The Case for Migrating Human Capital Management to the Cloud

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Table of Contents

Click on any section title or page number to navigate to each and use the navigation in the footer to move about this PDF.

In this InfoBrief

To better understand the market for migrating human capital management (HCM) to the cloud, IDC conducted a global survey in November 2019, sponsored by Oracle.

Respondents represented:

355
senior HR and IT
decision makers

**organizations with
2,000 or more
employees**

**8
named
countries**

Why Cloud for Human Capital Management?

Organizations cite numerous reasons for moving to cloud-based systems. IDC's research reveals that factors driving the move include:

Overall lower cost of ownership	Reduction of burden on IT	Improved user experience
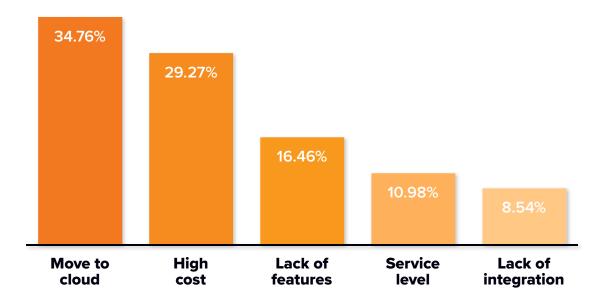
Cloud-based systems are particularly useful when disruptions cause businesses to rely largely on employees who work from home.

Many businesses have already migrated or plan to move HCM to the cloud.

73% of new HCM applications spending is for cloud-based solutions.

Primary Reason for Adopting a New HCM System

Move to cloud	High cost	Lack of features	Service level	Lack of integration
34.76%	29.27%	16.46%	10.98%	8.54%

Enhancing User Experience Prompts the Move to Cloud

While operational efficiencies are a benefit of cloud, executives put improvement in overall user experience at the top of their list of drivers.

Top Five Cloud Migration Drivers

(Scale from 1 to 5 where 1 = "Not very important" and 5 = "Very important")

Q. Rate the importance of the following factors in driving your organization's decision to move to the cloud

4.27	4.22	4.22	4.21	4.17
Improve user experiences	Improve ability to attract, develop, retain talent	Eliminate upgrade cost and complexity	An overall drive to modernize technology/ drive digital transformation	Automatic access to new product features and functions

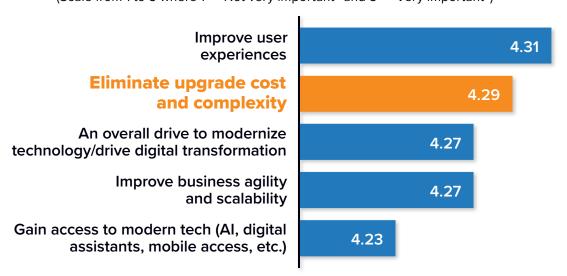n = 500 | Source: IDC HR Executive Survey, April 2020

Different Drivers Appeal to Different Roles

While overall user experience tops everyone's list, IT wants to eliminate cost and complexity while HR seeks to improve its ability to engage talent.

Q. Rate the importance of the following factors in driving your organization's decision to move to the cloud

IT — Top Cloud Migration Drivers

(Scale from 1 to 5 where 1 = "Not very important" and 5 = "Very important")

Driver	Rating
Improve user experiences	4.31
Eliminate upgrade cost and complexity	4.29
An overall drive to modernize technology/drive digital transformation	4.27
Improve business agility and scalability	4.27
Gain access to modern tech (AI, digital assistants, mobile access, etc.)	4.23

HR — Top Cloud Migration Drivers

(Scale from 1 to 5 where 1 = "Not very important" and 5 = "Very important")

Driver	Rating
Improve user experiences	4.23
Improve ability to attract, develop, retain talent	4.22
Automatic access to new product features and functions	4.22
Eliminate upgrade cost and complexity	4.15
An overall drive to modernize technology/drive digital transformation	4.15

