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OFFERING OVERVIEW

Oracle Expands Its Lead in Cloud HCM With AI, Workforce Management, and More

One Common UX, a Focus on Employee Experience, and Global Payroll Investments Further Bolster Industry Leadership



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EXECUTIVE SUMMARY

This report provides an overview of Oracle Fusion Cloud Human Capital Management (Oracle Cloud HCM) and analyzes its ability to satisfy enterprises' demands to power their people operations with an integrated HCM suite. It highlights recently delivered and long-term differentiators that set Oracle Cloud HCM apart and enable people leaders to help their organization achieve Enterprise Acceleration¹ and change the future of work for the people in their enterprise.

Oracle Cloud HCM is the most mature module of the original Oracle Fusion Cloud Applications, showing the most advanced capabilities in HR core, payroll, talent management, and more. Oracle has kept investment levels high in Cloud HCM, building more capabilities than any other vendor in the underlying Constellation Market Overview for HCM suites.² And that investment culminates with the recent releases, in which Oracle added a comprehensive approach to expand its payroll capabilities as well as launching workforce scheduling, a key capability for which Oracle used to partner and that it now provides as an in-house offering.

The other HCM suite vendors that are part of the Market Overview are ADP, Ceridian/Dayforce, Infor, SAP, UKG, and Workday.

BUSINESS THEMES



Future of Work



Data to Decisions



Technology Optimization

ABOUT ORACLE FUSION CLOUD HCM

Overview

Oracle Fusion Cloud HCM (Oracle Cloud HCM) is part of the overall Oracle Fusion Cloud, a software-as-a-service (SaaS) suite, and it stands out as one of the most advanced, widely adopted, and mature suite members. Oracle Cloud HCM achieved wide customer adoption and approval by 2013, when Constellation Research evaluated the uptake of Oracle's offering and the maturity of more than a dozen Oracle Cloud HCM customers.

Oracle has never wavered in its R&D commitment to HCM, and the investment shows with several industry firsts and generally broader and deeper capabilities than its competitors'. Overall, Oracle offers the most capabilities in an integrated suite compared with its large enterprise competitors (Infor and SAP).³

Oracle Cloud HCM benefits from the Oracle investment in public cloud and has been running for a few years now on Oracle Cloud Infrastructure (OCI), one of the fastest-growing infrastructure-as-a-service (IaaS) offerings. This combination has played a huge role when it comes to data residency, which matters to almost all enterprises. It becomes even more relevant in the current artificial intelligence (AI) era, when OCI is one of the few clouds, if not the only one, that has spare AI capacity available for its customers—and that includes Oracle Cloud HCM customers.

While focusing on recently added key differentiators, Constellation highlights the following capabilities of Oracle Cloud HCM in this Offering Overview:

- **HCM is all about the people, so Oracle makes it about the people experience.** With the launch of Oracle ME (my experience), Oracle is the only HCM vendor that offers an encompassing and holistic strategy for getting all people experiences under one single umbrella. That does not stop with HCM processes (which many vendors are doing/have done) but includes all enterprise resource planning (ERP) processes relevant to a user (which pure-play HCM vendors have not offered, nor have Oracle's ERP competitors—yet) and further expands to custom processes built with Oracle no-code/low-code

tools, enabling the effective automation of custom processes, all in a single user experience (UX). These capabilities give enterprises the unique option to run all people-relevant processes in a single place with a single UX, effectively fostering a superior user experience.

- **People need to get paid: Oracle’s global payroll expansion is critical.** Oracle has offered natively developed payrolls around the globe for many years, putting it in the No. 2 position for natively supported payrolls among the vendors of this Constellation Market Overview. More recently, based on requests from customers, Oracle is taking bolder steps to provide broader international payroll support. Oracle now supports 14 countries natively and completely and another 46 with its International Payroll Core strategy, in which Oracle delivers the global components of payroll and partners deliver the local components. This is a significant improvement over the early state of global payroll support and now puts Oracle on par with or above most of its competitors (that also use partners).
- **Oracle strengthens workforce management with new workforce scheduling and labor optimization capabilities.** Although Oracle has offered a workforce management platform for many years, comprising Time and Labor, Absence Management, and more, it, like all other ERP-centric HCM vendors, has been partnering for workforce scheduling support with a third party, in this case WorkForce Software. This was a win/win for customers that wanted a mature workforce scheduling system and wanted Oracle to focus on the other areas of workforce management (WFM) and HCM. Now Oracle is putting forward a good organic workforce scheduling solution of its own—especially important in healthcare, where Oracle overall has high ambitions after its Cerner acquisition and where workforce scheduling is a core automation area.
- **Getting skills right is critical, and Oracle Cloud HCM does that.** Oracle has built out its skills-centric talent management capabilities continuously over the years. Across talent acquisition, learning, and more areas, it has added the ability to not only explicitly but also implicitly add and manage skills from any source as well as leverage skills suggestions and matching of people with opportunities through its AI-powered open skills aggregation platform, Oracle Dynamic Skills. With that addition, Oracle is now at the forefront of skills automation in HCM.

- **AI is a key advantage and differentiator for Oracle Cloud HCM.** All vendors that have been building on a single cloud platform have had a considerable time advantage over their competitors that had to support multiple clouds. Oracle Cloud HCM, built on OCI, has swiftly taken good advantage of that, offering one of the vastest AI automation portfolios across the competitive fields. Moreover, Oracle enables its customers to bring their own AI automation/large language models (LLMs)—giving enterprises further flexibility for their AI automation.

Market Segment

The market for HCM software is defined as the combination of software automation for payroll, HR core, talent management, and workforce management. In North America, employee benefits are part of the overall automation puzzle.

Vendors provide their software almost exclusively via cloud-based delivery. Across enterprise automation, HCM software is the most advanced category in the cloud. For the automation portfolio, vendors offer browser-based access and a more limited range of capabilities on mobile devices. Enterprises have lost some of their original enthusiasm for tablets, and vendors today support tablets mostly via browser-based versions of their software.

People leaders in enterprises are looking for integrated HCM suites to enable them to operate more pieces of the HCM automation puzzle from a single vendor. They expect a common UX, single sign-on, and synergies that work across the distinct functions of an HCM suite. More importantly, they hope that using an HCM suite will help their enterprise become more agile and faster and will accelerate their overall people processes.

Unfortunately for enterprises, even implementing the complete offering of an HCM suite vendor still leaves HCM automation pieces that must be addressed by a third party. People leaders are looking for ease of integration, the elimination of automation islands via functional roadmap expansion, and the reduction of integration risks via partner-based integration. Recently, the rise of enterprise application platforms (EAPs)⁴ has been crucial for HCM vendors, because EAPs support the critical use cases of

integration, extension, and building. A strong EAP offering is key for the success of customers on any HCM platform.

Of course, HCM is not immune to the overall attention on generative AI (GenAI). And HCM, with its document-centric processes, is a prime candidate for the abilities of GenAI. The main use case for the coming years, however, will be the successful adoption of conversational user experiences, effectively replacing self-service operations for employees and managers. And with that, the race to “0 full-time equivalents (FTEs) in HCM” begins—effectively enabling enterprises to reduce, if not eliminate, the roles of the departmental HR person. This frees up capacity and cost to invest in talent augmentation and better overall people practices. GenAI also offers the ability to generate learning content in a more compelling way—and, for the first time, to cater to all learning types—in a cost-efficient way.

