Enabling HR
service delivery

Cloud HR

(9)

(10)

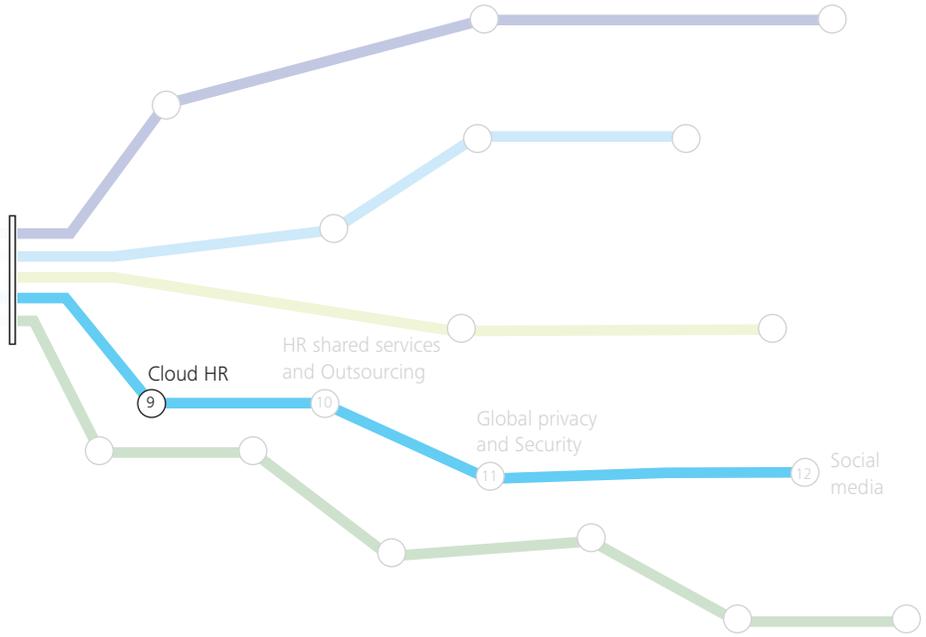HR shared services
and Outsourcing

Global privacy
and Security

(11)

(12) Social
media

9 Cloud HR

What do a carve out from a global medical device maker, a fast-growing not-for-profit foundation, a global financial services company, and an entertainment company with diverse training needs have in common? They've all turned to cloud-based computing and the Software as a Service (SaaS) model to fuel critical HR Transformation. These related approaches use the Internet to virtualize and centralize content delivery, application management, and system architecture so organizations spend more time on core missions and less on IT. While these approaches are becoming familiar to leaders in many roles, HR is not the first place most people imagine them in action.

Are cloud computing and SaaS the next big disruptive technologies — or are they simply a natural evolution of distributed computing? Either way, they are changing how many parts of the business operate and they are widely considered a big deal for IT and SaaS.

That's because two trends are coming together: Business leaders are asking HR for more strategic input, and technology is giving HR leaders better tools with which to respond. By embracing an HR-centric view of the cloud, instead of waiting for a more general cloud implementation to trickle down, HR leaders can endeavor to do more to support operational excellence, create and implement more effective talent strategies, and support revenue growth.

Benefits

SaaS has already demonstrated its value in terms of scalability and flexibility, using both on-demand and subscription-based models. Along with other aspects of cloud computing, SaaS is helping organizations to transform their traditional information technology (IT) structures into more nimble, flexible, and affordable architectures.

The technological benefits of cloud computing are already familiar. It allows an organization to deploy service delivery solutions quickly, without the barriers normally associated with size or geography. Once in place, those solutions can scale up or down more easily on the cloud as well. The result is typically cost savings that HR leaders can apply elsewhere.

And, while SaaS technology is generally considered evolutionary, its business implications are more likely considered revolutionary. That's why the real demand for SaaS is being driven by the business, where there are heightened expectations for agility and flexibility. SaaS can create the possibility of rapid business model innovation, improved service levels, and new ways of controlling costs — powerful stuff for companies responding to the aftereffects of the economic downturn and the pent-up business demand for HR.

