Industry Developments and Models

Oracle OpenWorld 2016: Buyer Perspectives on Moving HCM to the Cloud

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IDC OPINION

Every decision to change and adopt a new HCM system is unique, but some common themes arose from recent discussions with Oracle HCM Cloud clients at Oracle’s recent OpenWorld event held September 18–22 in San Francisco. This study presents key highlights from discussions with these clients to offer insight for buyers considering moving to cloud for HCM. Some highlights are:

- IDC research indicates that modernizing technology and achieving more cross-HR integration are top drivers for moving HCM to the cloud.
- The reasons for selecting a vendor are myriad, but in the case of the Oracle HCM Cloud clients, there were some common themes. The most frequently cited vendors included in the competitive process were ADP, SAP SuccessFactors, and Workday.
- Oracle clients indicated that third-party systems integrators are of particular value in data conversion, a task acknowledged by clients to be one of the most time consuming and critical to project success. Partners are also very helpful with developing and implementing integrations between the Oracle HCM Cloud products and many other HCM systems or services in place.
IN THIS STUDY

Oracle held its annual OpenWorld customer event in San Francisco from September 18 to 22, 2016. A number of Oracle HCM Cloud clients presented on their decision making to adopt cloud and their journeys to get there. This study presents key highlights from discussions with these clients to offer insight for buyers considering moving to cloud for HCM.

SITUATION OVERVIEW

When Oracle CTO Larry Ellison himself talks about HCM in his opening keynote, you know that Oracle is very serious about succeeding in the cloud HCM market. Ellison stated that Oracle has sold more cloud software than any other firm with $2 billion in SaaS recurring revenue across all of Oracle's software offerings – Oracle HCM Cloud now serves 15 million employees not including Taleo. The 15 million was painstakingly calculated to counter past industry comments that have questioned Oracle’s cloud momentum pronouncements, according to Steve Miranda, executive vice president of Oracle Applications Product Development.

Oracle executives state that there are about 100 core HR go lives per quarter. While there are a fair number of HCM-only deals, HCM is often also chosen in those deals where financials is the leading application. According to IDC’s 2016 Survey of HR Executives, nearly 50% of organizations are at least considering a change in core HR systems in the next 18 months. The percentages of those considering a change are much higher in some industry sectors – notable among these are public sector and consumer packaged goods. IDC forecasts that 70% of new HCM software acquisition will be cloud based worldwide by 2020.

Every decision to change and adopt a new HCM system is unique, but some common themes arose from discussions with Oracle HCM Cloud clients that may be helpful to buyers just now considering the future of their own HCM systems.

Why Cloud?

There are both qualitative and quantitative reasons for considering cloud. IDC research indicates that modernizing technology and achieving more cross-HR integration are top drivers for moving HCM to the cloud. Clients coming to the Oracle HCM Cloud platform agreed with IDC’s findings and additionally cite the following as compelling drivers for their change:

- To remediate for poor service experience with an incumbent service provider subsequently replaced by Oracle (Prior vendor was not responsive, and the technology was out of date. Client sought a vendor that would give it attention and be viable for years to come.)
- To reduce IT burden (There were too many system needs and too little IT capacity so moving HCM to cloud helped alleviate internal burdens.)
- To achieve lower total cost of ownership (TCO)
- To introduce self-service capabilities for managers and employees to reduce the call center burden on HR
- To consolidate many systems across the globe to one system of record globally (Business was acquisitive and as a result ended up with country operations running disparate disconnected systems.)
- To get off prior parent company's system after being divested from a larger entity
To move off on-premise systems that were approaching end of life

**Why Oracle HCM Cloud?**

The reasons for selecting a vendor are myriad, but in the case of the Oracle HCM Cloud clients, there were some common themes. The most frequently cited vendors included in the competitive process were ADP, SAP SuccessFactors, and Workday. Themes included:

- **Low price.** Oracle HCM Cloud was cited by some clients as the lowest price solution when compared with leading competitive solutions.

- **Extensibility and comprehensiveness.** When compared with SAP SuccessFactors and Workday, the client didn't see the extensibility that it wanted. As one HR executive put it, "If you can extend a technology, the sky is your limit."

- **Scalability.** Some clients were looking for an application that could support increases in workload – for example, through M&A or geographic expansion.

- **Road map.** Today's functionality is important – but so too is tomorrow's – and Oracle has the resources to offer clients an aggressive road map. "Oracle is very robust and dedicated to innovating and to enhancing the product," one client said when asked why they selected the vendor. Another commented, "Oracle will make sure that the technology matures with the customer, at the right pace, so it matures with you."

- **Good experience.** Prior good experience with Oracle either as the incumbent in some cases and from prior employers in other.

- **Global company.** Oracle is global; it fit the client's landscape and had the needed languages and localizations.

- **Security.** Client "felt good" about Oracle's security.

- **Advanced recruiting.** The recruitment team felt Oracle's recruiting (Taleo) was more advanced than the competition for what it needed. Although it was not fully integrated with HCM Cloud, Oracle's recruiting better met its needs. Competitors' recruitment functionality was seen as not as advanced.

- **Vendor viability.** Oracle is pretty much guaranteed to be around for the long haul, something that can't necessarily be said for smaller and newer rivals. "Oracle is going to be here in 10-15 years," one customer told us with certainty.

- **Value-added features, such as analytics.** "I love Oracle's predictive analytics," one Oracle customer told IDC. "I love the way they are embedded into the page and the tools are intuitive and easy to use."

**Implementation**

Organizations of all sizes can benefit from expertise offered by third-party systems integrators. Big name consultants such as Infosys, Accenture, and Deloitte have Oracle Cloud services practices that largely serve the enterprise market, while more boutique firms such as KBACE and Drivestream offer Oracle implementation services for medium-sized businesses.

