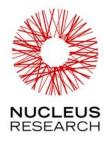**RESEARCH NOTE**

ON-PREMISE USERS' ROAD TO THE KRONOS CLOUD IS LONG AND WINDING

NUCLEUS RESEARCH

ANALYST:

Brent
SKINNER

THE BOTTOM LINE

The road to the cloud for human capital management (HCM) can be long and winding, fraught with challenges that leave employers stuck with on-premise technology. Vendors that wish to keep these customers from leaving, out of frustration, need to build a clear path to get to the cloud. Whereas other HCM technology vendors have already launched such programs, to varied success, Kronos Incorporated announced its own just last week. Furthermore, in the Kronos Cloud, it appears that only small- and medium-size businesses (SMBs) have the option of a public cloud – which means existing non-SMB customers of Kronos that seek the cloud's return on investment (ROI) may need to consider alternatives.

THE ANNOUNCEMENT

On May 18, Kronos Incorporated announced the availability of Cloud Readiness. With this service, Kronos intends to help existing and potentially net-new customers audit their current technological environments, much of it based on the premises, and attendant services and policies. From this Kronos-facilitated investigation, organizations in the Cloud Readiness program will acquire the information they need in order to determine the best way to migrate to the Kronos Cloud as quickly as possible.

COMPLEXITY

The path to the cloud for Kronos' legacy customer base is potentially complicated. We don't know what percentage of existing Kronos customers vs. potentially net-new customers will enter the vendor's Cloud Readiness program. Cloud Readiness is a thorough service. It's safe to say Cloud Readiness accounts for the great intricacies found in most Kronos customers' existing non-cloud environments.

TIMING

This year we've continued to explore the paths to the cloud that large vendors of technologies for HCM and more have laid out for their on-premise customer bases. Some of these programs have been in place for a while. Others were launched, apparently, in Q1. This makes the timing to announce Cloud Readiness curious, as it is anywhere from slightly to significantly behind the competition. It's unclear whether the program was already in place, and if so, for how long. Given the rapid growth Kronos reports in the Kronos Cloud and for Workforce Ready, a real cloud, we have to think that the vendor has been running a program analogous to Cloud Readiness for some time.

COSTLY, LONG PATHS TO THE CLOUD

For the three Kronos customers cited in last week's announcement, additional promotional material does not indicate whether their migration was to Workforce Ready or to Workforce Central. The latter is a single-tenant, privately hosted solution. Yet Kronos appears to label all its solutions not still on the premises as the Kronos Cloud. A privately hosted solution is not a real cloud; it's a pretend cloud (Nucleus Research *p62 – Technology Value Matrix 2015 HCM*, April 2015).

A migration to the cloud can be costly and time-consuming, necessitating a program such as Cloud Readiness. Any SMB that is also an existing Kronos customer with on-premise systems may indeed fare well by moving into Workforce Ready; any SMB may fare just as well, however, by choosing another vendor as its real cloud provider, with all the ripping and replacing that entails. That is, unless the SMB's investment in an existing service-level agreement (SLA) with Kronos makes the decision to leave Kronos too costly. All others that aren't SMBs, should they consider leaving their on-premise solutions for the Kronos Cloud, face a pretend cloud.

ROI OF THE REAL CLOUD

Again, our definition of a pretend cloud is a privately hosted solution. Because of perceptions or various industry-specific regulations regarding the real cloud, a subset of Kronos' target market may need or want a private cloud. This, of course, creates legitimate market demand for the pretend cloud. Others, however, need to realize that a migration to a Kronos-run, non–Workforce Ready cloud is a move to a pretend cloud that does not bring with it the healthy, long-term ROI of the real cloud (Nucleus Research *m108 – Cloud Delivers 1.7 Times More ROI*, September 2012). We have seen considerable ROI from HCM deployments in the real cloud. For workforce management and areas of HCM directly abutting it, these range from close to 200 percent (Nucleus Research *o4 – Benefitfocus HR InTouch: CGA Services Group*, February 2014) to nearly 1,700 percent (Nucleus Research *o242 – Ceridian Dayforce HCM: PSK Supermarkets*, October 2014).

Even in mixed matchups, total cost of ownership (TCO) varies widely: With TCO, some vendors in the real cloud best not only their competitors on the premises, but also peers in the real cloud (Nucleus Research *o257 – Total Cost of Ownership Study: Ultimate Software, Oracle PeopleSoft, Workday*, December 2014). The key in all this is that the real cloud is almost always preferable to solutions that are on the premises or in a pretend cloud; buyers should refrain, however, from assuming that most vendors of HCM in the real cloud are comparable in their ability to deliver value quickly.

CONCLUSION

If they want to be in the real cloud, non-SMB buyers must remain leery of any path to the Kronos Cloud that Cloud Readiness reveals. Better options exist, in the real cloud, where competition is teeming and fierce. In future research this year, we plan to interview users of cloud-based solutions from the largest vendors of technologies for HCM and more. Our goal is to determine how helpful and cost-effective these vendors' paths to the cloud have been for their customers.