n = 500 | Source: IDC HR Executive Survey, April 2020

Where Should the Cloud Journey Begin?
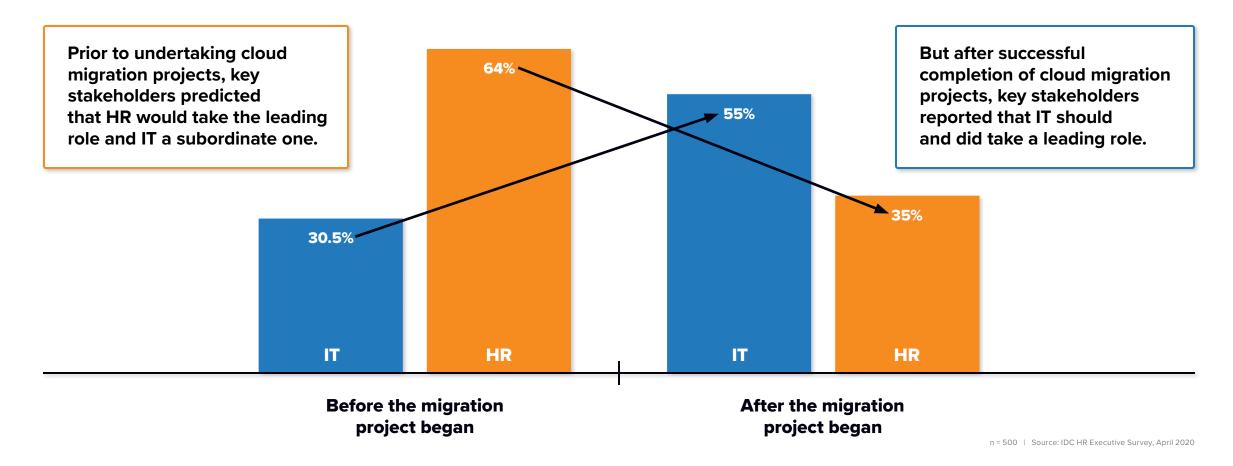
Every organization has unique needs and requirements, so there is no one answer to the question of where to begin. Indeed, answers will vary based on industry sector or a company's overall HR and talent maturity.

Cloud Migration Priorities

IDC's study indicates that many organizations believe in starting with the following areas first:

Q. For modules you have deployed, which will be your first priority with your cloud migration project?

Category	Value
Enterprise resource planning (ERP)	50%
Payroll	57%
Performance management	58%
HR help desk	60%
Compensation	61%
Benefits administration	62%
Recruiting	65%
Supply chain management	67%
Advanced HCM controls/GRC automation	70%
Learning mgmt.	72%
Workforce mgmt.	73%
Strategic workforce planning	77%
Core HR	78%

n = 500 | Source: IDC HR Executive Survey, April 2020

IT Is a Critical Partner in Cloud Migration Projects

Before and after the migration project, the viewpoint on leadership roles changed.

Prior to undertaking cloud migration projects, key stakeholders predicted that HR would take the leading role and IT a subordinate one.

But after successful completion of cloud migration projects, key stakeholders reported that IT should and did take a leading role.

64%

55%

35%

30.5%

IT

HR

IT

HR

Before the migration project began

After the migration project began

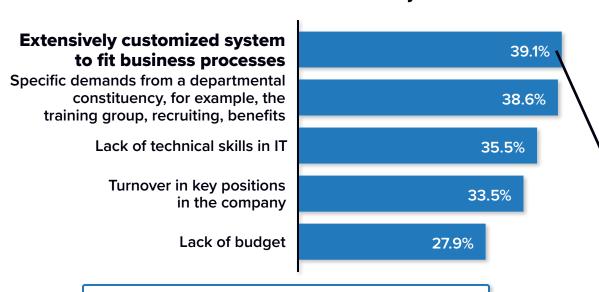n = 500 | Source: IDC HR Executive Survey, April 2020
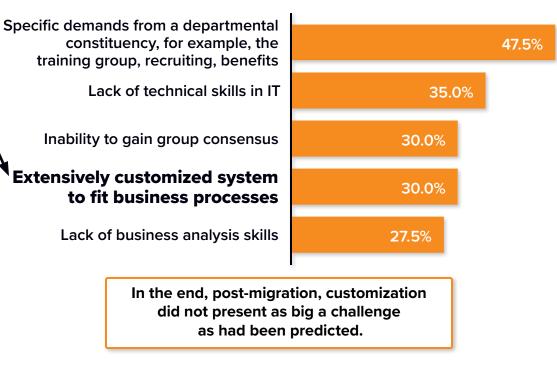
Cloud Migration Challenges

Organizations that have migrated to the cloud said that the needs of a department or constituency were the greatest obstacle to overcome. The lack of technical skills in the IT department also presented challenges.

Predicted Barriers Before Project

Barrier	Percentage
Extensively customized system to fit business processes	39.1%
Specific demands from a departmental constituency, for example, the training group, recruiting, benefits	38.6%
Lack of technical skills in IT	35.5%
Turnover in key positions in the company	33.5%
Lack of budget	27.9%

Before the beginning of the migration project, stakeholders predicted that extensive customizations would present a major challenge.

