CedarCrestone 2013–2014 HR Systems Survey

HR Technologies, Deployment Approaches, Value, and Metrics

16th Annual Edition

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What the 16th Annual CedarCrestone Survey Says About Key Trends and More

Software as a Service (aka "the Cloud")

Replacements hit tipping point.

Social

Analytics

Adoption continues to increase and result in value.

Mobile

Integration/Unification

The new Holy Grail that few reach without a Unified solution.

User Satisfaction

Newer products, later releases get higher scores. Improvement still needed!

- **Plus:**
  - Vendor Choices, Expected Changes, User Experience Scores
  - Service Delivery, Talent Management, Workforce Management, Big Data, and Gamification
  - HR Technology's **Value** from Statistical Analysis and from Top Performer Analysis
  - Four Key Lessons and Where to Spend Your HR Technology Money

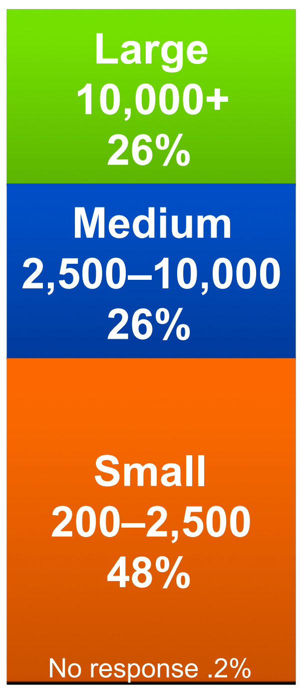
CedarCrestone 2013–2014
HR Systems Survey Demographics

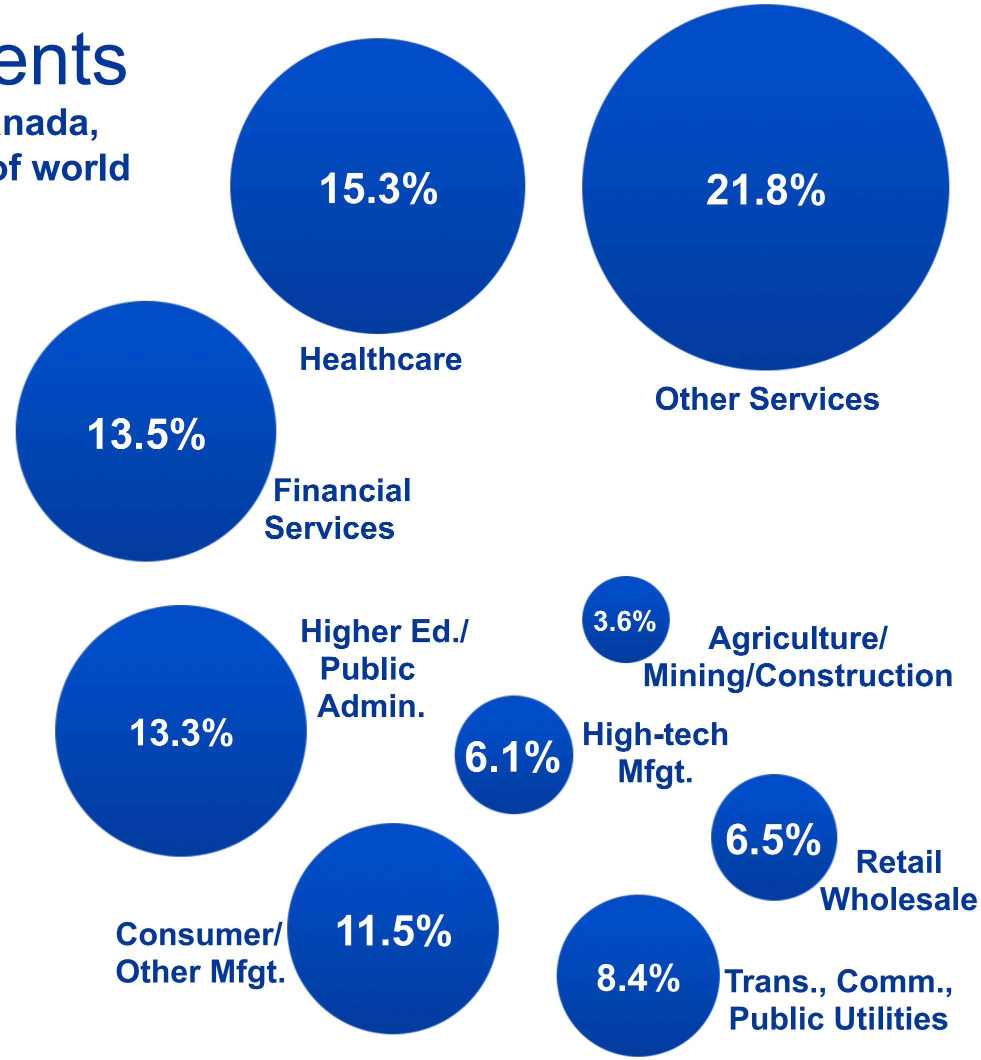
1,266 respondents

85% US, 6% EMEA, 5% Canada,
4% Australia/Asia and rest of world

Average number of employees = **15,876**

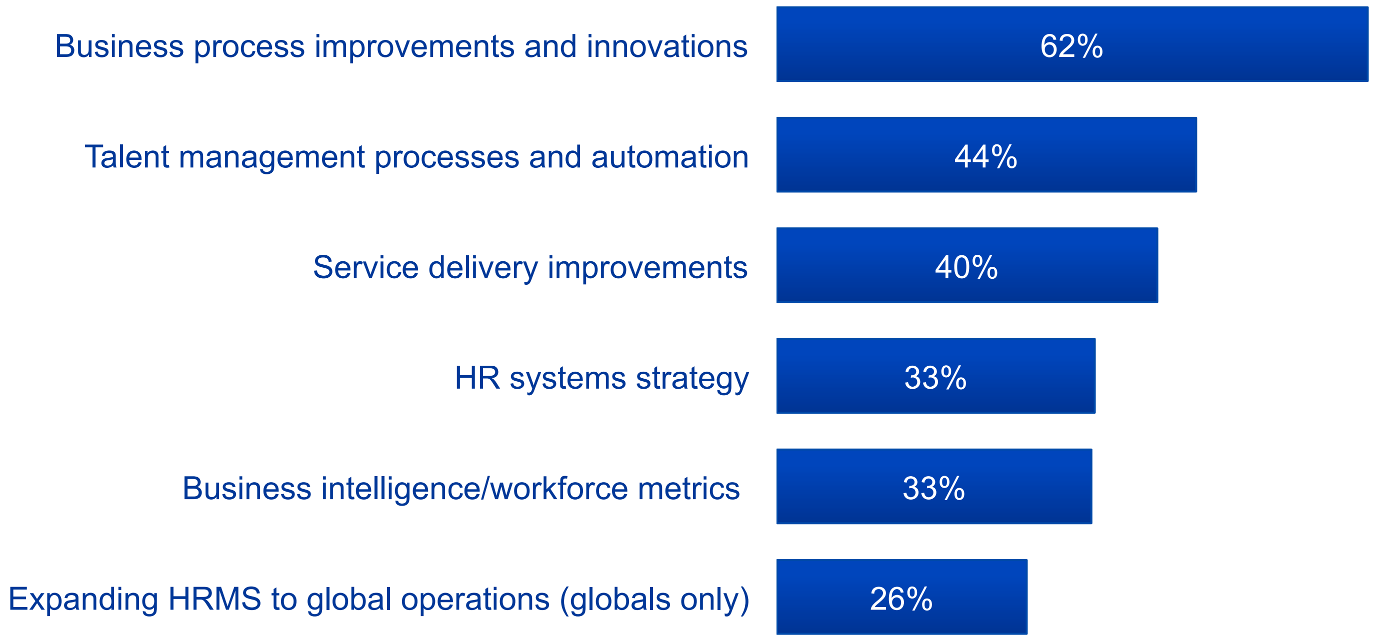
Size





Major 2013 Initiatives
Similar to 2012 and One Inflexion Point!

Major Initiatives n=1,215



Upgrade vs. Replacements: Inflexion Point Reached

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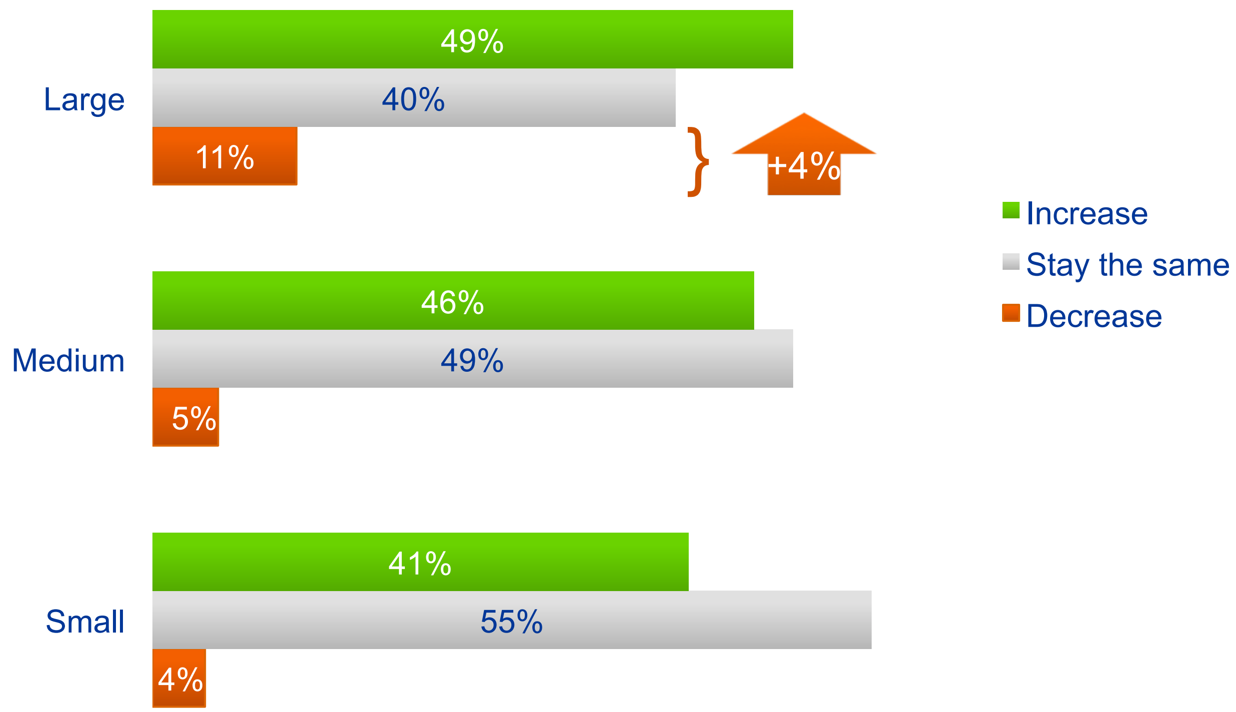
Spending Outlook for HR Technologies
Essentially Similar to 2012, but with a Few More Large Organizations Reporting an Expected Decrease