Finally, people leaders are looking at operating HCM suites with supplemental HR services or complete business process outsourcing (BPO), and vendors are responding with business-process-as-a-service (BPaaS) capabilities.

Market Trends

The following market trends characterize the operation of HCM systems⁵ (see Figure 1):

Compliance Keeps Tormenting People

Compliance remains front and center for HCM, with the emphasis shifting from post- to precompliance that proactively makes sure an enterprise stays compliant. But it is an uphill battle, with legislative bodies expanding regulation left and right, front and center. A reprieve is not in sight, due to the socioeconomic factors of an aging population, an under-2.0 reproduction rate in affluent countries, and new (digital) business models on the rise (requiring more regulation). Constellation has postulated for a few years now that this trend will lead to a new software category, compliance as a service (CaaS), and that pressure on vendors to provide more offerings such as this will rise to new heights throughout the 2020s.

Payroll Innovation Matters: People Need To Get Paid Locally and Globally

In 2024 the traditional approach to running payroll can be declared obsolete: All major payroll vendors have switched their payroll architectures to “always on.”⁶ This architectural approach means that all payroll-relevant data for a person is always calculated when a payroll-relevant event happens. The advantages are tangible, because every person’s pay position is known at any given time. Moreover, the architecture enables key negotiation and planning scenarios for people leaders. Payroll advances are made simple, not to mention workforce planning and allocation exercises that become more and more important and complex in a globalizing world. “Pax payroll” is a key state every enterprise wants to be in, where people focus on value creation via their job, with no concerns about getting paid on time.⁷

Voice/Conversational Is the UX: Powered by Agents Is the New UX

People have gotten accustomed to using their voice to interact with digital assistants and smartphones. The recent rise of GenAI and its speech utilization has further increased the quality of speech recognition. Compared with the traditional QWERTY keyboard, speech is a more natural and human way for people to interact with technology. Previously provided conversational user experiences still required users to type their data into a device, but this was cumbersome and therefore not well adopted. With the rise of better speech recognition, a fully conversational user experience is now available on the technology side. It is up to HCM vendors to put the technology into tangible products and really revolutionize employee and manager self-service.

Workforce Management Is the New Joker in HCM Selection

Enterprises have begun to realize that the close connection between workforce management and payroll is key for their operational efficiency and, with that, for Enterprise Acceleration. The result is that the previously prevalent approach of partnering with a third-party workforce management system is taking more and more of a back seat. All HCM vendors that lacked native workforce management capabilities have either developed these recently to a reasonable maturity or are in the midst of delivering their own in-house offerings as part of their suite and architecture. The benefits of this approach are tangible: Employees see the same user interface for all their work actions, IT doesn’t have to worry about

interfaces' running all the time, and practitioners don't have to worry about data's lining up at the right time.⁸

HCM Needs To Enable the Data Foundation for the AI Effort of the Enterprise

AI needs data, and the enterprise has it: The question is how to secure it. One of the most natural and innate hierarchies of an enterprise is the reporting hierarchy, and HCM manages that. As HCM vendors need to look into strategies for supporting data lakehouses and more, the ability to query a reporting hierarchy is an existential capability HCM systems need to expose. At the same time, pure HCM players need to either partner with ERP vendors or provide their own lakehouse offerings that are open to third-party data. To deliver meaningful HCM AI, this AI needs access to AI data as well as the ERP data of the enterprise.

Employee Experience Matters Again and Again

For the longest time, enterprises have known that the UX was important but found it convenient to neglect the topic. In the last couple of years, the conversation thankfully has been restarted, bolstered by the argument that a better UX leads to happier employees and happier employees lead to higher customer satisfaction. Nobody can argue with the last goal, but the result is that HCM vendors need to meet workers where they work, and that is not in the HCM application. Bringing at least employee self-service capabilities into productivity applications such as email and chat was a start in 2020. Today both traditional AI and GenAI have the opportunity to improve and reengage an increasingly skeptical workforce with software—all with the focus on a better employee experience and consequently higher employee satisfaction, morale, and resilience.

The Workforce Is Managed as One and Up-trained Based on Skills

The aging population and a growing economy do not help the already-unfavorable aging dynamics the developed world is experiencing. Enterprises must become more flexible, because of the shrinking labor and talent pool, and that means increasing their ability to work with contractors and, increasingly, gig workers. Existing HCM systems have not been built for a fluid workforce, so these requirements create

a formidable challenge for the established HCM vendors. Being able to operate with and manage hybrid teams composed of employees and gig workers/contractors is the new normal, so it's no surprise that the ability to work with regular and gig people has become a very strong selection criterion for HCM systems.

Skills Rule and Make Learning the New Social Compact

After a long trial-and-error period, vendors appear to have finally gotten the skills management side right. With the easy creation of skills profiles explicitly and the available creation of skills profiles implicitly from the work activity, enterprises have the chance to operate with continuously up-to-date skills profiles for their people. And with new skills always in demand, learning is critical in order to provide them. The ability of the learning system to keep skills relevant effectively forms the new social compact of the twenty-first century: People trust their enterprise's learning system to keep their skills relevant, up to date, and put to use.

Human Sustainability Is the Key to the Enterprise

It is more than abundantly clear that enterprises can no longer burn out their people. It is not easy to replace talent, and it's not good to burn it out. Enterprises need to make sure their people are comfortable with working for the enterprise. This starts with financial wellness, which entails the appropriate compensation as well as the financial planning to not only work toward financial wellness but also to achieve it. Emphasis on total compensation with highlights of nonmonetary benefits and their contribution to employee well-being are equally important. Similarly, flexible work hours and the ability to create short-term time-off events are becoming important for human sustainability.

GenAI Is Critical and Is the 2025 Joker

Ever since the move of HCM automation to the public cloud, it has been clear that enterprises needed to automate HCM. The rise of GenAI has the potential to change all of that. At the time of this writing, in the fall of 2024, only the peak of the iceberg is apparent as it pertains to AI, because the transforming technology that underpins GenAI does not offer out-of-the-box automation for combining structured

and unstructured data: It for now excels “only” at text processing and text generation, effectively transforming all work related to processes that deal with documents (text, pictures, video, audio, and so forth). This has limited usage in HCM and an enterprise, with tangible benefits predominantly in conversational UX/“agentic” application use cases. How well vendors will play the “AI joker” in 2024 and beyond has the potential to shift the HCM market landscape, because the automation benefits are too attractive to ignore. Vendors that fail to deliver AI-based automations quickly and in tune with their developers will see their market share affected. Like the “0 FTEs” drive already seen for finance, expect to see the drive for “0 FTEs in HCM” emerge soon.

