

Why is Cloud-based HR Software the Future?

The growth of the cloud has enabled businesses of all sizes to make use of software they may not have been able to in the past.

Without the requirement of costly servers and time consuming mandatory software updates, many smaller businesses are now discovering the benefits of cloud-based software.

This guide will help you compare the costs and benefits associated with cloud-based HR software when compared with the traditional software licence model.



An introduction to the Cloud

The introduction of the cloud has brought with it a new wave of business solutions offering significant benefits over traditional 'on premise' installed software.

The cloud enables business software applications such as HR or CRM, which are not installed on your organisation's own computers or network, but are securely accessed from any computer that is connected to the internet.

In contrast to the traditional 'on-premise' software, which is installed on your own company's network or PCs and available to a limited number of users, the cloud is available whenever and wherever needed. Any authorised user can securely log in to the software from anywhere with an internet connection. The software is located on secure servers in a location managed by experts to ensure security and connectivity of the highest standards.



Software As A Product: The Old Way Of Doing Things

In the 1980's the first commercially available HR solutions were character based, green-screen software solutions. These were followed in the 90's by Microsoft Windows-based software which was better designed and easier to use.

The defining characteristic for both these generations of software was that you purchased the software license and you hosted it yourself.

This means you were responsible for:

- Providing the hardware to host the software on
- Providing power, keeping the server cool, security controls
- For a fee the software provider would manage upgrades for you

Alternatively you could manage upgrades and installs yourself but your company would carry the risk of downtime and lost data without having any recourse.

This came with large, often prohibitive, upfront fees along with costs associated with upgrading and maintaining the software. Because the software company made most of their fees upfront there was little financial incentive for them to provide good levels of support once the sale had closed.

A Common Misconception

Most people don't realise that when you "purchase software" you're not actually purchasing the software. What you're really paying for is a restricted license to use the software. Typically this is either a "Site License" which means that everyone within a building/office can use the software or a "Seat License" which means that you purchase the right for X number of people to use the software at the same time.

If you purchase a license with 10 seats then you can have up to 10 people logged into and using the software at any one time. Often, if your business takes on a new starter, you cannot simply upgrade to an '11 person licence', you would need to upgrade to the next available Site Licence. This would typically be a 20-person licence, and would mean that your business finds itself paying for an excess of people it may not yet employ.



The Value Experienced Through A Purchased HR System License

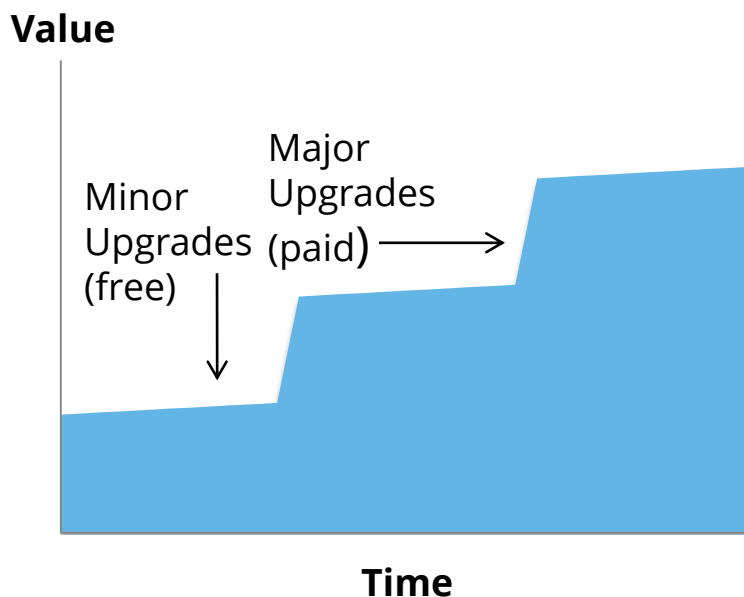
A familiar example of how purchasing a software license works is Microsoft Office. With Office you would purchase the software and install it on your computer. Over time Microsoft would realise that some parts of the software weren't working properly and they would issue incremental product updates which you could install for free.

