

Identifying the ROI of an HR System Upgrade

Examining and evaluating new HR solutions





Many organizations report the need to upgrade their core HR system within the next three years. How will organizations measure the return on investment (ROI) of their new HR solution, taking into account improvements like an agile, more productive workforce, increased engagement, greater data insight and more cost savings?



THE FUTURE OF HR TECHNOLOGY

HR technology budgets continue to grow. As businesses become more complex, the need to consolidate and integrate businesses processes, find new ways to simplify complex HR tasks, and unify business data becomes paramount. Organizations need unified solutions that work seamlessly on multiple devices and integrate with other systems across the business. Aging systems, perceived as outdated and unwieldy, likely need a refresh. And for many companies, that digital transformation is already underway. A PwC survey found that more than 73% of respondents have already moved at least one HR process to the cloud.¹

However, upgrading can be expensive, and organizations understandably want to see results from their spend. How do they choose a solution and measure the ROI of their investment? New HR solution value can be found in a number of metrics, chiefly better integration, increased productivity and easier compliance and risk management. Other factors that contribute to evaluating the ROI of a new HR solution include direct purchasing costs, indirect costs, and non-financial factors such as the solution's contribution to strategic business objectives.

CHOOSING A SOLUTION

When choosing a new HR solution, organizations have the option of investing in either an on-premises or cloud-based solution. Cloud solutions can provide significant reduction in costs, as upgrades and maintenance are managed by a third party. In addition, cloud solutions offer benefits like rapid scalability, anywhere access, and the integration of emerging technologies such as artificial intelligence (AI) and machine learning, both of which are increasingly important to HR.

CASE STUDY:

Hitachi Consulting

Having grown through acquisitions, Hitachi Consulting needed to modernize its HCM solutions to gather more information about its global workforce. By adopting Oracle's Talent Acquisition Cloud, Hitachi Consulting realized great value, thanks to the integration of recruiting and onboarding processes.

After implementation, its employee referral program doubled; 35 % of new hires in some areas now come from employee referrals. In addition, its new talent acquisition and social sourcing capabilities enabled Hitachi Consulting to save more than \$1 million in the first year of deployment, thanks to capitalizing on internal talent pools rather than relying on outside vendors for talent.

Yet some benefits are available both on-premises and in the cloud, such as workforce analytics, efficient talent management, and a common set of HR metrics. So how do organizations make their decision?

On-Premises or Cloud?

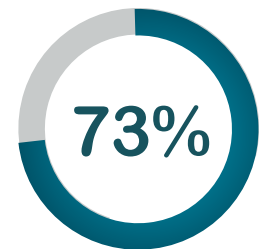
According to a recent Sierra-Cedar survey, the key questions for many organizations come down to cost, security, and long-term value weighed against executive expectations of better data, mobile access, and greater automation.² Organizations that work with an HR technology vendor should consider their business goals and determine which vendor best suits their needs.

For many, however, the move to cloud seems inevitable. According to PwC, the top three motivators for the migration are the desire for more software innovation, less dependence on IT, and a lower total cost of ownership.³ This makes sense, given Deloitte's recent report that HR is ripe for disruption: a new focus on productivity tools, team management instead of talent management, and an intelligent self-service experience means that legacy HR systems will struggle to meet business expectations.⁴ Employees and leadership both demand more—and cloud is poised to meet their demands.

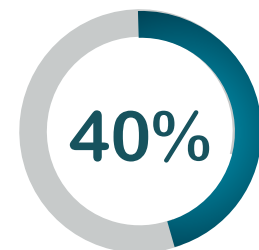
Cloud Solutions Support Top Initiatives

According to recent research by Sierra-Cedar, the top HR technology initiatives are improving processes, refining or establishing an HR application strategy to support business objectives, talent management, and delivering better user experience via services.⁵ Unsurprisingly, all four top initiatives are benefits usually credited to cloud solutions.