Spending Plans for Next Year by Employer Size



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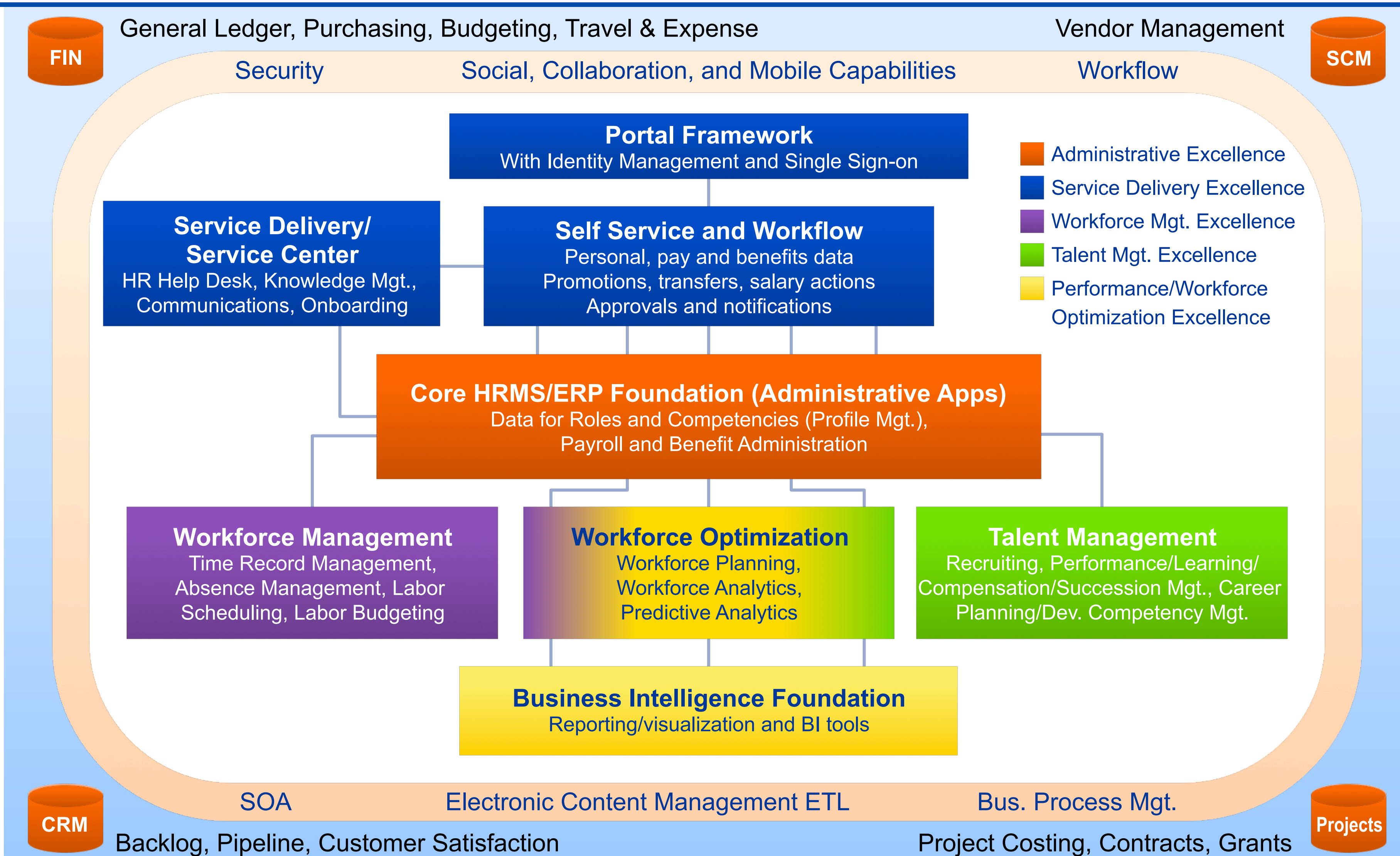
CedarCrestone HCM Application Blueprint



Application Adoption: Industry, Size, Region
Large organizations continue as strongest adopters

Application Adoption Level by Industry

	Worldwide Average	Agricltr., Mining, Constr.	Financial Services	Health-care	Higher Education	High-tech Mftg.	Consmr/ Other Mftg.	Other Services	Public Admin.	Retail/ Wholesale	Transp., Comm., Public Util.
Administrative	92%	87%	94%	93%	84%	94%	94%	94%	88%	92%	94%
Service delivery	44%	33%	49%	49%	42%	52%	45%	40%	35%	42%	45%
Workforce management	43%	26%	46%	52%	29%	48%	40%	41%	36%	57%	46%
Talent management	57%	47%	59%	61%	47%	65%	61%	54%	46%	51%	61%
BI (reporting/tools)	44%	29%	48%	47%	37%	52%	43%	48%	37%	35%	44%
Workforce analytics/planning	14%	8%	15%	16%	6%	16%	11%	17%	15%	10%	13%
Social media tools	33%	27%	34%	30%	32%	28%	34%	37%	20%	38%	40%

+5% above average

-5% below average

Application Adoption Level by Size

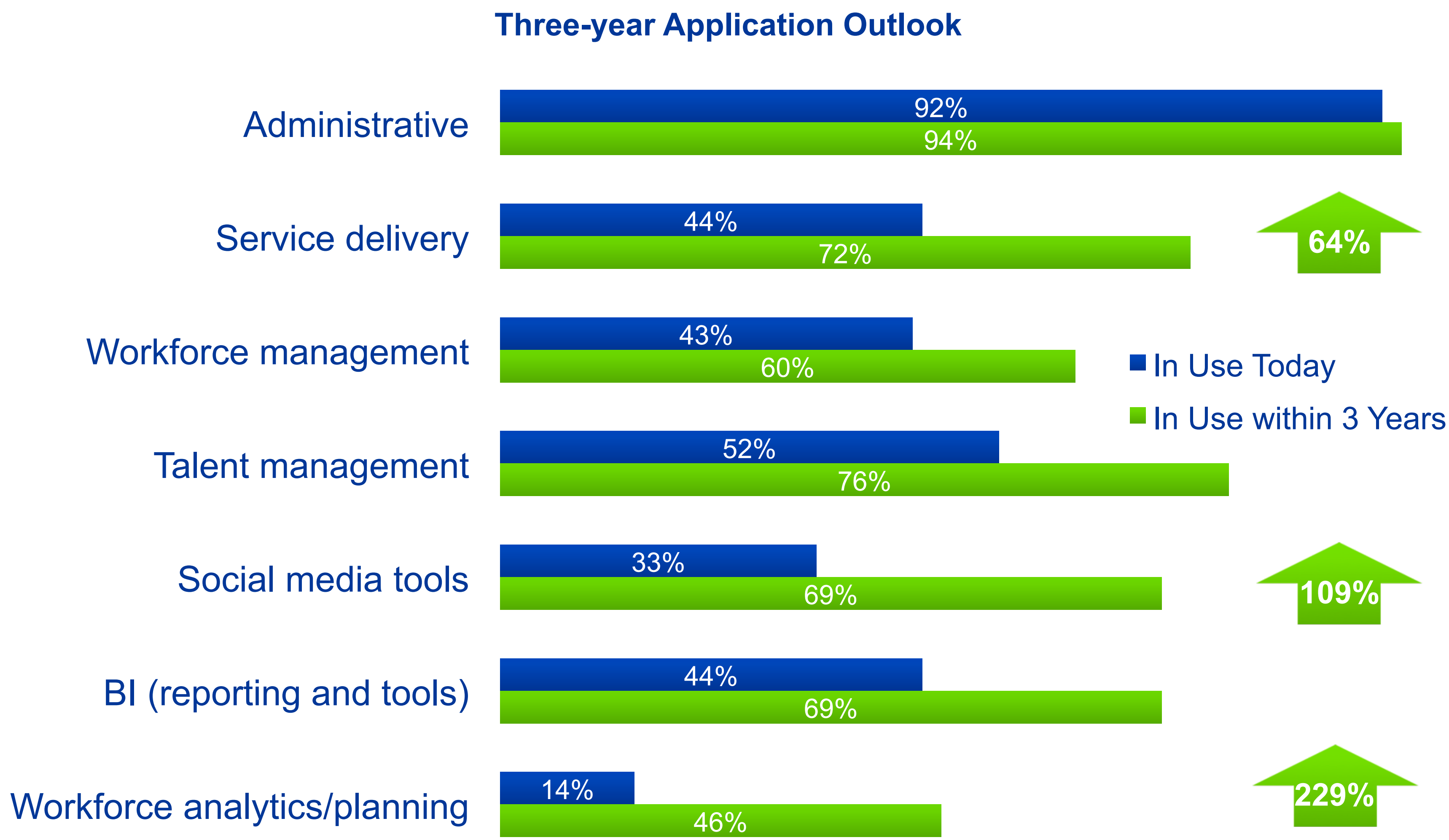
	Worldwide Average	Large	Medium	Small
Administrative	92%	93%	95%	91%
Service delivery	44%	58%	47%	35%
Workforce management	43%	52%	43%	39%
Talent management	57%	73%	59%	45%
BI (reporting/tools)	44%	51%	45%	39%
Workforce analytics/planning	14%	20%	13%	10%
Social media tools	33%	41%	31%	30%

Application Adoption Level by Region

	Worldwide Average	Asia/ Austr/NZ	Canada	Europe MEA	United States
Administrative	92%	79%	87%	84%	94%
Service delivery	44%	39%	38%	48%	45%
Workforce management	43%	31%	44%	46%	44%
Talent management	57%	51%	49%	65%	57%
BI (reporting/tools)	44%	43%	40%	52%	44%
Workforce analytics/planning	14%	11%	13%	21%	13%
Social media tools	33%	36%	32%	30%	33%

