HR cloud technology

Deciphering the value proposition

26–29 October 2014
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Introduction

HR technology is adapting to the rapidly changing workforce, leading to the rise of new software delivery models with social, mobile and analytical capabilities.

Many Fortune 500 companies are approaching an upgrade or implementation of a new HR system. HR organizations must decide between on-premise enterprise resource planning (ERP) and cloud ERP.

While both have associated costs and benefits, one must consider which solution best aligns to specific needs.

The right HR technology can be leveraged to integrate HR and business strategies, enabling organizations to meet complex demands.

Questions to consider:

- Are your HR systems well integrated with other key systems within the organization?
- Can you produce timely, reliable and useful HR analytics to assist business decisions?
- Do you have a presence on social media sites – Facebook, Twitter, etc.?
- Do you have a mobile strategy for accessing information on the go?
Our session today

Objectives
► Define cloud technology and EY’s point of view
► Identify the trends in HR technology and the key vendors and technology models
► Explain how to integrate business and HR strategies through cloud technology

Agenda
► Evolution and trends in HR technology
► Understanding cloud technology
► Integrating business and HR strategies through cloud technology
► Human capital management (HCM) cloud credentials and strategies for successful implementation
► EY subject matter resources and authors
Trending toward the cloud
The evolution of HR technology
Generation Y is redefining the modern workplace

Born somewhere between 1976 and 2001

Generation Y use a different set of tools that fit with their culture.

Internet Search Engines
“Someone else knows already”

Social Media
“Share transparently with my trusted network”

Communication
“The right value for the right service”

Smartphones
“Anytime and anywhere”

Generation Y is entering the workforce in increasing numbers. HR must adopt its technology strategy to meet their unique needs.
Global trends are shaping the business world

- Increased globalization
- Market volatility
- Changing employee expectations
- Evolving technology landscape
Rapid technology innovation offers new opportunities for HR

**Cloud services** quickly deliver consumer-type applications into the enterprise to drive greater agility.

**Social platforms** improve employee engagement and enable communities and collaboration across geographies.

**Big data** brings HR the ability to extract more information and insights from internal and external data, allowing significantly better performance from the workforce. Data storage and capturing costs have gone down, but we are still not leveraging data optimally.

**Mobile platforms** drive HR processes beyond the desktop and into the fabric of every business. Candidates, employees, and managers can access self-service platforms with ease.

**Analytics/big data**

Facilitating HR service consumption

Enabling collaboration
HR technology over the decades
New focus on social, mobile and analytic capabilities

The 20-year journey

We are entering an unprecedented phase of technological capability that has the power to integrate HR and business strategy.

The cloud represents a shift from on-premise or mainframe HR technology and is viewed as being more economical, scalable and flexible.
HR technology adoption by industry

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</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>92%</td>
<td>87%</td>
<td>94%</td>
<td>93%</td>
<td>84%</td>
<td>94%</td>
<td>94%</td>
<td>94%</td>
<td>88%</td>
<td>92%</td>
<td>94%</td>
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<tr>
<td>Service delivery</td>
<td>44%</td>
<td>33%</td>
<td>49%</td>
<td>49%</td>
<td>42%</td>
<td>52%</td>
<td>45%</td>
<td>40%</td>
<td>35%</td>
<td>42%</td>
<td>45%</td>
</tr>
<tr>
<td>Workforce management</td>
<td>43%</td>
<td>26%</td>
<td>46%</td>
<td>52%</td>
<td>29%</td>
<td>48%</td>
<td>40%</td>
<td>41%</td>
<td>36%</td>
<td>57%</td>
<td>46%</td>
</tr>
<tr>
<td>Talent management</td>
<td>57%</td>
<td>47%</td>
<td>59%</td>
<td>61%</td>
<td>47%</td>
<td>65%</td>
<td>61%</td>
<td>54%</td>
<td>46%</td>
<td>51%</td>
<td>61%</td>
</tr>
<tr>
<td>Business intelligence (reporting/tools)</td>
<td>44%</td>
<td>29%</td>
<td>48%</td>
<td>47%</td>
<td>37%</td>
<td>52%</td>
<td>43%</td>
<td>48%</td>
<td>37%</td>
<td>35%</td>
<td>44%</td>
</tr>
<tr>
<td>Workforce analytics/planning</td>
<td>14%</td>
<td>8%</td>
<td>15%</td>
<td>16%</td>
<td>6%</td>
<td>16%</td>
<td>11%</td>
<td>17%</td>
<td>15%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Social media</td>
<td>33%</td>
<td>27%</td>
<td>34%</td>
<td>30%</td>
<td>32%</td>
<td>28%</td>
<td>34%</td>
<td>37%</td>
<td>20%</td>
<td>38%</td>
<td>40%</td>
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</tbody>
</table>