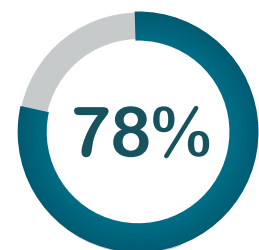
OF ORGANIZATIONS
SURVEYED:



already have at least one HR process in the cloud.⁸



already have their core HR process in the cloud.⁹



are satisfied that their cloud implementation meets their business needs.¹⁰

But regardless of whether the choice is a cloud or an on-premises upgrade, savvy HR leaders should consider the HCM technology vendor's roadmap before making a decision.⁶ What features are already available, and what's the plan for features your company values? Does the solution offer robust social recruiting, data analytics, or machine-assisted decision-making—all of which are likely to be highly desirable in the near term?



Source: Sierra-Cedar 2017–2018 HR Systems Survey White Paper, 20th Annual Edition

The Future Is Integrated

HR leaders should also consider how well the HCM product integrates with other applications, especially enterprise resource planning (ERP). As businesses create and rely on greater volumes of data for their success, it's becoming critically important that HR and finance share data sets—a single source of truth for decision-making. But in addition to better data, HR leaders will need the ability to analyze the data and make predictions—an ability only 30% of organizations are currently tackling.⁷ For many organizations, the ability to bridge the gap between their wants and their capabilities may come down to intelligent platforms.

Understanding the needs of the business and how they align to an HCM technology vendor's roadmap should be a primary goal when choosing to upgrade an HCM solution. An HR technology investment makes good business sense, but only if it meets the needs of the business both now and in the future.

MEASURING ROI

Key areas to include in calculating the ROI of an upgrade to a modern cloud-based HR solution include integration, risk management, and productivity. One way to identify ROI is to define specific metrics that can be measured both before and after implementation. A modern cloud-based solution can help increase overall productivity by allowing an organization to focus resources on issues with the greatest business impact — like workforce planning and employee engagement — and better position the organization to grow. With modern HCM cloud solutions, especially those with integrated AI, talent management decisions that used to take hours can now be done in seconds. Technology typically associated with integrated HR solutions, such as file sharing or group calendars, can also increase workplace collaboration. Another priority for future-looking HR organizations is finding a mobile-friendly solution to improve accessibility and give employees access to data in an easily consumable way.

Integrating data sets across HR and business functions allows for both better workforce management and increased use of workforce analytics to identify and solve challenges in recruiting, retention, and employee performance. An integrated HR solution with a robust analytics capability can give an organization visibility into talent processes that would otherwise be prohibitively expensive and time-consuming to perform.

CONCLUSION

An HR solutions upgrade is a large investment, and organizations will want to quantify projected and actual ROI. By examining cost savings, productivity and workforce management improvements, organizations will be able to identify the ROI of their HR solution upgrade.



ROI METRICS

FINANCIAL

The cost of the current system versus the total cost of ownership of a new solution.

STAFF GAINS

Current full-time equivalents versus personnel savings by switching to a new solution.

INFORMATION HANDLING

Reduced administration times, reduction in manual processes, fewer workarounds and faster processing.

ENDNOTES

¹ “What’s Now and What’s Next in Human Resources Technology” PwC’s Global HR Technology Survey 2017, 2017

<https://www.pwc.com/us/en/hr-management/technology/global-hr-technology-survey.html>

² Sierra-Cedar 2017–2018 HR Systems Survey White Paper, 20th Annual Edition

https://www.sierra-cedar.com/wp-content/uploads/sites/12/2018/01/Sierra-Cedar_2017-2018_HRSystemsSurvey_WhitePaper.pdf

³ “What’s Now and What’s Next in Human Resources Technology” PwC’s Global HR Technology Survey 2017, 2017

⁴ “HR Technology Disruptions for 2018”, Deloitte, 2018

<http://marketing.bersin.com/rs/976-LMP-699/images/HRTechDisruptions2018-Report-100517.pdf>

⁵ Sierra-Cedar 2017–2018 HR Systems Survey White Paper, 20th Annual Edition

⁶ “Five Keys to Choosing the Best Software Vendor you’re your Company”, TechTarget, 2017

<https://searchhrsoftware.techtarget.com/tip/Five-keys-to-choosing-the-best-HCM-software-vendor-for-your-company>

⁷ Sierra-Cedar 2017–2018 HR Systems Survey White Paper, 20th Annual Edition

^{8,8,9} “What’s Now and What’s Next in Human Resources Technology” PwC’s Global HR Technology Survey 2017, 2017

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