Information contained in this Survey analysis was compiled and analyzed by CedarCrestone as part of our commitment to provide knowledge on Human Resources technologies, trends, and the impact their adoption has on the performance of the enterprise. CedarCrestone encourages customers, media, partners, analysts, and other readers to share the information found herein and to quote liberally from the Survey with appropriate credit to CedarCrestone. However, this report cannot be posted in its entirety. We request that all quotes and references are credited as “CedarCrestone 2013–2014 HR Systems Survey White Paper, 16th Annual Edition” on first reference. All subsequent references should read “CedarCrestone 2013–2014 Survey White Paper.”
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Executive Summary

The CedarCrestone 2013–2014 HR Systems Survey White Paper, 16th Annual Edition provides a worldwide benchmark of Human Resources (HR) technologies adoption and the value achieved from their use, seen through the eyes of HR Information Technologies (HRIT) and Information Technologies (IT) staff. This year’s Survey White Paper covers adoption and trends for applications, deployment options, vendor outlook, expenditures, and value achieved for the following categories of applications. Throughout the report, we suggest implications and recommendations for both practitioners and vendors.

- **Administrative** – focusing primarily on the state of adoption and trends associated with the move to Software as a Service (SaaS) for the core HR management system (HRMS)
- **Service delivery** – focusing on the trend towards and importance of employee and manager direct access to services, as well as centrally managed shared service centers
- **Workforce management** – focusing on the use of applications such as time and absence management that help organizations put the right people in the right place, at the right time, with the right skills—and ideally at the right cost and value achieved from their adoption
- **Talent management** – focusing primarily on integrated talent management adoption and levels of integration
- **Social- and mobile-enabled applications** – focusing on social and mobile enablement of processes and transaction support, but also including usage of publicly available social media
- **Business intelligence/analytics solutions** – focusing on applications and approaches to delivering workforce data to management for improved decision making
- **Emerging technologies** that we believe may have impact for HR in the future—this year, we focus on big data and gamification

So, what is really important about this year’s Survey results?

- We report a continued move from licensed solutions, run on premise or hosted, to SaaS cloud offerings. The big news, however, in 2013 is that there are now more HRMS replacement initiatives than upgrade initiatives underway! Initiatives frequently include moving to the cloud offering of the vendor currently in use, a change of vendor, as well as a thorough evaluation of the “cloud slate.”
- Strong adoption continues for social, mobile, and analytics solutions, and organizations are achieving significant value from this adoption. Mobile-enabled processes will almost double by 2014!
- Integration between talent management and the HRMS is a new holy grail that few are reaching. Unified solutions hold the highest promise of delivering real-time integration at the process level.
- User satisfaction with vendor solutions is the new battleground. Vendors with the newest products garner the highest scores, but respondents who are on the latest release of older products also report higher satisfaction and a much-improved user experience.

So, while we see these four trends emerging from our Annual Survey results, at the same time the data do not always support what other industry analysts and vendors tout as the way things are. For example, we say that SaaS HRMS is the future direction, but when you really look at our data, a licensed on-premise HRMS still prevails and likely will for a few more years. So, why does adoption not keep up with market buzz? We think that organizations just don’t have the capacity to change rapidly: 1) they need great value propositions to support
getting executive support and budget for change; 2) vendors need to do a better job of helping customers make wise and easy transitions to deliver better user experience and to provide better integration tools faster; and so 3) it is our responsibility as a trusted advisor to report on lessons learned about technology adoption and the practices that really matter as organizations make the tricky transition to the future.

Certainly SaaS HRMS and talent management solutions deliver value as they enable organizations to serve more employees with fewer HRIT and IT staff. Social- and mobile-enabled processes get employees and managers using the technologies at higher adoption levels than solutions without such enablement; more use results in improved employee engagement, which yields value to the employees and the organization. Workforce analytics—and perhaps big data put into the hands of managers—enable them to make better decisions that result in several areas of value to the organization, too. But, to adopt all these great solutions and get great value, organizations also need to practice great change management or engage consultants who know how to execute great change management. Change management with technology deployments continues as a game changer!

**Key Findings**

1. HR technologies spending is positive with more large-sized organizations citing an increase in upcoming spending than staying the same, but spending plans for medium- and small-sized organizations are more frequently reported to stay the same for next year. The three-year application adoption outlook indicates the strongest projected growth for workforce analytics, social media tools, and service delivery applications.

2. For the first time, we see more core HRMS replacements than core HRMS upgrades, although there are variations by industry. However, a replacement is not necessarily of the vendor currently in use.

3. SaaS is already the deployment option of choice for talent management and plans for the core HRMS are trending the same direction.

4. While 55% of Survey respondents report that they will not move to a SaaS HRMS, 45% will—and well past just early adopter status! Among those that will make the move, the top reasons cited include expectations for an improved user experience, better functionality, and easier upgrades thereby eliminating dependence on IT. Our data support the premise that organizations with a SaaS HRMS report benefits of a better user experience, fewer IT and HRIT staff, and faster time to deploy.

5. Concerns about moving to a SaaS HRMS include service and support (new in 2013), integration complexities, inability to customize, and security/data privacy.

6. Improving user experience is important as a way to improve user adoption. Higher levels of user adoption enable organizations to achieve stronger value from the solutions for both employees and the organization.

7. The top HRMS solution in use continues to be PeopleSoft, while the biggest growth in HRMS adoption will be seen from the “cloud slate”: ADP Vantage, Ceridian Dayforce, SuccessFactors EmployeeCentral, Oracle Fusion (now called HCM Cloud), Kronos, SumTotal, Ultimate Software’s UltiPro, and Workday. PeopleSoft achieves the highest user adoption levels for employees. Workday achieves the highest user adoption levels for managers and the highest user satisfaction scores.

8. For 2013, we see lower annual costs per employee for a SaaS-based HRMS than for licensed on-premise solutions for both small- and medium-sized organizations. The forecast for large organizations with a SaaS HRMS is for lower costs in 2014, although still not as low as for large organizations with a licensed on-premise solution.
9. A service delivery model that entails moving to shared services and adopting more service delivery technologies consistently delivers the highest level of efficiency over the past five+ years among Survey respondents—between 10% and 41% higher, depending on the service delivery approach.

10. More organizations report moving their talent management to their HRMS solution provider—up 13% since 2012.

11. The level of integration between talent management solutions and the HRMS is low today—and is the reason why most organizations cannot produce workforce data to managers for decision making. Solution providers with unified solutions encompassing HRMS to talent management to analytics, or from talent management to talent management solution, each with process-level integration, hold great promise for the future.

12. Both social and mobile solutions deliver value through improving employee engagement and increasing use of employee and manager direct access, giving organizations higher value from adopted solutions.