5% above average

5% below average

Cloud technology has evolved from talent management suites to full HCM solutions

<table>
<thead>
<tr>
<th>System</th>
<th>Initial development</th>
<th>Current functionality</th>
<th>Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>SuccessFactors</td>
<td>Performance management</td>
<td>Complete HCM solution</td>
<td>HR has to take on more of a business partner role to attract, retain and foster talent.</td>
</tr>
<tr>
<td>Cornerstone OnDemand</td>
<td>Learning management</td>
<td></td>
<td>Now more than ever, organizations are relying on their HR technology to attain a competitive advantage in the scarce market for talent.</td>
</tr>
<tr>
<td>Kenexa</td>
<td>Recruitment system</td>
<td></td>
<td>A full talent management suite has grown among top talent management contenders.</td>
</tr>
<tr>
<td>SilkRoad</td>
<td>Content management</td>
<td></td>
<td>The leading talent management providers, according to Gartner,* are those with a strong, full talent management suite:</td>
</tr>
<tr>
<td>Lumesse</td>
<td>Recruitment system</td>
<td></td>
<td>▶ SuccessFactors.</td>
</tr>
<tr>
<td>PeopleFluent</td>
<td>Recruitment and compensation</td>
<td></td>
<td>▶ Cornerstone OnDemand.</td>
</tr>
<tr>
<td>Oracle Talent Cloud</td>
<td>Performance and compensation management</td>
<td></td>
<td>▶ Oracle Talent Cloud.</td>
</tr>
<tr>
<td>iCIMS</td>
<td>Applicant tracking</td>
<td></td>
<td>▶ There has been a proliferation of talent management system consolidation:</td>
</tr>
</tbody>
</table>

The future of cloud technology

There are three HCM cloud leaders in the market, each of which have a solid foundation and are continuing to invest and develop their product offerings.

- ✓ = Capability exists today
- — = Capability does not exist and is not on planned roadmap

<table>
<thead>
<tr>
<th></th>
<th>Core HR</th>
<th>Recruiting and onboarding</th>
<th>Performance management</th>
<th>Career and succession planning</th>
<th>Compensation</th>
<th>Benefits</th>
<th>Learning</th>
<th>Time, attendance and leave</th>
<th>Payroll</th>
<th>Analytics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Workday</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>—</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Oracle Fusion</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Success Factors</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>—</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Other HR cloud market players

- Accenture
- ADP
- Ceridian
- Cornerstone
- On Demand
- Globoforce
- Hunite
- IBM
- Kenexa
- Lumesse
- Mercer
- Meta4
- Neocase
- NetDimensions
- Northgate Arinso
- PageUp People
- Saba
- SafeGuard
- SAP
- SdaXtra
- Sd worx yammer
- SmartRecruiters
- SumTotal
- Towers Watson
EY collaborations

EY has strong awareness and internal education on these platforms:

Current collaborations
- SuccessFactors
- Ultimate
- iCIMS
- NetDimensions
- Cornerstone OnDemand

Potential collaborations
- Infor
- SumTotal
- RAMCO
Understanding the cloud
What is the cloud?

Cloud computing rests on the pillars of shared resources and network access to offer low-cost and on-demand rapidly provisioned resources.

Cloud computing is a model to enable rapid, on-demand network access to a shared pool of configurable computing resources (e.g., servers, storage and applications) released with minimal management effort or service provider interaction.

Deployment models
- Public cloud computing
- Hybrid cloud computing
- Private cloud computing

Service models
- SaaS
  - Software as a service
- PaaS
  - Platform as a service
- IaaS
  - Infrastructure as a service

From deployment models to service models, cloud computing offers options to businesses to adopt as per different users and applications.
# On-premise versus on-demand

Cloud HR solutions differ from on-premise ERP in what is required and what is delivered.

