HR AND CLOUD TECHNOLOGY: A PERFECT FIT

Moving information systems to the cloud can enable a smarter, more strategic HR team—and yield big benefits for business.

The New HR Imperative: Adding Value

Like their colleagues in the C-suite, chief human resources officers are under increasing pressure to add value to the enterprise. In a recent survey of more than 300 business executives from a wide range of industries, 76 percent said they either have a strategic business partner in HR or would like HR to become better aligned with their company’s business strategy.1

Yet many of the CHROs responding to that same survey said they actually spend far less time than they’d like on the strategic activities they and their colleagues claim to value most, such as anticipating the talent capabilities required to build a high-performance culture, or understanding the factors that affect the growth of the business and how those factors should impact workforce planning and talent management.

Not surprisingly, CHROs are looking for tools and technology that can help them spend less time on administration and more time on strategy—tools designed for an increasingly fast, digital, knowledge-based economy.

To be sure, many have, over time, embraced a wide range of software systems designed to support their department’s baseline activities, especially in the areas of employee assessment and performance management, recruitment, workforce administration, and learning and development. A significant number, especially among larger organizations, offer employee portals featuring self-service tools, and executive dashboards that put key information at leadership’s fingertips.

Unfortunately, the net result of these past investments has too often been a hodgepodge of disconnected systems that simply haven’t done enough to enable the high-powered, strategically focused HR operation CHROs want. Indeed, only 25 percent of CHROs say they are using technology effectively.

“We bemoan the same state of the union of HR year after year,” says Rebecca Ray, executive vice president of The Conference Board, in a recent white paper published by Harvard Business Review Analytic Services.2 “But if you ask HR people to be strategic, it requires skills and

tools. We would not ask finance to do forecasting without the necessary skills or tools.”

Clearly, a new, more effective solution is required. To compete, HR needs systems that will:

- **Streamline traditional HR activities**, such as recruiting, onboarding and employee development, freeing CHROs and other senior HR executives to devote more time to higher-value strategic activities

- **Enhance the employee experience**, with self-service tools not only for administrative functions but also career development, which can help employees become more productive and valued contributors to the business

- **Provide actionable insights** from throughout the enterprise that can inform hiring decisions and employee management

- **Reduce, not boost**, IT spending on HR systems

Increasingly, CHROs see an opportunity to address all of these imperatives by migrating their HR systems away from their siloed legacy systems and into a unified cloud environment.

**HCM in the Cloud: What It Means for the Business**

The benefits of cloud technology to general business activities have been well documented. When organizations migrate information systems to the cloud—particularly to a third-party cloud provider—they largely eliminate the cost and responsibility of buying, configuring, and maintaining data centers, including the cost of owning excess capacity in those centers to handle periods of peak demand. They eliminate the costs and frustrations associated with deciding when to upgrade to new versions of software and implementing those upgrades. They enjoy state-of-the-art technology, with software continuously updated behind the scenes and informed not only by their own input but by the input of other users. Cloud solutions are highly scalable, too; organizations can buy the computing horsepower and data storage they need today, and upgrade or streamline as necessary without any direct investment in new hardware or mothballing of existing equipment. Finally, with the appropriate configurations, data housed in the cloud can be accessed anywhere from any device—a highly valuable attribute for mobile workers in a digital economy.

In short, when organizations offload maintenance of their IT systems to a cloud provider they not only lower their costs but gain the agility to make changes quickly, without worrying that their internal IT teams have the bandwidth or expertise to make those changes. Their dedicated cloud providers make sure they have access to the expertise they need to make those on-the-fly upgrades, additions, and changes.

Still, the benefits businesses derive from moving HR to the cloud extend well beyond cost-cutting. Executives surveyed for the Harvard Business Review Analytic Services white paper see a direct correlation between investments in HR technology and better business results. Just over half argue, for example, that by enabling more focused employee assessment and performance

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management, such investments can lead to growth of the business through greater productivity and a higher ROI on employees.

And because the HR system is a system of record that flows through many other systems at the heart of the company—including finance, operations, customer support, and supply chain—investments in a more efficient and effective HR system tends to have ripple-effect payoffs throughout the enterprise. It’s not only HR leaders who find more time for higher-value strategic work, but their colleagues in the business, too.

C-suite executives understand how important a high-functioning HR team is to the ongoing success of their organizations. Nearly 80 percent of the respondents to the 2016 PwC HR Tech Survey say they worry that a lack of key skills within their workforce threatens their company’s growth prospects.3

While it wasn’t true five years ago, organizations that fail to take advantage of cloud technology for HCM face a real near-term risk of falling behind their competitors. In PwC’s 2015 HR Tech Survey, 23 percent of companies were found to be using cloud SaaS (software-as-a-service) for core HR activities, while another 26 percent were planning to do so within three years. In the 2016 survey, the number of companies using SaaS for HR had already jumped to 44 percent, and another 30 percent were planning to make the move within one to three years.4

**HCM in the Cloud: What It Means to the HR Function**

CHROs are only mildly satisfied with their current solutions for recruiting, onboarding, and managing human resources. (See figure below.)

