NUCLEUS RESEARCH

ORACLE HR AND FINANCE CONNECTED

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ANALYST
Brent Skinner

THE BOTTOM LINE

By integrating human capital management (HCM) with enterprise resource planning (ERP), Oracle helps employers connect HCM with financials – two critical areas of the enterprise whose activities often overlap. Nucleus's analysis of these Oracle Cloud deployments found users experiencing reduced costs in IT and administration, as well as gains in employee productivity through the automation of tasks, better visibility, and improved reporting.

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THE SITUATION

HR and financials affect each other continually. Combined, information from the two can help companies guide themselves more rationally. Yet organizations have long contended with technology that struggles to align and connect these critical areas of the enterprise.

Ways forward have emerged. For instance, well-known vendors have forged cloud-to-cloud integrations that marry HR functionality from one with the other's financial software (Nucleus Research *p54 – New partnerships add new hues to competitive landscape in HCM*, March 2015). However, Nucleus believes it is better for companies to obtain all this functionality from just one vendor whose applications also act as one. Companies that don't obtain functionality for HR and financials from one source are likely to encounter the following inefficiencies:

- Costly custom integrations and multiple data sets.
- Poor utilization rates and higher training costs.
- Disparate security policies across applications.
- Disconnected organizational reporting and insights.
- Multiple service-level agreements (SLAs) to monitor and enforce, as well as multiple cloud contracts to manage.
- Inconsistent social and mobile capabilities across applications.

WHY ORACLE

Nucleus found that Oracle Cloud shares a common data model across HCM and ERP to provide robust, connected business processes. This gives users an advantage over companies whose HR and financial applications lack these commonalities. Companies using Oracle are able to plan workforce activities to match the

organization's financial realities as closely as possible. Nucleus's analysis found that some customers had replaced a legacy, on-premise solution from Oracle. Others had left an SAP on-premise solution in favor of Oracle's cloud solution. Still others had moved from separate solutions for HR and finance from lesser-known providers, such as SinglePoint and Great Plains. Customers chose a connected HR and financials solution from Oracle for reasons outlined in the following paragraphs.

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CONNECTED FUNCTIONALITY

Through their shared data model and components, Oracle's cloud solutions for HR and financials provide users with data integrity and control. An apt example of this is the "single person record," which defines information such as an employee's role, data access privileges, and reporting hierarchy. This eliminates the need to create and maintain multiple sets of employee records. Additionally, the single data model provides visibility to streamline approval processing. As an employee moves throughout an organization, the system knows exactly where that person resides, and approvals and workflows are therefore managed automatically. For example, expense reimbursements leverage HR hierarchies for routing approvals. Customers found the solution to be highly usable and said reporting provided a deep, real-time glimpse into the interplay between HR and financials. Customers said:

- *"What's good about Oracle is that it's virtually seamless how the functionalities work together. I don't really see the systems as independent. They're connected; they act as one. They are just one Oracle, as far as we're concerned here."*
- *"It's relatively seamless between the different applications. They interact with each other so when I open up Oracle and go to navigator it's all on the same platform. We don't see the two applications as separate. It's one solution. We don't really see a partition between the HR and ERP piece."*

PREDICTABLE IMPLEMENTATIONS

Customers reported orderly, predictable implementations. Every implementation benefits from a single point of contact for users, a dedicated Implementation Success Manager who shepherds the project through implementation and a stabilization period that immediately follows deployment. Promoting best-practices

in cloud, this person provides structure to help resolve issues and continually steer the project in alignment with the customer's goals. Customers said Oracle's implementation experts do a good job accounting for users' implementation needs.

As one customer said, "*We were pretty satisfied with implementation, which was done on-time and within-budget. Oracle has allowed us to grow as needed. If I were to take a job elsewhere, I'd have no problem turning to Oracle again, for another implementation.*"

FULL-SERVICE SOFTWARE-AS-A-SERVICE

Of the customers that Nucleus analyzed, most had gone through the thought process that compels them to do away with an on-premise solution. This meant that having cloud-based functionality delivered via software-as-a-service (SaaS) was a goal of theirs. Ongoing, users who need or want it have Oracle Cloud–based virtual computing resources in the form of infrastructure-as-a-service (IaaS). Via platform-as-a-service (PaaS), they also have the ability to develop applications of their own that work in combination with Oracle's. The Oracle Cloud solution is global, supported in 33 languages and by 19 data centers.

Users reported that Oracle's customer support for the cloud is strong. Once implementation is complete, the Implementation Success Manager passes the baton to a new single point of contact, the Customer Success Manager (CSM), who stays on the project for the lifetime of the deployment. The CSM performs monthly or bi-weekly health checks on the deployment and provides quarterly business updates. This helps to continually educate customers on how to make use of newly released features and functionality.

As one customer said, "*Customer support has been much, much, much improved compared to the situation before we went to the cloud. Oracle put a customer success manager on our account, we had a frank conversation with him, and now I'm an Oracle customer support fan. They've really turned it around.*"

KEY BENEFITS

Nucleus's analysis found several benefits for employers that deployed Oracle to connect HR with financials. Organizations have seen improvements through better alignment of their reporting and visibility. A consumer-style feel engages users. Recommendations based on real-time data equip users to make confident, informed decisions. Streamlined workflow simplifies expense reporting and reimbursement, as well as the processing of purchase orders. Nucleus's analysis found gains in productivity and reductions in costs, such as those for IT and administration.