After a couple of years Microsoft would then release a new Office package with new or vastly improved features. Your existing package would continue to work fine but, unless you purchased an upgrade package, you weren't going to benefit from the new features and functionality from the new release. Over time most people chose to pay for the upgraded version.



The Value Experienced Through A Purchased HR System License (Cont.)

The chart below shows the hypothetical value a company will get from a typical “purchased” software license model over time. After purchasing the license there is a gradual increase in the value/functionality derived from the software as bugs are fixed and minor features are improved, usually free of charge (NB. There would be still be a cost for implementing these improvements, either from having your own in-house IT department to install these updates or to pay for external engineers to come into the office to manage the update).

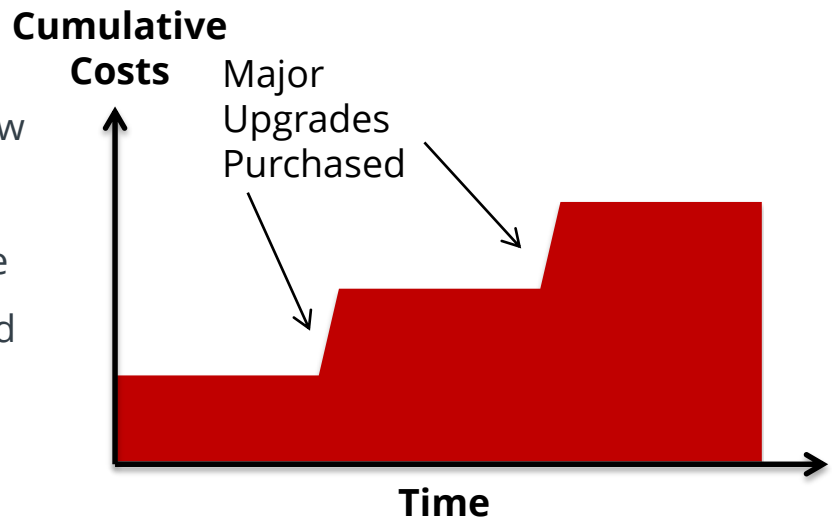


The sharp rises in functionality/value are attributed to a purchase of a new upgraded version of the software. It's worth noting that in most cases the legacy software will continue to operate effectively for a period of time after a new upgrade is released, even if your company hasn't purchased the upgrade yet. The flip side of this is that until the major upgrade is purchased your company won't benefit from the increased functionality that is available in the market.

Purchasing HR Software License Costs

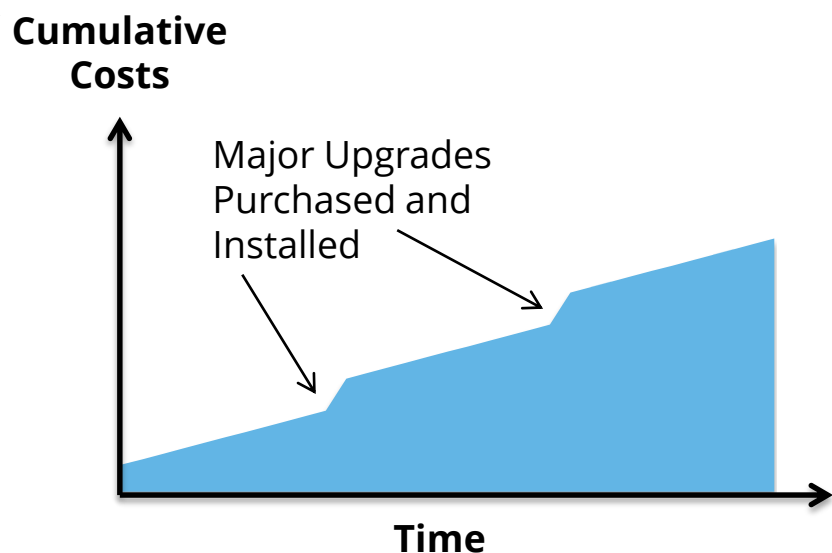
License Purchase

The chart to the right shows how costs are incurred by the company purchasing a software license. Major costs are incurred at the initial purchase and each subsequent upgrade.



