure or hierarchy of accounts that is causing you to cherry-pick or not properly leverage the dynamic reporting capabilities of your system. That is a technology limitation (or a data architecture limitation from poor design now in the software) that is compensated for by the people and the process to perform manual or external tasks to get the reports the organization requires.

Requirements gathering and leveraging a requirements traceability matrix allow an organization to validate that its business functions and requirements intersect with the functionality and features of the cloud software platform. This approach should ideally emphasize a global design that presents a standard design for the entire organization to follow.

Requirements that do not map should be captured in a gap analysis tracker, along with a plan of action on how and when to deal with gaps. Do not forget to incorporate those pain points from your requirements workshop into the traceability matrix. This forces visibility to issues and gaps that will be addressed in system design, and it lays the foundation for what eventually will be tested.

## Define reporting needs

Organizations have an endless amount of data – what you really need is information. Reporting gaps are common in organizations of all sizes. Many clients raise concerns about needing data points or reports, yet all too commonly the limitations are accepted as “just the way it is.”

Reporting needs definitely belong in the requirements gathering activities and should be one of the primary business requirements. Do not get caught in the trap where the reports you currently have in place are the same reports you will need in the future. Additionally, it is a common misconception that “canned reports” (out-of-the-box reports from the software vendor) will suffice for your reporting needs. Many times, custom or specific reports are required.

An implementation is a great opportunity to evaluate your current inventory of reports and rationalize them by leveraging hierarchies and identifying redundancies in reporting. An ideal approach is to build baseline complex reports that have filters that allow you to properly sort and disseminate your data. You can use these baseline reports to expand, much like a template (cloning), and significantly streamline your future-state reporting.

Reporting definitions allow you to reverse-engineer or back into the data architecture needs. Do not underestimate the importance of being specific; vagueness leads to potential disconnects on meeting expectations. Rather than saying, “I need a headcount report.” A request for a headcount report by month, division, region and business unit is much more specific. Better yet, provide an example of the report, even if it is mocked up in Excel. That helps you avoid a classic situation of, “That’s what I said, but not what I meant.”

Moving to the cloud will also offer access to more robust types of databases. The old two-dimensional concepts (think of rows and columns in Excel) are gone, replaced by online analytical processing or multidimensional databases. Think of these like a Rubik’s Cube, with every intersection being a place to store data. This is akin to pivot tables in Excel on Steroids; designed

properly, they will open up a spectrum of ways to organize your information. If you begin with the reporting vision (information output) in mind when you design your system, you are much more likely to be satisfied with the reports and information that you will have access to.

## Migrate – and archive – data

Do not forget about your data. Now is a great time to think strategically about where and how you get your information. It is not likely that you want to bring decades of data into your new cloud platform. And you certainly want to be sure that your data is “clean,” otherwise you are just moving the problem of unreconciled or inconsistent data from one place to a new place. Thinking about your data retrieval needs during the cloud system design is an important component for sizing your environment and making sure that your end users understand where and how they will retrieve information.

Data cleansing, validation and conversion is a significant activity that takes a lot of planning and technical knowledge to manage in an implementation program. Data cleansing and maintenance is a repeated process in an implementation, and on longer-term programs it can become very difficult and time-consuming if not enough rigor is exercised on the governance and methodology of data cleansing and validation. Conversions from one system to another, even from the same software provider, are very complex. When variables such as crosswalks from changes in chart of accounts are factored, the complexity exponentially increases as mappings and changes are being updated midstream in the implementation. If you do not have the governance of this process in place, it can substantially slow down the entire task, as well as impact testing and other dependencies, which eventually impacts the overall project time line.

Although every organization is different, having three to five years of reporting data is often sufficient for reporting needs. Historical reports will continue to be a necessity, but many companies may not convert historical data if they already have access to these legacy reports or a data warehouse capability. Audits and other external inquiries are common over historical data; migrating historical data to a data warehouse or similar archive is a good practice that makes a lot of sense for system performance and separation purposes. You might even consider a cloud solution for the archive.

Deciding what to do with data needs to be thought out during design and resolved before implementation. Retaining historical information in a new system could create volumes of data and related structure or hierarchy problems for years to come if it is not archived. Depending on system architecture, ongoing reporting inquiries could impact the performance of production systems as they compete for valuable memory and capacity for processing activities.