<table>
<thead>
<tr>
<th>On-premise ERP</th>
<th>Factor</th>
<th>Cloud solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>► High investment in IT resources and infrastructure</td>
<td>IT resources</td>
<td>► Low investment in IT resources and infrastructure</td>
</tr>
<tr>
<td>► Requires technical resources who have to keep up with changing technology</td>
<td></td>
<td>► Requires HR resources who understand data, business processes and technology</td>
</tr>
<tr>
<td>► Slow and expensive since internal IT must provide infrastructure</td>
<td>Deployment</td>
<td>► Quick and less costly since there is no dependence on IT resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td>► Can be used for deployment across a range of business applications</td>
</tr>
<tr>
<td>► Allows for significant customization – and accompanying maintenance costs</td>
<td>Customization</td>
<td>► No customization allowed since multitenant SaaS systems provide users with a single instance of software</td>
</tr>
<tr>
<td></td>
<td></td>
<td>► Protects users from themselves</td>
</tr>
<tr>
<td>► Periodic upgrade costs can run into the millions of dollars.</td>
<td>Upgrade costs</td>
<td>► No upgrade costs since there is only one version</td>
</tr>
<tr>
<td></td>
<td></td>
<td>► Periodic release of new functionality included in licensing costs</td>
</tr>
<tr>
<td>► Administered by highly technical IT resources, involving rigorous procedures and protocols</td>
<td>Administration</td>
<td>► Administered by HR operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>► ERPs are still struggling to provide a “consumer-grade” user interface.</td>
<td>Self-service</td>
<td>► Systems built on internet-based platform with consumer-grade interface for user friendliness</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>► Reports and analysis often requires significant coding resources.</td>
<td>Reporting and analytics</td>
<td>► Many reports included with solution and ad-hoc, configurable reporting is easily done</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>► ERP solutions are evolving mobile capabilities.</td>
<td>Mobile</td>
<td>► Mobile capabilities are already designed into the solution.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>► ERPs can be expensive and difficult to scale and respond to changes</td>
<td>Scalability</td>
<td>► Solutions are elastic and scalable, allowing for quick response to change and cost savings.</td>
</tr>
</tbody>
</table>

HR cloud technology
# IT deployment models

<table>
<thead>
<tr>
<th>Features</th>
<th>On-premise models</th>
<th>Cloud computing models</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Datacenter site location</td>
<td>On-premise</td>
<td>Off-premise</td>
</tr>
<tr>
<td>Network</td>
<td>Dedicated</td>
<td>Dedicated</td>
</tr>
<tr>
<td>Infrastructure management</td>
<td>In-house team or outsourced</td>
<td>In-house team or outsourced</td>
</tr>
<tr>
<td>Contract durations</td>
<td>-</td>
<td>Medium-short</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk of technology obsolescence</td>
<td>Medium-high</td>
<td>Medium-high</td>
</tr>
<tr>
<td>Payment model</td>
<td>Capex + opex</td>
<td>Opex</td>
</tr>
<tr>
<td>Procurement cycle</td>
<td>Long</td>
<td>Medium</td>
</tr>
<tr>
<td>Provisioning ease</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Scalability</td>
<td>Low (Constrained by existing capacity)</td>
<td>Medium (depends on allocated capacity)</td>
</tr>
<tr>
<td>Elasticity</td>
<td>-</td>
<td>Medium</td>
</tr>
</tbody>
</table>
## Benefits for HR technology