Maintenance Costs

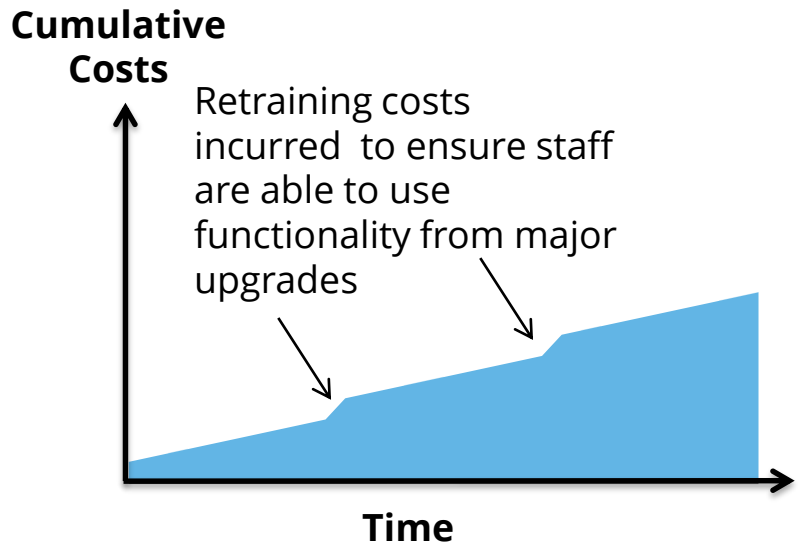
The costs for maintaining your HR system (power, cooling, security, IT support etc.) are incurred at a reasonably steady pace throughout time. If you outsource your IT support it's likely that you will incur additional fees at each new major upgrade where new software is installed on your servers, you might also need to upgrade your hardware to run the software effectively, again resulting in additional costs.



Purchasing HR Software License Costs (Cont.)

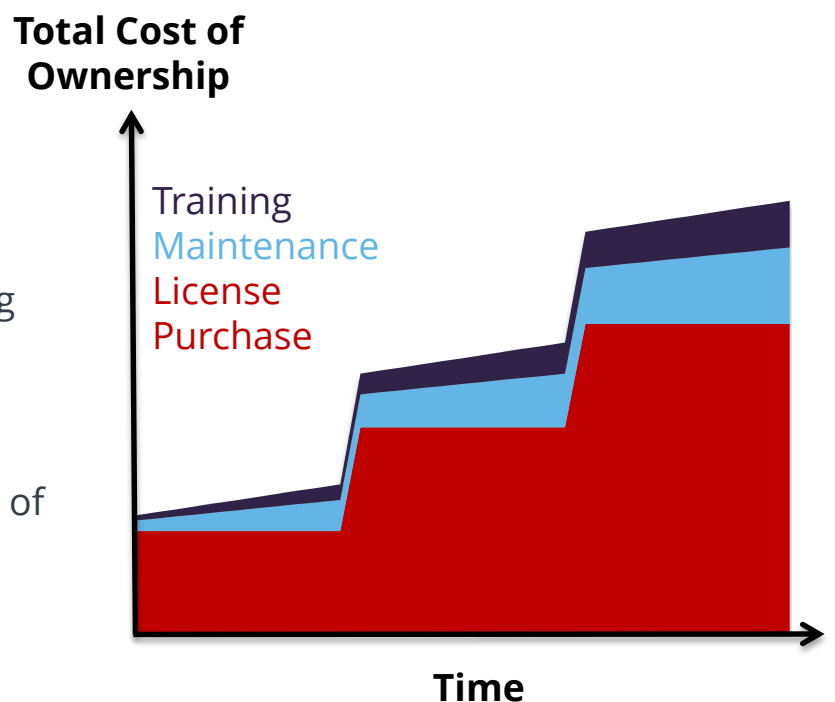
Training Costs

Training costs are again incurred at a reasonably steady rate throughout time however, because there are large scale changes to the system when updates are released additional training may be required to ensure the workforce is able to continue using the software effectively.