Three Year Adoption Outlook

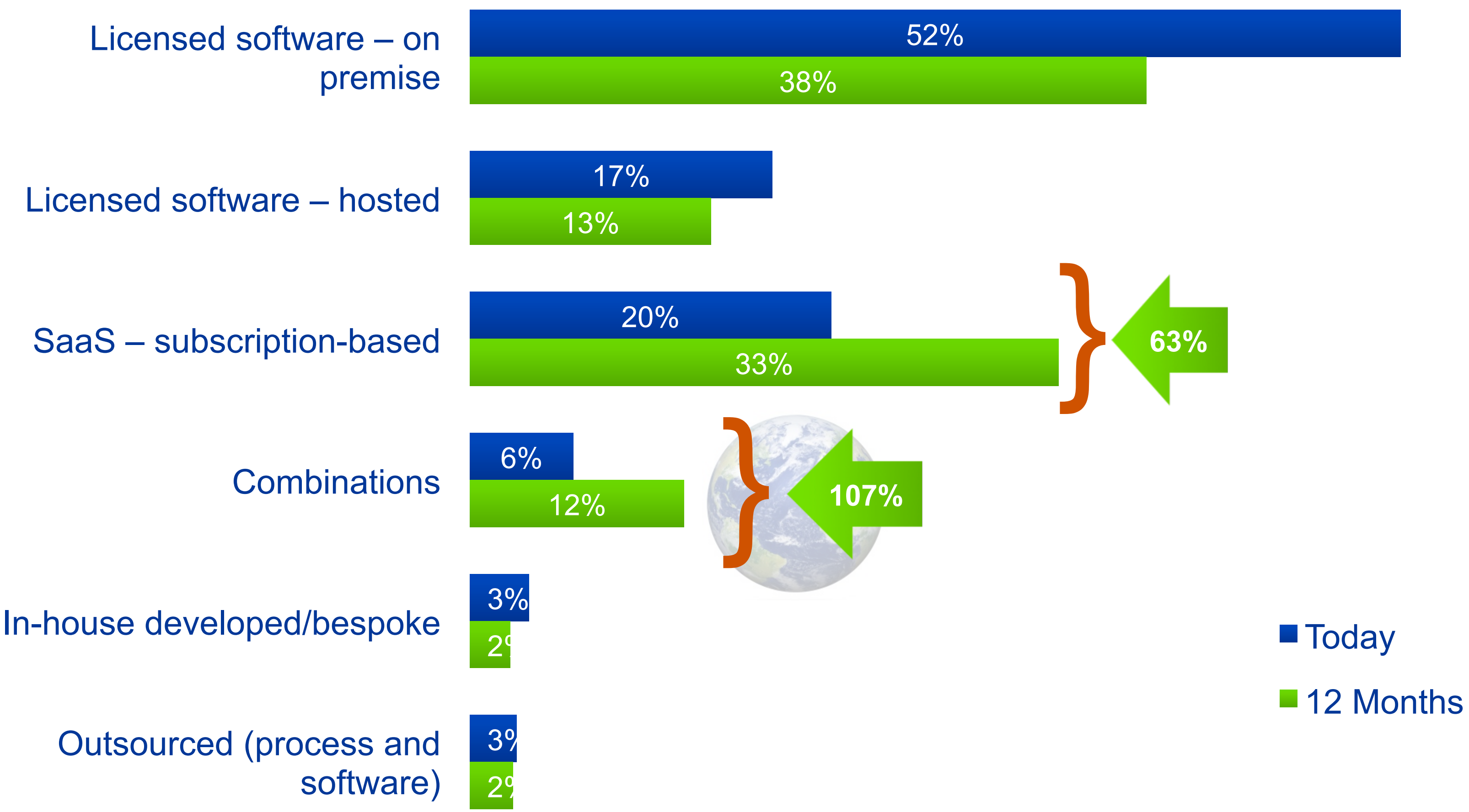
The Same Three Areas Continue to Show Strongest Projected Growth



SaaS is Already the Direction for Talent Management
Now the HRMS Application is *Trending* Towards SaaS
Don't Forget Though that Licensed On Premise Still Leads

Core

HRMS Application Deployment Only



While 55% of Respondents Report They Will Not Move to a SaaS HRMS, Why Will 45%? n=1,231

Reasons for Moving to a New SaaS Core HRMS
n=556

#	Reason	%	HR	IT	Exec.
			Stakeholder Rankings		
1	Improved user experience for employees, managers, as well as HR	69%	1	1	2
2	Best practice functionality	58%	2	2	5
3	Easier upgrades (New)	55%	3	3	1
4	Eliminates dependence on IT (New)	49%	4	3	6
5	Faster time to implement and achieve value	45%	6	3	3
6	Reduces need for internal infrastructure	44%	5	3	4
7	Reduces total cost of ownership	35%	7	4	7
8	Predictable ongoing costs	29%	8	5	9
9	Ease to "go global" (New)	28%	9	6	8

Improving the User Experience Continues as #1 Reason to Move

Why Not?
New Concerns Identified

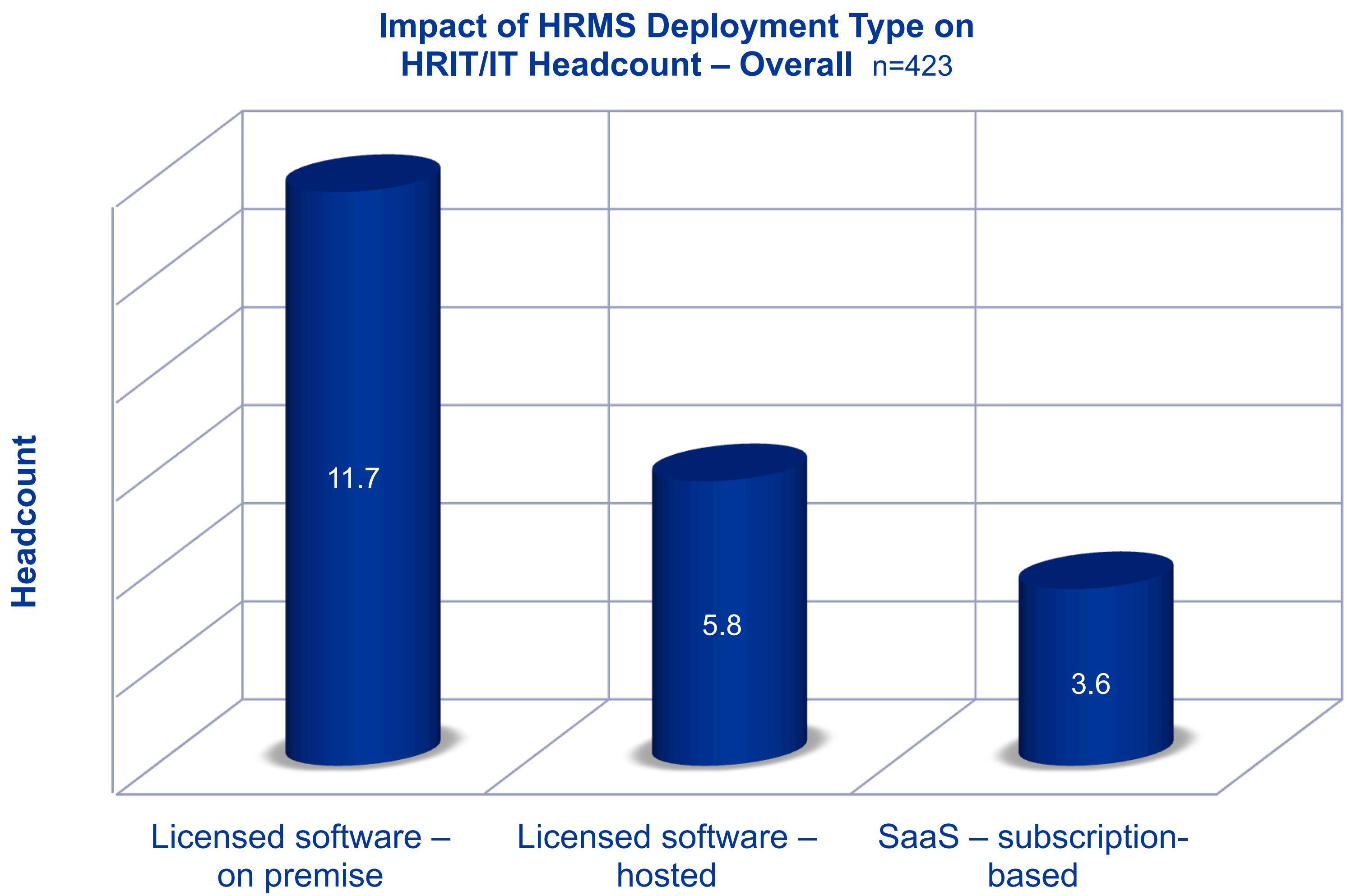
Concerns About Moving to a New SaaS Core HRMS
n=577

#	Concern	%	HR	IT	Exec.
1	Concerns about service and support (New)	57%	1	1	2
2	Integration complexities	54%	2	2	1
3	Inability to customize	51%	3	4	4
4	Security/data privacy	40%	4	3	5
5	Loss of control over systems/data	33%	5	4	8
6	Functionality not specific for our industry (New)	28%	6	7	6
7	Concern about vendor lock-in	27%	7	6	3
8	Inability to control timing of release (New)	25%	7	8	7
9	Lack of global functionality (New)	11%	9	9	9

Stakeholder Rankings: HR, IT, Exec.

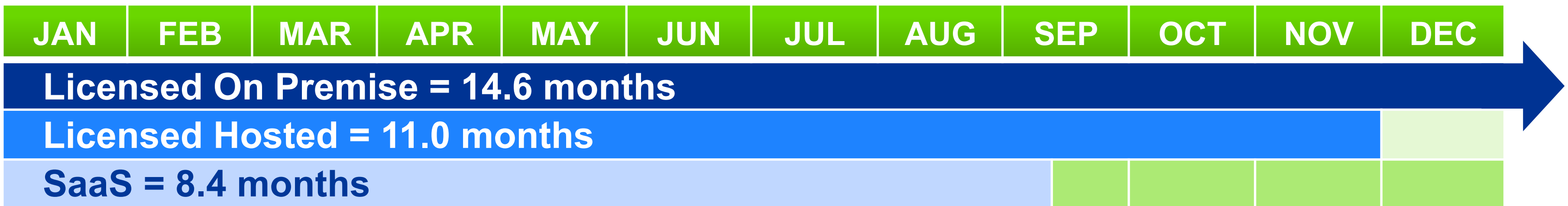
SaaS Value Propositions:
A SaaS HRMS Takes 1/3rd the Staff Overall to Deploy/Support