Using the cloud, organizations can see structural benefits that lie beyond technology advantages. The centralized model makes it possible to connect various HR initiatives and technology across the enterprise, so that design, portals, and the nature of service delivery itself are consistent and appropriate. This can help HR look and work more effectively at the most critical point of change — the interaction between end users and HR services, such as recruitment, screening, predictive analytics, performance management, payroll, time, and attendance or workforce management.

But there's even more at stake than the opportunity to do current things faster, better, and cheaper. SaaS solutions, like cloud computing, can also help organizations do entirely new things, like helping HR organizations of any size in their efforts to compete and operate on a global scale.

Why now?

Recent Deloitte research shows that 84 percent of surveyed companies are either transforming or planning to transform how they handle HR functions. According to a 2009 Deloitte survey, the chief motivators are cost savings (85 percent) and greater effectiveness (75 percent).[1] And while business and HR leaders appreciate the long-term value of HR Transformation, the journey toward obtaining such value can seem too long. SaaS is an efficient way to accelerate HR Transformation and capture value faster.

New choices. Companies have new options for deployment models (public, private, and hybrid clouds), as well as for service models (SaaS, platform as a service, and infrastructure as a service). These options offer varying benefits in terms of efficiency, availability, scalability, and speed of deployment.

Demand for ROI. Massive investments in HR infrastructure have produced mixed results. Companies have an increasingly limited tolerance for spending money on technology without tangible, documented improvement in effectiveness.

Explosive growth in SaaS and cloud computing options. While software and hardware sales in general have slumped amid poor economic conditions, Gartner Research has found SaaS products and cloud-computing solutions are growing at two to three times the pace of on-premises solutions.[2] This gives organizations looking for fresh approaches to HR Transformation several new paths to consider.

Simultaneous maturation of SaaS and HR. While companies have made great efforts to streamline processes and technology, many times those efforts haven't extended to the delivery of HR services. But now HR, business needs, and technology are converging to create a defining moment in the history of HR Transformation. Business leaders need improved HR delivery models to drive more effective decisions and growth. At the same time, SaaS HR technology is providing new and affordable tools. The timing couldn't be better.

Introduction of broad, stable cloud computing providers. The cloud computing marketplace has taken off in the last few years — expanding the options for both IT and HR to support HR service delivery.

Lower costs and scalability. Many SaaS and cloud computing options cost less and are faster to implement than large enterprise systems. There are now SaaS products and services that can compete with or integrate with comprehensive on-site solutions. Many offer elastic scalability so HR organizations can add or remove capacity on demand. This is especially advantageous for organizations with variable workloads or growth spikes triggered by acquisitions.

Designing a cloud computing strategy

SaaS can offer a middle ground between in-house IT operations dedicated to HR and full-scale outsourcing. It also allows software to be hosted off site while managing HR processes in house. Issues companies are considering when choosing SaaS technology to drive HR Transformation include:

Value. Will the new system increase or decrease dependence on IT resources? Can users configure the system themselves or will a vendor have to customize it for them? Will it truly improve service levels?

Deployment. Will the solution be immediately usable or is there an extended implementation period? Can HR Business Partners, managers, and employees take the ball and run with it soon after launch? Do future improvements to the system involve massive, time-consuming upgrades or can the system be updated automatically?

ROI. What are the likely implementation costs for a new system? To what extent can up-front costs be recovered via reduced costs for an ongoing operation? How does the purchase affect cash flow? Can subscribing versus buying reduce the amount of capital tied up by the purchase?

Service to end users. Is the system intuitive and easy to use? How quickly can employees competently use it? How much training is required to achieve proficiency? How difficult is it to update features and functionalities to incorporate end-user feedback?