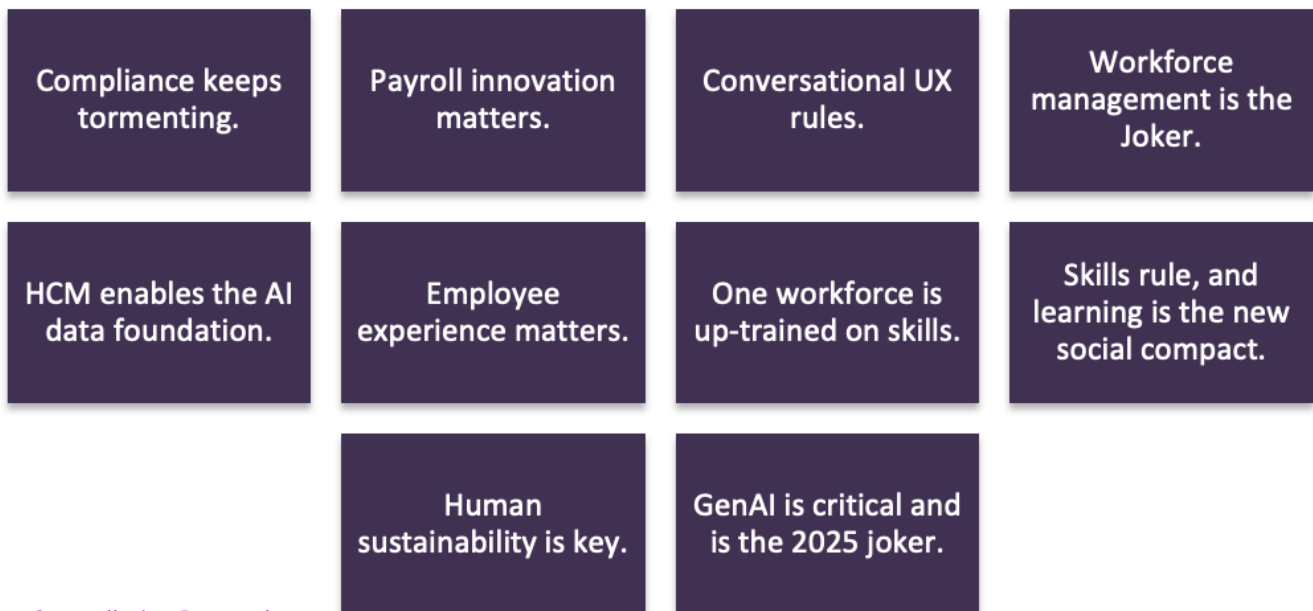
FUNCTIONAL CAPABILITIES

Constellation sees the following recently created and delivered functional differentiators in Oracle Cloud HCM.

It Is All About the People—Driven via Employee Experience Powered by Redwood

Enterprise software all too often has been designed with no regard for the time users need to complete the relevant actions for their work. More recently there has been a focus on the employee experience,

Figure 1. Ten Market Trends Defining Modern HCM Systems



Source: Constellation Research

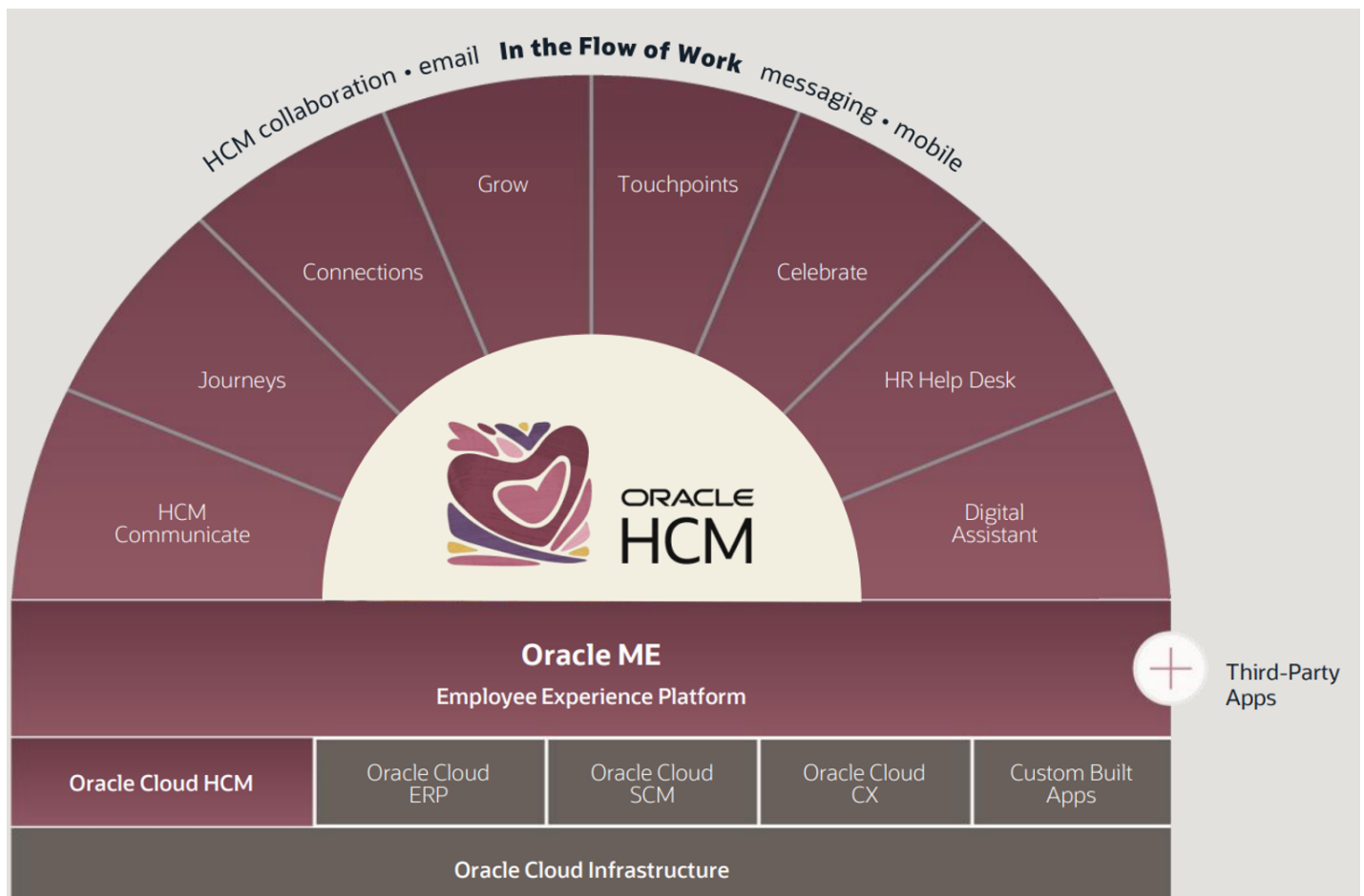
taking into account the idea that efficient and effective people perform better. And if employees can complete their software-based tasks quickly, they have more time to focus on their real job: value creation for their enterprise. This means that enterprise software that creates a positive employee experience contributes to what matters most, Enterprise Acceleration.