Total Cost of Ownership

Even though you're purchasing the licence for the software upfront there are still ongoing costs throughout the life span of owning the software license.



The Value Experienced Through Cloud-based HR Software

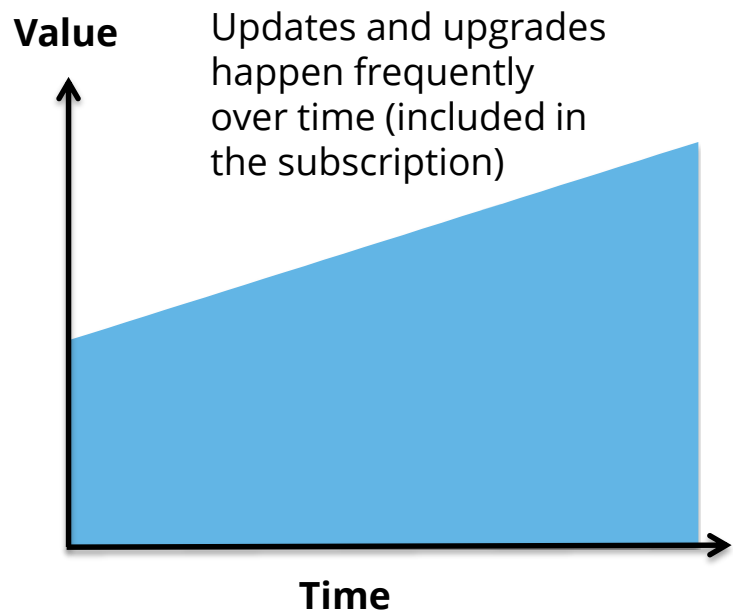
With cloud-based HR software, clients pay a regular subscription and in return receive access to the software via their internet browser.

Because the software vendor receives most of their revenue from recurring subscriptions they are heavily incentivised to maintain strong client relationships through providing excellent customer support.

The software vendor is responsible for maintaining the software on their own servers and updates happen as a matter of course as part of the subscription fees.

This chart shows that incremental upgrades and updates happen over time.

Because the software provider doesn't need to physically install new software at each client site for every new release it's possible to ship upgrades frequently. This means there is no need for major upgrades as they happen steadily over time.

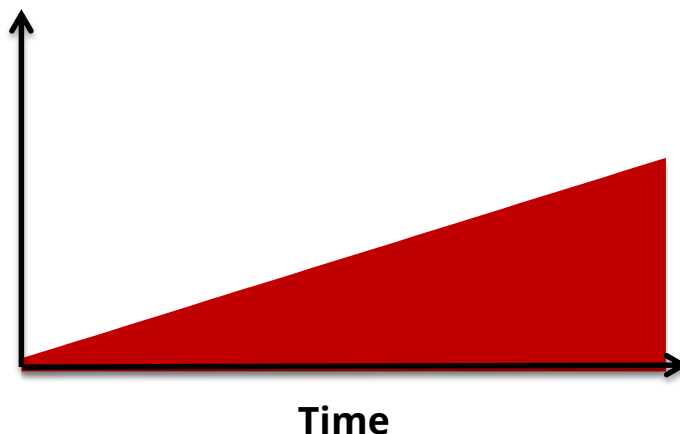


Cloud HR Software Costs

Subscription Fees

A regular subscription is paid over time. With this model, upfront fees are kept to a minimum and, because upgrades happen as a matter of course, which are also included in the subscription fee, there is no need to purchase expensive new upgrades.

Cumulative Subscription Costs

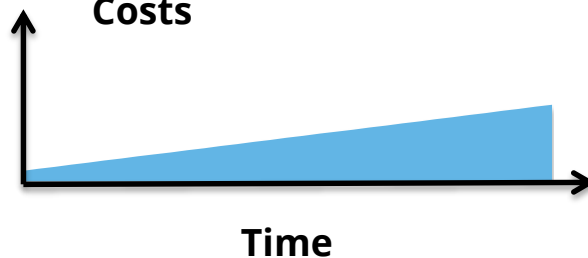


There are no maintenance fees directly incurred by the client as all hardware, power, cooling and security etc. is provided by the software vendor as part of the monthly subscription. As the software vendor is effectively paying for these items “in bulk” they are able to achieve cost savings when compared against the cost for individual companies funding their own maintenance fees.