REDUCED COSTS

Nucleus found customers choosing Oracle to connect HR and finance experienced less strain on IT and other staff post-deployment. This caused IT and administrative costs to drop, with Nucleus's analysis finding savings in the hundreds of thousands. For instance, one organization avoided roughly $400,000 in administrative costs. A marked decrease in necessary labor resulted, for instance, when organizations eliminated on-premise solutions for HR and financials and moved to one cloud, where users no longer spent time reconciling information from separate systems. Additional savings were related to a reduction in training needs, an absence of inconsistent security policies, a consolidation of data sources, simpler auditing requirements, and fewer SLAs and vendor contracts. Customers said:

- *"The total cost of ownership has gone down drastically with financials. Costs are down with HCM, too, and there is vastly more functionality, such as online performance reviews and a complete record of employment history. We are looking into adding functionality such as social learning analytics, which should pay dividends."*
- *"Because it's SaaS, Oracle's solution has taken the IT team out of equation, which has lowered costs significantly."*
- *"We have a really labor-intensive process of having to manually close all the books. With our plans to put all of that online and automate it through Oracle, we expect to make it better, faster, and more accurate."*

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IMPROVED PRODUCTIVITY

Nucleus's analysis found that companies saw productivity gains ranging from 3.5 percent to 10.5 percent post-deployment. In one example, purchase orders previously took several weeks to process. With the Oracle solution deployed, time elapsed is now just one week, and the customer expects that to decrease further. Managers have seen their productivity increase through an ability to approve items through the system, or with the system doing so on its own by automatically reconciling the information with HR data. For another customer, IT had no centralized way to track issues. Support was in Australia, which led to a consistent 12-hour delay in response time. With Oracle deployed, this pain point lifted. For

other users, gains in productivity came from automation in HR and with compliance being centrally baked into the solution. Customers said:

- *"Before HR was in Oracle, it was all manual. We were stuck in this never-ending manual environment. Now, things flow through the process automatically. It really frees you up to do strategic HR and procurement. We were all tactical previously. We didn't have the time."*
- *"We lost stuff all of the time. You had to print stuff out. For example, we used to spend half of day routing requisitions for approval. Being able to take that and put it on one platform and run the process through one automated workflow is a game changer. Doing so has allowed us to focus our time on being more productive and efficient. What used to take 8 hours now takes 30 minutes."*

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EFFICIENCY, VISIBILITY, AND ACCURACY IN REPORTING

Nucleus found efficiencies in reporting between HR and financials as users experienced more visibility across the system. Better accuracy in reporting was a result. Specific to reporting, Nucleus's analysis found productivity gains of 3 percent stemming from newfound efficiencies in accounting. Customers said:

- *"It's relatively seamless between the different applications. They interact with each other so when I open up Oracle and go to navigator it's all on the same platform. You don't see the two applications as separate. We can easily look to the HR piece for organizational structure, to find managers. The time you need to report against a project is far improved. Those two pieces work seamlessly together. It's really one solution; we don't really see it as an HR and an ERP piece, separately."*
- *"Before deploying Oracle, we had SAP. Ad hoc reports were difficult – to get them completed, we had to go offshore. With Oracle, the cloud environment is simple and intuitive. Building reports is a simple matter of drag-and-drop. Everyday users can pull data and do real-time analysis easily."*
- *"Reporting in Oracle Cloud has definitely improved. With the previous solution, we needed a third party to do our financial reporting. The speed with which we can update financials is much improved."*

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BEST PRACTICES

Nucleus's analysis unearthed several best practices for organizations that were most successful in deploying the Oracle solution to connect HR and financials. For one, they recognized both the pressing need and potential for HR and financials to act as one. This included a ready understanding of just where their organization's most problematic connections between HR and financials were, plus communication of clear, related objectives. They were receptive to the idea that standardization, automation, and centralization of processes between HR and financials was not only preferable, but also the foundation for success.

Importantly, customers also exhibited a readiness to embrace the cloud. This makes sense. In analyzing ROI case studies published since 2012, Nucleus recently found that cloud deployments deliver 2.1 times the ROI of on-premise ones (*Nucleus Research q65 – Cloud delivers 2.1 times more ROI*, April 2016) – an increase over Nucleus's previous analysis on this front (Nucleus Research *m108 – Cloud delivers 1.7 times more ROI*, September 2012). Customers deploying Oracle Cloud to connect HR and financials were well-prepared for the nature of cloud deployments. They positioned themselves favorably for adjusting to configuration versus customization and regularly scheduled SaaS-delivered updates versus drawn-out system upgrades.

CONCLUSION

The market offers a number of ways for companies to bring their HR and financials in line with each other, and companies stand much to gain from doing so. Nucleus believes the best way is to obtain cloud-based functionality in both these areas from just one vendor. Through deployment of Oracle's solution for this – a single, unified platform – users stand to experience significant benefits. Nucleus's analysis found that Oracle's solution reduced the burden on IT to enable users to reduce costs, and that the connected functionality spurred gains in productivity and improved accuracy in reporting. The challenges these companies used to encounter in making their HR and finance applications work together diminished significantly.