Oracle achieves a superior employee experience compared with that of practically all its competitors by following these design and architecture principles (see Figure 2):

- **More out-of-the-box people process automation than anyone else.** With a consistent UX available for people processes, a consistent user experience enables a better employee experience. With HCM Communicate, Journeys, Connections, Grow, Touchpoints, Celebrate, HR Help Desk, and Digital Assistant, Oracle Cloud HCM provides more edge automation use cases than any of the competitors covered in the underlying Constellation Market Overview for HCM. The result is that Oracle Cloud HCM users can experience all of this automation with a single UX and can perform automation in a faster and more frictionless way.
- **A holistic approach for all people processes with Oracle ME.** With its rich tradition in platform and tools, Oracle has provided a single employee experience system with Oracle ME. It makes sense to center that effort in the HCM space, because all people are users of the HCM system. Making Oracle ME available not only for Oracle Cloud ERP, Oracle Cloud SCM, and Oracle Cloud CX but also for third-party applications ensures one consistent employee experience across all the relevant automation that people need to perform. And Oracle makes these experiences available not only in its own UX but also where people work—in popular email and messaging platforms as well as smartphones.
- **A consistent UX with the Redwood design system.** Large software engineering organizations traditionally have a spotty record at best when it comes to UX harmonization and sticking to a single consistent UX. All that changed for Oracle with the launch of Redwood, a single design system that is in the process of adoption across the Oracle Fusion enterprise applications landscape.

- **A single platform across all automation areas.** Oracle has not only had the discipline to provide a single UX but it is also differentiating itself with a single consistent stack, from IaaS to PaaS to SaaS. The suite-level benefits of that approach pay off nicely in the marketplace for both Oracle and its customers, and the combination of providing single-platform-based tooling for a consistent employee experience platform and a consistent UX design system with Redwood sets Oracle apart from other vendors, which are offering a less consistent and disciplined approach.
- **AI that can be embedded across the stack.** Oracle has invested massively in AI on the IaaS side, and Oracle ME—like every other aspect of Oracle Cloud HCM—uses that AI capability to provide a single consistent approach and architecture for AI—both classic AI and generative AI. The result is the consistent availability and consumption of AI for people, making adoption easier and faster.

Figure 2. How Oracle ME Created an All-Encompassing Employee Experience, Powered by Redwood



Source: Oracle

Pay Matters, Locally and Globally, and Oracle Expands Its Payroll Portfolio

Relative to its competitors, Oracle once was in the middle of the pack when it came to native payroll support for various countries as well as for partner-offered payrolls. Recently Oracle changed its approach, though, and while continuing to add more native payrolls (France coming soon, Ireland in 2025, TBD for the next ones), Oracle has formalized its approach to partner-supported localizations and is on the way with an ambitious plan to bring the supported partner localizations (Oracle calls the offering International Payroll Core) to almost 50 countries and markets. This brings the supported countries overall to exactly 60 and is a major departure from a few years ago.

Oracle would not be Oracle if it had not rethought payroll with a platform approach for Oracle International Payroll Core:

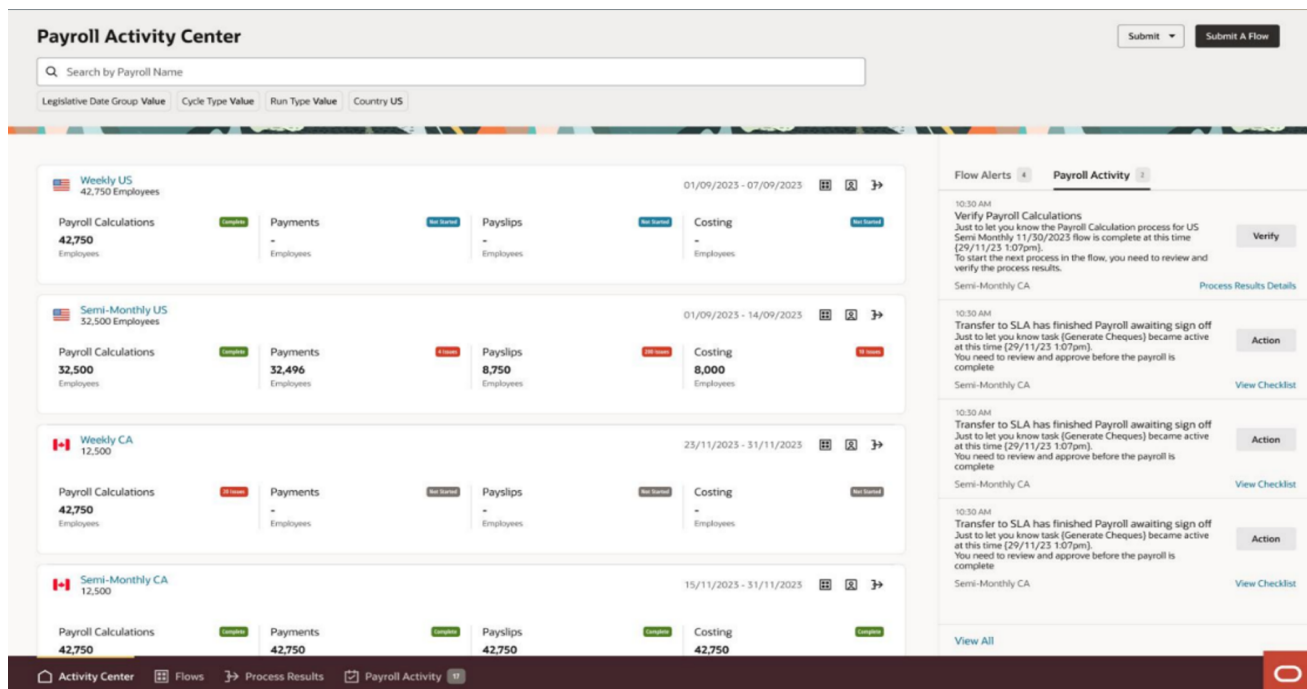
- **Scope that expands beyond just payroll engine support.** All earnings and deduction rules are centrally managed and can be shared as needed. This reduces operational maintenance efforts for local payroll teams.
- **Global reconciliations.** Payroll professionals can reconcile payroll independent of local legislation and currency, allowing for more efficient reconciliation work.
- **Pay slip and EFT support.** Pay slips can be generated and electronic funds transfers (EFTs) can be operated. Practically, this means that payroll professionals can monitor payroll progress all the way up until actual payment.
- **Availability of Payroll Employee Experience.** For people to watch, learn, and interact about their paycheck, Oracle provides Payroll Employee Experience: one compelling UX for all payroll-related questions and processes (independent of the underlying payroll).
- **One rules engine for all pay rules.** Oracle provides a single rules engine for all localization rules, regardless of whether they are legislative, labor agreement-related, or customer-specific. This streamlines the rule creation effort and fosters the reuse of rules, helping payroll professionals be more efficient and productive.

Needless to say, Oracle continues to support its payroll partners ADP, Dayforce, Strada (formerly Aight), Neeyamo, Ramco, and Immedis, resulting in the largest partner portfolio for payroll automation. The result is a compelling choice for payroll strategists, who can choose one of the 14 native payrolls or one of the 46 partner-supported localizations for International Payroll Core or a partner-based payroll, all coming with specific pros and cons. On the operational side, Oracle now offers a single view of all payrolls being used by an enterprise, with clarity on status and powerful actions that can be taken to manage positive payroll outcomes (see Figure 3).

