

Cloud-based HR technologies transform the business of HR, open the door for AI deployment, and facilitate significant operational benefits. Collaborating with an experienced implementation partner speeds cloud migration and AI transformation.

Building Agile Organizations with Innovative HR Solutions

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Introduction

As organizations strive for greater efficiency and agility, the demand for innovative human capital management (HCM) technologies is surging. IDC's 2024 *Future of Work Survey* highlighted that employee-facing applications are the top priority for organizations among all generative AI (GenAI) investments, with 37% of companies investing in these technologies. AI and GenAI are being integrated into HCM solutions to automate routine tasks, enhance decision-making, and improve overall productivity. AI in HCM is pivotal for tasks such as predictive analytics for talent management, personalized employee experiences (EXs), and streamlined HR processes.

The rapid adoption of AI-enabled applications is drawing attention to key exposures in employee skills. Talent shortages have forced organizations to double down on upskilling and cross-skilling internally, which involves implementing HR-supported tools for employee engagement, career development, and wellness. AI-augmented solutions are valued for providing personalized experiences and insights for employees and first line managers alike.

However, adoption and integration of new HCM solutions with existing systems is often a challenge. Organizations need to ensure seamless data migration and interoperability between different applications in addition to focusing on the mechanics of deployment. They also need to stay current with evolving regulations. HCM solutions must be able to adapt to changes in labor laws, data privacy regulations, and other compliance requirements.

As the HR function becomes increasingly integrated across operations, IT, and finance, business leaders expect integrated reporting and advanced analytics within HCM solutions. The integration provides comprehensive insights for workforce management, performance metrics, and strategic planning, allowing organizations to analyze people data alongside business data to measure investments and organizational outcomes. As integrated ERP systems become the norm, organizations must ensure HR and finance share the same data model and security protocols.

AT A GLANCE

KEY STATS

- » Companies are 4x more likely to deploy in the cloud over any other method — a number that is expected to reach 8x by 2028.
- » 69% of companies are already using or piloting AI solutions in HR.
- » Implementation and consultative partnerships are 2x more likely to lead to KPI improvements within expected time frames as compared with independent cloud migrations and deployments.

KEY TAKEAWAYS

- » The HCM ecosystem is ripe for cloud migration and often takes an early lead on AI in employee experience. This places a burden on HR to become experts when it faces a digital skills gap.
- » Working with a consulting partner can help efficiently achieve the benefits of the cloud and AI enablement.

Trends

HR leaders are challenged to measure and drive employee performance more responsively, personally, and collaboratively with a deeper focus on partnering with employees for optimized placement within the workforce. As HR shifts from process management to employee experience orchestration and personalization, it can benefit from partnering with solution providers to overcome digital skills gaps, expedite cloud migration, and accelerate use of AI modeling and GenAI resource accessibility augmentation.

The market for HCM technologies is growing and transforming with an expected compound annual growth rate (CAGR) of 12% through 2028, according to IDC's May 2024 Worldwide Semiannual Software Tracker. In addition:

- » IDC's Tracker research finds the EX market is expected to grow at a CAGR of 9.7% through 2028, driven by the expansion of AI employee personalization frameworks that facilitate tasks, resourcing, and digital solution engagements.
- » Public cloud deployments are already outpacing other deployment types in HCM, and IDC expects the gap between public cloud deployment models and other methods to double by 2028 (source: IDC's Worldwide Semiannual Software Tracker, May 2024), accelerated up to 94% by AI transformation (source: IDC's *Human Capital Management Survey*, August 2024).
- » Organizations are boosting their HR functions with AI-powered solutions. According to IDC's 2024 *Human Capital Management Survey*, 69% of companies are already using or piloting AI solutions in HR.

Combined, cloud migration and AI transformation accelerate improvements in cost management, productivity, employee retention, and workforce-aligned business performance. IDC's August 2024 *Human Capital Management Survey* shows that more than 65% of HR and IT leaders are challenged to identify where to initialize business transformation efforts in support of efficient cloud management and AI use cases.