Lessons Learned from Top Performers

As in 2012, we look at the publicly traded companies where we can independently obtain financial metrics, looking for those with the best financial performance measured by a combination of revenue per employee, profit per employee, operating income growth, and return on equity. We compare the practices of these Top Performers to the remaining organizations (non-Top Performers) to determine what they are doing differently with their HR technologies that set them apart. This year, we have identified four key lessons learned from the Top Performers:

1. Get the basics right and keep it simple. Without some basic practices in place, there is a clear limit to how much technology can impact an organization's performance. Top Performers start with standardized HR processes; 64% have standardized processes—compared to only 55% at other organizations—and score higher on measures of administrative and talent management process maturity. They manage service delivery globally, further simplifying and standardizing their processes and technologies. A large majority, 77%, keeps their talent management applications on the same platform as their HRMS, compared to just 59% for the remaining organizations. These practices lead to more efficient and effective HR organizations.

2. Invest in more HR technologies. Simply put, Top Performers have more HR technologies in place today than others, and more are planning to increase spending on HR technologies than the non-Top Performers (54% vs. 43%) in the coming year. Our research shows that having more technologies in place is correlated with improvement in HR cost efficiency, which in turn correlates with increased alignment between HR and business goals. Invest in more HR technologies to not be left behind!

3. Make talent management a priority. Top Performers have more advanced talent management processes with integrated talent management technology. Top Performers have 10% more talent management technologies in place and are more likely to have real-time integration with their HRMS and between talent management applications. They also dedicate 40% more of their HR staff specifically to talent management. As a result, they have the strongest results in improvements in the ability to attract, develop, and retain top talent with improvement scores 15–20% higher than non-Top Performers.

4. Put technology into the hands of your employees and managers. Employees outside the HR department at Top Performers are much more likely to be actively using HR technologies, freeing up HR to focus more on value-added activities. On average, 64% of employees at Top Performers are directly accessing HR technologies, compared to just 55% at other companies. Even more importantly, managers are more likely to have direct access to the workforce data they need for decision making, in real time with integrated data from multiple sources. At Top Performers, 28% of managers have direct access to HR data through business
intelligence tools vs. 18% at other companies. Our value chain analysis shows that more business intelligence leads to improved retention of top talent—that leads to improved competitive advantage and also improved return on equity.

**Where to Invest HR Technology Dollars**

Looking at these lessons learned, where should an organization invest its HR technology dollars? It depends. We see two types of organizations in the marketplace today: those getting started to expand beyond just having core HRMS and other administrative applications (and perhaps one or two talent management applications) and more sophisticated organizations who are aggressive adopters of many talent management applications and early adopters of newer tools including analytics and social- and mobile-enabled applications. Different types of organizations call for different HR technology investment strategies.

**For organizations just getting started, focus on increasing service delivery technologies.** Improving the cost efficiency of the HR department is a critical first step to showing that you can provide strategic value to the organization. Technology can replace outdated manual or Excel-based processes, allowing HR to shift focus from administrative to strategic. Looking at Top Performers, we see that increased HR cost efficiency is most strongly correlated with an increase in service delivery applications: employee and manager self service, a role-based portal, and for some, an HR-oriented help desk application. Perhaps not surprisingly, investing in tools that get HR technologies into the hands of employees and managers is one of the easiest ways to extend the value of your HRMS and allow HR to make that strategic shift from a transaction focus to a strategic focus. If your organization is just getting started and is looking at a new HRMS, pay special attention to solutions that include social and mobile functionality, which we see is associated with higher user adoption levels—higher user adoption is linked to higher business outcomes.

**For more sophisticated organizations, focus on acquiring business intelligence tools that put data directly into the hands of managers.** Among organizations with lots of HR technologies, Top Performers not only have more HR technologies, but they use them better and with greater value. With the HR technologies in place at Top Performers, and especially with business intelligence tools, Top Performers are better able to improve their retention of top talent, which in turn correlates with improved competitive advantage. How? These organizations use HR business intelligence tools to get workforce data—and the strategic insights that can come with that data—directly into the hands of managers for best practice workforce decision making. Focus on either adding discrete business intelligence/workforce analytics solutions or on ensuring that any new HR technologies have superlative embedded analytics capabilities.
New Statistical Analysis Approach to Determine Value of HR Technologies

For years, we have determined the value from HR technologies not just with metrics such as headcount or expenditures for one approach vs. another, but also by looking at the financial performance of publicly traded organizations. We have compared those organizations with technologies vs. those without and have shown that those with more HR technologies are doing better financially. While there are other factors at play that enable organizations to achieve higher financial performance, it is clear to us that best practices, including HR technologies adoption, contribute to that performance. However, looking strictly at financial performance of Survey respondents meant we could only look at those organizations that were publicly traded where we could independently get their financial metrics, which is just 29% of all respondents in 2013. To be able to look at value achieved by more respondents this year, we asked all respondents to answer a series of questions on whether key “value chain factors” such as ability to attract top talent, employee engagement, employee and manager productivity, HR cost efficiency or HR alignment with business strategy, and more, strongly improved, improved, stayed the same, declined, or strongly declined over the past year. We use these value chain factors to measure the success and performance of an organization beyond financial metrics, and thus were able to explore value for over 600 organizations that responded to the questions required for this analysis. We correlate HR technology use with these value chain factors to see where adoption has the most impact. We further look at the value chain from meeting HR outcomes to meeting business outcomes.¹

While the analysis does not show causality, it is reasonable to suggest that if your organization adopts HR technologies, HR objectives are met and as a result business outcomes are achieved.

Throughout this white paper, we will reference these correlations by indicating if they are weak, moderate, or strong using the following icons:

Major highlights of this analysis that will be explored throughout the white paper include the following:

- More HR technologies in place across application areas is most strongly correlated with organizations’ improvements in HR cost efficiency, making workforce data available for decision making, and developing the workforce.
- Business intelligence application adoption specifically has the strongest correlation to improvements in these same three areas.
- More technology at Top Performers translates into stronger improvements in the ability to retain top talent, which in turn correlates with improved return on equity, a key business outcome.

¹ CedarCrestone worked with Janet Marler, Ph.D, Associate Professor, School of Business, University at Albany – State University of New York to both review our approach and validate that our findings are statistically significant. We will collaborate on an academic paper within the next few months documenting our approach and expanding on findings.
Background and Survey Approach

The CedarCrestone 2013–2014 HR Systems Survey White Paper is based on 1,266 responses representing over 20 million employees: 85% of the respondents are from the United States; 6% from Europe/Middle East/Africa; 5% from Canada; and 4% from the rest of the world. Unless otherwise noted, all numbers in this report will summarize worldwide results.

The typical respondent is an executive (9%), director or manager (57%), specialist analyst (28%), or technical representative (6%). Respondents are at the intersection of HR and IT with 76% from HR, 11% from IT, and the remaining 13% from Operations, Finance, or the executive office. Of note is that respondents from IT come from organizations that average nearly 50% larger in employee size than respondents coming from HR.

Industry response percentages continue to be statistically similar to previous years. However, we see a continued increase in responses from the very small organizations with between 200 and 1,000 employees, as these organizations begin or continue to adopt HR technologies using more affordable SaaS options. Since these smaller organizations are typically not-yet-strong adopters of all the HR technologies we track, having more of these organizations’ data results in some adoption numbers being static or slightly down from 2012 levels.