Oracle has several key advances planned for payroll automation in 2024. Here are some of the highlights:

- Payroll benefiting from autoscaling.** With Oracle Cloud HCM operating on OCI, it was time for Oracle to help customers also benefit from the key characteristic of the cloud, its elasticity. For a resource-intensive process such as payroll, this means that it needs to scale in smaller steps and to scale automatically, which the industry calls autoscaling. So larger, more complex, often-initial payroll runs will consume more compute resources whereas smaller, simpler payroll runs, often started later in the payroll cycle, will consume fewer compute resources (and therefore be cheaper for Oracle and enterprises and more efficient for customers). The secret sauce is to have a very scalable performance

Figure 3. Oracle Payroll Activity Center



Source: Oracle

in the payroll engine, which Oracle showed in a recent scalability test: Doubling the numbers of workers to one million added only 1.4 seconds (for a total of 8.6 seconds) for a start-to-end payroll run.

- **Payroll manager acceleration capabilities that keep coming.** Oracle keeps providing innovation that helps payroll managers stay on top of their work. The highlights here are the automatic handling of overpayments (typically a tedious manual process) and added pay transparency capabilities.
- **Oracle Cloud HCM enabling better Oracle Finance.** The Oracle Cloud HCM payroll capabilities also help make better decisions in finance, which now supports payroll-to-(U.S.) Oracle Labor Distribution integration (with grants support), position budgeting, and costing by location. The latter are ad hoc queries that finance professionals can now do—from their finance application.

After years of inertia in the global payroll support area, Oracle has now moved forward, offering an attractive set of choices. How well customers will receive Oracle’s solution and potentially move to/from a partner offering or ask for support in other/more countries will be a question for later in 2024 and then 2025.

Oracle Adds the Last Piece: Workforce Scheduling as Part of an Overall Workforce Management Suite

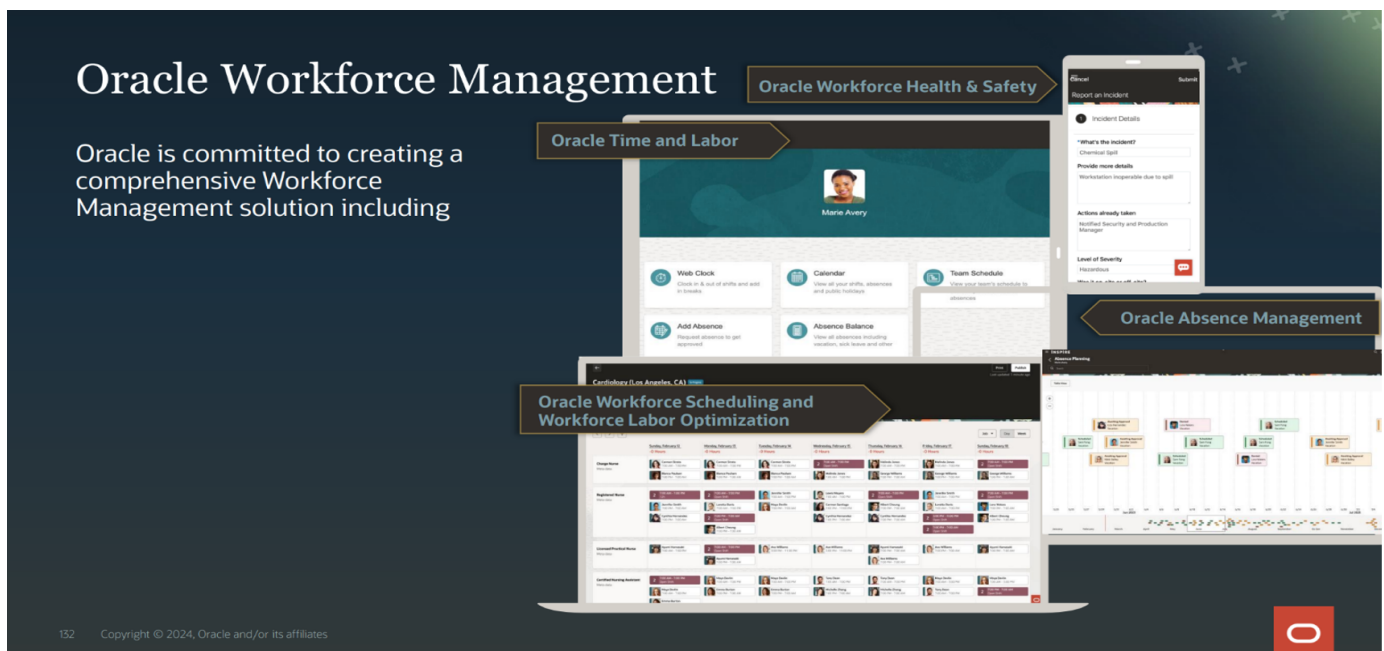
Next to payroll, the other automation area in which Oracle has been more conservative in building out native capabilities has been workforce scheduling to complete its workforce management suite. Like many of the other HCM vendors, Oracle has a partnership in place with WorkForce Software. Oracle’s hands-off strategy changed with the acquisition of Cerner, which makes workforce management a key functionality for scheduling nurses, medical equipment, and more. And given the complexity of healthcare scheduling, coupled with the ability to create horizontal capabilities for the new Workforce Scheduling module, the starting capabilities of the natively developed module in Oracle Cloud HCM are above average. Oracle customers already have been using Oracle Cloud HCM for retail scheduling, also a sophisticated workforce management automation area, which, for Oracle Cloud HCM customers and prospects, means that Oracle offered a very strong early workforce scheduling capability right from the get-go.

With the addition of native workforce scheduling capabilities, Oracle has the most complete HCM suite available for large enterprises, and, as such, the addition of the workforce scheduling functionality marks the completion of the HCM suite automation for Oracle customers and prospects. And it is not as if Oracle started from scratch; it already could rely on substantial pieces of the overall workforce management automation portfolio with its proven capabilities in existing modules such as Oracle Time and Labor, Oracle Absence Management, and Oracle Workforce Health and Safety (see Figure 4).

And Oracle is following the right architecture and design principles:

- Reduce labor cost
- Leverage AI for scheduling (including GenAI agent support for common scenarios such as shift management, addressing overtime, and overscheduling)
- Stay compliant
- Build on worker preferences
- Focus on filling shifts quickly

Figure 4. Oracle Workforce Management Builds on Other Foundational Offerings



Source: Oracle

- Consider shift plans based on people preferences, availability, and skills
- Empower people to pick, release, and swap shifts

The combination of the above architecture and design principles ensures a modern and competitive Oracle Workforce Management offering.

