

# The Triumph Of Multi-Tenancy

To multi-tenant or not to multi-tenant? When it comes to HRM BPO and SaaS, multi-tenancy is the clear victor.

By Naomi Bloom

Can it really be nearly seven years since we started this? I'm confident that you've been reading this column from its inception in January of 2003, and dedicated readers know that I was a very early and quite aggressive proponent for the critical role that architectural multi-tenancy plays in the HRM delivery system's platform. Multi-tenancy is critical to the economic viability of HRM BPO and, I might add, of SaaS.

The easiest way to understand how multi-tenancy works is to see how a commercial website is used to transact business. With the tens of millions of users of Amazon.com or Landsend.com or, my personal favorite, Twitter, it's inconceivable that all users have their own copies of the software, even though all users can configure their own use of that software, or that each user's data is stored separately. With Amazon in particular, you know that they're aggregating data across all users so that they can manipulate the data to rank items based on popularity so that they can make suggestions as to items you may like. We count on the fact that another customer cannot "see" our personal data even as they're being presented with their own suggestions. This is multi-tenancy at work, and we accept that there's no way that Amazon could service so many users unless they had achieved a very high degree of it. We also believe that our personal information, living somewhere in an Amazon data center, is not being used for nefarious purposes nor being left unguarded.

Today, except for the most complex and global (and arguably not so profitable) end of the HRM BPO market, the winners in this business have moved to architecturally multi-tenant platforms. Where highly customized single tenant ERP implementations still hold sway—largely due to sunk costs, ERP-think among CIOs, and those zillion-dollar implementations led by many of the same teams that are now doing BPO—comprehensive HRM BPO providers are struggling to get their early deals to profitability and are being very selective about taking on any new deals.

There are some notable exceptions to architecturally multi-tenant platforms among HRM BPO providers catering to the vast middle market. For example, a few are using highly templated, single instances of PeopleSoft HCM as their platform in order to capture current

PeopleSoft customers, perhaps those on older versions whose current implementations are so highly customized that they can't upgrade or those who believe that with Fusion HCM, they're facing a new implementation. But my own view is that these exceptions will not be profitable unless—and until—they improve their cost models through greater degrees of multi-tenancy in their platforms.

The growth of SaaS (where multi-tenancy so clearly trumps single tenant hosting), and the rush to the middle market in HRM BPO (where the economics of multi-tenancy are now firmly established) have moved multi-tenancy from being my call to arms to the widespread adoption by a number of providers in partnership with various ERP/HRMSs. (For example, see Workday's platform relationship with OneSource VHR and NorthgateArinso's creation of greater architectural multi-tenancy through their SAP HCM platform.) Now it's all over but the shouting in the "to multi-tenant or not to multi-tenant" debate. When it comes to HRM BPO and SaaS, multi-tenancy is the winner. Not only is there a message here for the HRM BPO providers and customers but also for anyone obtaining HRM software on what they think is a SaaS basis. From my point of view, if it's not multi-tenant, it's not SaaS, nor is it likely to be a viable BPO platform.

Now that multi-tenancy is merely table stakes, what platform capabilities should HRM BPO providers (and SaaS vendors) be focused on developing next to provide the biggest business benefits to them and to their customers? There are many candidates in my preferred HRMDS platform behaviors "starter kit," some of which we've already discussed in this column, from intelligent self service to properly done, systemic effective-dating and actionable analytics. But one that we haven't discussed yet, which may be the making or breaking of future vendor/provider profitability as well as of customer satisfaction, is interrogatory configuration. Say what? Yes, interrogatory configuration. That's a mouth full. October's column will explain the business background for this amazing, soon-to-be essential, approach to reducing implementation costs and elapsed time, and November's column will put these rolling words on the tip of your tongue. **HRO**



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