Benefits

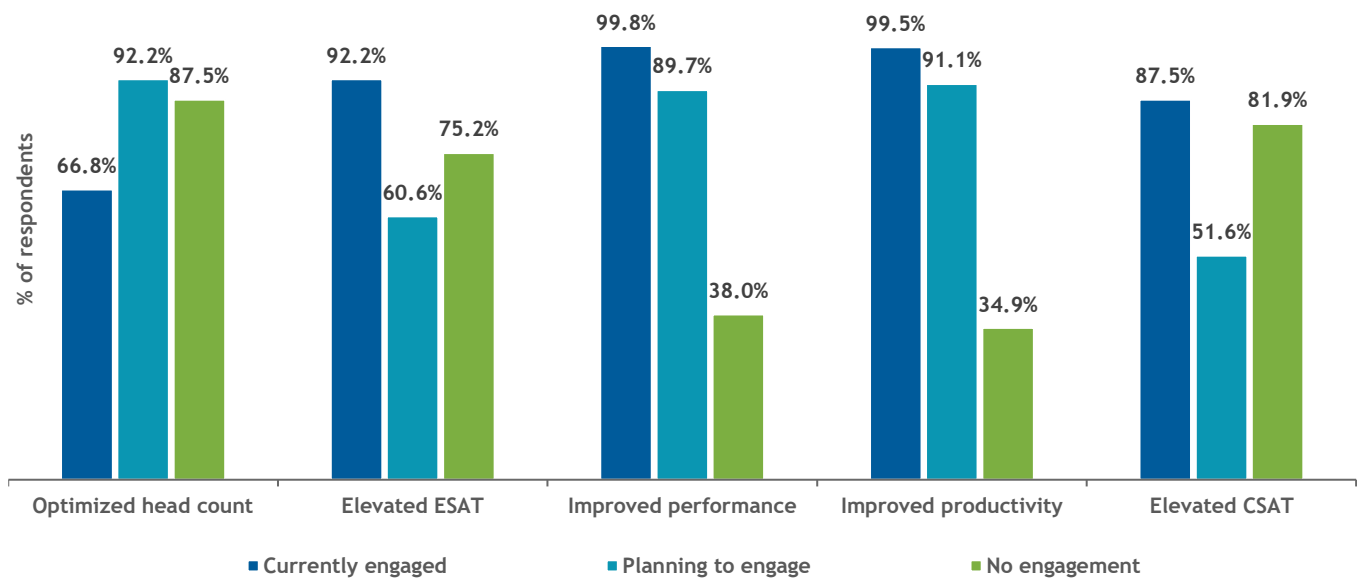
There are several benefits to adopting advanced, cloud-based HCM technology including:

- » **Competitive advantage:** Organizations adopting advanced HCM technologies can gain a competitive edge by improving operational efficiency, enhancing employee satisfaction, and helping ensure regulatory compliance. Early adopters of AI and cloud-based HCM solutions are better positioned to attract and retain top talent, make data-driven decisions, and respond swiftly to market changes. By focusing on enhancing employee skills, productivity, and satisfaction, organizations can drive higher customer satisfaction and overall business success, achieving comprehensive improvements in both internal performance and external customer experience.
- » **Regulatory compliance:** Staying ahead of regulatory changes is essential for avoiding penalties and ensuring smooth operations. Cloud-based HCM solutions are designed to adapt quickly to new regulations, providing organizations with the tools needed to remain compliant. According to IDC's 2024 *Future Enterprise Resilience and Spending Survey, Wave 2*, 18.9% of global organizations identified enhanced security, governance, and compliance of data and applications as the top benefit of adopting a cloud platform strategy. This highlights the critical importance of robust security measures and regulatory compliance in cloud adoption, enabling organizations to protect sensitive information and adhere to evolving regulations.