## Are reconciliations and data architecture issues limiting your analysis capabilities?

To better enable analysis capabilities, it is important to evaluate the chart of accounts and hierarchies. To keep it simple, think of the chart of accounts as the foundation for your information needs. The chart of accounts design should follow financial statement reporting requirements and have inherent hierarchies.

Although the core of chart of accounts design will depend on your reporting needs, you must understand a basic parent-child data relationship and the concept of “drilling down” into data. As you move through the levels of detail, you are drilling down into the information to get to the lowest level of detail.

A guiding principle on chart of accounts design is to keep it simple; do not build logic or intelligence into the named values. For example, do not label an accounting period using a calendar month or business unit name. Although it is leading practice not to build intelligence into the chart of accounts, it is common and recommended for assets = 1, liabilities = 2, equity = 3, and so on for the first digit. The other segments in the chart of accounts should be leveraged as necessary for financial and operational purposes.

Designing or modifying a chart of accounts is a complex activity that requires technical and accounting knowledge to arrive at a design that is viable, flexible and sustainable. At EY we have people with this insight and experience to help you evaluate your existing chart of accounts design and can help you modify or design your future chart of accounts.

## Adjust business operations

Policies and procedures will most likely need to be revisited and updated when implementing a cloud technology. In particular, it is likely that cloud workflow features will reduce or eliminate a paper trail previously required for signatures or approvals.

Procedures such as workflow in cloud platforms are greatly streamlined with more robust end-to-end functionality compared with older platforms that are fragmented or have disparate interfaces to other systems or sources such as Excel and databases. Standard process flows from the cloud provider are a great baseline for standard features as intended by the cloud software, and they can be very helpful in starting or providing documentation for evidence of process standards.

A key consideration for evaluating policies and procedures is the timing of when to modify them. If this activity is performed at the same time as system design, the review and approvals required to implement or change policies and procedures can considerably elongate the time line. The policies and procedures should complement the system design, not compete with it; therefore, proper sequencing of these activities is important. Having policies completed before implementation is ideal, and merging that activity with procedures during the implementation can be a very effective approach.

03

## Keys to successful implementation

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A successful cloud implementation requires knowing how everyday tasks will be handled going forward. Day-in-the-life scenarios need to be captured, and plans need to be made for patching and release testing.

## Establish test scripts and scenarios

It is possible that you have a set of test scripts or scenarios that are used to validate your existing system landscape for upgrades or releases. If you do, congratulations. You are a step ahead on what is needed. If you do not, then you will have to build a foundation of test scripts and scenarios that emulate your business needs.

It is important to remember that scripts and scenarios have different purposes. Test scripts are often linear and can miss the cycle of a full process or an interdependency, but they can be automated to confirm specific functional capability. Scenarios are more comprehensive and factor a transaction from end to end, as well as interdependencies. With an inventory of test scenarios that reflect day-in-the-life activities, testing can become more realistic instead of a series of check-marks. Pairing scenarios with automated script testing offers a solid approach that is comprehensive and repeatable for unit testing, end-user testing and systems integration testing cycles.

Scripts and scenarios have their place following implementation, such as when patches are released. If a monthly patching is not tested and breaks a business process, it is quite possible there is a correlation to the cloud software change. Test scripts and scenarios can catch this issue in the testing phase so the problem can be fixed before it goes to production. If you bypass or minimize testing, you increase the likelihood that there will be a problem in production that has an exponential impact. For example, if you cannot approve a purchase order in production, and now you can no longer procure needed materials or supplies, your problems have just amplified substantially. You might well be left thinking, "If only we had tested that ... ."

There is no substitute for comprehensive testing. A situation in which a program might be trying to hold static a schedule for a go-live milestone date is not unusual. Project leaders must have the tenacity to finish testing and make sure it is acceptable before migration to production. These are not always easy conversations to have with stakeholders, but it is easier to have a conversation about needing to finish testing and validate the system is performing per design and requirements vs. explaining why a system is not working due to cutting corners on testing.

## Plan for patches and release testing

The approach for testing upcoming patches and releases is critical. This involves reading the software release notes in advance and making sure you know which components of the patches or releases are applicable. In many cases, not all the available release components need to be applied; for example, certain modules or features may not be configured or implemented in your environments.