Clients indicated that third parties are of particular value in data conversion, a task acknowledged by clients to be one of the most time-consuming and critical to project success. Partners are also very helpful with developing and implementing integrations between the Oracle CM Cloud products and many other HCM systems or services in place.
Most clients do not undertake a "big bang" implementation opting rather for a phased approach where a few modules are selected as starting points with the rest phased over the project. The majority begin with core HR, while a few opt to begin with a talent module such as recruiting.

Going to cloud usually necessitates a rethinking of highly customized processes. Partners can be helpful here as well, but clients need to be prepared to manage the communication of internal changes that will result from decisions to reduce and eliminate highly customized approaches.

Challenges

There are always bumps in the road, and clients noted the following challenges encountered in their moves to cloud:

- **Integration within HR suites — let alone between HR and other corporate applications — that may not be as deep as customers want.** One client experienced a significant delay on an implementation because it felt the need to supplement Oracle's out-of-the box integration between two crucial modules. Recruiting (Taleo) is on a separate database from core HR having been an acquired product. As such, it is a challenge to keep both in synchronization. This is a desired change that has been elevated to Oracle product management.

- **SIs learning on the client's dollar.** Some clients were early adopters of third-party implementation partners and felt that the partner was only slightly ahead of them in terms of product knowledge — something that Oracle is aiming to stamp out through more rigorous and granular certification of its implementation partners. Later adopters benefited from partner experience.

- **Upgrade fatigue.** Despite being in the cloud, some clients view each release as a bigger deal than would have been anticipated and recommend others undertake diligent testing.

Lessons Learned

- **Assess internal IT capabilities and capacity for undertaking the implementation early so as to properly bring in third-party assistance if needed from the beginning and be prepared for substantial retraining of your IT staff if they have little experience with cloud.** Challenge your internal people about their capabilities and the timescale they have proposed — the way you would challenge an external systems integrator. Don't accept blind assurances — when one HR executive failed to challenge the internal IT team, the project was delayed by four months.

- **Align communication with the organization, and ensure top-level executive buy-in.** Create "listening posts" to get people acclimated to the new systems like self-service. Start early on with "WIIFM" ("what's in it for me?"), what's coming, and what's in it for you; run "lunch and learn" sessions; and be prepared to support offsite and late shift workers.

- **Plan for the workload, and do not exhaust the people in the project by wrongly getting them involved in meetings and activities when and where they don't need to be involved — they have their day jobs to do.**

- **Talk to other Oracle clients about their experience.** By working together, clients can figure out the things they need and can bring them to [Oracle] product development. Whereas in the old days, clients would develop them in-house. Today, clients have an opportunity to collectively have a say in what gets developed — just like hardware user groups did back in the 1990s.

- **Consider data conversion.** This can be a major determinant of the success — or not — of an implementation. Do you have to know exactly what you want to take over to the new system; how much history? You don't necessarily need to take over five years of history across the board — what do you really need to meet demand and to be successful? "Focus on quality and
not quantity," advised one user. "The more attention to detail you put into the data, the faster the project will go," said another.

- Be prepared to change the roles of those team members whose jobs have been to code customizations in on-premise solutions. They will simply not be doing the coding they are doing today. Companies have to anticipate that people are going to have to change their jobs.
- Continue to work with processes during the adoption phase to improve things – "just because it's live doesn't mean that it's over."
- Forget about old-style deep customization – embrace standardization. One HR executive was told by a contact at Oracle, "What you build in the cloud has to survive you, and customization won't survive," – he took this advice to heart and was ultimately thankful for it.
- Consider Oracle as an extension of your organization, and use it to your advantage. "Oracle's presales people have to be my buddies because when I have an issue they will be the ones I go to for help, and where there are new features coming, they will know about them first," one HR executive said.

FUTURE OUTLOOK

We expect Oracle will become a more "services oriented" enterprise. Looking to the future as a cloud company, a factor of note is that Oracle itself and clients noted that they see a transformation in Oracle from being a product company to being a services company.

One example of this is that clients agree that it is easier to buy from Oracle now, thanks to the automation of smaller (<$300,000) purchases. "The turnaround time for getting a quote for new modules or for changes to quotes is now less than an hour where it used to take days," one customer told IDC. "The whole purchasing process is lot easier." This ease and transparency in business dealings needs to be carried through to all facets of the customer ecosystem. Cloud success calls for agility not only in the product but in business practice.

ESSENTIAL GUIDANCE

Oracle has communicated a road map that clients find credible, and the company has made clear that it will continue to invest aggressively in cloud products. The company is moving decisively to ensure that its partners are experienced in the technologies they implement and are certified as such so that customers can buy project services with confidence.

Oracle itself is deploying a more supportive "service culture"; its client interactions are now more continuous and not just about selling licenses once a year. "There is a major shift in Oracle to become a services company rather than a product company – support is something that Oracle has been investing so much in," one customer said.

For businesses that are current Oracle customers, expect the next purchase cycle to be more streamlined. For organizations that are not current Oracle customers, evaluate Oracle HCM on its merits.

The shift to a service orientation bodes well for the future.
Synopsis

This IDC study presents key highlights from discussions with Oracle clients at Oracle's OpenWorld 2016 event held September 18-22 in San Francisco.

"Every decision to change and adopt a new HCM system is unique, but some common themes arose from recent discussions with Oracle HCM Cloud clients that may be universally useful for buyers considering a move to the cloud," said Lisa Rowan, research vice president, HR, Talent, and Learning Strategies for IDC.
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