Skills Permeate the Oracle Cloud HCM Suite

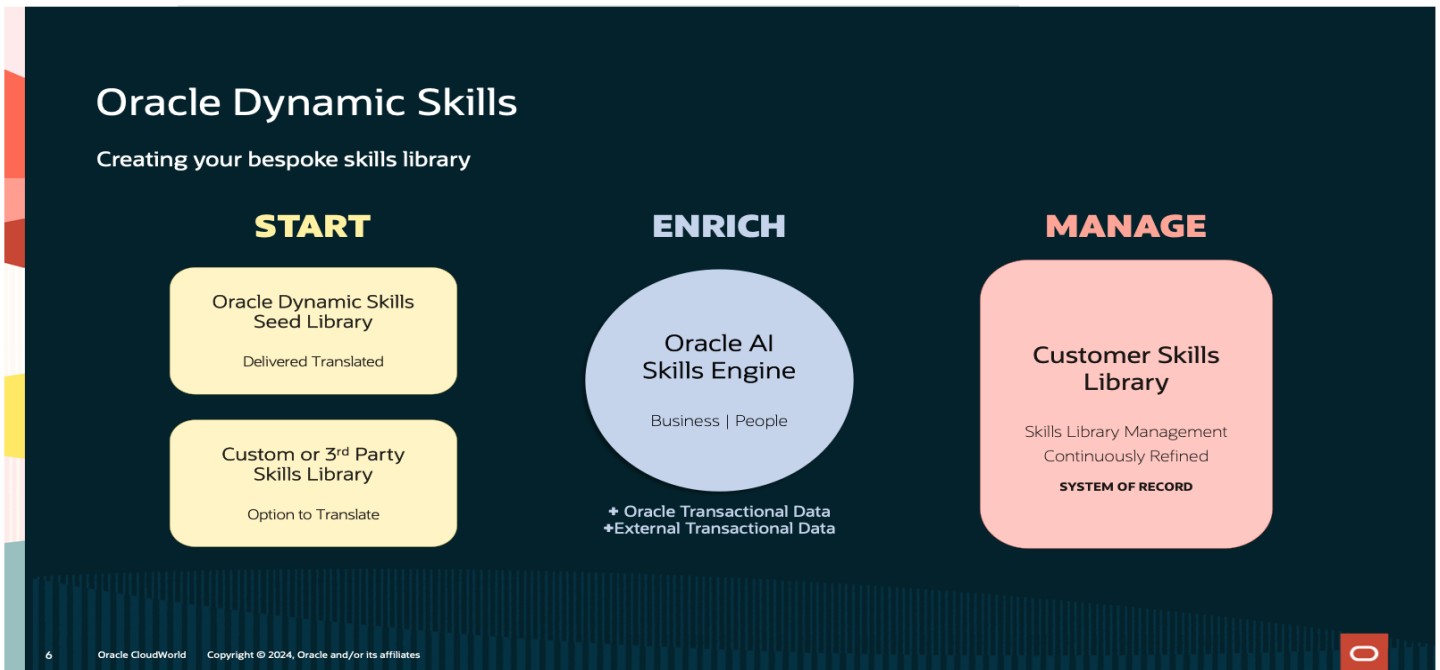
Skills came back into the wheelhouse of HR and people leaders five to seven years ago. Modern technology allowed for better accounting, collecting, and management of skills than ever, and the combination of a people capacity shortage, skills shortage, and the ability to tune training for individual needs set the stage for a skills renaissance.

It has been quite a turnaround for skills, which was a neglected area, due to the one-time approach—the promise of “this will be the last skills data collection drive”—falling flat again and again, the lack of accountability for skills’ atrophying, and many more factors. The first attempts by vendors to explicitly collect skills information by replacing paper-based forms with electronic forms suffered the same fate: They did not move the needle in learning, career planning, employee experience, or retention. Oracle learned from some of the stumbling in the industry and launched its Dynamic Skills offering with the skills infrastructure—including the ability to aggregate and enrich skills from any source—skills-informed talent processes, and skills insights to support a skills-based organization.

On its immediate horizon is the ability to implicitly collect skills from the digital artifacts and exhausts of people. For instance, someone who is saving a few new Microsoft PowerPoint presentations per week has PowerPoint skills. Someone who is writing emails in Italian is probably fluent in Italian. These skills should be generated by a modern skills management system, and that is where Oracle is heading with its Dynamic Skills offering.

Oracle enables enterprises to build their own skills library in a three-step process (see Figure 5):

Figure 5. Oracle Dynamic Skills and Its Implementation



Source: Oracle

- 1. Start with the existing skills libraries.** To help jump-start the process of building a skills library, Oracle provides the Oracle Dynamic Skills Library, which is supported in all Oracle-application-supported languages. On top of that, it enables the merger with custom skills libraries.
- 2. Enrich the library with the Oracle Skills Engine.** The Oracle Skills Engine looks at both Oracle and external transactional data to enrich the skills library. This ability is key to make the skills library dynamic—reflecting reality.
- 3. Manage the custom skills library.** The result is a customer-specific skills library that can be managed by each customer as it sees fit.

Oracle initially loaded its skills ontology from millions of job descriptions as well as people and job information documents; it harmonized the information based on industry standards and continuously updates it. In 2024 Oracle added the following capabilities to Oracle Dynamic Skills:

- New seed library
- Customer-managed skills curation and management

- Further extension capabilities in the already-open skills platform
- Multilanguage support
- Enhanced skills support in the areas of performance management, scheduling, and budgeting

But the key new feature of Oracle Dynamic Skills is the Inferred Skills capability Oracle recently added to Oracle Cloud HCM. With the help of AI, Oracle continuously monitors the digital work of an enterprise and thus finds, understands, and detects skills. This approach makes sure that skills never atrophy but instead are continuously updated as they evolve, without any (substantial) explicit enterprise effort. The extent and quality of its inferred skills capability are a strong differentiator for Oracle Cloud HCM.