- » **Enhanced employee engagement:** Advanced HCM technologies significantly enhance employee engagement and productivity by offering personalized experiences and insights. Investing in such technologies can lead to better retention rates and higher productivity. Cloud-based HCM solutions provide remote connectivity, evolving tools, and improved capabilities needed to support these initiatives effectively. These solutions include communication platforms, regular feedback mechanisms, social interaction tools, personalized employee journeys, career development support, and recognition systems, which collectively improve employee engagement and satisfaction.

Cloud-based HCM tools give HR technology stakeholders more freedom to explore a fuller ecosystem of digital tools and resources to support and enable employees and their organizations. These solutions enable data accessibility and co-modeling between HR and an organization's key stakeholders and the data they manage. Co-modeling within and beyond the HR technology environment enhances the department's role in the drive to unified business modeling, bringing workforce performance closer to business performance. Despite the high-value potential, IDC's data found that organizations are 42% more likely to struggle if they initiate cloud migration and AI deployment without a reliable vendor partner (see Figure 1).

FIGURE 1: **Top Benefits from Partner-Guided Cloud HCM Modernization**



n = 512

Source: IDC's Human Capital Management Survey, August 2024

The cases for cloud and AI augmentation move the needle on an organization's digital return on investment (ROI), driven by solution cost reductions and underlying improvements to key performance indicators (KPIs). Companies that work with consulting partners on AI- and cloud-related organizational transformation are, on average, 47% more likely to improve business performance across seven KPIs than those that do not engage partners, according to IDC's August 2024 *Human Capital Management Survey*. The impacted KPIs include optimized head count and talent placement, elevated

employee satisfaction, improved workforce performance and productivity, elevated customer satisfaction, improved customer retention, and elevated business revenue.

The same IDC survey recently found that companies working with implementation partners are 2x more likely to reach their KPI improvements and achieve their milestone targets on schedule compared with companies that deploy on their own.

Strategic Considerations for Modern and AI-Backed HCM Deployments

Organizations must reorient their businesses and rethink data governance, data management, and HR use cases in the era of AI and GenAI. As part of that approach, they should:

- » **Consider comprehensive evaluation:** Undertaking such an evaluation fosters collaboration, aligns goals, and increases the likelihood of successful implementation. As part of this process, organizations should consider unified over integrated suites to reduce integration costs and simplify deployment. They should also assess the technology's extensibility, the vendor's integration approaches, and support for adopting the latest innovations. It is also important to involve cross-functional teams (e.g., IT, procurement, HR) early to consider all stakeholder requirements, identify potential roadblocks, and ensure the implementation partner meets the organization's diverse needs.
- » **Factor in change management:** Cloud migration and modernizing the HR ecosystem will change stakeholder alignments. Stakeholders must adjust their perceptions of value to understand what can be reasonably expected at each stage of migration, deployment, and functional expansion. As cloud migration and AI enablement progress, HR and IT teams should leverage the expertise of a consultative partner to structure a partnership between each function. HR should act as a strategic advisor in determining end-user requirements for HR systems transformation, while IT should do the same for data security protocols and extensibility modeling.
- » **Position HR as a strategic advisor:** HR should function as a strategic advisor in implementing AI and GenAI technologies. Strengthening the partnership with IT is crucial for HR's digital transformation, especially as roles evolve in the next 12–24 months. HR's involvement ensures that technological advancements align with the organization's culture and workforce planning. By leveraging HR's insights, the organization can better manage changes in job roles and responsibilities, helping ensure a smoother transition to new systems.
- » **Build a culture of continuous improvement:** Cultivate a culture of continuous improvement and learning to embrace modern technologies and adapt to evolving job roles and skills. Regularly provide training, actively engage stakeholders, and remain flexible to changing technology landscapes. Capture and develop employee skills to measure improvement, understand strengths and weaknesses, and support employee growth. This approach benefits the organization with valuable data and insights.