<table>
<thead>
<tr>
<th>Area</th>
<th>Cloud</th>
<th>On-premise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational</strong></td>
<td>► Quick deployment</td>
<td>► Functionality</td>
</tr>
<tr>
<td></td>
<td>► Procures and deploys compute resources in a few days</td>
<td>► Offers greater depth and breadth of features</td>
</tr>
<tr>
<td></td>
<td>► Offers customers six fully operational data centers, reducing</td>
<td>► Offers wider selection of vendors available since more mature market</td>
</tr>
<tr>
<td></td>
<td>site preparation time from months to weeks</td>
<td>► <strong>Customizability</strong>: software is not shared with multiple tenants,</td>
</tr>
<tr>
<td></td>
<td>► Compliance</td>
<td>allowing each company to tailor the model to meet its unique business</td>
</tr>
<tr>
<td></td>
<td>► Offers easy to audit dedicated infrastructure</td>
<td>needs.</td>
</tr>
<tr>
<td></td>
<td>► Usage reports that are compliant with ISO 27001 and SAS 70</td>
<td>► <strong>Data security and control</strong></td>
</tr>
<tr>
<td></td>
<td>standards</td>
<td>► Data is stored in-house and is restricted to third parties.</td>
</tr>
<tr>
<td></td>
<td>► Self-service manageability portal for easier provisioning and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>monitoring</td>
<td></td>
</tr>
<tr>
<td></td>
<td>► <strong>Scalability</strong>: fast response to business changes inclusive of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M&amp;As</td>
<td></td>
</tr>
<tr>
<td></td>
<td>► <strong>Reduced IT reliance</strong>: service provider maintains IT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>requirements, reducing resources required</td>
<td></td>
</tr>
<tr>
<td></td>
<td>► Data aggregation and consultation in one single instance</td>
<td></td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>► <strong>Reduced costs</strong></td>
<td>► <strong>Long-term financial savings</strong>: upfront cost to purchase licenses, but</td>
</tr>
<tr>
<td></td>
<td>► Offers virtualized compute environment, increasing resource</td>
<td>ongoing maintenance costs tend to be less than reoccurring subscription</td>
</tr>
<tr>
<td></td>
<td>utilization</td>
<td>fees incurred by cloud users.</td>
</tr>
<tr>
<td></td>
<td>► Optimizes and efficiently manages infrastructure through cloud</td>
<td></td>
</tr>
<tr>
<td></td>
<td>computing datacenter experts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>► Eliminates customization, in-house maintenance and upgrade costs</td>
<td></td>
</tr>
<tr>
<td><strong>Soft</strong></td>
<td>► <strong>User-friendly</strong>: intuitive interface requires less time and</td>
<td>► <strong>Enhanced user-friendliness</strong>: interfaces have been improved in recent</td>
</tr>
<tr>
<td></td>
<td>resources to be devoted to training</td>
<td>years to be more user intuitive.</td>
</tr>
</tbody>
</table>
## Challenges for HR technology

<table>
<thead>
<tr>
<th>Area</th>
<th>Cloud</th>
<th>On-premise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational</strong></td>
<td>► Mitigating cloud security and data privacy risks</td>
<td>► Difficult to upgrade due to customization</td>
</tr>
<tr>
<td></td>
<td>► Service level agreements (SLAs) with vendors</td>
<td>► Longer implementation timeline</td>
</tr>
<tr>
<td></td>
<td>► Limited customizability due to multi-tenancy</td>
<td>► Customization requires ongoing support and maintenance through upgrade processes</td>
</tr>
<tr>
<td></td>
<td>► Transition to service management requires mind shift as well as</td>
<td>► Capacity relatively fixed</td>
</tr>
<tr>
<td></td>
<td>operational shifts that will be coupled with change management efforts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>► Integration application with cloud in the equation</td>
<td>► High reliance on IT resource and infrastructure</td>
</tr>
<tr>
<td></td>
<td>► Regulatory compliance in multiple jurisdictions</td>
<td></td>
</tr>
<tr>
<td><strong>Financial</strong></td>
<td>► Recurring subscription fees</td>
<td>► Cost-intensive model</td>
</tr>
<tr>
<td></td>
<td></td>
<td>► Requires a large, upfront cost for licensing software</td>
</tr>
<tr>
<td><strong>Cultural</strong></td>
<td>► IT and corporate culture shock resulting from a loss of control over a traditionally internal function</td>
<td>► Periodic upgrade costs can run into the millions of dollars</td>
</tr>
<tr>
<td></td>
<td>► Customer acceptance and adoption</td>
<td></td>
</tr>
</tbody>
</table>

### Multi-tenancy versus single tenancy

**Functional effects of different technology stacks**

<table>
<thead>
<tr>
<th></th>
<th>Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single tenancy:</strong></td>
<td>- Security</td>
<td>- Cost</td>
</tr>
<tr>
<td></td>
<td>- Easy to backup and restore database</td>
<td>- Support to new customers can only be scaled out in a linear fashion</td>
</tr>
<tr>
<td></td>
<td>- Flexibility</td>
<td>- Difficult to upgrade</td>
</tr>
<tr>
<td></td>
<td>- Control over upgrades</td>
<td>- Heavy reliance on technical staff</td>
</tr>
<tr>
<td></td>
<td>- Dedicated server</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Reliability – one customer’s actions can impact all others</td>
</tr>
<tr>
<td><strong>Multiple tenancy:</strong></td>
<td>- Cost</td>
<td>- Limited ability to manage content</td>
</tr>
<tr>
<td></td>
<td>- Less reliance on IT support</td>
<td>- Storage and access limitations</td>
</tr>
<tr>
<td></td>
<td>- Easy to upgrade</td>
<td>- Backup not always offered</td>
</tr>
<tr>
<td></td>
<td>- Everyone benefits from all development since software updates are standardized</td>
<td>- Costly to move from SaaS to self-hosted environment</td>
</tr>
<tr>
<td></td>
<td>- Easy to add new customers</td>
<td>- Limited customizability</td>
</tr>
<tr>
<td></td>
<td>- Less data center equipment</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Single tenancy refers to one customer using a single instance of the software application, while multiple tenancy refers to multiple customers sharing a single instance of the software application.*
Multi-tenancy architecture

What is the threat posed by multi-tenant architectures?