To define the linkages to business outcomes, we independently collect financial performance data for the publicly traded organizations among our respondents, including revenue per employee, profit per employee, operating income growth, and return on equity. As explained in the New Statistical Analysis Approach to Determine Value in the Executive Summary, we further review the linkages between technology adoption and various value chain factors.

**Figure 1: 2013–2014 Survey Respondent Demographics**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total Responses</th>
<th>Percent</th>
<th>Average Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture/Mining/Construction</td>
<td>46</td>
<td>3.6%</td>
<td>8,023</td>
</tr>
<tr>
<td>Consumer and Other Manufacturing</td>
<td>171</td>
<td>13.5%</td>
<td>18,475</td>
</tr>
<tr>
<td>Financial services</td>
<td>109</td>
<td>8.6%</td>
<td>6,408</td>
</tr>
<tr>
<td>Healthcare</td>
<td>194</td>
<td>15.3%</td>
<td>11,794</td>
</tr>
<tr>
<td>Higher Education</td>
<td>77</td>
<td>6.1%</td>
<td>24,443</td>
</tr>
<tr>
<td>High-tech Manufacturing</td>
<td>145</td>
<td>11.5%</td>
<td>19,337</td>
</tr>
<tr>
<td>Other Services</td>
<td>276</td>
<td>21.8%</td>
<td>12,092</td>
</tr>
<tr>
<td>Public Administration</td>
<td>60</td>
<td>4.7%</td>
<td>14,379</td>
</tr>
<tr>
<td>Retail/Wholesale</td>
<td>82</td>
<td>6.5%</td>
<td>35,343</td>
</tr>
<tr>
<td>Transportation, Communications, Public Utilities</td>
<td>106</td>
<td>8.4%</td>
<td>16,931</td>
</tr>
<tr>
<td><strong>Totals and Average Number of Employees</strong></td>
<td><strong>1,266</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>15,876</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee Size</th>
<th>Total Responses</th>
<th>Percent</th>
<th>Average Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very small (200–999)</td>
<td>363</td>
<td>28.7%</td>
<td>532</td>
</tr>
<tr>
<td>Small (1,000–2,499)</td>
<td>249</td>
<td>19.7%</td>
<td>1,544</td>
</tr>
<tr>
<td>Medium (2,500–9,999)</td>
<td>326</td>
<td>25.8%</td>
<td>5,006</td>
</tr>
<tr>
<td>Large (10,000–49,999)</td>
<td>230</td>
<td>18.2%</td>
<td>20,786</td>
</tr>
<tr>
<td>Very Large (50,000+)</td>
<td>96</td>
<td>7.6%</td>
<td>136,221</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>0.2%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Totals and Average Number of Employees</strong></td>
<td><strong>1,266</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>15,876</strong></td>
</tr>
</tbody>
</table>
Context

Top Initiatives in 2013 – Foundational Activities for Change

As in past years, we ask the question, “Where is your organization spending at least 25% of its time?” Topping the list again and for many years, business process improvement and innovation shows how organizations are doing foundational work with their processes before embarking on new technology work. This process work is especially important before making a switch of deployment models to SaaS, where organizations can flexibly configure—or tailor, as some vendors now say—process variations to achieve similar levels that customization allows with licensed solutions.

Continuing in the second position is Talent management process work and associated automation, the one area of most technology work today. In the third spot with a slight increase from 2012 is Service delivery improvements, defined as not only employee and manager self service work, but also onboarding and implementing shared services with an HR help desk application. Other initiatives seeing growth since 2012 include HR systems strategy, business intelligence and workforce metrics, and expanding the HRMS to serve global operations. One-third of manufacturing firms are focusing their efforts on this latter initiative, expanding a single HRMS to serve more of its global workforce, reflective of a move towards more standardization and centrally managed HR data.

In 2012, we hypothesized that an inflection point would be reached where we would see more HRMS replacements than upgrades. While that did not happen in 2012, it did this year, with a focus on an HRMS replacement initiative outpacing upgrades for the first time. In particular, respondents from financial services—typically an early adopter industry—lead the way with replacements, while higher education is the industry still most focused on doing upgrades. But a replacement initiative does not necessarily mean a change in vendor—just a change in deployment approach.

Respondents from financial services—typically an early adopter industry—lead the way with replacements, while higher education is the industry still most focused on doing upgrades.

Figure 2: Major 2013 Initiatives (n=1,215)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business process improvements and innovations</td>
<td>62%</td>
</tr>
<tr>
<td>Talent management processes and automation</td>
<td>44%</td>
</tr>
<tr>
<td>Service delivery improvements</td>
<td>40%</td>
</tr>
<tr>
<td>HR systems strategy</td>
<td>33%</td>
</tr>
<tr>
<td>Business intelligence/workforce metrics</td>
<td>33%</td>
</tr>
<tr>
<td>Expanding HRMS to global operations (globals only)</td>
<td>26%</td>
</tr>
</tbody>
</table>

Upgrade vs. Replacements: Inflexion Point Reached

<table>
<thead>
<tr>
<th>Replacement</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRMS replacement</td>
<td>15%</td>
</tr>
<tr>
<td>Upgrade of HRMS</td>
<td>14%</td>
</tr>
</tbody>
</table>
CedarCrestone tracks 35 applications in 2013, divided into the categories highlighted on our CedarCrestone Application Blueprint.

The Blueprint encompasses the following categories and applications:

- **Administrative**: the core HR management system, payroll, and benefits administration.

- **Service Delivery**: employee and manager self service, role-based portal, HR-oriented help desk, and workforce lifecycle management tools, including onboarding. As technology evolves and employee and manager self service become standard functionality (rather than stand-alone applications), we will no longer track employee and manager self service as separate applications beginning with the 2014 Survey. Instead, we will continue to track and report metrics on the percentage of employees and managers with direct access to administrative and talent management processes within an organization.

- **Workforce Management**: time reporting, absence management, labor scheduling, and labor budgeting. These tools are important for getting the right people, with the right skills, in the right place and time, at an optimal cost.

- **Talent Management**: recruiting, learning management, performance management, compensation management, succession planning, and career development. These technologies are critical for acquiring, developing, and retaining talent.

- **Business Intelligence and Workforce Optimization**: nine applications that provide reports and dashboards, middleware, analytics, and workforce planning. Many HCM applications now deliver analytics embedded within their applications, although analytics are also delivered via discrete products.
• **Social, Collaboration, and Mobile:** we track the use of publicly available social media tools (e.g., Facebook, Twitter) and a corporate social network. We also track the adoption rates of specific social- and mobile-enabled processes.

What may be most important about this Blueprint and all the components is that ideally all the HR technologies must co-exist in a larger ecosystem within the organization whereby they can be integrated with other data. That data may be financial, customer-facing, or operational data that, when integrated with workforce data, provides the best possible workforce analytics support such that true workforce optimization can be realized and business outcomes can be achieved.