Barriers Actually Faced

Barrier	Percentage
Specific demands from a departmental constituency, for example, the training group, recruiting, benefits	47.5%
Lack of technical skills in IT	35.0%
Inability to gain group consensus	30.0%
Extensively customized system to fit business processes	30.0%
Lack of business analysis skills	27.5%

In the end, post-migration, customization did not present as big a challenge as had been predicted.

n = 500 | Source: IDC HR Executive Survey, April 2020

Overcoming Barriers to Cloud Migration

Organizations that have overcome barriers to cloud migration said it was important to build the business case first. Working with a third party to manage the process was also key.

Q. How much will the following methods help in overcoming any barriers?

Predicted Remedies

(Scale from 1 to 5 where 1 = "Not very helpful" and 5 = "Very helpful")

Hiring internal resources to manage the project	4.14
Building a business case with demonstrated ROI	4.08
Identifying a senior leader as project champion	4.06
Building a curriculum of training to brush up internal technical skills	4.05
Hiring and working with a third-party consultant to manage the migration project	3.96
Leveraging vendor demos and assets to drive interest	3.93
Hiring and working with a third-party consultant to help choose a solution	3.91

Actual Remedies

(Scale from 1 to 5 where 1 = "Not very helpful" and 5 = "Very helpful")

Building a business case with demonstrated ROI	4.23
Hiring and working with a third-party consultant to help choose a solution	4.18
Hiring and working with a third-party consultant to manage the migration project	4.15
Identifying a senior leader as project champion	4.13
Leveraging vendor demos and assets to drive interest	4.10
Hiring internal resources to manage the project	3.98
Building a curriculum of training to brush up internal technical skills	3.83

n = 500 | Source: IDC HR Executive Survey, April 2020

Choosing a Cloud HCM Solution: What Do Buyers Want Most?

HR buyers want to be confident in their choice of system and provider.

Top Five HCM Solution Attributes

(Scale from 1 to 5 where 1 = "Very unimportant" and 5 = "Very important")

Q. Rate the following criteria in terms of the importance toward your decision to select a vendor solution
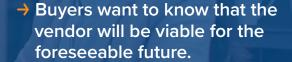
Attribute	Rating
Vendor viability and reputation	4.20
Knowledgeable sales staff	4.17
High ratings on functionality	4.15
Configurability of solution to meet/adapt to specific needs	4.10
Solution cost	4.08

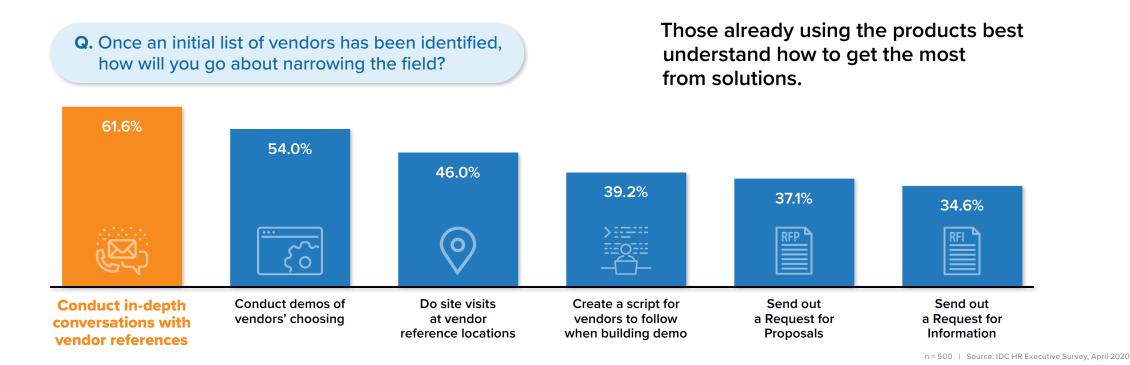→ Buyers want to know that the vendor will be viable for the foreseeable future.

→ They also want to engage with people who can act as trusted advisors, knowledgeable about their needs and how to meet them.

→ While cost is always important, it is not necessarily top of mind when other factors come into play.

n = 500 | Source: IDC HR Executive Survey, April 2020

Mapping Out the Migration Process: Where to Begin?

Organizations that have just started their selection process as well as those that have completed migrations agree that a critical step is gaining firsthand knowledge from vendor references.

Q. Once an initial list of vendors has been identified, how will you go about narrowing the field?

Those already using the products best understand how to get the most from solutions.

