

Concerns Over Cloud Computing



There's a great deal of concern among HR thought leaders and architects of HR systems over the "cloud," or use of systems and applications that are owned by

someone else and are accessed over the Internet.

In short, the people who will be delivering services in a cloud-computing environment are getting nervous. What we all need to focus on is whether cloud computing works for us at all and, if so, in what dimensions and for what services and applications?

In a cloud model, an HR team is buying a basket of HRIT functionality that is produced by an IT provider who owns the code and the servers on which it runs.

It is fundamental to the model that the IT provider sells its service to multiple customers and is "multi-tenant"—meaning it can supply services to many different clients at once.

Where the services come from is not of great importance to the HR executive. Hence, the cloud image: We send our termination notices to the IP address supplied to us by the IT provider, and the work gets done on servers in Bangalore, India; Dayton, Ohio; or next door—but we don't know where they are.

What we do know is that the HR executive is avoiding up-front capital expense and is, instead, likely opting for higher operating costs.

So far, we have verified the first major premise of cloud computing, or Software as a Service. We have avoided capital expenditure and have shifted part of our cost model to a likely higher operating expense.

It is not certain that our operating expense will be higher than owning, maintaining and operating servers and applications for HRIT ourselves. That is a complex analysis, and the total cost of ownership in a cloud model is just beginning to be visible.

In deciding whether the savings of capital is worthwhile, the HR executive has to evaluate some difficult and intangible questions. A cloud model necessarily means that customization of individual company needs will be limited. It has to be; the IT provider cannot keep customizing the system for each client. To do so means that the one set of code rules for all customers becomes 500 sets of code rules for 500 customers, and the model does not work anymore.

So, the cloud provider has a built-in bias against customization. If you are the HR executive of a high-touch, highly customized environment, then "one size fits all" will not work for your needs.

Analyze the cultural fit and your specific needs carefully. If you recognize that your benefits, your highly variable compensation structure and your divisional performance and learning needs are quite variable by business unit and by changes in the business, then cloud computing will likely not work as your overall HRIT service model.

Cloud computing is, to a certain extent, "crowd computing." It has to be essentially the same service model for everyone.

That may not work for you.

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