This Blueprint is a roadmap that we see many organizations follow as they achieve levels of excellence, sequentially building up their capabilities in each of these categories over time. With more mature organizations, we are seeing a cycling back through this roadmap, with organizations replacing their core systems but using a different deployment approach, more frequently moving to cloud-based offerings. In addition, we see a renewed emphasis on improving service delivery with organizations moving to shared services, working to improve user interfaces, and putting transaction services on mobile devices in order to *transform* service delivery and deliver more value to the organization.
Overall Application Adoption by Industry, Size, and Region

The three figures below provide an overall usage snapshot for each application category by major industry sector, size of organization, and region. We highlight cohorts that are above or below the worldwide average adoption levels by five percentage points or more. At a glance, readers can see that high-tech manufacturing leads in most categories of application adoption. Other more aggressive/early adopter industries include financial services, retail/wholesale, and healthcare. Late adopter industry sectors continue to be higher education, public administration, and agriculture/mining/construction. Turning to organization size, large organizations with over 10,000 employees continue as higher than average adopters. Looking at region, US organizations typically lead in application adoption. However, in 2013, we believe we have a set of early, more aggressive adopters of talent management, business intelligence, and analytics from Europe, particularly for learning management, performance management, and various foundational business intelligence (BI) tools.

Figure 4: Application Adoption: Industry, Size, Region

Application Adoption Level by Industry

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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>92%</td>
<td>87%</td>
<td>94%</td>
<td>93%</td>
<td>84%</td>
<td>94%</td>
<td>94%</td>
<td>94%</td>
<td>88%</td>
<td>92%</td>
<td>94%</td>
</tr>
<tr>
<td>Service delivery</td>
<td>44%</td>
<td>33%</td>
<td>49%</td>
<td>49%</td>
<td>42%</td>
<td>52%</td>
<td>45%</td>
<td>46%</td>
<td>40%</td>
<td>41%</td>
<td>36%</td>
</tr>
<tr>
<td>Workforce management</td>
<td>43%</td>
<td>26%</td>
<td>46%</td>
<td>52%</td>
<td>29%</td>
<td>48%</td>
<td>40%</td>
<td>41%</td>
<td>36%</td>
<td>57%</td>
<td>46%</td>
</tr>
<tr>
<td>Talent management</td>
<td>57%</td>
<td>47%</td>
<td>59%</td>
<td>61%</td>
<td>47%</td>
<td>65%</td>
<td>61%</td>
<td>54%</td>
<td>46%</td>
<td>51%</td>
<td>61%</td>
</tr>
<tr>
<td>BI (reporting/tools)</td>
<td>44%</td>
<td>29%</td>
<td>48%</td>
<td>47%</td>
<td>37%</td>
<td>52%</td>
<td>43%</td>
<td>48%</td>
<td>37%</td>
<td>35%</td>
<td>44%</td>
</tr>
<tr>
<td>Workforce analytics/planning</td>
<td>14%</td>
<td>8%</td>
<td>15%</td>
<td>16%</td>
<td>6%</td>
<td>16%</td>
<td>11%</td>
<td>17%</td>
<td>15%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Social media tools</td>
<td>33%</td>
<td>27%</td>
<td>34%</td>
<td>30%</td>
<td>32%</td>
<td>28%</td>
<td>34%</td>
<td>37%</td>
<td>20%</td>
<td>38%</td>
<td>40%</td>
</tr>
</tbody>
</table>

While individual organizations will often vary in adoption of HR technologies, these average adoption levels can be used as a quick benchmark for your organization. Vendors need to pay attention to both adoption stage and industry variations with their sales approaches. Late adopter industries represent opportunities for vendors, but are often harder to sell to, needing both great value propositions and examples from early, respected adopters in the industries.

Spending Outlook Continues to be Positive

The spending outlook for HR technologies continues to be positive going forward as it was in 2012, with close to 50% of the large employers reporting an increase in next-year expenditures. However, we see a slight indication of some decreasing budgets with a few more large organizations reporting a decrease in expenditures compared to
2012. Further, more medium-sized organizations now report their next-year spending will stay the same, whereas in 2012, more reported spending plans to increase. Reviewing expenditure plans by industry, we see Financial Services and Retail planning for increases in spending more than average, with Higher Education and Public Administration with higher than average decreases.

Three-Year Application Outlook

In addition to asking which applications are in use, we also track applications budgeted for the next 12 months or planned for implementation in the next three years. While all categories of applications show growth, three categories stand out. Those with more than 50% growth in adoption over the next three years include Service Delivery (66%), Social Media (109%), and Workforce Analytics and Planning (229%). Strong growth is forecast for Career Development (154%) and Succession Planning (94%) within Talent Management.

We see the following implications for vendors and practitioners related to these three growth areas:

- **Service Delivery.** At the core of Service Delivery is employee and manager direct access to transactional services and information. As highlighted throughout this white paper, getting these capabilities into the hands of employees and managers is critical to maximizing the value an organization gets from its HR technologies. From a vendor perspective, some in the ERP space have neglected the impact of the user experience on user adoption, leading to frustration and traditionally low adoption rates of employee and manager direct access. Newer tools with improved user interfaces are gaining traction as organizations realize the value of an excellent user experience. Vendors should prioritize improving user interfaces for new products and releases. For practitioners, change management is critical to improve user adoption. You must be
able to prove the value of these new processes and systems to resistant workers to be successful in the implementation or expansion of employee and manager direct access. As we will show in the section on mobile applications, giving workers—especially managers—mobile access to systems can be a great way to increase adoption. Give workers services on their device of choice! In addition, you may need HR-oriented call center support, especially when moving to shared services. Both product suite providers such as Enwisen and Oracle or niche providers such as Dovetail or LBi Software are options.

- **Social Media.** Vendors must also include social tools in their product arsenal. We will show later that organizations with higher levels of social-enabled processes report both higher user adoption and higher user experience. Higher user adoption is correlated with improved employee engagement. Both vendors and practitioners need to consider where social tools can be best used strategically to provide the most value to employees. Consider which business processes that, if augmented by social media, can increase user adoption. For example, learning processes can be augmented by engaging a social community around learning and training events to make them more dynamic or enabling learners to interact and communicate before, during, and after a face-to-face event to make them more compelling.

- **Workforce Analytics and Planning.** While strong growth was forecast last year, adoption numbers in 2013 are not significantly higher than in 2012. However, we see a growing trend towards adopting analytics embedded in applications, which may account for the static adoption level of separate analytic tools. The implication of growth in this category for vendors, however, is that any new solution must include analytic functionality and we are seeing this. From a practitioner perspective, organizations need to prepare to implement these solutions to get workforce insights into the hands of managers. Thoughtful planning is needed to identify what needs to be measured—look for metrics tied to achieving business objectives. Planning should also focus on how you will integrate between and among solutions and the change management necessary to enable managers to be able to make metrics-based workforce decisions.

**Software as a Service – Trends, Reasons, Concerns, Value Propositions**

Looking only at the core HRMS, and including the respondents who indicated combinations of deployment approaches that include SaaS, SaaS HRMS systems now account for 26% of HRMS solutions in use. The projected growth rate for SaaS HRMS is 63%. We are a long way off from seeing more SaaS than licensed HRMS deployments, with licensed solutions remaining the leading deployment approach until 2015 at the earliest. We saw no decline in licensed HRMS the past year; however, the forecast for continuing with licensed solutions is significantly lower in 2013 than in 2012. Respondents are often overly optimistic about their own capacity to change and get budget.