61.6%	54.0%	46.0%	39.2%	37.1%	34.6%
Conduct in-depth conversations with vendor references	Conduct demos of vendors' choosing	Do site visits at vendor reference locations	Create a script for vendors to follow when building demo	Send out a Request for Proposals	Send out a Request for Information

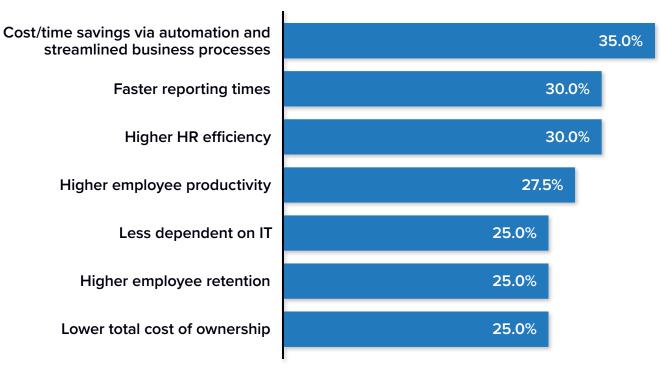n = 500 | Source: IDC HR Executive Survey, April 2020

Tallying Up the Benefits of Cloud Migration

For those organizations that have completed their migration to a cloud-based HCM system, the benefits range from higher productivity to enhanced employee engagement.

Top benefits include:

- ✓ **Overall improvements** based upon streamlining and automating functions
- ✓ **A quicker turnaround in terms of gaining insight** from the data housed in the system
- ✓ **A more efficient HR function** able to focus on more strategic activities

Top Benefits Achieved

Benefit	Percentage
Cost/time savings via automation and streamlined business processes	35.0%
Faster reporting times	30.0%
Higher HR efficiency	30.0%
Higher employee productivity	27.5%
Less dependent on IT	25.0%
Higher employee retention	25.0%
Lower total cost of ownership	25.0%

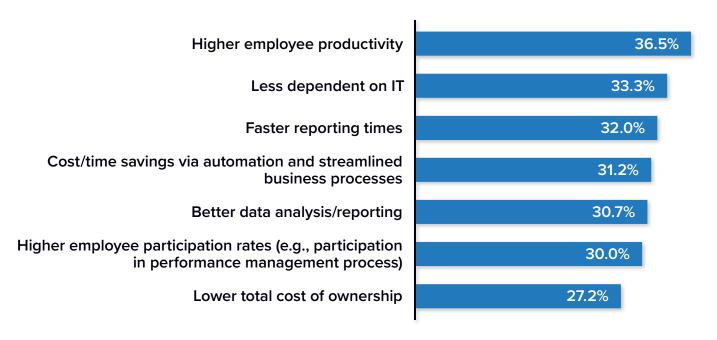n = 500 | Source: IDC HR Executive Survey, April 2020

How Significant Are the Benefits of Cloud Migration?

The levels of improvement are significant. All of the factors listed improved by a minimum of 25%.

Percentage Improvement in Outcomes

Outcome	Improvement
Higher employee productivity	36.5%
Less dependent on IT	33.3%
Faster reporting times	32.0%
Cost/time savings via automation and streamlined business processes	31.2%
Better data analysis/reporting	30.7%
Higher employee participation rates (e.g., participation in performance management process)	30.0%
Lower total cost of ownership	27.2%

Areas of Most Improvement

Nearly 40% improvement in employee retention. Having insight into workforce data provides management with the clarity to make adjustments as needed.

33% report that HR is less dependent upon IT and better able to manipulate data in the system to be self-sufficient.

32% also point to faster reporting times.

Key Takeaways

1 Cloud-based HCM systems are now the standard. Moving to the cloud was the number one reason for adopting new HCM systems.

IDC research finds that 73% of annual spending on HCM applications software is for cloud-based solutions.

2 There are many ways to launch the cloud migration process, but core HR systems seem to be a popular starting place for many organizations.

3 HR may want to go it alone in terms of system selection and migration, but best practices say that IT needs to play a leadership role for success.

4 Successful migration projects benefit from third-party services in support of decision making and implementation.

5 The benefits of cloud migration are numerous and range from improved productivity to better employee satisfaction and retention.

About the Analyst

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Lisa Rowan is responsible for global research on human capital and talent management software and services She provides expert analysis focused on the business services and software used to address HR and talent-related dimensions Her research addresses developments in human capital and talent management applications, human resources consulting, and HR outsourcing services

More about Lisa Rowan

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