- Lack of data isolation
- Loss of critical information
- Service unavailability

How can we minimize this threat?

- Carefully evaluate the security capabilities and integrated functionality of each service model.
- SaaS: evaluate service levels, security, governance, and compliance and liability expectations.
- IaaS or PaaS:
  - System administrators must effectively manage security in collaboration with service providers.
  - Virtualization techniques must be supplemented with security measures for compute, storage and network security enforcement and monitoring.
  - Restrict access to other tenants’ actual or residual data, network traffic, etc., must be restricted.
Cloud consumption via three deployment models

When considering cloud implementation, many organizations are making a gradual movement from the private toward the public model.

**Public cloud:** the cloud infrastructure is made available to the general public or a large industry group and is owned by an organization selling cloud services.

**Hybrid cloud:** the cloud infrastructure is a composition of two or more clouds (private, community or public) that remain unique entities but are bound together by standardized or proprietary technology that enables data and application portability (e.g., cloud bursting for load balancing between clouds).

**Private cloud:** the cloud infrastructure is operated solely for an organization. It may be managed by the organization or a third party and may exist on premise or off premise.
Key risks associated with cloud computing

- Security and privacy
  - Privileged user access abuse
  - Management interface compromise
  - Economic denial of service
  - Service engine compromise
  - Social engineering attacks

- Physical environment
  - Backups lost or stolen
  - Unauthorized access to premises
  - Theft of computer equipment
  - Natural disasters

- Cloud computing key risks
  - Data leakage
  - Insecure or inefficient deletion of data
  - Distributed denial of service
  - Loss of encryption keys
  - Data recovery

- Legal and regulatory
  - Subpoena and e-discovery
  - Risk from changes of jurisdiction
  - Data protection risks
  - Licensing risks
  - Compliance challenges

- Infrastructure
  - Network breaks
  - Network management
  - Modifying network traffic
  - Cloud hopping (between tenants)

- Third-party suppliers and outsourcing
  - Poor quality of service
  - Metering or billing manipulation
  - Liability and assurance risks
  - Lack of certified resources

- Data
  - High risk: Data leakage
  - Moderate risk: Insecure or inefficient deletion of data
  - High risk: Distributed denial of service
  - Moderate risk: Loss of encryption keys
  - High risk: Data recovery
  - Moderate risk: Data recovery

- Network breaks
  - High risk: Network breaks
  - Moderate risk: Network breaks

- Network management
  - High risk: Network management
  - Moderate risk: Network management

- Modifying network traffic
  - High risk: Modifying network traffic
  - Moderate risk: Modifying network traffic

- Cloud hopping (between tenants)
  - High risk: Cloud hopping
  - Moderate risk: Cloud hopping

- Subpoena and e-discovery
  - High risk: Subpoena and e-discovery
  - Moderate risk: Subpoena and e-discovery

- Risk from changes of jurisdiction
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- Data protection risks
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- Licensing risks
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- Compliance challenges
  - High risk: Compliance challenges
  - Moderate risk: Compliance challenges

- Network breaks
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  - High risk: Licensing risks
  - Moderate risk: Licensing risks

- Compliance challenges
  - High risk: Compliance challenges
  - Moderate risk: Compliance challenges
De-risking cloud for chief human resource officers

At its inception, and even today, companies’ top concern with the cloud is security – but what has reduced the risk?

- Vendors provide flexibility to move between cloud and on-premise solutions.
- Development of security and controls limit the number or type of users with access to sensitive data.
- Control frameworks, such as Cloud Security Alliance (CSA), Microsoft Cloud Risk Decision Framework and Common Assurance Maturity Model (CAMM), have been deployed.
- As the cloud has been accepted by more clients, service providers have more capital to invest in better security systems, reducing the risk of security attacks.

EY conducts a neutral assessment to determine if the cloud model is fit for the client. Assessment would include areas, such as privacy laws, availability, SLAs, costs and benefits.
Integrating business and HR strategies through cloud technology
Framework for integrating HR and business

We help clients leverage HR technology to integrate their HR and business strategies and enable their business to meet the evolving demands of today’s workplace.
# Current challenges and strategic response
## HR as a business partner

HR has evolved into a business partner role, with a focus on furthering an organization’s business agenda.