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2 We changed how we looked at HRMS deployment by adding a category called “combinations” in 2013. Combinations are more frequently the norm in global organizations where we see strong plans for the addition of a new HRMS, most frequently a SaaS HRMS.
Reasons for Moving to SaaS

The trend toward SaaS as the dominant deployment model, nevertheless, is inevitable for many reasons. Consistent with last year’s results, the number one reason respondents give to move to a new SaaS HRMS is to improve the user experience across the organization—not just for HR, but for employees and manager as well. Respondents from both HR and IT recognize that user experience drives usage and usage drives value for the organization.

Figure 8: Reasons for Moving to a SaaS HRMS

(n=556)

<table>
<thead>
<tr>
<th>Stakeholder Rankings</th>
<th>HR</th>
<th>IT</th>
<th>Exec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved user experience for employees, managers, as well as HR</td>
<td>69%</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Best practice functionality</td>
<td>58%</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Easier upgrades (New)</td>
<td>55%</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Eliminates dependence on IT (New)</td>
<td>49%</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Faster time to implement and achieve value</td>
<td>45%</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Reduces need for internal infrastructure</td>
<td>44%</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Reduces total cost of ownership</td>
<td>35%</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Predictable ongoing costs</td>
<td>29%</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Ease to &quot;go global&quot; (New)</td>
<td>28%</td>
<td>9</td>
<td>6</td>
</tr>
</tbody>
</table>
Best practice functionality, easier upgrades, and eliminating dependence on IT are also top reasons for moving to a new SaaS HRMS. Reasons vary by stakeholder, but vendors or internal change agents would do well to take note of the different priorities by role. For example, executive respondents, typically from the business side of the organization, place a higher priority on ease of upgrades and faster time to implement (and therefore achieve value), than a respondent from HR more demanding of improved user experience and best practice functionality.

**Concerns about Moving to SaaS**

On the other hand, 55% of respondents indicate no plans to move to a SaaS HRMS and respondents identify concerns about a move. New to the Survey this year, the concern about service and support topped the list, along with how to address integration complexities, which was the number one concern in 2012. These two reservations top the list for HR, IT, and executive respondents, making them a high priority for vendors to directly address with potential customers. Inability to customize varies in importance by stakeholder, but is also another one for vendors to address. We already see leading vendors emphasizing that their solutions can be tailored. Further, still today after years of experience with security/data privacy for SaaS HRMS solutions, IT respondents particularly identify this concern as one of their top three. Vendors need to attend to understanding unique IT requirements for security and data privacy, with the latter often varying by country of operations or industry.

**Figure 9: Concerns About Moving to a SaaS HRMS**

<table>
<thead>
<tr>
<th>Stakeholder Rankings</th>
<th>HR</th>
<th>IT</th>
<th>Exec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concerns about service and support</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Integration complexities</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Inability to customize</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Security/data privacy</td>
<td>4</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Loss of control over systems/data</td>
<td>5</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Functionality not specific for our industry</td>
<td>6</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Concern about vendor lock-in</td>
<td>7</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Inability to control timing of release</td>
<td>8</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Lack of global functionality</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

**SaaS HRMS Value Propositions**

One of the most important value propositions for SaaS HRMS is that it takes significantly fewer people to support a SaaS HRMS. On average, a SaaS solution requires only one-third the HRIT/IT staff to support compared to a licensed on-premise solution. This advantage holds true regardless of the size of the organization, when we normalize these numbers by the numbers of employees served by each HRIT/IT staff member. Of course, there are some variations by industry and in some cases a licensed hosted solution may provide equal or better savings. Benchmarking your organization by industry and size may help justify any move.
SaaS is also faster to implement, taking 40% less time as compared to a licensed on-premise solution. As a result, an organization can realize the benefits of a new solution faster, such as an improved user experience or more functionality. This value rationale also holds true by size of organization, with SaaS showing the fastest implementation times. Only medium-sized organizations take a bit longer than a licensed hosted option for a new deployment, but this is industry dependent. In CedarCrestone’s implementation work across all sizes of organizations, we see these medium-sized organizations are at a stage where processes are quite varied and process standardization has sometimes not yet occurred, yet is beneficial before using a configurable solution. Small organizations are often without process variation baggage; large organizations have often already put effort into standardization.
HRMS Vendor Outlook

PeopleSoft continues as the most adopted HRMS solution in use today and will continue as the leader, however, with slight weakness going forward (see chart). It is by far the dominant choice in large organizations with over 10,000 employees. Plans for Oracle Fusion, now referred to as HCM Cloud, also show significant expected growth in the next 12 months for large and medium-sized organizations. Looking across all Oracle HRMS solutions (PeopleSoft, EBS, JD Edwards, and HCM Cloud) adoption rates for Oracle solutions will hold steady into 2014 due to the planned increase in Oracle HCM Cloud adoption. Among PeopleSoft customers indicating that they will make a change this coming year, as many will move to Oracle HCM Cloud as those respondents indicating they will move to Workday! Oracle HCM Cloud adoption may be on the same trajectory we have seen from Workday over its life.

![Figure 13: HRMS Vendor Outlook Overall and by Size (n=636)](image)

<table>
<thead>
<tr>
<th>vendor</th>
<th>Overall</th>
<th>Large 10,000+ Employees</th>
<th>Medium 2,500–10,000 Employees</th>
<th>Small 200–2,500 Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Today</td>
<td>In 12 Months</td>
<td>Today</td>
<td>In 12 Months</td>
</tr>
<tr>
<td>Oracle PeopleSoft</td>
<td>29%</td>
<td>26%</td>
<td>47%</td>
<td>40%</td>
</tr>
<tr>
<td>ADP</td>
<td>19%</td>
<td>18%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>SAP</td>
<td>11%</td>
<td>12%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Ultimate Software (UltiPro)</td>
<td>11%</td>
<td>12%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Kronos</td>
<td>11%</td>
<td>12%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Infor/Lawson</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Oracle (EBS)</td>
<td>6%</td>
<td>5%</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Workday</td>
<td>5%</td>
<td>12%</td>
<td>10%</td>
<td>16%</td>
</tr>
<tr>
<td>Ceridian HR</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>SuccessFactors/EmployeeCentral</td>
<td>4%</td>
<td>6%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>SumTotal/Softscape</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Oracle HCM Cloud (Fusion)</td>
<td>1%</td>
<td>4%</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Ceridian Dayforce HCM</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

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

ADP is the second most adopted—and when we review by size, ADP clearly has the lead in smaller organizations and shows continuing strength and growth there. However, as organizations grow in employee size, we often see replacement plans to drop ADP, seen most clearly in the expected drop over the next year among large employers with ADP. We also see Ultimate Software making a run for dominance among small organizations.