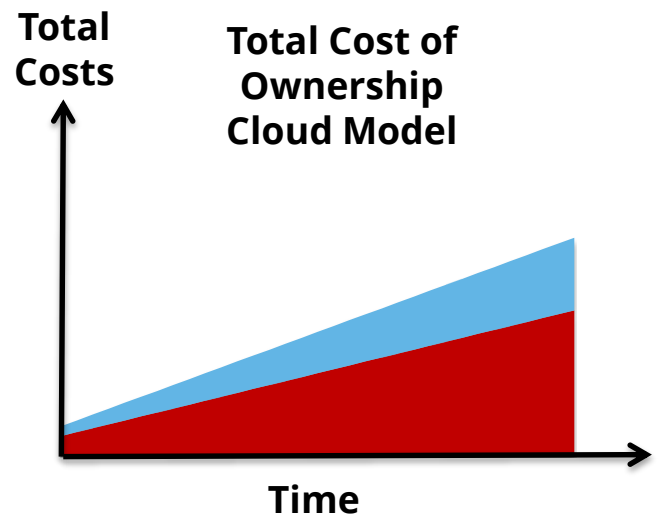
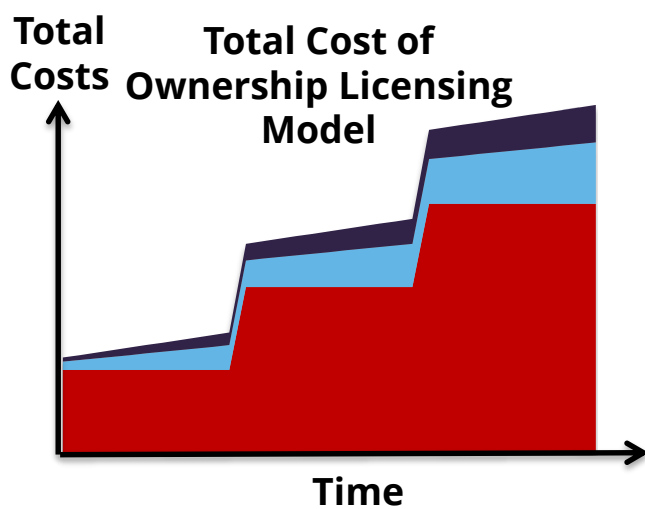
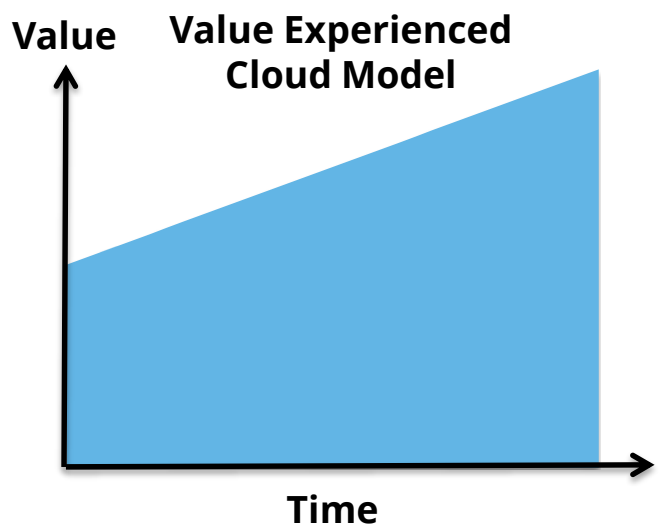
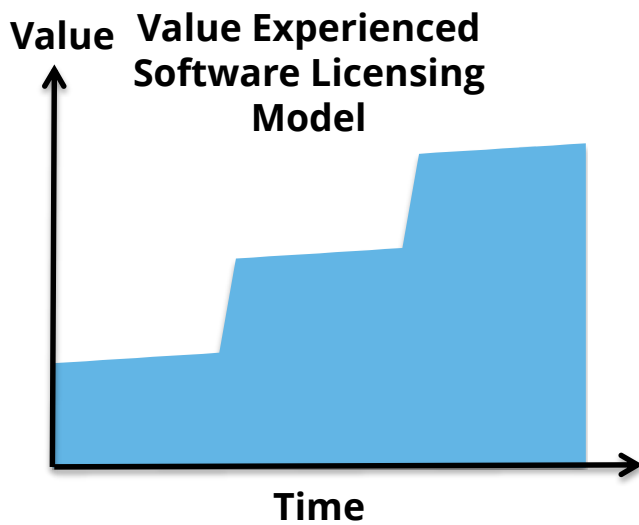
Training Costs