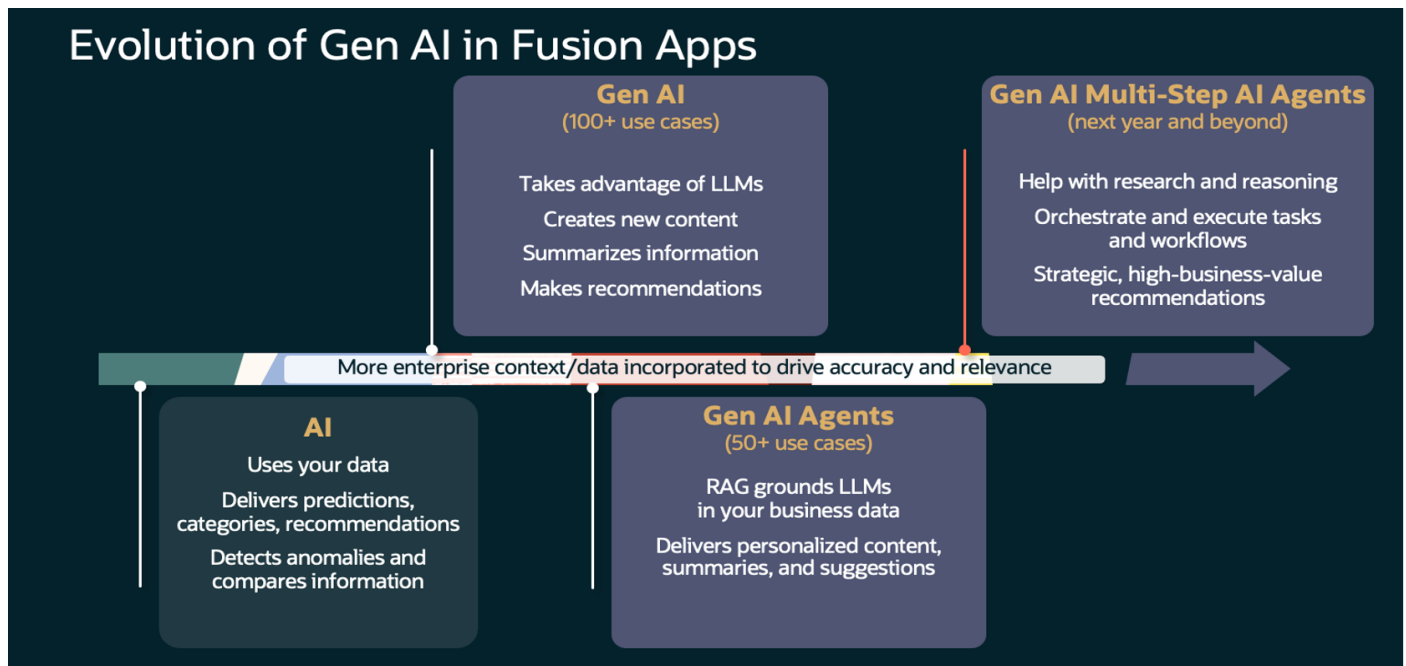
AI Is Easy When It Is Done the Right Way

GenAI has dominated enterprise software roadmaps and highly influenced the delivery of capabilities; it will continue to see innovation and investment in 2024 and beyond. The Oracle roadmap has been no exception. At the forefront of any GenAI capabilities is always the platform question—gone are the days when AI was delivered as a single feature and it didn't matter as much how the AI model was created, trained, and operated. Today, with the need to deliver GenAI at scale, in a repeatable, always-on manner, adhering to ethical compliance boundaries requires a platform approach.

Through 2023 and into 2024, it has become clear that there are two different speeds of AI adoption. Vendors that work on one single AI platform have a 9- to 12-month lead over vendors that need to operate across multiple AI (or cloud) platforms. For Oracle Cloud HCM, it is clear that all AI runs on OCI, giving Oracle a head start over its prominent large-enterprise competitors, which all operate their offerings (and therefore need to operate AI) across multiple clouds (see Figure 6).

A key roadmap item for Oracle has been to provide not only GenAI but also extensible GenAI to enterprises. It is clear that out-of-the-box GenAI will have only limited use cases for enterprises, especially in the HCM automation area, because sensitive enterprise data has to be part of any GenAI effort.

Figure 6. The Evolution of GenAI in Fusion Apps



Source: Oracle

Under its extensible GenAI strategy, Oracle enables the following capabilities:

- **Empower with LLM choice.** Oracle enables enterprises to pick their preferred LLM, giving enterprises critical choice on the inner workings of their GenAI automation. Data localization, intellectual property, and more are often very important to enterprises, so this flexibility is critical.
- **Build and personalize GenAI prompts.** Based on its PaaS DNA, Oracle enables customers to create their own GenAI prompts. This is critical, because vendor-delivered GenAI is not always a good fit and enterprises need the flexibility to create their own prompts. Moreover, Oracle enables enterprises to personalize Oracle-delivered GenAI prompts, which is equally important so they can increase the value of their GenAI automation.
- **Associate GenAI with a specific workflow.** GenAI by itself is not of much value if it is not associated with the right work situation to which it is applicable. Oracle allows for this by enabling enterprises to associate their GenAI (standard, personalized, or self-built) with the appropriate workflow(s).

ANALYSIS AND OBSERVATIONS

Constellation sees the following strengths and weaknesses—which cannot be overcome in less than a year—and opportunities and threats—which can happen and can be created/overcome in an average of six months—in Oracle Cloud HCM (see Figure 7):

Strengths

Oracle Cloud HCM has the following strengths:

- **Most complete HCM suite for large enterprises.** With what soon will be more than 20 years of investment in HCM automation, Oracle offers the broadest set of HCM automation for large enterprises across the vendors covered in the underlying Constellation Market Overview. Oracle has not wavered in its commitment to R&D, and it has more development FTEs in place than several competitors combined—which shows in the depth and breadth of Oracle Cloud HCM.
- **Addressing weakness in Payroll.** One long-term weakness of Oracle Cloud HCM has been the middle-of-the-road availability of its international payroll options. Oracle has now addressed this with a new approach and strategy, which is promising and will make Oracle Cloud HCM more attractive to global enterprises.
- **New Workforce Scheduling offering.** Much as with payroll, Oracle preferred to partner for workforce scheduling automation, but the vendor has now reversed its stance. With the new Oracle Workforce Scheduling offering, enterprises have a more complete, competitive offering for managing their people who need to be scheduled for work—with the same user experience.
- **HCM GenAI running on OCI.** Of all HCM vendors, Oracle is the only one that operates an independent IaaS offering: OCI. GenAI has been a key driver for IaaS vendors, and OCI has done well to be a compelling offering. This has helped Oracle overall to put its GenAI offerings—including those in Oracle Cloud HCM—more quickly into the hands of its users. As long as OCI remains a compelling and leading GenAI option, especially coupled with performance-critical transactional applications for

the enterprise, it will be easy for Oracle Cloud HCM to move to a leading position and stay in a leading role vis-à-vis its competitors.

Weaknesses

Constellation sees the following Oracle weaknesses:

- Oracle perception remains a challenge.** Despite all efforts toward a more service-oriented and gentler Oracle, which have created valid positive proof points, many CEOs, CHROs, and CIOs feel so strongly about Oracle that they will not do business with the company, based on past experiences—often decades past—even if it means that their enterprise must settle for a second- or third-place offering. It is an unfortunate situation, but it is the No. 1 reason enterprises do not choose Oracle overall and, with that, Oracle Cloud HCM.
- Likely more work to do in payroll.** It is good to see Oracle changing its stance on the payroll automation side, increasing both in-house-built and partner-configured payrolls. Whether that will be accepted by customers remains to be seen. We will see soon if Oracle can deliver “pax payroll” to its customer base. In any case, Oracle has the R&D, will to invest, and talent to build more in-house payrolls for international enterprises.
- Not 100% on Redwood yet.** It is taking Oracle a long time to harmonize with its new UX platform, Redwood. Oracle has essentially completed its development, but it is not expected to be ready for customer adoption until the end of 2025. The sooner this effort is complete, the better for Oracle customers and prospects.

