Why the Cloud Makes Sense for Talent Management

IT STANDS TO REAP A DOUBLE PAYOFF FROM SAAS-BASED HR APPLICATIONS
If you're a CIO, you're probably tired of hearing the chorus of vendors who sing that a move to the cloud will conserve your resources, lighten your load and simplify business operations. You've heard this song before, just with different notes.

In the old days, the message was “take everything off the mainframe and run it on client/server systems.” After that, it was “make everything web-based.” Today, it’s “put everything in the cloud.” But the other extreme—that nothing should be in the cloud—doesn’t apply either. That’s because the cloud is web-based, and web-based was client/server—but better in its latest iteration. There are some applications that are actually well suited for the cloud. Talent management—for all companies, but especially for midsize companies of up to 5,000 employees—is one of those applications.

Why? As midsize companies need to compete with larger, wealthier firms for hard-to-find employees, talent management—the ability to track employees from recruitment to succession—becomes more strategic. It’s certainly becoming more popular. In 2014 talent management consultant Josh Bersin forecast that global spending on integrated talent management systems would grow 17 percent, to more than $6 billion globally that year.¹

But that doesn’t mean that an on-premises system has to become one more melody in IT’s increasing large songbook. With a cloud-based approach to talent management, IT can save its resources and still deliver critical, tangible business benefits, a crucial goal of any IT initiative.

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In the Cloud, the Fundamentals Apply

Arguably, cloud computing offers significant advantages (IT executives can easily recite the litany). Business units get access to applications faster, without IT’s having to procure new hardware or install new software. The finance department can budget the cost as an ongoing operating expense rather than a vague capital expense. And because the application is hosted, IT no longer has to deal with maintenance, monitoring, patching, upgrading or bug fixes. It can focus on more-strategic tasks.

So why is talent management so well suited for the cloud? For too long, human resources technology has been an area of underinvestment for IT, frequently suffering from running on outdated legacy systems. In a way, this is understandable: After all, until recently, it has involved a static database of names, dates, roles and benefits. It hasn’t been used with analytics for making strategic decisions.

But HR databases are quickly evolving into talent management systems incorporating various kinds of data. The war for talent makes talent management increasingly important. This is especially true for midsize companies that need to grow and that require smart employees to drive that growth. Because they must compete against companies with a wider catalog of resources, from more-generous benefits to stock options, to entice candidates, midsize companies must be more strategic about talent management to stay competitive. According to the 2015 Bersin report "Predictions for 2016: A Bold New World of Talent, Learning, Leadership, and HR Technology Ahead"2 (produced in conjunction with Deloitte Consulting), companies are demanding a variety of new capabilities. Among those the report cites, 66 percent pointed to the need for a cloud-based solution and 59 percent wanted integrated talent management solutions.

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That's because talent management is no longer solely a question of tracking employees; it's also a matter of tracking candidates. New technologies are enabling HR teams to search for top talent by using more-comprehensive, strategic criteria. To identify the right candidates, midsize companies must be able to identify employees who fill specific needs, such as having completed a particular academic program, having experience at a specific company, or participating in the right extracurricular activities. The elements of tracking employees are also becoming more sophisticated. Beyond just tracking salary and vacation days, it also involves tracking reviews and employee performance trends over time. Companies must even track training to determine how it contributes to performance.

As midmarket companies grow, the complexity of tracking these areas has also grown beyond the boundaries of the HR department and into the business itself, where managers and supervisors track employees and make decisions based on their performance. Thus, overall, both HR and the business have a deeper set of needs that can no longer be fulfilled by either spreadsheets or legacy applications. A wider range of stakeholders needs a wider range of capabilities.

Some IT executives might argue that their current enterprise resource planning (ERP) applications fulfill these needs, but the importance of talent management is outstripping the focus of ERP vendors. For those vendors, talent management is a subsegment of the human resources application, which is itself a subsegment of the overall ERP application. Talk about underinvestment—talent management is simply not a big priority for ERP vendors.

By moving to a cloud-based talent management system, companies can leapfrog into state-of-the-art systems that can quickly justify their cost for the company—potentially at a fraction of the cost of other options. Furthermore, they can take advantage of the cloud in a highly flexible manner. The aforementioned 2015 Bersin report noted that 26.5 percent of the respondents planned to move all their HR technology to the cloud, whereas 18 percent planned to move only talent management or workforce management to the cloud and another 21 percent planned to use a different combination of licensed and cloud solutions.
Other Benefits for Midsize Companies

There are other issues that putting talent management in the cloud can allay. One of the biggest issues facing midsize companies is security. IT has heard all the arguments for and against the cloud when it comes to security, such as whether third parties can be entrusted with sensitive data. But the fact remains that enterprises are increasingly entrusting their data to the cloud. That clearly indicates that security issues have been mitigated. Security staff represents an increasingly expensive resource for midmarket companies, but the cloud enables them to drastically offload those costs.