Cloud technology provides distinct operational benefits to HR. In recruitment activities, for example, it provides a high degree of systems integration that allows HR personnel to easily track conversations with candidates, and, drawing on social media, mobile, and other new technologies, understand their interests and behaviors. Once candidates have been hired, a unified, comprehensive cloud HR system—now sometimes called Human Capital Management or HCM systems—can streamline and automate the onboarding process, even allowing employees to fill out their onboarding packets online before arriving for their first day of work. These systems can eliminate the use of paper, and help ensure that new hires receive consistent messaging that reinforces the company’s culture and priorities.

HCM systems can improve performance management and employment development operations, too, making it easier to provide employees with structured feedback, steer them into the right training and educational opportunities, and track their participation and progress on that front.

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Meanwhile, as the way employees interact with companies and brands online is changing, so the way HR reaches out to them and tracks those interactions is changing. Not surprisingly, companies that embrace mobile-friendly, cloud-based HCM systems find that it helps them attract and retain employees—especially Millennials and Post-Millennials who expect from their workplace technology the same ease of use and functionality they’re accustomed to in their personal lives. PwC’s 2016 HR Tech Survey found, for example, that companies using cloud for HR are 23 percent more likely to offer mobile capabilities through their systems than those who are not using cloud.

At a more basic level, cloud-based systems that fully integrate payroll and other core HR functions and financials bring accuracy, simplicity, and insight to traditionally labor-intensive tasks like monitoring time and attendance and making sure that payroll is handled correctly.

**HCM in the Cloud: What It Means to Employees**

Moving HR-related activities to the cloud makes it easier for employees to engage with their employer and to record and access information, on a self-service basis, about time worked, paid-time off and employee benefits—whenever and wherever it is most convenient for them. Perhaps more importantly, it can help them take advantage of learning and training programs that are so important to employee satisfaction levels. According to an Oracle survey conducted last year, only 38 percent of employees say the learning and training programs they’ve received have actually been linked to their career development plan. That’s particularly distressing when considering that employees consistently report a lack of career development as one of the main reasons they quit their jobs.

Comprehensive cloud-based HCM systems make it easier for companies to deliver the training and education employees want and need. They offer just-in-time learning capabilities, along with the ability for employers to easily update and swap training modules and to offer them via different types of media. They also enable employees to choose the media type that works best for them, easily track their personal progress through training and education programs, and, where appropriate, collaborate with their teammates. As dispersed teams become more commonplace, it’s important...
that employees have easy ways to communicate and share with other team members. HCM solutions support real-time and asynchronous communication and project-tracking.

**Why Move to the Cloud Now?**

It’s obvious that companies that migrate HR to the cloud reap benefits for their businesses, for HR and for their employees. But transitioning from siloed legacy HR systems to an integrated cloud-based system does temporarily impose on the resources of both the HR and IT functions. In a time of accelerated change, can companies afford to make the transition from an on-premises to cloud model now? Actually, they can’t afford to wait. As competitors race to move their own HR activities to the cloud, companies that do not will sacrifice cost, agility, and security benefits that jeopardize their competitiveness.

**The Case for Cost-Effectiveness**

Migrating to the cloud transforms IT from a capital expense to a pay-as-you-go monthly operating expense, typically with lower all-in costs. It eliminates the capital expenses associated with on-premises solutions, including hardware, software, network infrastructure, maintenance, and upgrades.

For CHROs looking to sell their C-suite colleagues on the value of moving to the cloud, this may be its top selling point. As Jose Thomas, vice president and CHRO at Anthem Insurance Inc., told researchers at Harvard Business Review Analytic Services, “If you asked my HR team, they would choose the predictive analytics answer as the most important benefit (of HR in the cloud). My own [C-level] business partners, however, would probably choose the answer about lowering costs through greater efficiency. HR needs to first focus on the value [technology] brings, and improving efficiency is the first step.”

Savings from moving operating systems off premises and into the cloud vary, but it is not uncommon to see estimates ranging from 30 percent to 60 percent. Not surprisingly, more than half — 51 percent — of organizations cite cost-savings as the top motivator for exploring cloud-based solutions.

Before initiating a switch, organizations will want to make their own return-on-investment analysis, assessing not only the costs of integration, including risk management, but also improved productivity. Defining specific metrics that can be measured both before and after implementation can help in calculating actual ROI, and, later, comparing it with forecasts.

