

## Licensed cloud vs. on-premise and custom built HCM solutions: An IT perspective.

Steven T. Hunt, Ph.D.

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Much of my time is spent with HR leaders discussing how to use cloud technology solutions to increase workforce productivity and company performance. But earlier this week when I found myself discussing the same topic with a room full of IT leaders. The discussion centered specifically around SAP's cloud software as a service (SaaS) solutions.

It was fascinating to listen to IT leaders discussing whether it is better to use cloud-based SaaS solutions for HCM compared to on-premise or custom-built technology solutions. I expected IT leaders to discuss things like total cost of ownership and security. But they focused on a much different set of criteria. The following five factors in particular were mentioned as things that make SAP's SaaS cloud technology particularly attractive for HCM applications.

**Faster reactions to regulations.** It is difficult and resource consuming to update HCM systems to comply with shifting laws and regulations around the world. Having cloud vendors responsible for ensuring customers' systems support their compliance efforts has reduced anxiety and resource consumption in companies using these SaaS solutions. For example, GDPR has imposed important requirements on companies doing business in Europe. Customers with in-house solutions bear the full burden of updating internal HCM systems to ensure compliance. And even then, it is still that they can develop and vet their systems to the same level that SAP did for its cloud based HCM solutions.

**Greater HR autonomy to improve processes.** HR is now a technology field in the sense that any scalable HR change is going to require use of technology. But HR does not have a lot of in-house IT resources. Using cloud technology enables HR to make technology changes on its own. The result is far more autonomy and flexibility for HR departments. This flexibility is critical given the constant pace of change and innovation in the HCM field. HR departments cannot be as agile if they have to rely on a company's IT resources to make changes to on-premise or customer HCM solutions.

**Focusing IT resources on critical applications.** Rather than having internal IT resources build something that could be taken "off the shelf" from a cloud solution, companies using SaaS solutions can focus internal IT resources on building specialized applications that are unique to their company's needs. IT professionals are able to have more impact because they are freed up to focus on solving unique company-specific challenges. Where in the past a lot of their resources were consumed building and maintaining more standard solutions that are now licensed through cloud solutions.

**Innovation.** Customers using cloud solutions can benefit from "crowdsourcing" innovative HCM ideas from across the SAP SuccessFactors customer base. SAP SuccessFactors customers benefit from ideas created by other customers and partners that get integrated into the SaaS products.

**Integration.** There are many solutions across the HCM landscape that support the employee life-cycle. These solutions need to work together and provide a seamless and simple user experience across mobile and desktop platforms. This far easier to achieve using SaaS cloud technology compared to updating and integrating home built or maintained on-premise and custom technology.

These five things reflect an "IT centric" view of why supporting HCM using cloud SaaS technology is more valuable than using on-premise or custom solutions. It is worth noting that the IT leaders did not say that

companies should never use on-premise or custom solutions. They simply said that the SaaS cloud technology provides a lot of unique benefits over what can be gained through using other technology platforms.