<table>
<thead>
<tr>
<th>Business imperatives</th>
<th>HR challenges</th>
<th>HR’s response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market reach</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>▶ Deliver services locally via a global model</td>
<td>▶ Establish global governance structures and clarify roles</td>
</tr>
<tr>
<td></td>
<td>▶ Align with business expansion and contraction</td>
<td>▶ Drive standardization across HR operating model and allow for local flexibility</td>
</tr>
<tr>
<td></td>
<td>▶ Source and sustain a global talent pool (Talent management)</td>
<td>▶ Continuously improve global service delivery approach and methodologies</td>
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<td></td>
<td></td>
<td>▶ Build internal consulting and change capabilities to support business needs</td>
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<td></td>
<td></td>
<td>▶ Routinely incorporate HR’s insight in business decisions</td>
</tr>
<tr>
<td><strong>Operational excellence</strong></td>
<td>▶ Increased complexity of HR regulatory environment</td>
<td>▶ Establish HR policy, risk and compliance specialists across the business</td>
</tr>
<tr>
<td></td>
<td>▶ Flexibility of HR operating model to support rapid deployment</td>
<td>▶ Develop standardized approach to support rapid deployment, acquisition and different customer requirements</td>
</tr>
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<td></td>
<td>▶ Achievement and maintenance of consistency from transformational efforts</td>
<td>▶ Utilize metrics and analytics to anticipate customer demands</td>
</tr>
<tr>
<td></td>
<td>▶ Analytics to support business decisions</td>
<td>▶ Provide workforce analytics and business insight to facilitate business decisions</td>
</tr>
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<td></td>
<td></td>
<td>▶ Deliver services from within emerging markets</td>
</tr>
<tr>
<td><strong>Cost leadership</strong></td>
<td>▶ Sustenance of ROI on transformation</td>
<td>▶ Conduct independent review of ROI against transformation business cases</td>
</tr>
<tr>
<td></td>
<td>▶ Further demand for HR cost reductions</td>
<td>▶ Reevaluate regulations for off-shoring and outsourcing arrangements for customer satisfaction and cost-effectiveness</td>
</tr>
<tr>
<td></td>
<td>▶ Need for global standardization</td>
<td>▶ Drive standardization of policies and processes to leverage common infrastructure</td>
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<tr>
<td></td>
<td></td>
<td>▶ Leverage transactional activities to low-cost environments and resources</td>
</tr>
<tr>
<td><strong>Stakeholder confidence and differentiation</strong></td>
<td>▶ Demonstration of strategic and operational value delivered</td>
<td>▶ Establish control framework to ensure ongoing effectiveness and satisfaction</td>
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<tr>
<td></td>
<td>▶ Prior HR transformation results not sustained</td>
<td>▶ Determine measurements relevant to key stakeholders of the HR function</td>
</tr>
<tr>
<td></td>
<td>▶ Customer confusion with HR access points</td>
<td>▶ Establish clear accountabilities for business partners, shared service centers, centers of excellence and outsourced providers</td>
</tr>
<tr>
<td></td>
<td>▶ Protection of the brand – manage compliance to minimize risk</td>
<td>▶ Educate customers on HR access points</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▶ Differentiate between competitors by following leading practices and innovating</td>
</tr>
</tbody>
</table>
HCM cloud credentials and strategies for successful implementation
### HCM global cloud methodology

#### Prerequisites
- Program and project management
- Process, technology and integrations
  - Project team orientation
  - Testing and rollout strategy
- Communications, training strategy
- Change management and transition strategy
- Project charter, plan, project templates

#### Plan
- Global design
- Local design

#### Architect
- Final design
- Final design

#### Design
- Deploy
- Test
- Test

#### Iterative process
- Configuration
- Conversion loads
- Prototype review
- Prototype
- Iterative process

#### Process, technology and integrations
- Requirements document, blueprint, configuration documents
- Global and local design
- Testing plan, scripts and testing
- Production readiness and go-live

#### Training, communications and transition management
- Change readiness
- Training plan and curriculum
- Training materials and training
- Change management and transition plan
- Employee transition

#### Program and project management
- Status reporting and project and quality risk reviews
- Cutover plan and go-live checklist; project closure
# Cloud success strategies