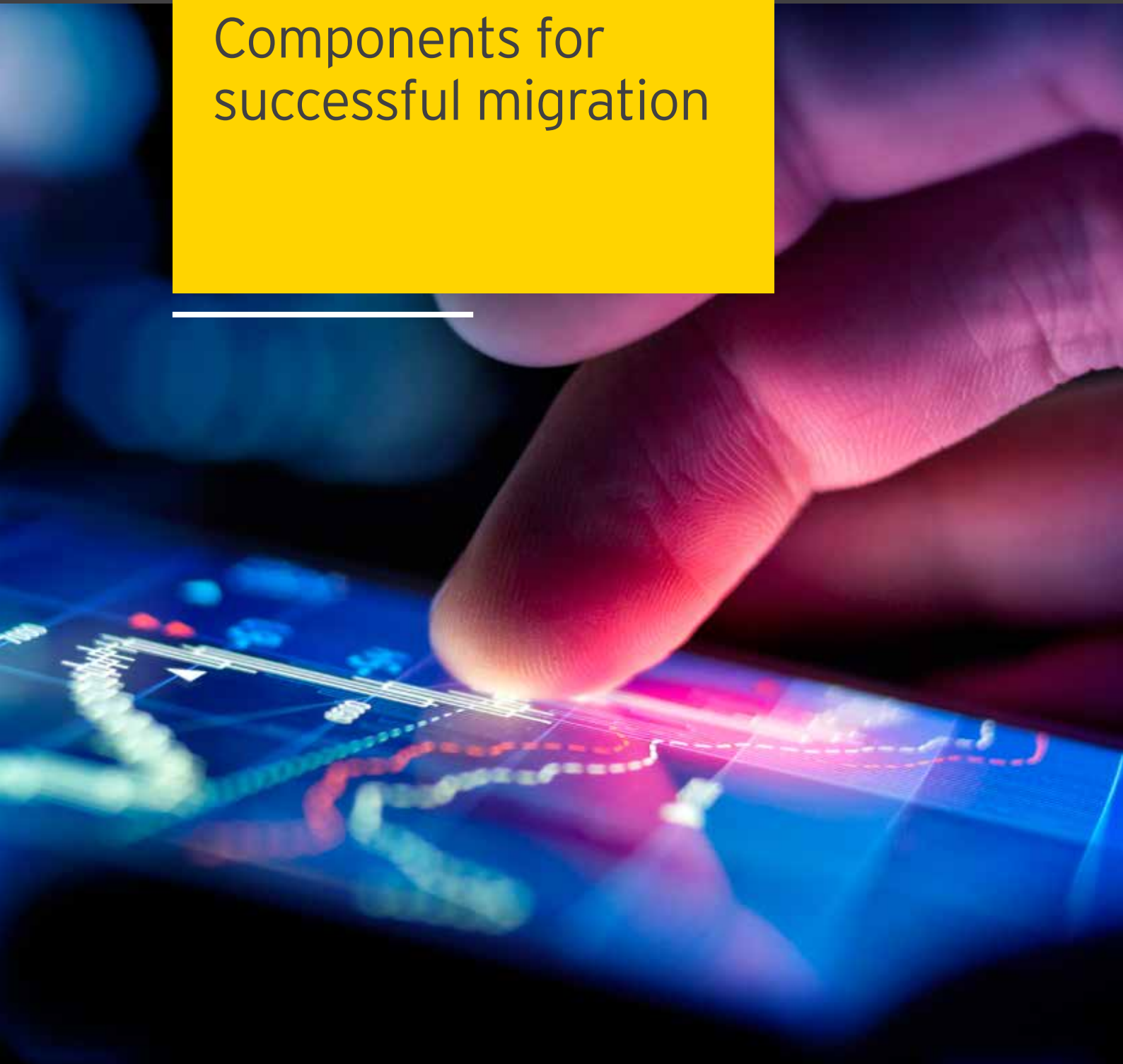
Focus on the intersection of what is applicable, and validate the specifics of testing needed, which would include unit testing as well as integration and regression testing. A standard methodology for testing is highly useful for releases and patches, as it provides a consistent and comprehensive approach for anticipating how the changes will perform in your respective environments.

One note of consideration: the releases will be staggered and applied across development, test and production instances sequentially. These are often discrete weekly phases, so being prepared with a dedicated or a persistent testing team makes a lot of sense. It is also preferred to include the same business owners in the discussions for each patch release, so that the evaluation or re-evaluation of decisions can be consistent and enforce some accountability for participants.

04

## Components for successful migration

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Migrating to the cloud requires a strategic approach to software upgrades, education and training, and keeping an eye on the future.