Core

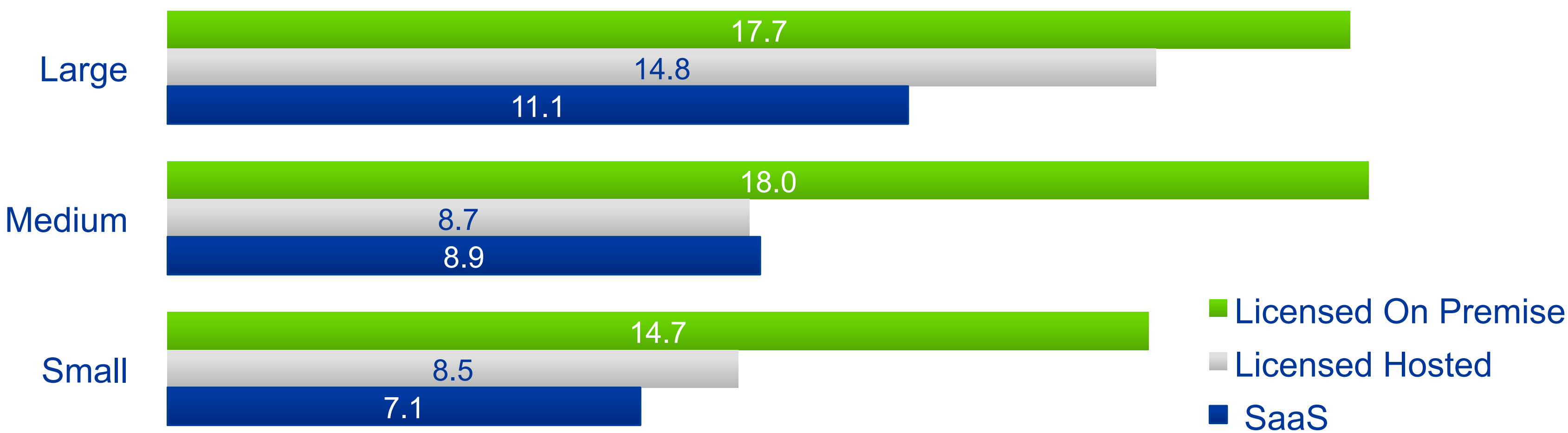


SaaS Takes Less Time to Deploy, Yielding Faster Time to Benefit

Length of Time for New HRMS Deployments n=648



Time for New Deployment for an HRMS by Size of Organization
in months



The Future HRMS Battleground Will Be Fought Among Vendors with Cloud Offerings

Core

HRMS Respondent Adoption Overall*
n=636

	Overall	
	Today	In 12 Months
PeopleSoft	29%	26%
ADP	19%	18%
SAP	11%	12%
Ultimate Software	11%	12%
Kronos	11%	12%
Infor/Lawson	10%	10%
Oracle EBS	6%	5%
Workday	5%	12%
Ceridian HR	5%	4%
SuccessFactors	4%	6%
SumTotal	2%	2%
Oracle HCM Cloud (Fusion)	1%	4%
Ceridian Dayforce	1%	2%

*Colored cells indicate greater than 5% gain or loss projected in 12 months.
Organizations may have multiple solutions in use.

Largest percentage gainers for the next 12 months include Workday, Oracle HCM Cloud, SuccessFactors, and Ceridian Dayforce.

Change Outlook for Leaders

24% (n=132) Report They Will Change Their HRMS

PeopleSoft
20 of 132

- 5 – Oracle PeopleSoft and/or HCM Cloud
- 5 – Workday
- 2 – SAP including SuccessFactors
- 1 – Infor
- 1 – Ultimate
- 6 – evaluating "cloud slate"

ADP
16 of 132

- 2 – Oracle PeopleSoft and HCM Cloud
- 3 – Workday
- 2 – SuccessFactors
- 9 – evaluating ADP Vantage and "cloud slate"

SAP
8 of 132

- 4 – SAP or SuccessFactors
- 1 – SuccessFactors
- 3 – evaluating "cloud slate"

Multiple HRMS
44 of 132

- 12 – Oracle PeopleSoft or HCM Cloud
- 4 – SAP
- 3 – SuccessFactors
- 8 – Workday
- 17 – evaluating "cloud slate"

One or more from the "Cloud Slate" will be the winner(s)

Dayforce, EmployeeCentral, HCM Cloud, Kronos, SumTotal, UltiPro, Vantage, Workday

Since User Experience is the #1 Reason Most Organizations Plan to Move, How Are Vendors Doing?

1 = Poor: not user friendly, excessive steps, limits use
2 = Acceptable: workable but requires training to use
3 = Excellent: intuitive, user centered design, effectively promotes use

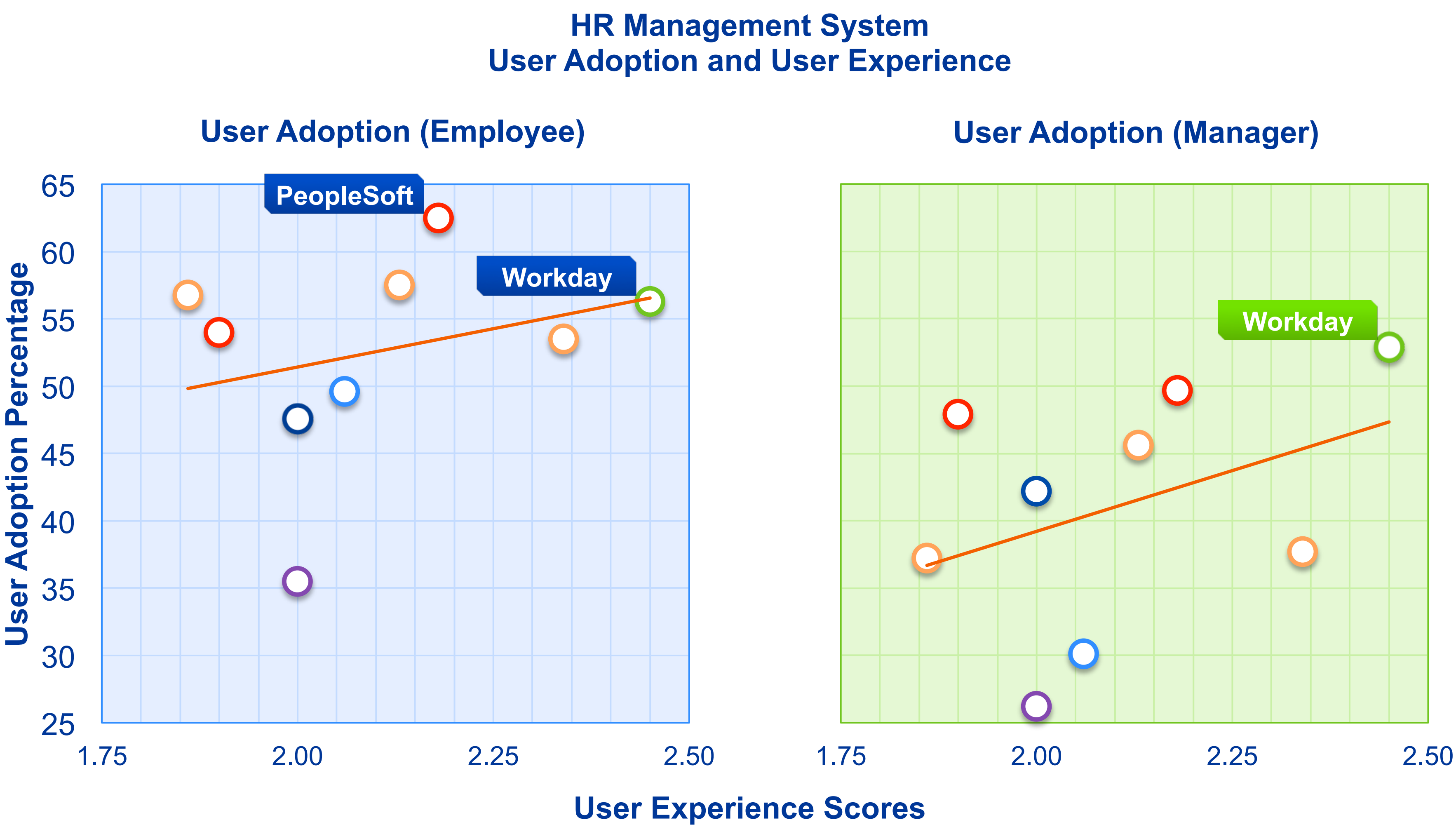
And, why is it is such a big deal?

It's about driving user adoption,
so both employees and the organization
get the most value from the solution!

User Adoption Level by User Experience Scores

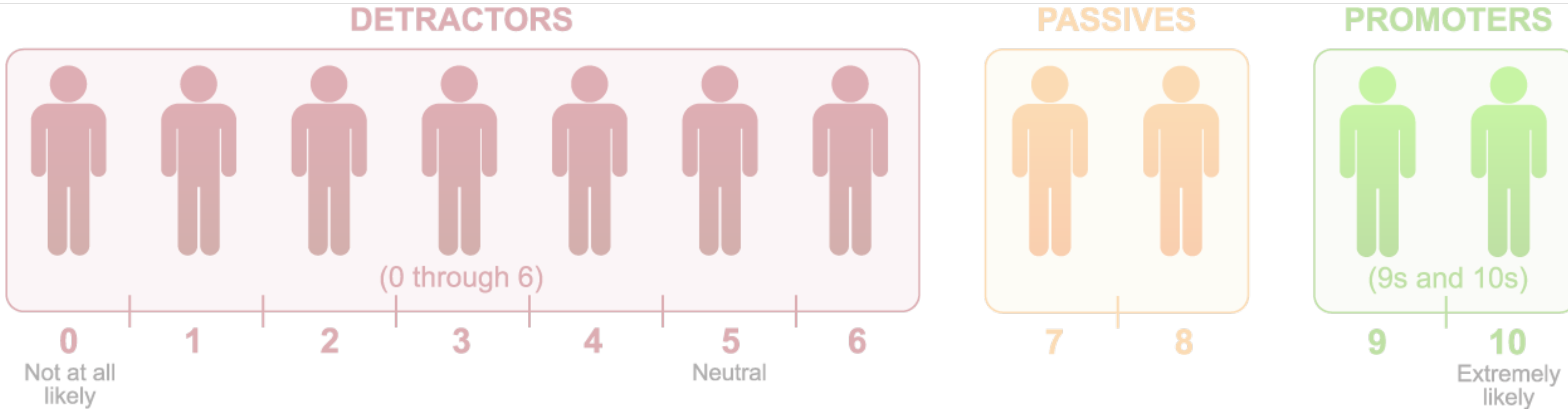
Workday Leads with Highest User Experience Scores, with PeopleSoft leading on User Adoption for Employee Direct Access. Workday Leads for Manager Direct Access.

Core



Most HRMS Customers Are DISSATISFIED!
However, Overall NPS Went up 11 Points from 2012.
Software as a Service Solutions Achieve Highest Scores!