Thinking about these factors can help you choose the right cloud computing strategy. Developing a sound strategy for cloud computing is especially important if your organization is facing a major business change or ERP deployment or is already starting to dabble in cloud computing.

Where could SaaS make the most sense for your HR organization?
If you're involved in any of these three activities, a SaaS solution could be an effective strategy to consider:

ERP upgrade with legacy HR platforms	SaaS could be a winning approach and possible replacement solution for your HR platform.
Other cloud or SaaS already in progress	Your IT organization understands and buys into the SaaS model, which makes adopting for HR a natural step.
Business change or expansion	Organizations that are expanding through M&A — or expanding globally — can see significant benefits from SaaS solutions.

Source: Deloitte

Obstacles — and ways to overcome them

Speed can be critical to realize value through HR Transformation. That's why SaaS can be such a compelling option for companies that want to show their organizations the value of transformation now — not a year or two in the future. Still, any new technology carries a measure of apprehension. The major factors giving companies pause before they consider the cloud to support their HR processes and technology include:

Security. SaaS security may be as effective as security associated with in-house data centers, but many companies do not have the comfort level to go down this path. And even some early adopters are keeping particularly sensitive applications in house.

Quality of service. The lack of an extensive demonstrated track record to meet formal service-level agreements for performance and availability means quality of service may be a concern for some organizations.

Integration. Organizations have lived through the challenges of integrating traditional on-premise and hosted Human Capital Management applications with best-of-breed applications. They question the complexities associated with integrating SaaS applications with in-house applications.

In each of these cases, however, the same speed of innovation that's making HR leaders apprehensive is also the answer to their concerns. The advancing technology is making each of these objections less relevant. Recall that not long ago people were apprehensive about using their credit cards to buy books online (security), predicted digital imagery would never replace film (quality of service), and owned multiple business systems were never intended to "talk" to one another (integration). Soon, if not already, misgivings about the cloud will likely seem just as quaint.

In addition to the inherent security built into the SaaS applications, there are a number of deployment options in the cloud that offer varying levels of security, such as public, hybrid, and private clouds. This variety provides HR and IT leaders many choices to align with their internal security programs.

One way organizations are addressing SLAs is to launch pilot programs that include varying populations to stress test all aspects of the agreements.

Compared with prior models, the SaaS HCM vendors are providing the integration tools rather than relying on the organizations to develop the tools themselves, alleviating the many challenges with integration.

Cloud computing and SaaS have become an effective approach to HR Transformation

So what happened to those diverse companies we visited earlier? The medical device manufacturer sped up implementation, reduced the demand on its internal business and IT resources, and was able to establish fully independent HR operations within nine months. The not-for-profit dramatically accelerated time to value without overstretching internal IT resources and exceeded budget expectations. And the entertainment company got its new learning system up and running quickly without having to maintain any of the content itself.

Enterprises should recognize emerging cloud capabilities and take advantage of new service offerings, such as more nimble, flexible, and affordable architectures. That means evaluating SaaS alternatives to discover offerings that are aligned with operating environments and risk profiles. Navigating the options, assessing the opportunities and risks, and migrating to the appropriate SaaS environment can help organizations position themselves for future adoption of additional HR capabilities.

The real power of HR-focused SaaS is in the potential to rethink and redesign HR delivery and IT architecture at a fundamental level. SaaS-driven HR Transformation can help HR to accelerate the value to talent strategies (workforce planning, performance, succession management, etc.), revenue growth (M&A, business transformation, globalization), and operational excellence (workforce intelligence, HR policy, culture, and communications) — making SaaS a technology consideration for any organization looking to take HR to the next level.

Endnotes

[1] Deloitte Consulting LLP, "Human Resources Transformation Survey: A case for business-driven HR," p. 1 (2009).

[2] James Holincheck and Thomas Otter, "Key Issues for Human Capital Management Software," Gartner Research (March 24, 2010).