The notable difference compared against training costs for the software license model is that there are no bumps in training costs associated with retraining the workforce to accompany Major upgrades.

Cumulative Training Costs



Comparing Cloud HR Against Traditional Software Licensing



Conclusion

The cloud **offers significant benefits** against the traditional software licensing model, both in terms of the benefits experienced by its users and in the total cost of ownership.

By avoiding large upfront fees enterprise level HR software is now available to small businesses and not just major corporations. As well as the feature and financial benefits of the cloud model other major benefits include:

- The cloud-based provider is financially motivated to provide excellent client support.
- Updates are more frequent. Because “Major Upgrades” are avoided, retraining is not required.
- There is no lag between an improvement being released and a client experiencing improved functionality.
- Unlike installed software cloud-based HR systems are inherently easy to scale as the needs of your business change. For self service software that will be used by the entire organisation this is critical.
- The Time Value of money should also be considered. (essentially this means that £100 today is worth more than £100 in the future). Because the cloud avoids large initial fees the cost savings in real terms are magnified.

IRIS HR

[IRIS HR](#) helps your business to comply with the latest employment legislation and enables you to manage your employees more efficiently through an online, self-service HR system. It delivers the level of quality and reliability that thousands of businesses across the UK have come to expect from IRIS.

IRIS HR is Ideal for small businesses, this flexible, modular HR software enables you to use the features that are critical to your business without having to pay for functionality you don't need. The software helps you to spend less time managing the day-to-day admin of HR, and more time adding real value to your business.

The software is available in IRIS HR Standard, IRIS HR Plus, and IRIS HR Pro versions.

IRIS HR integrates with all IRIS and Earnie payroll software (excluding IRIS PAYE-Master, Earnie IQ and IRIS GP Payroll), speeding up the set-up of your new software. IRIS HR helps to streamline your payroll processes by managing new starters and salary changes more efficiently. The integration between IRIS HR and your payroll software will reduce your manual entry, saving you time and reducing the potential for errors.



To arrange a one-to-one software demonstration of IRIS HR:

Visit: www.iris.co.uk/hr | Call us on: **0844 815 5656** | Email: sales@iris.co.uk

About IRIS Software Group

With over 37 years' experience, IRIS provides business critical software and services to the UK SME sector and accountants in practice. Over 90,000 small and medium-sized companies including 18,000 accountancy practices rely on IRIS every day to run their business and collaborate, with over 600,700 employees being assessed for auto enrolment each pay period using the [IRIS AE Suite™](#).

IRIS Software Group is a leading provider of auto enrolment software for businesses, accountants and GPs in the UK. IRIS software is used by 14% of UK businesses that operate under PAYE to pay their employees. All customers receive the greatest choice of payroll software and services managed under the brands IRIS, Earnie and KashFlow.

IRIS is renowned for ensuring that all software and services are completely up to date with the latest legislation which means that you in turn as a customer are also kept compliant. Our recently launched IRIS Human Capital Management (HCM) division aims to “be the employee engagement engine, making the HR process flow, enabling our customers to focus on people not the process.” The brand names IRIS, Cascade and KashFlow all come together under IRIS HCM.

To see how IRIS can help your business thrive, get in touch today.

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