Core



Net Promoter Score = % Promoters (9s & 10s) – % Detractors (0 through 6)

Net Promoter Score by HRMS Deployment Approach
HRMS Vendors n=667

	Net Promoter Score	Promoters	Detractors
Overall	***-31***	***19%***	***50%***
Licensed on Premise (379)	-37	10%	47%
Licensed Hosted (123)	-48	14%	62%
Outsourced (19)	-46	7%	53%
Software as a Service (146)	-7	33%	40%

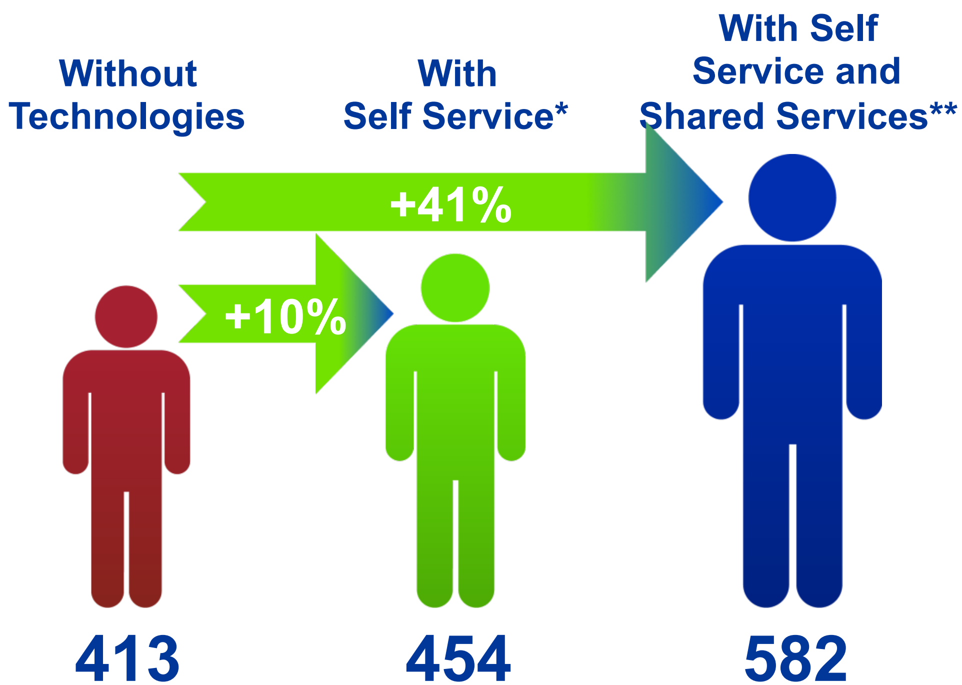
What Do Net Promoter Scores Mean?

- Digging into the detail, we find:
  - Those on the latest releases are more satisfied (NPS score 12 points higher) and those with a low level of customization are even more satisfied (an additional 12 points higher).
- Bottom line for Practitioners:
  - Upgrading current solution and “going vanilla” may address underlying reasons for dissatisfaction.
  - Nevertheless, “Cloud slate” vendor solutions are getting higher user satisfaction scores.

Service Delivery Approach Value:
Organizations *with Technologies** Serve More Employees

ESS/MSS

Employees Served by HR Administrative Headcount***



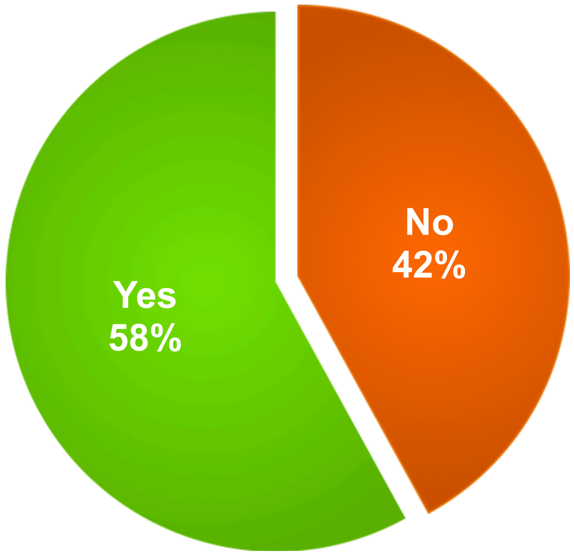
*With Self Service: Employee and manager self service applications serve 40% or more of employees and 25% or more of manager populations
**With Self Service and Shared Services: Also serving 75% or more of the workforce through a Shared Service Center
***The CedarCrestone survey now calculates the ratio using HR administrative headcount rather than HR administrative FTE as in past years

SERVICE DELIVERY VALUE:
The Shared Services Model—including an HR Help Desk Application consistently delivers the highest level of efficiency.

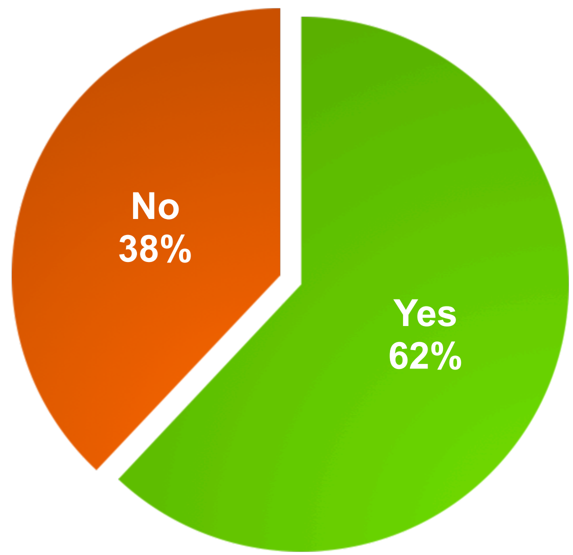
Integrated Talent Management Adoption Holds Steady since 2012. More Organizations Report Moving Talent Management to their HRMS, up 13% since 2012

TM

Integrated Talent Management Adoption n=695



Talent Management on Same Platform as HRMS



TOP PERFORMERS

77% have an Integrated Talent Management solution on their HRMS platform, up from 70% in 2012

CedarCrestone

Top Integrated Talent Management Respondent Adoption

TM

Integrated Talent Management Respondent Adoption n=427

	Overall	
	Today	In 12 Months
Oracle PeopleSoft/Taleo/HCM Cloud/EBS	43%	40%
SAP/SuccessFactors/Plateau	25%	28%
Cornerstone OnDemand	9%	10%
Workday	5%	12%
Silkroad	5%	6%
Peoplefluent	5%	4%
Ultimate Software	4%	5%
Other	39%	38%

+5% above average -5% below average

*Colored cells indicate greater than 5% gain or loss projected in 12 months.
Organizations may have multiple solutions in use.

- 23% of respondents indicate they will change (n=98)
- One direction dominates: those with an ITM ***on their HRMS*** will more frequently STAY with the **owner solution provider!**
- **However, most "cloud" ITM vendors will see increases**
  Cornerstone OnDemand, HCM Cloud, Kenexa, Lumesse, Silkroad, SuccessFactors, Ultimate, Workday

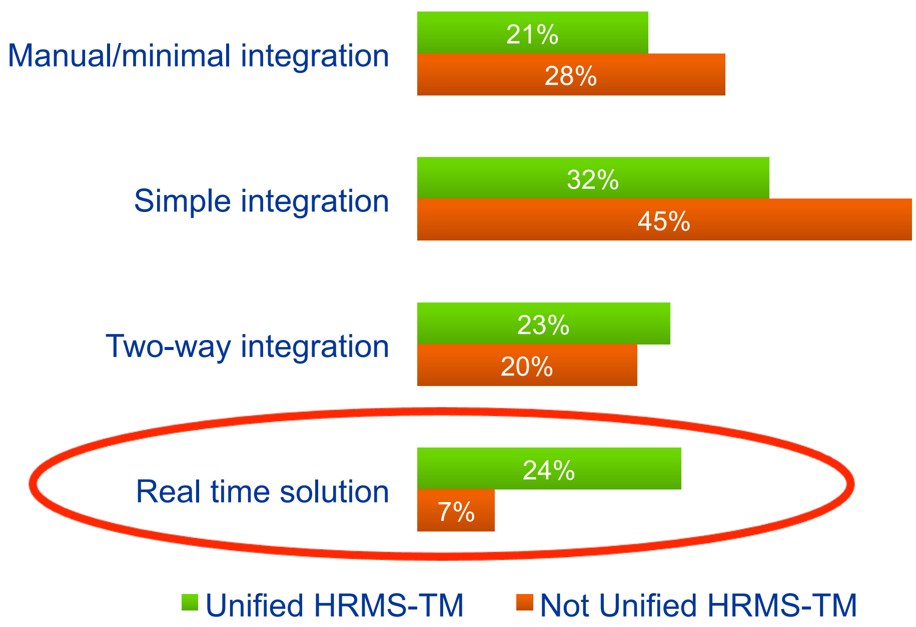
Two-thirds of Organizations Report Some Integration between HRMS and Talent Management Solutions!

A Unified HRMS-TM Solution Holds Most Promise for True Integration

State of Integration of HRMS and Talent Management Solutions

	HR-TM
No integration: totally separate processes in separate solutions	33%
Some integration	67%

Integration of HRMS and Talent Management Solution(s)



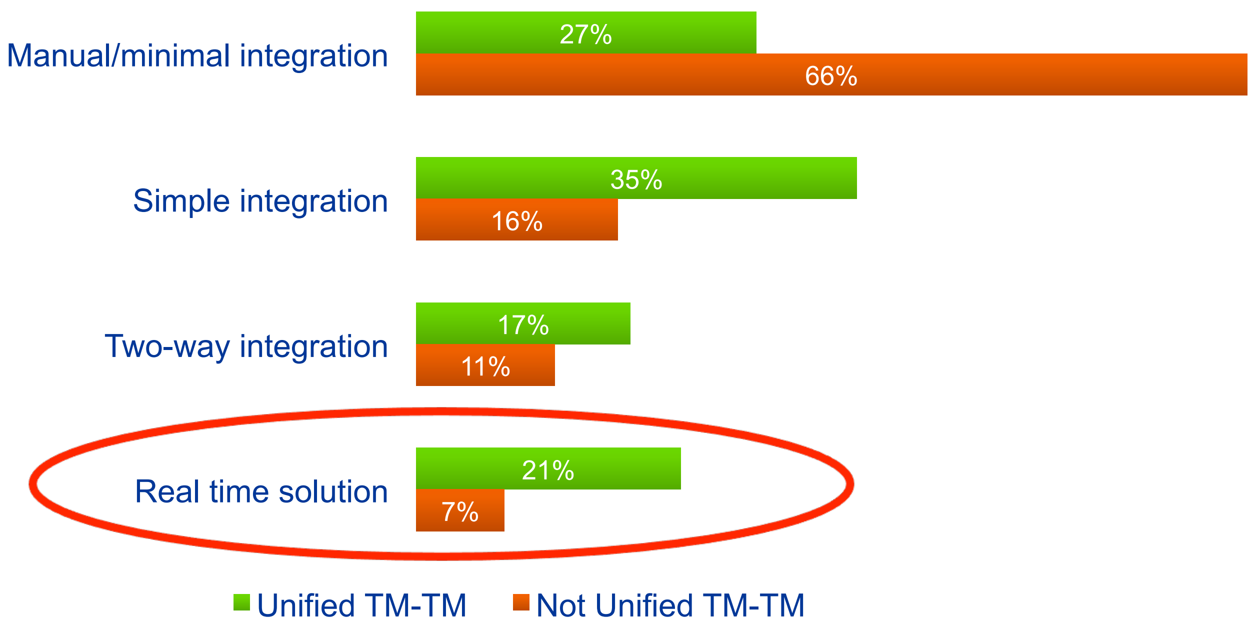
CedarCrestone

Less than Half of Respondent Organizations Indicate Some Integration Among Talent Management Solutions, with Unified Solutions Providing Some Promise of True Integration.