Unlike last year, SAP is gaining in adoption when we add in plans for SuccessFactors’ EmployeeCentral. With just 15% of our respondents from outside the US, we likely do not adequately show the true picture for SAP HCM adoption worldwide or reflect its dominance in Europe. Kronos, best known for workforce management solutions, is the surprising hidden gem garnering over 11% of Survey respondents—as does Infor/Lawson, with adoption for both indicating future growth.
Further down the vendor dashboard, we see Workday with 5% adoption today and a big expected increase to 12% next year. However, last year, 10% of respondents indicated they would move to Workday by this year, a level not achieved. There continues to be more enthusiasm for Workday than capacity to make the change among respondents. Respondents may not want to move to Workday until they explore options and find other cloud solutions better meet their needs and budget. Nevertheless, the outlook for Workday will be quite strong and we note that, among Top Performers, 11% have Workday today.

When we look in detail at respondents who provided both this year and next year vendor choices (n=551), 24% indicate that they will make a change (n=132). Workday will be a big winner of those 24%. But, deeper analysis shows that it is really the “cloud slate” in general that will see significant growth going forward. The HRMS battleground indicates all vendors with cloud offerings will see increased adoption. The “cloud slate” includes Ceridian Dayforce, SuccessFactors’ Employee Central, Oracle HCM Cloud (Fusion), Kronos, SumTotal, UltiPro, ADP Vantage, and Workday. When respondents did not specify a clear choice for a new vendor, they were most often evaluating this full “cloud slate,” further reinforcing our forecast of the future direction of the HRMS market, and also reflecting a level of market sophistication in that respondent organizations are looking across all options.

Another view of HRMS adoption comes from looking at the relationship between user adoption and user experience. More use of employee and manager direct access means that an organization is getting more value from its solutions. In the figure below, we show user experience scores on the horizontal axes and user adoption on the vertical axes for both employee and manager adoption. We ask respondents to evaluate their user experience on a three-point scale for nine key processes where 1 = Poor – not user friendly, excessive steps, limits use; 2 = Acceptable – workable but requires training to use; and 3 = Excellent – intuitive, user-centered design, effectively promotes use.

**Figure 14: HR Management System**

*User Adoption Level by User Experience Scores*

![User Adoption Graph](image)
Workday leads with user experience scores of 2.45 and also leads in the adoption of manager direct access. PeopleSoft leads with employee user adoption. Organizations with PeopleSoft have had these solutions a long time and put effort into maximizing employee adoption. But most importantly, both charts show that user adoption increases as user experience gets better and poor user experience goes hand in hand with poor user adoption. Generally speaking, the vendors represented on the right half of each chart are SaaS HRMS vendors, whereas the vendors towards the bottom left corner of each chart are older legacy solutions. Customers of these older solutions should begin to consider replacement projects in order to leverage the improved user experience offered from newer offerings, with an expectation of higher user adoption, ensuring that value is derived from the solutions.

**HRMS Expenditures Indicate a SaaS HRMS Offers Lowest Annual Costs for Some**

The final assessment of core HRMS deployment models is on comparative annual expenditures for HRMS, which yields a complex picture. Over the past few years, we have seen lower annual HRMS costs with SaaS, but not for all organizations. Last year, small organizations were paying less for SaaS HRMS solutions than licensed on-premise solutions. This year we see both small and medium-sized organizations paying less.

Large organizations more frequently have a licensed, on-premise HRMS and they pay the least annually for these. Their next-year expenditures will increase, primarily reflecting global work—consolidating multiple HRMS instances or systems, which ultimately will drive their costs down further as they eliminate the maintenance fees associated with multiple solutions.

On the SaaS HRMS side, we are seeing more respondents with SaaS among the large organizations and their costs have gone down from last year. However, these large organizations with SaaS HRMS are still essentially in implementation and start-up mode and increasing the functionality they roll out to employees, so their costs are still high. However, when we look at expected expenditures for next year, we are starting to see a decline even for those large organizations with what they will pay for a SaaS HRMS.

Small and medium-sized organizations clearly pay less with a SaaS HRMS than those with a licensed on-premise solution. On-premise software doesn’t scale well for the smaller organizations. While it may take another year or two for the larger organizations to see lower costs from a SaaS HRMS, we appear to be on a trend towards SaaS HRMS solutions providing the lowest annual costs.

We invite readers to use these numbers as they work with their current or proposed new vendors. CedarCrestone can also provide guidance and comparisons of these and other metrics through a benchmark evaluation of others in your industry, of your size, and with your desired end state.
Other Application Adoption, Vendor Outlook, and Value by Category

To shorten the annual CedarCrestone HR Systems Survey results, we have provided an article to IHRIM\(^3\) detailing 2013 application adoption and vendor choices for the categories in this section.

Service Delivery

Interestingly, the adoption numbers for service delivery applications overall, and specifically for employee and manager self service as applications, declined compared to 2012 numbers. However, when we look at the detailed employee and manager user adoption of various processes, overall user adoption has increased. We believe this discrepancy is due to the fact that increasingly, employee and manager self service is automatically embedded in other HR technologies (e.g., payroll or performance management), rather than offered as separate applications. Thus, beginning next year, we will no longer track employee and manager self service as separate applications, but instead focus on user adoption rates by individual process areas.

Among the other applications we track in the service delivery category, including a role-based portal, an HR help desk application, and workforce lifecycle management (e.g., onboarding process automation), the latter is expected to see strong growth in the next 12 months, with respondents indicating that adoption will nearly double.

Key service delivery trends and practices from 2012 to 2013 that deliver great value include the following:

- Organizations are consolidating their HRMS instances and serving more employees from a single HRMS. This trend appeared in our global study last year\(^4\) and we see it continuing this year.
- Organizations are increasing the number of service centers. This is particularly the case in global organizations where there is an almost cookie-cutter approach being taken to providing country-by-country or region-by-region services centers. Best practice is to manage service delivery centrally, as evidenced by Top Performers overwhelming use of globally managed service centers.
- Employee and manager direct access is increasing, although percentages are still low considering that employee and manager self service has been in use since before we started our Annual Survey in 1997.
- Social and mobile enablement of processes is also increasing. Overall adoption by the workforce is low, but projected to grow strongly. Such enablement is important as a contributor to greater user adoption, leading to increased value from solutions.
- Managers are increasingly empowered with direct access to BI and analytics. Adoption is still at the early adopter stage, but forecast to grow strongly. Manager direct access to BI tools is tied to best practice workforce decision making, one of our key value chain factors from which other benefits derive.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR management systems</td>
<td>3.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Shared service centers</td>
<td>1.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Employees using direct access services</td>
<td>55%</td>
<td>64%</td>
</tr>
<tr>
<td>Managers using direct access services</td>
<td>46%</td>
<td>56%</td>
</tr>
<tr>
<td>Workforce using socially-enabled processes</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td>Workforce using mobile-enabled processes</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Managers with direct BI access</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Organizations considering HR as strategic</td>
<td>32%</td>
<td>43%</td>
</tr>
</tbody>
</table>

\(^3\) Vendor Solutions in Use and Planned from the 16\(^{th}\) Annual CedarCrestone HR Systems Survey, IHRIM Wire, September, 2013

\(^4\) Going Global with HR Technologies: 2013, Highlights and Recommendations of Organizations Operating Globally Taken from CedarCrestone 2012–2013 HR Systems Survey Results
• Organizations are increasingly evaluating HR as strategic to the business. We particularly see this among Top Performer organizations.