Considering Oracle in Partnership with TCS

Organizations considering cloud-based HCM solutions need to adopt a strategic approach. Tata Consultancy Services (TCS) has a long-standing experience in this domain, leveraging advanced methodologies and tools to enable successful implementation and adoption across various industries. Some of the services of TCS for Oracle Cloud transformations are:

- » **TCS Oracle Cloud HCM practice:** TCS's Oracle Cloud HCM practice incorporates Digital Experience Labs including services like TCS Crystallus and the TCS Transformation Delivery Methodology (TDM), which aim to provide ROI, continuous improvements, and alignment with key HR performance indicators.
- » **End-to-end transformation services:** This consists of a set of comprehensive services covering readiness, design thinking, transformation, and adoption, helping ensure a smooth transition to cloud-based HCM solutions across industries and global organizations.
- » **Advanced analytics:** Using Oracle Analytics, TCS has created offerings like the CHRO Cockpit that delivers prebuilt analytics for common HR KPIs and supports data-driven decision-making for CHROs.
- » **TCS Automated Testing for Oracle:** This automation tool is intended to optimize testing processes and generate detailed reports.
- » **DataSure:** This TCS tool is designed to automate the data migration from legacy HR applications to Oracle Cloud HCM.

Challenges

Oracle's HCM suite supports third-party solution integration on an open architecture. The suite is designed to leverage integrated data primarily for Oracle's native AI capabilities before data generated from within the Oracle HCM suite benefits or augments third-party systems. Migrating to Oracle as a data foundation means that Oracle-certified implementation and consulting partners may not be engaged with all third-party systems that organizations may seek to integrate into the core solution environment as part of their cloud migration effort. While not a panacea for all Oracle solution partners, it is advisable to assess the nature of Oracle's defined partnership and engagement with the company's entire solution ecosystem.

Conclusion

Adopting cloud-based HR technologies transforms the business of HR, opens the door to AI use case opportunities, and facilitates significant cost savings, productivity, and employee experience improvements. Organizations looking to integrate or adopt AI-enabled HCM solutions should consider several key factors.

The first is integration with the broader technology stack, where open architecture offers greater flexibility and opportunity to partner across the vendor ecosystem. The second is performance and scalability. Consider vendor service-level agreements and their ability to support global deployment growth. The third is extensibility of HR solutions and personalized employee experiences. Finally, change management is an inevitable outcome of AI-enabled HR solution deployment — especially as cross-functional collaboration with HR continues to evolve. Collaborating with an experienced implementation partner that understands the holistic requirements for AI-enabled HCM is key. A partner brings certified solution expertise with dedicated staff who understand a company's business goals, improving the likelihood of achieving the benefits and ROI.

About the Analyst



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Zachary Chertok is the research manager for IDC's Employee Experience research practice. Mr. Chertok's core research coverage includes all aspects of employee experience management including, but not limited to, wellness and well-being; adaptive and responsive learning and development; recognition; employee engagement; corporate culture; diversity, equity, and inclusion; employee journey mapping; analytical personalization; and supporting digital and consultative services.

MESSAGE FROM THE SPONSOR

Oracle Fusion Cloud HCM connects every human resource process and every person across the enterprise. Oracle helps create a community where people feel valued, heard, and like they belong. Oracle Cloud HCM empowers people to power the business using a single user experience and data model, seamless processes, and AI-embedded infrastructure.

TCS is an IT services, consulting, and business solutions organization that partners with large and complex businesses in their digital transformation journeys. TCS' Oracle HCM Cloud Practice provides a consult-to-operate framework with global experience in transformation and support across industries. TCS specializes in and provides complete coverage for HR, talent management, workforce management, payroll, and HCM analytics. TCS' tools, methodology, and investments in AI, ML, and blockchain differentiate their services while their unique approach combines advisory, project execution, governance, change management, and technology support to drive business value for Oracle HCM Cloud customers.



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