State of Integration of Talent Management Solutions

	TM-TM
No integration: totally separate processes in separate solutions	52%
Some integration	48%

Integration of Talent Management and Talent Management Solutions

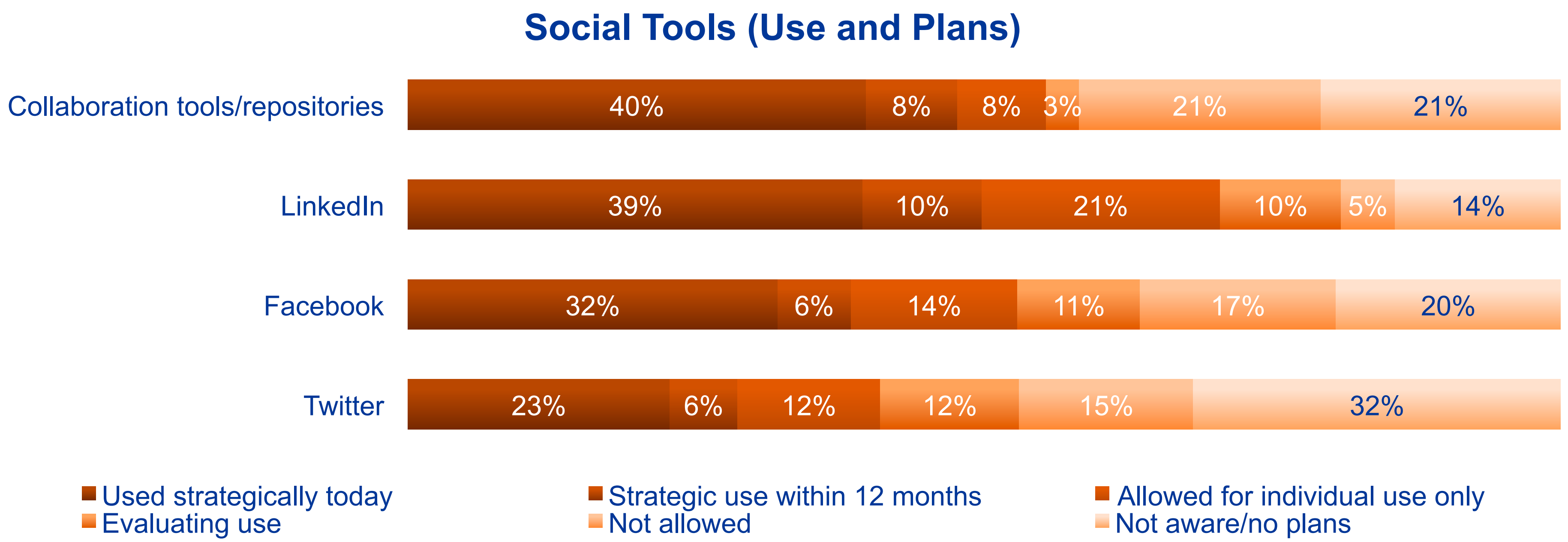


What Do These Integration Metrics Mean?

- Digging into the detail, we find:
  - The truly unified HRMS and talent management solutions currently are the ones getting the “real integration” designation from respondents.
  - Some integrated talent management vendors are too.
  - All other options require substantial integration effort.
- **Bottom line for Practitioners:**
  - The lack of integration is why most organizations can’t produce data for decision making for managers!
  - Single point solutions make it more difficult to integrate and will require custom solutions to achieve process-level integration.
  - Consider integrating through a single point – the core HRMS.
- **Bottom line for Vendors:**
  - Provide easier to use integration tools!

Social Tools Adoption: Strategic Adoption of Collaboration Tools Spiked 25% from Addition of Sharepoint to Question

Social



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Overall Adoption of Social-enabled Processes Increased 50% from 6% in 2012 to 9% in 2013

Recruiting Processes Continue as Most Highly Adopted

Social

Major Social Enabled HR Processes	Workforce Using	
	Today	In 12 Months
Recruiting (all workforce)	15%	21%
Learning and development	12%	19%
Performance management/Goal management	10%	16%
HR management/record keeping	9%	16%
Time and labor/time and attendance	7%	10%
Business intelligence/workforce analytics	6%	11%
Compensation	5%	9%
Succession planning/management	5%	9%
Average workforce adoption across all social-enabled applications	**9%**	**14%**
Recruiting (recruiting staff)	48%	55%
Recruiting (hiring managers)	17%	25%

Respondents expect an average 57% increase overall for 2014

Mobile-enabled Process Adoption Grew 67% from 6% in 2012 to 10% in 2013; Will Double!

Recruiting Processes for Recruiting Staff Continue as Leading Mobile-enabled Process

Major Mobile Enabled HR Processes	Workforce Using Today	Workforce Using In 12 Months
Payroll	13%	24%
Recruiting	12%	21%
Performance management/Goal management	11%	19%
Learning and development	10%	18%
Time and labor/time and attendance	9%	18%
HR management/record keeping	7%	18%
Compensation	5%	15%
Business intelligence/workforce analytics	5%	13%
Succession planning/management	4%	10%
Average workforce adoption across all mobile-enabled applications	**10%**	**19%**
Recruiting (recruiting staff)	20%	30%
Recruiting (hiring managers)	13%	23%

Respondents expect an overall average 95% increase for 2014

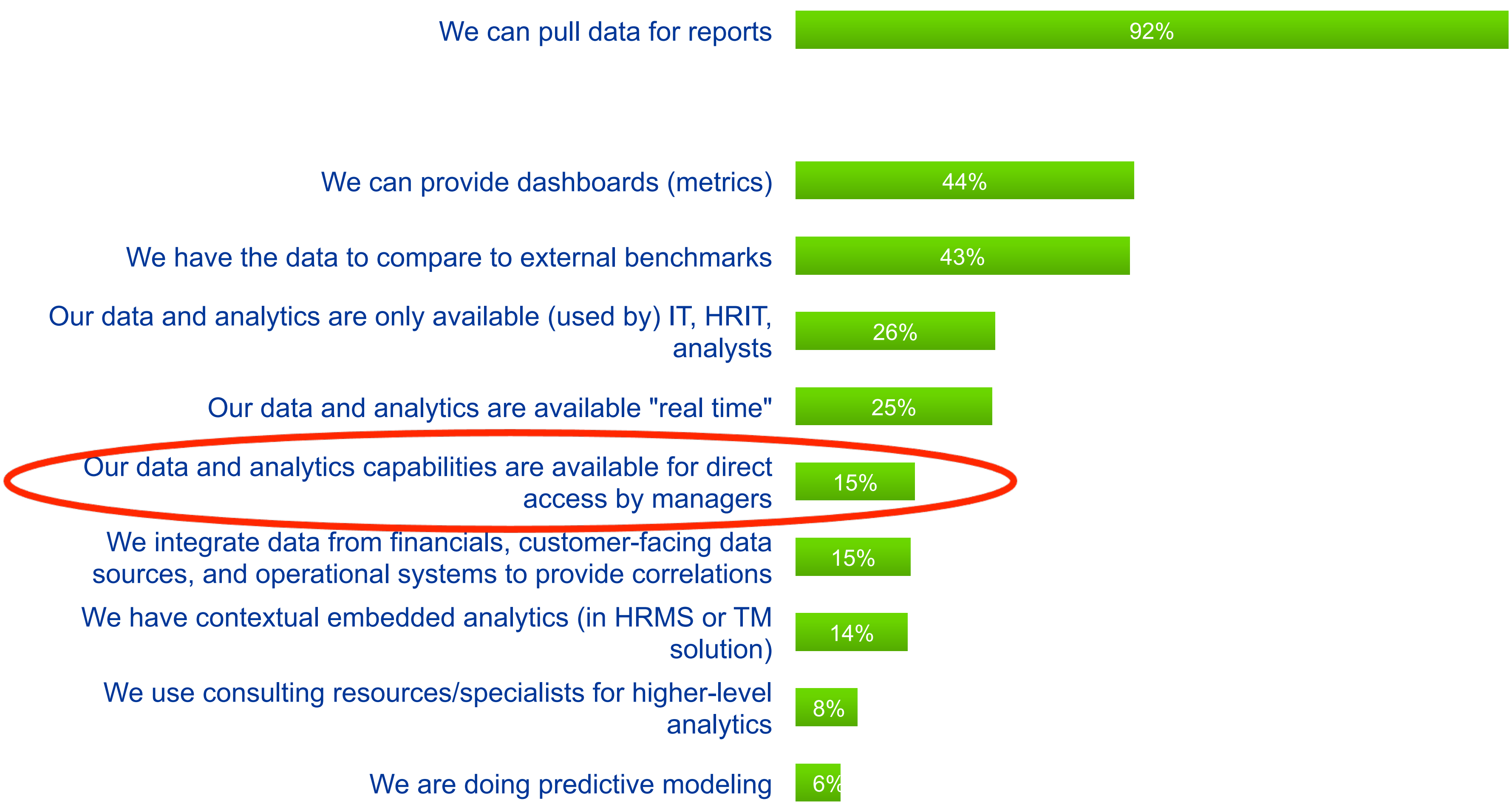
BI/Analytics Adoption:

Most Organizations Are At Least Able to Pull Data for Reporting of Metrics. Few Have Integrated Data Available to Managers.

