Oracle defines the path to modern HCM
Ovum view

Summary

Against a backdrop of digital industry transformation, chief human resource officers (CHROs) are seeking to modernize the HR function within their organizations, driven by a greater corporate emphasis on the workforce as a key asset, and on finding, managing, and nurturing talent. A critical part of this strategy is to standardize human capital management (HCM) processes on a common technology platform, introducing a shared service approach, and making use of digital technologies including social, mobile, and cloud to enhance employee engagement and provide staff with self-service capabilities and a high-quality, consumer-grade user experience. As a leading provider of cloud HCM solutions, Oracle has invested heavily in defining a modern HCM platform, offering a comprehensive suite of applications across the HCM domain, and innovating with new features that enrich the employee journey. It is now seeing strong momentum from both its existing client base moving HCM to the cloud, and from new clients in the large enterprise and mid-market segments.

CHROs are looking to transform the HR function

As HR evolves to meet the changing needs of the business and increased expectations from employees, CHROs must move beyond the transactional and often highly fragmented approach that is the reality for many organizations. There is a substantial opportunity for HR to become further integrated into key business decisions such as mergers and acquisitions, and to help manage and shape human resources so that the business realizes the full benefit of an engaged workforce. Particularly in larger organizations, this requires establishing a common set of processes and services to which employees can self-serve where appropriate, or access through a single interface (often established as an HR helpdesk).

There is also a requirement to control the per capita cost of HCM, with a trend toward creating a single shared service across the organization, and automating HR transactions as far as possible. For an HR function run largely on manual lines, it is estimated that it’s now possible to automate around 40% to 50% of interactions. In tandem, employees and managers want a high-quality user experience and expect to be able to use mobile devices, collaboration, and social engagement as part of accessing HR services, while business leaders want evidence-based workforce insights built on a common data foundation, with analytics available across all areas of HCM decision-making.

Other key drivers include the need to recruit, onboard, and retain talent in a competitive market, as well as a switch away from traditional appraisals to more continuous and holistic approaches to performance management, and the introduction of new services to support the work-life relationship, improve wellness, and foster education.

Cloud HCM provides a platform for common processes

In response to these drivers, and following the path led by customer-facing applications, HCM systems are transitioning rapidly to a cloud-delivered software-as-a-service (SaaS) model. Just as chief marketing officers have assumed greater responsibility for the technology used in their domain, so CHROs are at the forefront of the shift in their realm.
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The status quo for most organizations is an on-premise application for core HR, with payroll either run in-house, or more typically outsourced to a bureau service. These are the most difficult pieces of the jigsaw to move to the cloud, particularly in larger organizations where merger and acquisition activity has often resulted in a thorny mix of different HR systems that are costly to maintain and are a major barrier to common processes. Most CHROs want to tackle this hurdle, but recognizing that there is a considerable degree of change management involved, they view it as a multi-year project of which they are currently in the early stages.

The same is not true of the surrounding, complementary HCM applications, where there is less likely to be an incumbent system, and where digital transformation is having a significant impact on employee engagement and on HR processes. The classic example here is recruitment where online talent search and job markets, the availability of candidate data, and an added social dimension to the process have transformed the landscape. It has rapidly reached a point where the lack of an online recruitment capability, whether corporately managed or outsourced as a value-added process, puts an organization at a competitive disadvantage.

A similar dynamic applies to HCM applications including talent management, performance management, compensation management, and benefits management. All are now readily available as enterprise-grade cloud services, and many CHROs are adopting these solutions, seeing benefit not only in the functionality available, but also in the relatively rapid deployment that is possible using a SaaS model, whilst coexisting with the on-premise core HR. New applications in areas such as employee learning and wellness are also gaining ground, and there is an emphasis on improving the user experience to encourage self-service for both managers and employees.

Oracle offers a comprehensive HCM portfolio in the cloud

Built up through both in-house development and acquisition, Oracle has a comprehensive portfolio of SaaS HCM applications, comprising core Global HR, Workforce Management, Workforce Rewards, Talent Management, Learning, and Work Life, which together are composed of 22 individual modules. These applications are targeted both at existing Oracle customers, many of whom are currently running Oracle’s PeopleSoft and other Applications Unlimited products, and at new customers in both the enterprise and mid-market segments. Reflecting the transformation taking place within HR, Oracle has seen rapid uptake, with over 6,000 customers now using its HCM Cloud solutions. Early traction came from recruitment and talent management, and is now extending into core HR, with more than 1,000 customers taking this option.

In the mid-market segment, the buying decision for SaaS applications tends to be more centralized, with greater influence from the CEO, and an inclination to choose a common provider for a broader suite of enterprise applications including HCM and ERP. Oracle is well placed to meet this need, with its Oracle ERP Cloud offering a similarly broad range of functionality. It has also introduced an option specifically for this market, keenly priced at $8 per employee per month, covering HCM and talent management essentials. Simplicity is an important element of the strategy, with six-monthly upgrade releases of new functionality, and where custom features are required, the base software can be extended using Oracle’s platform-as-a-service (PaaS) capabilities. By applying a principle of configuration rather than customization, and maintaining any bespoke features using metadata, potential problems of upgrading to new releases can be avoided.

The latest release of Oracle HCM Cloud provides improved vertical industry support with industry-specific data models and configurations. It includes business-focused analytics across the
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whole suite, and extends localization to over 100 countries, including payroll capabilities in all US states plus Canada, UK, China, Saudi Arabia, Kuwait, and UAE, with Mexico and Qatar coming in the near future.

New or improved modules include HR helpdesk, time and labor management, leave management, recruiting and onboarding, career and succession, and goals and performance. An entirely new digital learning service has been introduced to provide self-service employee “learning in context” that will add value across the whole of Oracle’s application platform. Further work has also been done to improve alerts and notifications (this can be the most frequently-accessed interface for some users), introduce a new smart directory of employees with simplified navigation, and implement a new security console that makes it easier to visualize security permissions and ensure compliance.

Many of Oracle’s customers will still be running the latest PeopleSoft 9.2 release, and it is important to stress that Oracle continues to support the on-premise application. For these customers, a co-existence strategy allows them to take advantage of new capabilities in areas such as talent management and recruitment, workforce management, and learning, closely integrated with on-premise core HCM, which along with payroll can then be evolved at a pace which suits the business’s rate of transformation.

This is a dynamic time for HCM as organizations set greater store by the benefits of an engaged workforce, while recognizing that there are efficiency gains (and potential cost savings) to be made in managing their most important asset. We recommend that CHROs should have a five-year plan in place to transition both core and complementary HCM applications to the cloud, and have the opportunity to make a more direct link between the cost of running these applications, the total cost of managing the employee headcount, and the benefits of increased engagement.

Appendix

Further reading

Adopting Oracle HCM Cloud, IT0021-000122 (Oct 2015)

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