Figure 7. Oracle’s Strengths and Weaknesses

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> Most complete HCM suite for large enterprises Addressing weakness in payroll New Workforce Management offering HCM GenAI running on OCI 	<ul style="list-style-type: none"> Oracle perception remaining a challenge Likely more work to do in payroll Not being 100% on Redwood yet

Source: Constellation Research

RECOMMENDATIONS

Constellation offers the following observations and recommendations for those evaluating Oracle Cloud HCM:

- **Enable Enterprise Acceleration.** Speed and agility are survival factors for the enterprise in the twenty-first century. Oracle Cloud HCM helps enterprises accelerate by providing a single integrated system, from talent acquisition to benefits administration, with an identical UX and mobile automation capabilities. Digital transformation means there is a new need to execute for enterprises, and Oracle Cloud HCM has the ability to enable Enterprise Acceleration.
- **Choose Oracle if a unified modern ERP suite matters.** Oracle, from its very inception, has offered a unified-suite value proposition across finance, HCM, and more. Its new architecture approach makes the suite more valuable and more modern and makes Oracle a key player to consider as part of an ERP selection. Oracle Cloud HCM is not just a “suite ride-along” module but is also a strong, if not the strongest, module in the Oracle ERP suite.
- **When HCM suite matters, look at Oracle.** As mentioned earlier, Oracle Cloud HCM offers the most complete HCM suite—with additional benefits and HCM “fringe” capabilities that still matter, such as its Oracle Celebrate, Connections, and Journey capabilities that are solved by third-party offerings. It is not foreseeable that any of Oracle Cloud HCM’s competitors will build a similar scope of HCM core and related capabilities.
- **Keep an eye on Oracle’s new Payroll and Workforce Management offerings and consider adoption ASAP.** Providing first- and second-level people leaders with better automation is crucial for enterprise automation. Oracle has been innovative in the area, and this can become a differentiator for Oracle prospects and is a must-implement-ASAP step for existing Oracle customers.
- **Select Oracle for a modern HCM suite that leads in AI adoption.** With the new workforce management capability, Oracle completes its suite with in-house (versus partnered) offerings. That

provides more synergy, a better people experience, and more suite benefits. On the AI side, OCI is one of the most compelling AI platforms for enterprises with large amounts of transactional data, and Oracle Cloud HCM raises both to a leading level in the industry.

- **Take a stance on commercial prudence.** No matter the vendor, enterprises must make sure they pay for value. With Oracle, CxOs must pay attention to ensure that licenses and services for implementation are providing their enterprise with an attractive total cost of ownership. As with all other services-related offerings, prices will fluctuate, need to be contractually agreed upon for as long as desired, and must be constantly monitored to avoid negative commercial surprises.

Overall, Oracle is in many aspects the leader—and in a few a contender—among the HCM suites covered in the overall HCM Market Overview. It is in a leading position when it comes to depth of all aspects of HCM, with workforce management now catching up to the rest of the suite. Its payroll offering is seeing a major upgrade with the new payroll strategy, and the ability to manage skills across the HCM suite makes Oracle Cloud HCM a very attractive skills player.

Ultimately, all vendor/enterprise relationships are unique, so HCM suite decision-makers must make sure they have good relationships with the key stakeholders on the Oracle side for their respective purchasing scope. In fact, the quality of those relationships is a key criterion for selection success: The individual relationships between key people at vendors and enterprises matter much more for HCM product lifecycle success than broad, stereotypical images of vendors and products.

RELATED RESEARCH

For an overview of the leading HR system vendors, see: Holger Mueller, “Propelling the Future of Work with Key HCM Suites,” Constellation Research, June 7, 2019. <https://www.constellationr.com/research/propelling-future-work-key-hcm-suites>

For more on Enterprise Acceleration, see: Holger Mueller, “Why People Leaders Must Embrace Enterprise Acceleration,” Constellation Research, July 3, 2018. <https://www.constellationr.com/research/why-people-leaders-must-embrace-enterprise-acceleration>

For the impact of AI on HCM, see: Holger Mueller, “AI Changes HR Like Nothing Else Before,” Constellation Research, June 14, 2019. <https://www.constellationr.com/research/ai-changes-hr-nothing-else>

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For more on HCM trends, see: Holger Mueller, “Eight Trends Affecting HCM in 2018,” Constellation Research, September 11, 2018. <https://www.constellationr.com/research/eight-trends-affecting-hcm-2018>

For what to pay attention to when selecting workforce management software, see: Holger Mueller, “Workforce Management Selection Criteria for 2018 and Beyond,” Constellation Research, September 14, 2018. <https://www.constellationr.com/research/workforce-management-selection-criteria-2018-and-beyond>

For an overview of global HCM suites, see: Holger Mueller, “Constellation ShortList™ Global HCM Suites,” Constellation Research, August 21, 2024. <https://www.constellationr.com/research/constellation-shortlist-global-hcm-suites-9>

For an overview of North American payroll vendors, see: Holger Mueller, “Constellation ShortList™ Payroll for North American SMBs,” Constellation Research, August 21, 2024. <https://www.constellationr.com/research/constellation-shortlist-payroll-north-american-smb-7>

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For an overview of North American talent management solutions, see: Holger Mueller, “Constellation ShortList™ North American Talent Acquisition,” Constellation Research, August 21, 2024. <https://www.constellationr.com/research/constellation-shortlist-north-american-talent-acquisition-5>

For an overview of Europe-headquartered talent management vendors, see: Holger Mueller, “Constellation ShortList™ European Talent Management Suites and Functions,” Constellation Research, August 14, 2024. <https://www.constellationr.com/research/constellation-shortlist-european-talent-management-suites-and-functions>

For an overview of compensation management vendors, see: Holger Mueller, “Constellation ShortList™ Compensation Management,” Constellation Research, August 21, 2024. <https://www.constellationr.com/research/constellation-shortlist-compensation-management-4>

For an overview of benefits administration vendors, see: Holger Mueller, “Constellation ShortList™ Benefits Administration,” Constellation Research, August 14, 2024. <https://www.constellationr.com/research/constellation-shortlist-benefits-administration-4>

ENDNOTES

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- ¹ For more on Enterprise Acceleration, see: Holger Mueller, “Why People Leaders Must Embrace Enterprise Acceleration,” Constellation Research, July 3, 2018. <https://www.constellationr.com/research/why-people-leaders-must-embrace-enterprise-acceleration>
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- ² Holger Mueller, “Propelling the Future of Work with Key HCM Suites,” Constellation Research, June 7, 2019. <https://www.constellationr.com/research/propelling-future-work-key-hcm-suites>
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- ³ For more on how Oracle enables on-premises operations of its technology and application portfolio, see: Holger Mueller, “Oracle Cloud at Customer Enables Next-Gen Computing,” Constellation Research, October 22, 2018. <https://www.constellationr.com/research/oracle-cloud-customer-enables-next-gen-computing>
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- ⁸ For a Constellation ShortList on workforce management vendors, see: Holger Mueller, “Constellation ShortList™ Workforce Management Suites,” Constellation Research, August 14, 2024. <https://www.constellationr.com/research/constellation-shortlist-workforce-management-suites-0>
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Holger Mueller is a vice president and principal analyst at Constellation Research. He provides guidance for the fundamental enablers of the cloud, IaaS, and PaaS, with forays up the tech stack into big data, analytics, and SaaS. Mueller provides strategy and counsel to key clients, including chief information officers, chief technology officers, chief product officers, investment analysts, venture capitalists, sell-side firms, and technology buyers.

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