BI

WFA

BI Delivery Approach



Value of HR Technologies from Statistical Analysis More BI Technologies Linked to Top Talent Retention and to Improved Competitive Advantage

Top Performers with more HR technologies, especially Business Intelligence

r=.36

Better Retention of Top Talent

r=.24

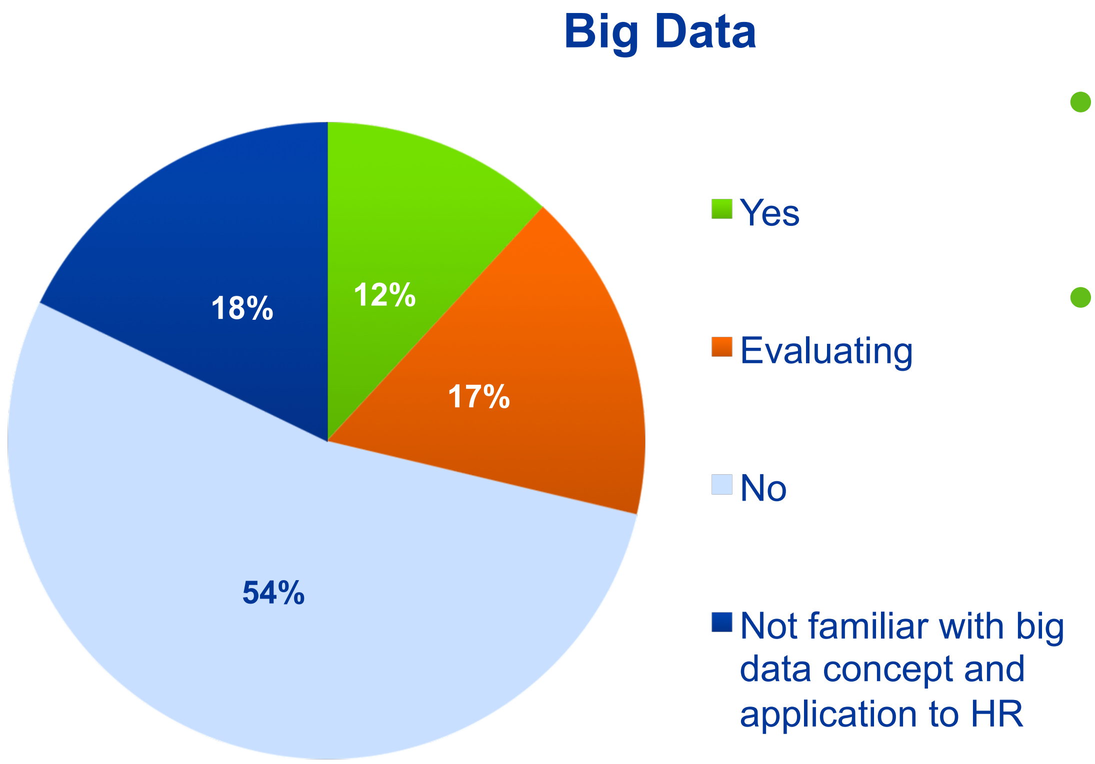
Achieve Competitive Advantage

How are Top Performers leveraging technology to retain top talent?
Where should you spend money?

They use HR business intelligence and get that data into the hands of managers for best practice workforce decision making.

Emerging Technology: Big Data

12% Report Adoption, Up from 7% in 2012. Among the Remainder Only 18% Report They are Unfamiliar, Down from 41% in 2012.



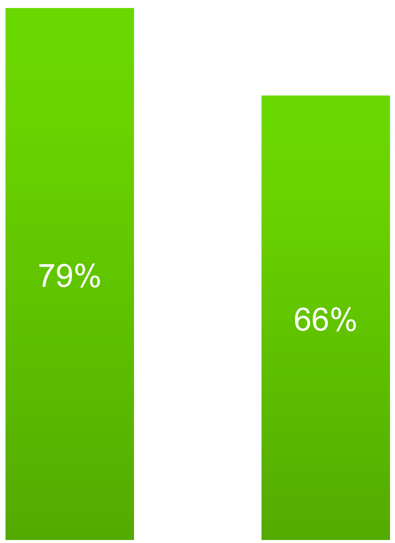
- Most frequently used in Large organizations
- More frequently used or under evaluation in Healthcare, High-tech, Higher Education, and Financial Services

Q: Do you leverage large scale data collection, data mining, and pattern recognition applied to workforce data to meet business outcomes? n=617

Lesson #1: Get the Basics Right and Keep it Simple

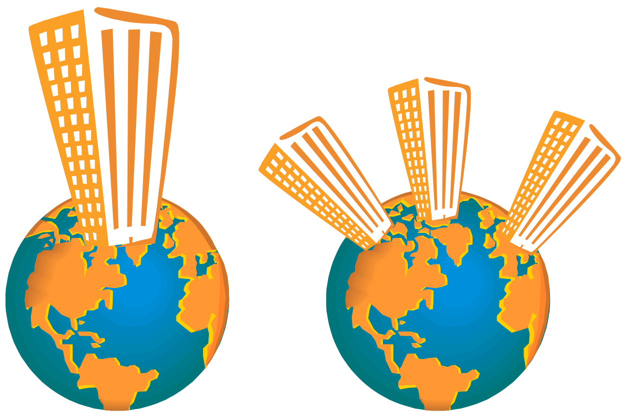
Standardize Processes

Top Performers | Not Top Performers



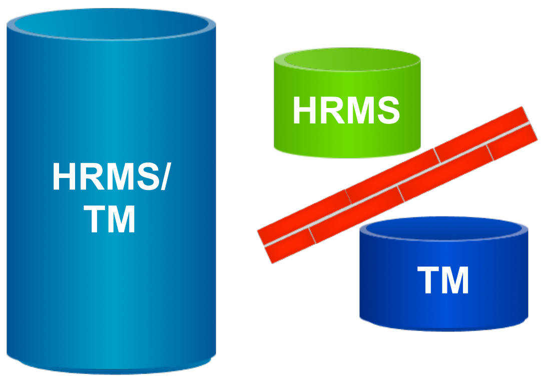
% with Standardized Processes

Manage Service Delivery Globally



Top Performers = 77%
Not Top Performers = 57%

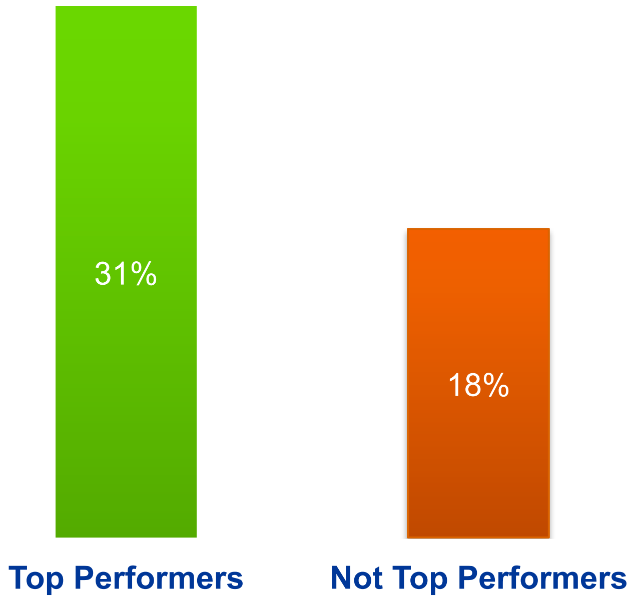
Integrate TM on HRMS



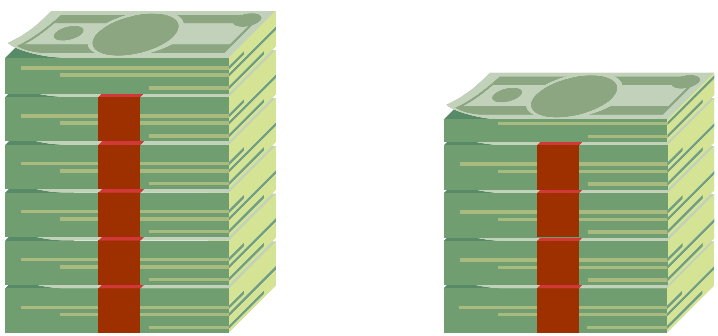
Top Performers = 77%
Not Top Performers = 59%

Lesson #2: Invest in More HR Technologies

% in Top Quartile of Applications in Use



Plan to Increase Spending on HR Technologies Next Year



Top Performers: 54%

Not Top Performers: 43%

Value of HR Technologies from Statistical Analysis

Delivering Cost Efficiency Strongly Correlated with Alignment with Strategy and Even Competitive Advantage!

Organizations with more HR technologies

r=.26

Achieve HR cost efficiency

r=.50

Have alignment between HR and business strategy

r=.28

Achieve competitive advantage

So, where should you invest your HR technology dollars to get started?

Among Top Performers, Service Delivery Applications are the most strongly correlated with HR Cost Efficiency.

Lesson #3: Make Talent Management a Priority

Top Performers have:

10% + **10%** + **40%** =

Higher best practice talent mgt. scores

More talent management technology in use

More staff dedicated to talent management

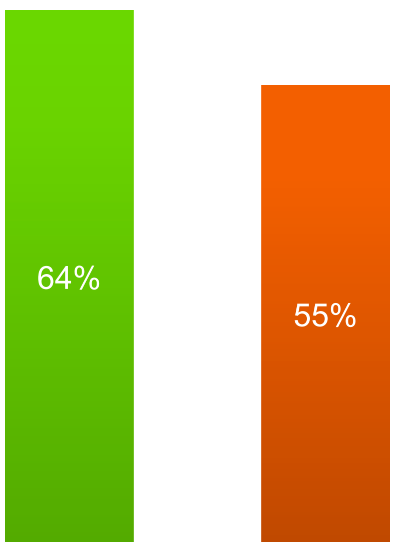
Improving their ability to:

- Attract top talent (18% higher)
- Develop the workforce (19% higher)
- Retain key talent (20% higher)

Lesson #4: Put Technology into the Hands of Your Employees and Managers – Especially BI

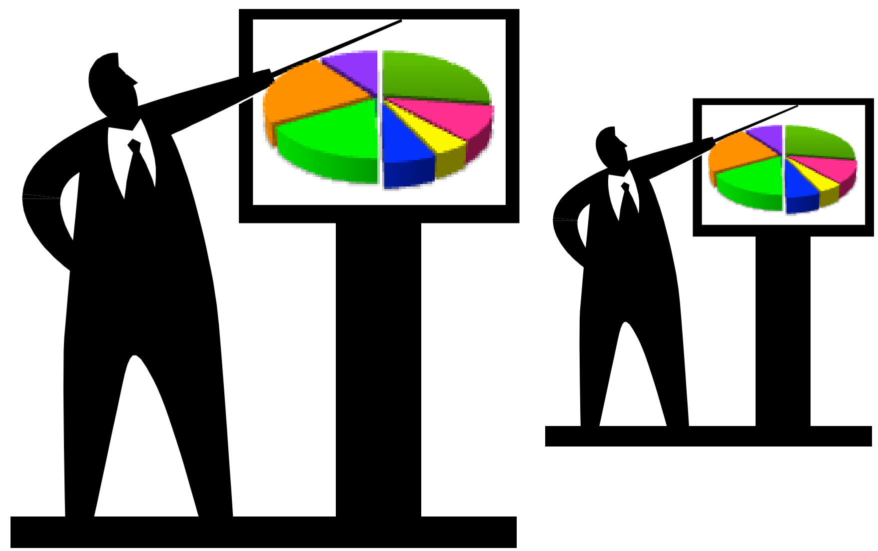
Average Employee Use of Direct Access Services