All of these trends are statistically positively correlated with another key value chain factor: improved cost efficiency of the HR function. Cost efficiency is in turn strongly correlated with improved alignment with the business.

Another way we look at the impact of service delivery on the cost efficiency of the HR department is through the ratios of employees served by each HR administrative staff (headcount for 2013 rather than full-time equivalent in years past). Organizations with high usage of three key service delivery technologies—employee direct access, manager direct access, and shared services with an HR help desk application—serve 41% more employees with their HR staff than those organizations with only minimal technologies in place. This combination of technologies delivers the highest level of efficiency for the enterprise. There are, of course, variations by industry and size and it is best to benchmark your organization to determine your optimal service delivery model.

**Workforce Management**

Workforce Management refers to the technologies that enable an organization to put the right people in the right place, at the right time, with the right skills, at the right cost. These include time management, absence management, labor scheduling, and labor budgeting. We see higher-than-average adoption in retail, healthcare, high tech, and to some extent financial services industries.

Our statistical analysis of value chain factors shows that adoption of workforce management applications has a weak link to HR cost efficiency, improved productivity, and improved employee engagement. The link to employee engagement is not just from the technology, but the underlying practices like using the tools in a smart way to make work schedules work for employees in fair ways. We also see a link to true business outcomes of stronger financial performance. Top Performers, compared to other organizations, show strong links to HR cost efficiency, employee and manager productivity, and even to improved market share.
Integrated Talent Management

Our definition of integrated talent management is that an organization has two or more of the six talent management applications provided by the same vendor. We not only ask if the respondent has an integrated talent management solution, but we also validate that they have specified multiple talent management applications in use and that they are in fact from the same vendor. For more information on the individual “point” or “niche” talent management applications and vendors, please see the IHRIM Wire article.5

Overall adoption of integrated talent management solutions remained essentially steady from last year at 58%, with Top Performers adopting such solutions higher at 74%. This year, we see more organizations choosing to put talent management on the same platform as their HRMS at 62%, up from 55% in 2012. Top Performers also more frequently choose to put their talent management solution on their HRMS at 77%, up from 70% in 2012.

In the figure below, we see that the Oracle cluster of products (PeopleSoft, EBS, Taleo and HCM Cloud combined) continues its lead in adoption among respondents, with its current adoption level down from 45% last year. Combining adoption numbers for SAP with SuccessFactors and Plateau, that combination is slightly down from 2012; however, the future outlook for the combined strength of these products augers well. Workday’s integrated talent management offerings nearly met last year’s growth forecast (5% this year compared to 6% forecast last year) and will continue to see strong growth. Ultimate also appears on our dashboard for the first time, with growing adoption among small and medium-sized organizations.

Figure 19: Integrated Talent Management Adoption Overall and by Size

<table>
<thead>
<tr>
<th>Overall</th>
<th>Large 10,000 Employees</th>
<th>Medium 2,500–10,000 Employees</th>
<th>Small 200–2,500 Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Today</td>
<td>In 12 Months</td>
<td>Today</td>
</tr>
<tr>
<td>Oracle PeopleSoft/Taleo/HCM Cloud/EBS</td>
<td>43%</td>
<td>41%</td>
<td>54%</td>
</tr>
<tr>
<td>SAP/SuccessFactors/Plateau</td>
<td>25%</td>
<td>29%</td>
<td>38%</td>
</tr>
<tr>
<td>Cornerstone OnDemand</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Workday</td>
<td>5%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Silkroad</td>
<td>5%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Peoplefluent</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Ultimate Software</td>
<td>4%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>39%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Of the respondents that provided this year’s and next year’s vendors, 23% report they will make a change, a marked increase over 2012. One direction dominates: those with an integrated talent management solution that is based on an HRMS will stay with that HRMS vendor. For example, respondents with PeopleSoft will stay with an Oracle solution—most often Oracle HCM Cloud—as their integrated talent management solution, or SAP customers will adopt the SuccessFactors’ integrated talent management suite. Even those with a “best of breed”

5 Vendor Solutions in Use and Planned from the 16th Annual CedarCrestone HR Systems Survey, IHRIM Wire, September, 2013
solution provider will slightly more frequently move to an integrated talent management solution based on an HRMS, which may include Infor/Lawson, Oracle, SAP, Ultimate, or Workday. Nevertheless, most cloud solutions will see increased adoption—specifically, Cornerstone OnDemand, HCM Cloud, Kenexa, Lumess, Silkroad, SuccessFactors, Ultimate, and Workday.

Integration is the New Holy Grail that Few are Reaching

New to this year’s Survey, we asked respondents to report on the state of integration between systems, first between talent management solutions and HRMS, and secondly between talent management solutions. What we found is that today there is very minimal integration between solutions.

Looking first at the integration between HRMS and talent management solutions, we asked respondents to put their integration efforts in one of five categories:

- **No integration:** totally separate processes handled in separate solutions/no integration has been tackled
- **Manual or minimal integration** using FTP integration, or perhaps HR/HRIT, runs a report from one solution, exports to Excel, and then loads to another solution
- **Simple integration** using vendor-supplied APIs (or internally developed APIs), one-way integration from the talent management solution to the HRMS (for example, the talent acquisition solution feeds the HRMS on a candidate hire)
- **Two-way integration** between the talent management solutions and the HRMS that is bi-directional to the HRMS and that is fully automated provided as a solution set from your vendors or using middleware/SOA
- **Real-time solution in place:** all talent management processes used and their data and reports are available on the same platform as your HRMS (not requiring integration)

About one-third of respondents reported no integration at all. In analyzing results for those reporting some integration, the big differences and the best promise for the future are in evidence from respondents with a unified HRMS-Talent Management solution vs. those respondents with their HRMS and talent management solutions on disparate platforms.

Respondents that are customers of Ultimate, Workday, and even PeopleSoft report they have a real-time solution above the average level. However, it is very clear that true, real-time integration of processes among respondent organizations is really not very far along. Real-time integration of talent management processes that weaves to and from a talent management solution to and from the HRMS is truly a holy grail!
Our statistical value-chain analysis shows that a unified HRMS-Talent Management solution is associated with improved employee and manager productivity, as well as higher financial performance. Of Top Performers, 77% have a unified HRMS-Talent Management solution compared to 57% at other organizations. In addition, having a unified solution impacts business intelligence and analytics efforts; 20% more managers have direct access to BI tools and data in organizations with that unified solution giving them the workforce data they need for strategic decision making.

For talent management-to-talent management integration, fewer than half of organizations have “some integration.” Looking at variations among those using a unified solution (an integrated talent management solution) vs. those that do not, it is startling that so many of the latter have either manual or minimal integration. Yet again, it is the truly unified solutions that provide promise of true integration, where essentially none is needed because the solution is integrated at the process level. For example, a learning management solution feeds the performance management solution (and process) upon course completion or courses are suggested for new hires on onboarding or new job postings enable organizations to look not only at outside candidates, but to internal candidates as well.