<table>
<thead>
<tr>
<th>Pre-implementation</th>
<th>Implementation</th>
<th>Post-implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accelerated design sessions</strong>&lt;br&gt;Rapid implementation (one week session for each region) to gather requirements, agree on activities and identify local considerations</td>
<td><strong>Collaboration</strong>&lt;br&gt;Facilitate collaboration to engage stakeholders, accelerate decision-making and manage change</td>
<td><strong>Data analytics and reporting</strong>&lt;br&gt;Integrate cloud analytical capabilities into strategic decision-making by targeted training, data maintenance and integration and ongoing reporting support</td>
</tr>
<tr>
<td><strong>SOX and global compliance considerations</strong>&lt;br&gt;Complete understanding of local compliance requirements to identify and integrate these considerations, including SOX, data privacy, local norms, labor impact and local culture</td>
<td><strong>Functional support</strong>&lt;br&gt;Utilize HR subject matter resources who can translate requirements into the technical configuration</td>
<td><strong>Root cause analysis</strong>&lt;br&gt;Use centralized error tracking mechanism, design and document processes around errors detected, researching and resolving the root cause</td>
</tr>
<tr>
<td><strong>Due diligence</strong>&lt;br&gt;Due diligence on system capabilities. Critical to clearly define the configuration on the front end</td>
<td><strong>Manager culture change</strong>&lt;br&gt;Manage cultural change for managers by training transactions and owning results</td>
<td><strong>Release management</strong>&lt;br&gt;Develop a response team and approach to manage system updates on an ongoing basis Understand changes, perform regression analysis, implement the upgrade and necessary workarounds, and deliver the needed communications and training to impacted end users</td>
</tr>
<tr>
<td><strong>Data standards and governance</strong>&lt;br&gt;Implement global data standards: aggregate data onto a single system of record, minimize manual conversion and validate data accuracy with local users</td>
<td><strong>Customized training</strong>&lt;br&gt;Supplement the standard vendor training with process-specific training</td>
<td><strong>Data standards and governance</strong>&lt;br&gt;Implement global data standards: aggregate data onto a single system of record, minimize manual conversion and validate data accuracy with local users</td>
</tr>
<tr>
<td><strong>Process standards</strong>&lt;br&gt;Identify and tailor the processes to your organization globally and locally early on</td>
<td><strong>Documentation</strong>&lt;br&gt;Maintain documentation around key decisions, approvals and activities to support learning, knowledge retention and audit requirements</td>
<td><strong>Community</strong>&lt;br&gt;Leverage cloud system diverse and extensive communities to drive continuous improvement on a decentralized level</td>
</tr>
<tr>
<td><strong>Roles and responsibilities</strong>&lt;br&gt;Clearly define roles and responsibilities within the organization</td>
<td><strong>Testing</strong>&lt;br&gt;Early user testing while weighing the volume of testing, stakeholder involvement and extent</td>
<td></td>
</tr>
<tr>
<td><strong>Reporting requirements</strong>&lt;br&gt;Understand the out-of-the-box reporting requirements and align with user needs</td>
<td><strong>Project resource management</strong>&lt;br&gt;Utilize additional resources for requirements gathering, testing, global process walk-throughs and sign-offs</td>
<td></td>
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</tbody>
</table>
## EY HCM cloud implementation success stories

<table>
<thead>
<tr>
<th>Project overview</th>
<th>EY role</th>
<th>Key outcomes/value delivered</th>
</tr>
</thead>
</table>
| **Cloud computing requirements framework development for a health insurance provider** | ► Performed interviews and reviewed relevant documentation to gain an understanding of key requirements within the following areas: (1) business, (2) compliance and audit, (3) governance, (4) legal, (5) operations, (6) privacy, security and technical, (7) procurement and (8) risk management  
► Assisted in developing a requirements framework in support of the vendors selection process related to engaging cloud service providers | ► This effort resulted in the development of a customized framework of requirements that will assist the company in the selection of cloud service providers so that the transition to the new computing model will not introduce excessive risk to the organization and will enable close alignment to the company’s business objectives, overall risk tolerance and IT strategy. |
| **Workday pre-implementation design and planning for high technology company** | ► Establish guiding principles for HR service delivery  
► Design and document standard HR processes  
► Define the future HR roles and competencies | ► Prepared the HR organization to scale for growth  
► Addressed challenges of the current HR technology infrastructure  
► Identified opportunities to streamline and automate future processes through Workday  
► Designed and documented globally standard HR processes enabled by Workday  
► Designed a consistent employee experience  
► Enhanced HR efficiency |
| **Workday project management office (PMO) and functional support** | ► Payroll work stream PMO support  
► Payroll compliance advisory  
► Payroll requirements review  
► Workday configuration advisory around time tracking, H&W, retirement, earning and deduction code setup, including tax setup  
► Functional support  
► Payroll process optimization | ► Timely and successful migration from the incumbent US payroll system, PeopleSoft, to Workday  
► Execution of payroll for 100% of the implied US population with no support (e.g., transition services agreement (TSA) from the parent company effective go-live data of 4/1  
► Creation of sustainable processes, procedures and controls to support future state of US payroll operations |
| **Cloud-based HR system selection for a midsize utility** | ► Utilized EY’s IT transformation capabilities to assist client execute an HR request for proposal (RFP) to evaluate managed hosted and cloud-based HR solutions  
► Analyzed vendor responses  
► Collaborated with client to prepare and execute a cloud-based HR vendor demonstration  
► Provided program and change management support | ► EY’s assets were used for cloud computing to provide client with a decision framework to complete in-depth vendor response and demonstration scoring analysis  
► EY collaborated closely with the client to keep the program on track and drive vendor selection process to completion, and to implementation kick-off in a four-month span |
Summary
Summary