Top Performers	Not Top Performers



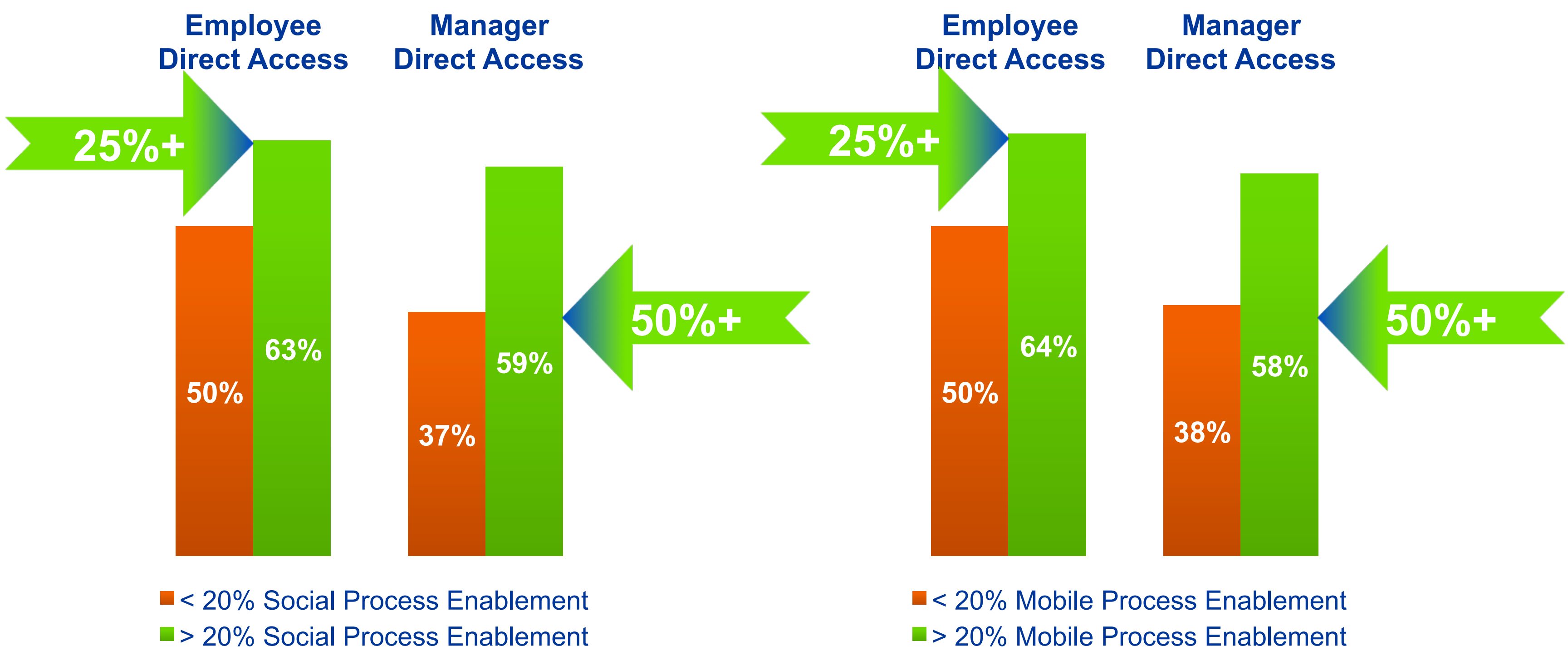
Managers with Access to BI Tools

Top Performers 28%	Not Top Performers 18%



One More Investment: Adoption of Social and Mobile Tools Encourages More User Adoption of HR Technologies. More User Adoption Results in More Value Achieved from Investments.

Adoption Impact of Social and Mobile Tools



To increase user adoption and get further value from HR technologies expenditures, invest in social and mobile enabled processes.

The Most Important Success Factor is CHANGE MANAGEMENT

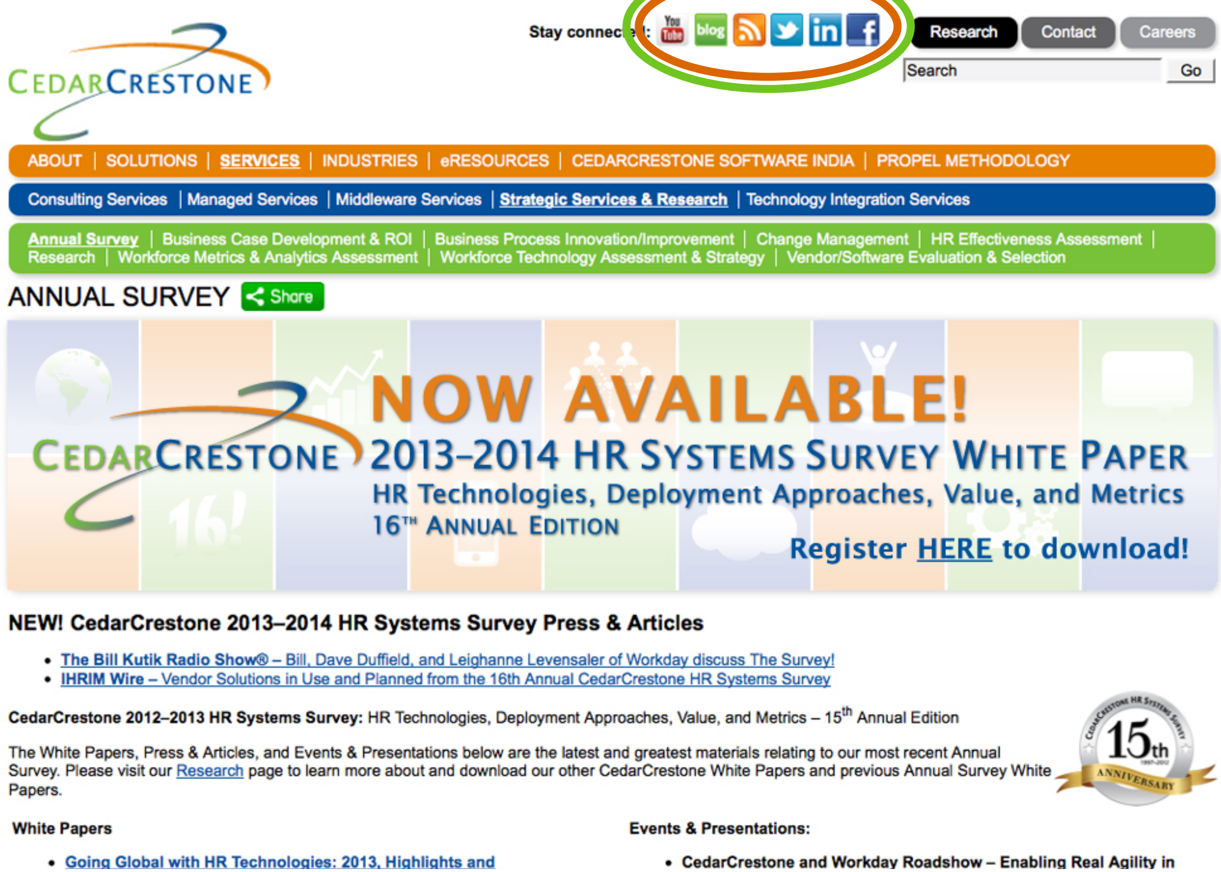
Critical Success Factors
Executive sponsorship
Base HCM technology strategy on business strategy including strong business case with WIIFM
Governance
Business and IT partnership. Dedicated project team.
Communication
Training
Organizational readiness
Business process documentation
Job aids and user guides
Project management

Please Download the Whole Report & Visit Booth for Areas Not Covered

- Comparative expenditure data
- Value-chain factor analysis
  - Shows that social, mobile, and workforce management applications yield not only key HR outcomes but business outcomes.
- Key service delivery trends
  - System consolidation and shared service center increases leading to transformation
- Gamification and other emerging technologies
- Check out the latest IHRIM Wire for detail on point solution vendors and detail application adoption. http://www.ihrim.org/Pubonline/Wire/Sept13/CedarCrestone_16thSurvey_IHRIMWire.pdf

Where to Go for More Information

- http://www.cedarcrestone.com/survey for survey report
- Sign up for survey updates on our website:



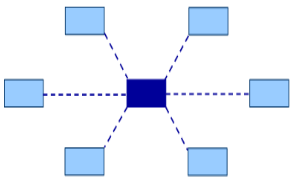
Benchmark Service:
Application Dashboards

Sample Customer Benchmark Analysis

	Your Organization	Direct Competitors	Same size, Global, white collar	Optimized service delivery
Administrative Applications	Leads	At market	At market	At market
Service Delivery Applications	Leads	Leads	Lags	At market
Workforce Management Applications	At market	Leads	Lags	At market
Talent Management Applications	At market	At market	Lags	At market
Business Intelligence Applications	Leads	Leads	Lags	Lags
Workforce Optimization Applications	At market	At market	Lags	Lags
Social Media Used Strategically	Leads	Leads	Lags	Lags
*Assessment by CedarCrestone based on review of all HR applications in use or planned for deployment		Adoption level leads by 5%		Adoption level lags by -5%

Sample dashboard that compares you to others in your industry, of your size, to the "top quartile" in your industry, or to overall industry top performers. It should be the starting place of any update to your HR systems strategy. Contact HRSystemsSurvey@CedarCrestone.com for pricing.

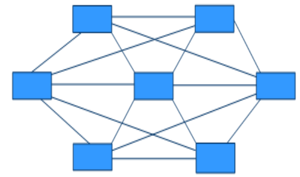
Global Highlights Preview Report Planned for Early 2014



Internationals
23%
Average # employees = 17,252

Focused on learning and sharing. Moderately centralized.

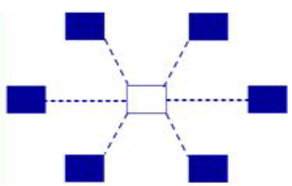
Average application count	17
Average number HRMS	2.2
Workforce managed on single HRMS	88%
Service centers today	2.7
Service centers in 12 mo.	2.8
Service delivery managed centrally	62%



Transnationals
10%
Average # employees = 35,218

Focused on efficiency, flexibility, and learning; combining aspects of all other types.

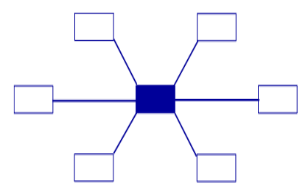
Average application count	19
Average number HRMS	3.3
Workforce managed on single HRMS	92%
Service centers today	2.3
Service centers in 12 mo.	3.9
Service delivery managed centrally	69%



Multinationals
24%
Average # employees = 27,632

Focused on responsiveness. Highly decentralized with power and control held locally.

Average application count	14
Average number HRMS	6.3
Workforce managed on single HRMS	74%
Service centers today	6.5
Service centers in 12 mo.	7.9
Service delivery managed centrally	45%



Globals
43%
Average # employees = 27,399

Focused on efficiency. Highly centralized and standardized; decision made at corporate.

Average application count	17
Average number HRMS	2.0
Workforce managed on single HRMS	90%
Service centers today	2.2
Service centers in 12 mo.	3.0
Service delivery managed centrally	76%