CHROs and their C-suite colleagues also will likely find that migrating HR to the cloud results in a lower total cost of ownership than maintaining on-premises systems. In a post published by Forbes.com, Gina Longoria, a senior analyst for research and consulting firm Moore Insights & Strategies, argues that while companies tend to focus on the savings associated with not having to acquire hardware and software for their HR operations, the operational and indirect cost savings can be even higher, by

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7, 8 Workforce 2015 HR Technology Survey.
a significant margin. Longoria suggests that company’s perform a comprehensive total cost analysis that considers three types of costs:

- **Capital expenses:** On-premises hardware and software
- **Operating expenses:** Services, support, and maintenance fees to keep the equipment running
- **Indirect costs:** Potential downtime and time-to-market delays

**The Case for Business Agility**

Changes in staffing needs are invariably linked to changes in business strategy, such as launching new products, expanding into offshore markets, or targeting new demographics. Unfortunately, disparate and siloed solutions hamper an organization’s ability to respond to change. Many legacy HR systems are not regularly upgraded or updated, as the process is slow, manual, and inefficient.

Cloud-based HCM solutions, which do not suffer from the hardware, software, and integration challenges inherent in on-premises solutions, can scale up quickly as needed. And because they use a shared services model—they are managed centrally but delivered locally—updates to software can be delivered efficiently, with minimal business disruption.

Unified, cloud-based HCM systems also can be more easily integrated with a company’s other information systems; it is simply less onerous to have one HR system to integrate rather than many. In a recent survey by Brandon Hall Group, a third of the respondents said integrated information systems are a key priority for their companies.11

Integrating HCM solutions with other systems such as finance and ERP systems provides much-needed data, analytics, and reporting to improve decision-making capabilities that impact the entire organization.

**The Case for Security**

As business has become increasingly digital, data security has become critical. It’s not just proprietary information or company secrets that are at risk; so too is the wealth of information HR collects during the onboarding and offboarding of employees and the administration of employee benefits, all of which could leave employees prey to identify theft if not protected.

While business leaders and IT professionals were rightly concerned about data security when cloud technologies were first developed, a clear majority now agree that operating in the cloud provides greater, not less, data security. In fact, 64 percent of

**INTEGRATED SOLUTIONS ARE A KEY PRIORITY FOR ONE-THIRD OF COMPANIES.**10

— BRANDON HALL GROUP RESEARCH

IT professionals at medium and large US enterprises now consider cloud infrastructure more secure than legacy systems.12

Many would argue that percentage should be even higher. Why? For starters, many legacy systems were developed before data security became a critical concern for corporate enterprises, and hence don’t offer the same built-in security features.

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Today’s cloud providers understand that data security is absolutely critical to their business strategy; if their security protocols fail, their businesses will fail. Accordingly, they devote massive resources to data encryption, regulatory compliance and other security measures, monitor their infrastructure for security breaches around the clock, and undertake annual third-party audits of their security systems and processes. Precious few companies, it’s fair to say, have the resources to devote to data security that cloud providers allocate to the exercise.

Conclusion: Gaining Operational Excellence in the Cloud

The current economy is service-driven. To win, organizations must exceed customer expectations and treat their employees like they treat their best customers. Of all the pressures companies face today, the fight for top-notch talent may be the most critical because people are the key drivers of business success.

Against this backdrop, HR leaders are being called upon to elevate their responsibilities beyond the traditional role of recruiting talent and managing employee records and policies. They still have to perform these basic functions, of course, and cloud-based HCM systems help make HR teams more efficient and effective recruiters and can streamline the onboarding process. But HR teams today also have to anticipate staffing needs and provide the business with the data and talent-related analytics they need to position the company for future growth. By streamlining and automating basic functions, HCM systems free HR executives to devote more time and energy to those higher-value activities.

But the impact of cloud-based HCM systems extends even further. Unified HCM systems with self-service features make it easier for employees to interact with the company in terms of managing their hours worked, time off and employee benefits. They also can help employees chart and enhance their career path by providing a holistic view of their career development plan and learning opportunities. In sum, they enhance the employee experience.

Meanwhile, companies find that unified HCM systems are more easily integrated with other key information systems, which can improve operational efficiency and offer insights into ways to better manage the business. And, of course, unified HCM systems reduce costs and enhance security.

All these are compelling arguments for companies that haven’t yet done so to migrate their HR systems to the cloud, and to do so as quickly as possible.

TWO-THIRDS OF RESPONDENTS ARE CONFIDENT THAT CLOUD-BASED SOLUTIONS PROVIDE EQUAL OR GREATER SECURITY THAN INTERNAL IT SOLUTIONS.13

— CLOUD SECURITY ALLIANCE SURVEY

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