With talent management in particular, security is crucial. After all, IT is tasked with safeguarding employees’ vital personal information, from home addresses and salary to Social Security numbers. Employee databases also contain information about life and health insurance as well as pertinent information about family members listed as beneficiaries. With such valuable information at stake, it makes sense for IT to delegate security activities to a reliable cloud vendor, whose security must meet the standards of its most-demanding clients. By moving to a multitenant cloud, you’ll also benefit from the security scrutiny of many other companies.

Another key factor for midsize companies to consider is the value of an independent, stand-alone talent management application. Sticking to an integrated ERP system for talent management may look prudent, but there are major pitfalls to such a plan. For instance, midsize companies seeking to grow may choose to do so through acquisition. If they acquire another company that is using a different ERP application, they face the obstacle of transferring the HR data from one system to another. With a talent management application from an independent cloud-based vendor that offers APIs to the existing ERP applications, it’s easier to integrate employee data from an existing system.

Even if the company already uses an ERP system, IT can easily offload employee data into an independent talent management system, thus taking advantage of deeper and more granular capabilities for tracking employees throughout the entire employment lifecycle. This encompasses several transitions: from recruiting and onboarding to performance reviews, training and succession planning. These features simply may not be available in a traditional ERP application that doesn't allow the same level of granularity as an independent application.

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Numerous midsize companies, with anywhere from 250 to 5,000 employees, are already benefiting from cloud-based talent management. Consider these examples from Cornerstone OnDemand’s client list:

**NEW BELGIUM BREWING.** *This Fort Collins, Colorado-based brewery*, with just over 400 employees, is best known for its Fat Tire amber ale, among other beverages. It uses cloud-based talent management to go beyond tracking and evaluating candidates and focuses on ways to manage the entire employee lifecycle, from recruiting and training to collaboration and performance. With as many as 300 applicants for a position, it focuses on finding the right people for its culture. That requires a high level of collaboration among teams to make hiring decisions. Using a cloud-based application ensures that everyone has access to the same data. To support its growth, New Belgium has a national sales force and a second brewery in another state. Its cloud-based application gives it the ability to recruit and collaborate regardless of employees’ or candidates’ locations.

**GECU.** *El Paso, Texas-based credit union GECU* evaluated more than a dozen talent management software companies before determining that a cloud-based option would be optimal for reducing training hours while also increasing the number of online courses. It deployed a learning module to provide its entire employee base with self-service learning options. Employees seeking new certifications now have access to more than 250 online courses, a far more efficient option than instructor-led training. With the increased usage of self-service learning, GECU training executives saw a 50 percent reduction in incoming call volume regarding issues such as course availability, freeing their time to focus on more-strategic employee development issues. The applications’ reporting and analytics tools also helped reduce the time spent compiling reports by 75 percent.

**PROMETHEUS.** *San Mateo, California-based Prometheus Real Estate Group, Inc.*, manages a portfolio of more than 17,000 luxury apartments in major urban areas on the West Coast, including the San Francisco Bay Area, Sacramento, Seattle, Portland and Los Angeles. Having employed a cumbersome paper-based review process for its 675 employees, it moved to a comprehensive cloud-based solution that would allow it to track and unify performance, skills and competencies, succession and compensation. The solution integrates seamlessly with the company’s ADP payroll system on a single-sign-on platform. The new system has simplified supervisors’ ability to rate employees’ performance, identify skill gaps and areas for improvement and weed out underperformers. It has engendered a higher level of both employee engagement and productivity as well as cohesion in the review and employee development processes.

As these examples show, midsize companies can derive significant advantages from making the move to cloud-based talent management. They can overcome distance challenges while still maintaining high levels of collaboration. They can ensure consistency of evaluations, with the higher levels of fairness and compliance required in larger firms. They can provide training and certification using convenient and cost-effective methods so employees can improve themselves and contribute more to the company.
Savvy IT executives know that their primary goal is to leverage technology to make their company more efficient and secure. Deploying a cloud-based talent management system can achieve multiple goals simultaneously. It can give the company a richer path in the crucial area of finding candidates and evaluating employees while reducing the burden of technology deployments—a win-win across the board.

How Cornerstone Helps Midsize Companies

Cornerstone OnDemand’s cloud-based, unified talent management software addresses not only the key issues facing the enterprise but also specific technology issues facing CIOs. Cornerstone’s cloud-based tools mean shorter time to productivity. The modules are integrated, with a simple and consistent interface, so users can tackle any talent management activities with ease. The unified platform collects all data points in one place and ensures that data is fresh and up to date.

Because it’s independent of ERP applications, Cornerstone OnDemand enables CIOs to pull wholesale data from systems of record and then compile employee-related analytics across the organization, rather than doing it in piecemeal fashion. The latter method, which often uses inconsistent formats, can lead to poorly integrated and inaccurate information. An independent cloud-based system such as Cornerstone, on the other hand, enables cross-functional enterprise reporting and analytics.

For midsize companies, Cornerstone OnDemand also provides significant advantages when it comes to security. Its multitenant cloud also serves many larger companies, which require higher levels of security, and midsize companies benefit from that same high level of security.

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