In this presentation we:

► Defined cloud technology and EY’s point of view
► Identified the trends in HR technology and the key vendors and technology models
► Explained how to integrate business and HR strategies through cloud technology
HR cloud singlefold
Cloud is changing the game for Human Resources

HR challenges:
- Agility to respond to rapidly changing business needs
- Integrating core HR with payroll
- Highly variable business processes
- Optimizing the return on system spend
- Labor and time intensive responses to business questions
- Disproportionate time spent on transactions instead of business issues
- Struggling with outdated systems
- Scalability to support global expansion
- Confusing array of HR system choices

The aspiration:
- Optimized HR operating model
- Multiple disconnected systems
- Achieving economies of scale
- Under utilization of self service
- M&A activity
- Process and technology intertwined
- Mobile transactions
- Consumer grade employee experience
- High rates of self service usage

Enabled by the cloud:
- HR led systems
- Requires standard processes and data
- Avoids the customization trap
- Continuous innovation
- Ubiquitous access
- Native analytics and insight
- Iterative design and prototypes
- Intuitive self service
- Real time access to live information

300%
Future growth toward cloud – Cloud is growing 3x as fast as other technologies

49% → 77%
Service delivery driven technology deployments are at 49% today but will be 77% within the next 3 years

33% → 66%
33% of top performers have moved to the cloud. Within the next 12 months 66% of top performers will have moved to the cloud

35% and 95%
higher revenue, higher net income

69%
of companies are moving to cloud to drive higher user adoption of HR systems

Source: CedarCrestone 2012-2013 HR Systems Survey

People drive business success | Cloud is changing the game for Human Resources
### Moving forward

<table>
<thead>
<tr>
<th>Comments</th>
<th>Yes</th>
<th>No</th>
<th>Urgency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the HR service delivery model and technology solution to support the business been defined?</td>
<td></td>
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<tr>
<td>Is the HRIS strategy inclusive of all processes (e.g., payroll, learning, etc.)?</td>
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<tr>
<td>Is there alignment with the business and leadership support for proposed change initiatives?</td>
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<tr>
<td>Have the business requirements been identified and a business case with technology roadmap been developed?</td>
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<tr>
<td>Has a market assessment been performed or a vendor selection been conducted?</td>
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<tr>
<td>Have future state data flows been defined, including data rationalization?</td>
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<tr>
<td>Is the approach and capacity required to implement the solution understood?</td>
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<tr>
<td>Have the necessary resources to implement been identified and secured?</td>
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<tr>
<td>If some solution components have already been implemented, was the full plan functionality used and the original objectives met?</td>
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<tr>
<td>Have the benefits outlined in the original business case been realized?</td>
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<tr>
<td>Are the native analytics being used to deliver increased value to the business effectively?</td>
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</tbody>
</table>

### Our perspective - A HR technology framework is

1. **Assess**
   - Roadmap
   - Business case
   - Inventory/portfolio
   - Vendor selection

2. **Implement**
   - Process and data rationalization
   - Program redesign

### Next steps

- Confirmation of what we heard
- Facilitated session
- Move forward with prioritized follow-up actions

**Updated: 19 February 2014. Version 3.0**

To be customized for your specific client session
Refer to the Human Capital CHS for the latest version

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ED Note