The Case for Migrating Human Capital Management to the Cloud

RESEARCH BY:

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# Table of Contents

In this InfoBrief 3

Why Cloud for Human Capital Management? 4

Enhancing User Experience Prompts the Move to Cloud 5

Different Drivers Appeal to Different Roles 6

Where Should the Cloud Journey Begin? 7

IT Is a Critical Partner in Cloud Migration Projects 8

Cloud Migration Challenges 9

Overcoming Barriers to Cloud Migration 10

Choosing a Cloud HCM Solution: What Do Buyers Want Most? 11

Mapping Out the Migration Process: Where to Begin? 12

Tallying Up the Benefits of Cloud Migration 13

How Significant Are the Benefits of Cloud Migration? 14

Key Takeaways 15

About the Analyst 16

Message from the Sponsor 17

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*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: 34.76%
- High cost: 29.27%
- Lack of features: 16.46%
- Service level: 10.98%
- Lack of integration: 8.54%


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

<table>
<thead>
<tr>
<th>Factor</th>
<th>Importance Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve user experiences</td>
<td>4.27</td>
</tr>
<tr>
<td>Improve ability to attract, develop, retain talent</td>
<td>4.22</td>
</tr>
<tr>
<td>Eliminate upgrade cost and complexity</td>
<td>4.22</td>
</tr>
<tr>
<td>An overall drive to modernize technology/digital transformation</td>
<td>4.21</td>
</tr>
<tr>
<td>Automatic access to new product features and functions</td>
<td>4.17</td>
</tr>
</tbody>
</table>

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

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**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Importance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve user experiences</td>
<td>4.31</td>
</tr>
<tr>
<td>Eliminate upgrade cost and complexity</td>
<td>4.29</td>
</tr>
<tr>
<td>An overall drive to modernize technology/drive digital transformation</td>
<td>4.27</td>
</tr>
<tr>
<td>Improve business agility and scalability</td>
<td>4.27</td>
</tr>
<tr>
<td>Gain access to modern tech (AI, digital assistants, mobile access, etc.)</td>
<td>4.23</td>
</tr>
</tbody>
</table>

**HR Top Cloud Migration Drivers**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Importance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve user experiences</td>
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</tr>
<tr>
<td>Automatic access to new product features and functions</td>
<td>4.22</td>
</tr>
<tr>
<td>Eliminate upgrade cost and complexity</td>
<td>4.15</td>
</tr>
<tr>
<td>An overall drive to modernize technology/drive digital transformation</td>
<td>4.15</td>
</tr>
</tbody>
</table>

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

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

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

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 management 72%
Workforce management 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.

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

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extensively customized system to fit business processes</td>
<td>39.1%</td>
</tr>
<tr>
<td>Specific demands from a departmental constituency, for example, the training group, recruiting, benefits</td>
<td>38.6%</td>
</tr>
<tr>
<td>Lack of technical skills in IT</td>
<td>35.5%</td>
</tr>
<tr>
<td>Turnover in key positions in the company</td>
<td>33.5%</td>
</tr>
<tr>
<td>Lack of budget</td>
<td>27.9%</td>
</tr>
</tbody>
</table>

### Barriers Actually Faced

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific demands from a departmental constituency, for example, the training group, recruiting, benefits</td>
<td>47.5%</td>
</tr>
<tr>
<td>Lack of technical skills in IT</td>
<td>35.0%</td>
</tr>
<tr>
<td>Inability to gain group consensus</td>
<td>30.0%</td>
</tr>
<tr>
<td>Extensively customized system to fit business processes</td>
<td>30.0%</td>
</tr>
<tr>
<td>Lack of business analysis skills</td>
<td>27.5%</td>
</tr>
</tbody>
</table>

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

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")

- 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

Q. Rate the following criteria in terms of the importance toward your decision to select a vendor solution

- 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.

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct in-depth conversations with vendor references</td>
<td>61.6%</td>
</tr>
<tr>
<td>Conduct demos of vendors’ choosing</td>
<td>54.0%</td>
</tr>
<tr>
<td>Do site visits at vendor reference locations</td>
<td>46.0%</td>
</tr>
<tr>
<td>Create a script for vendors to follow when building demo</td>
<td>39.2%</td>
</tr>
<tr>
<td>Send out a Request for Proposals</td>
<td>37.1%</td>
</tr>
<tr>
<td>Send out a Request for Information</td>
<td>34.6%</td>
</tr>
</tbody>
</table>

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**

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

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

- 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.

n = 500 | Source: IDC HR Executive Survey, April 2020
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
Message from the Sponsor

**Oracle Cloud HCM—Work Made Human**

Natively built for the cloud, Oracle Cloud HCM is a complete solution connecting every human resource process from hire to retire—including global HR, talent management, workforce management, and payroll. It’s also the most connected solution across the enterprise, with one cloud unifying HCM across finance, supply chain, and customer experience. This provides a consistent experience across devices, enables one source of truth for HR data to improve decision-making, and empowers you with market-leading innovation to address your needs today and into the future. This is what we call work made human.

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