## Release management governance

A structured approach to timing for releases is important. You will always have competing priorities, but in the cloud, you must be more strategic about how and when you deal with migration, patching and upgrades. HR, finance and IT professionals who are also decision-makers will have a stake in determining the timing of software patching and upgrades.

The cloud offers a structured way to treat software upgrades and releases, but it differs from traditional ways of applying fixes (patching) and upgrades. For example, one major ERP provider is headed toward major releases twice annually: one for a technical focus and one for a functionality focus. Monthly patches are targeted for fixes and performance issues.

Since you are not in control of when releases are going to occur, planning for them is essential. Stakeholders must be continuously aware of what's not working today (bugs or defects) and what's needed for enhanced functionality or features. ERP and HRIS cloud technologies are no longer "owned" by finance, HR or IT. Collaboration and sharing of systems duties – whether assigning roles, creating reports, maintaining hierarchies or performing other business needs – are quite often shared among finance, HR and IT.

Many organizations don't think about release management until very late in the implementation process. Organization teams should engage in this process early in the implementation program, which positions them to be self-sufficient once the platform goes into production. This approach truly makes the team ready to consume the release cadence and molds them into an agile mentality, which is foundational for the cloud.

Working in silos of HR, finance or IT can lead to miscommunication or disconnects on system patching and release management expectations. Regular meetings and agreement on issues and expectations go a long way toward alignment and agreement on an organization's common goals. Even organizations with a managed services provider to help guide them through release management still need active participation from HR, finance and IT to represent functional and technical business needs and expectations.

## Update and refresh training content

The importance of system education and keeping up with changes is paramount. Depending on your organization, you most likely have some type of training material in physical or electronic format. Left untouched over time, these training

materials become obsolete and irrelevant. With cloud upgrades and patching now occurring frequently, you will need to evaluate the cadence for how your organization will handle the relevant changes to training material. An environmentally friendly option is to abandon hard-copy paper documentation methods. It's a perpetual cycle that is very difficult to maintain as current; electronic materials are more flexible.

If you use web or computer-based training, you will need to evaluate how to incorporate the upcoming changes into training documentation that your end users will be accessing on a regular basis. Sometimes this can become a project in itself; your training strategy should consider the ease of maintenance and upkeep of the training content. If your culture is heavy on wanting to see screenshots of every step, the upkeep required to frequently refresh this content is unsustainable. A viable option is to leverage a repository like SharePoint to maintain current process flows, policies, procedures, etc., and have the training materials refer to these source documents. Regardless of the training approach, it's essential to consider how and what is communicated to end users regarding any changes and new features.

Do not forget about the importance of defining user roles in a system and making sure they complement the training strategy. Role design should commence shortly after design is approved and needs to include key people; ideally this is done with a cross-functional team. A user who goes through training and testing should be mapped to a role or roles where he or she will be performing regular activities once the system goes live. If this does not occur, you risk deploying a user to a new system without the proper access, knowledge or training required to perform the job.

## Focus on the future state

Day-to-day business will consume you if you let it. Focusing on the future state makes sure you're anticipating how things will be, not how they are. It makes a lot of sense to anticipate the end state and think about the goals and objectives of the desired changes. Think of the process like a large funnel: the wide-open ideas are at the widest point of the funnel – this is the high-level vision. As you get more specific and the funnel narrows, you can get more specific about the "who, why and when" concepts that require more specific detail.

There is an old saying that "you can't see the forest for the trees." If you get mired in heavy details too early, it may impair your ability to articulate a big picture vision and you may get lost in the minutiae. You should outline what is going to change, why it's changing, who is involved and when it will occur. Setting expectations on what happens once the cloud goes live will help you structure thoughts about how your organization will be ready for and implement the upcoming changes.

# 05

## Conclusion

Having the urge to drive change and take advantage of cloud technology is important. But you need to recognize that what got you here won't get you there. An organization going through any system implementation, especially if cloud technology is new to them, must be ready – and willing – to change. If your organization historically has been downstream from decisions and changes to your enterprise systems, and you feel like you have no say in decisions, now is the time to change that.

As you consider enterprise cloud initiatives, the approach outlined here can be a resource. EY can help your organization get ready and go through the journey together. Having the courage to lead and asking the right questions give you a powerful foundation to move into the cloud with eyes wide open.

Welcome to the cloud. You are more prepared for it now.

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