Respondents reporting that they have real-time solutions above these averages include customers of Cornerstone OnDemand, Peoplefluent, SilkRoad, Ultimate Software, and Workday most frequently.

Digging into the detail and looking at products, it is the truly unified HRMS and/or talent management solutions that have real integration at the process level. Anything else requires substantial integration efforts, which, de facto, just aren’t happening. For practitioners, this lack of integration means not being able to produce data for decision making to their managers. Organizations with single-point solutions have the most difficulties integrating them with the rest of the applications in use. Integrated talent management suites by definition offer better integration among processes. But clearly organizations are not far along, perhaps because HR technology owners within the organization are not always collaborating amongst their own operations. We suggest that the HRIT/IT staff can help facilitate the collaboration.

If your organization is just starting to consider more process-level integration, your best bet is to integrate talent management processes through the core HRMS. Consider key-use cases (getting courses to new hires during onboarding, getting courses to employees after performance review, the first requiring recruiting/learning management integration and the second requiring performance management/learning management integration)
and develop your own use cases for the key vendors of interest. Most importantly, communicate your integration needs to your vendors. In our work with vendors, it is clear that all vendors are working to provide most needed integrations based on customer demands. Vendors, on the other hand, should take responsibility for providing easier to use integration tools and better supporting customer’s complex integration needs. They should escalate their integration efforts!

Business Intelligence, Workforce Analytics, and Big Data

We track multiple BI applications, including reporting and visualization approaches, foundational tools such as a data warehouse and middleware, and analytics and workforce planning applications. Workforce analytics and planning, while at the early adoption stage, is slated for impressive growth of 200+% over the next three years. We also ask about the various approaches to delivering BI. Almost all organizations can in one way or another pull data for reports. But data accessibility by business leaders is not pervasive, with only 15% of organizations having data and analytics capabilities delivered directly to managers.

Why is being able to give managers access to BI tools important? One of the strongest and most consistent set of correlations to value we see is between the ability to get workforce data into the hands of managers for decision making and improved business outcomes. Overall HR technology adoption, but particularly with the adoption of BI applications, is highly correlated with this ability to provide workforce data, which in turn correlates to achieving competitive advantage. Among publicly traded organizations, an improvement in competitive advantage further correlates with higher return on equity.
Top Performers that have about 25% more BI technologies in place than other organizations show an additional correlation to value between HR technology use—particularly BI adoption and retention of top talent. We believe these Top Performers are making better use of their technology—and their workforce data—by being able to analyze just what makes for top talent and what factors go into retaining them. From this advantage of knowing what talent to retain, they are better able to achieve competitive advantage.

**Emerging Technology: Big Data**

Each year, we track several emerging technologies that we believe may eventually be important to HR, including Big Data for the past two years. We asked, “Do you leverage large-scale data collection, data mining, and pattern recognition applied to workforce data to meet business outcomes?” to better define the concept. While still in the early adopter stage, 12% of respondents are using Big Data today, up from 7% last year.

Notably this year, only 18% are not familiar with the concept down from 41% in 2012. Some progress is obviously being made making sense of the concept to the market. Big Data is more frequently used in large organizations (16% vs. 12%) and more frequently either used or under evaluation in Healthcare (33% in use or evaluating), Higher Education, and Financial Services (31% each).

Some Big Data experts believe, and we concur, that most progress is being made in organizations where big data is an enterprise effort. It is critical for HR and HRIT to at least inform themselves about the concept and why the area is so important.

Of the current emerging technologies we track, we believe Big Data will have legs for the long run, but we do not see it as mainstream for at least three years. We also introduced gamification this year, another emerging technology of interest and may also become a critical enterprise technology...stay tuned for next year’s results. Other emerging technologies we’ve tracked such as knowledge management and work management will be dropped, as we saw no significant increase in adoption this past year.

**Emerging Technology: Gamification**

We define gamification as the application of characteristics from games into non-gaming contexts to engage and motivate the workforce. Among our respondents, most are not aware of gamification and only a few of the areas for which we provided examples are used today. While almost 600 respondents answered the question, only about 30% responded they have adopted any of these tools with just a few areas above a 10% adoption level.
Overall, large sophisticated, global organizations adopt these tools at higher levels, though still with relatively low adoption today. We will continue to follow this emerging technology and explore its application at an enterprise level. For now, we think HR and HRIT should pay attention to the concept and its application as we believe it may strengthen user adoption and to the extent user adoption increases, organizations (and employees) get higher value.

Social Applications in HR

Most everyone in marketing or communication roles uses social media to promote products and services via LinkedIn, Twitter, and Facebook. We also continue to look at collaboration tools, such as SharePoint or Central Desktop, as well as corporate social networks. We continue to ask respondents not only if these social media tools are used by individuals or teams within their organizations, but whether they are used strategically for communications, learning, service delivery, and branding. When we first started tracking social tools five years ago as an emerging technology area, use was primarily by individuals, yet today many organizations are using these tools strategically.

Strategic collaboration tool adoption increased from 15% to 40%. That tremendous spike, we believe, is because we changed our question this year and added a specific example of “SharePoint,” a collaboration tool universally known and adopted by many organizations. In addition, adoption of a corporate social network, the foundation for more strategic enterprise use of social tools, has increased 20% since 2012.

What about social functionality embedded in HR applications to support various talent management processes? Today, nearly any new product includes social functionality, especially in the talent management space. To date, however,
adoption of this emerging functionality by the workforce is low. We see a big chasm between new product functionality and what is being used, but from our Survey data, we see a dramatic payoff from early adoption of social-enabled processes.

What is social enablement of HR processes? Working with various vendors and process subject matter experts, we developed social-enabled process descriptions. For each of these social-enabled processes, we ask respondents for the percent of the workforce—and in the case of recruiting, recruiting staff and hiring managers—using today and for their projected use in 12 months:

- For **HR management/record keeping**, it is providing a single person profile in the HRMS of both formal and social information by using social tools to enhance the person’s profile, capture data beyond the traditional HRIS data, and make it easier to locate expertise in the organization.
- For **time and labor**, it is enabling employees with social tools to engage in shift swapping and bidding.
- For **recruiting**, it is using social sites, such as LinkedIn and corporate-branded social media, for both passive and active recruiting. It is using enterprise solutions for communications with candidates. It is performing social network analysis against the social network data, developing records of potential hires, and analyzing the prospects for their potential as effective new hires. It is being known for finding the right opening for active candidate and connecting new hires to internal networks to engage and enhance their productivity from day one on the job, or even before.
- For **learning and development**, it is engaging a social community around learning and training events to make them dynamic. It is enabling learners to interact and communicate before, during, and after the event. It is providing social-based mentoring that may be informal, ad hoc, or on the job. It is leveraging social tools such as tagging, bookmarking, and rating of learning content, courses, and instructors.
- For **performance/goal management**, it is using the social community for performance appraisal support to provide goal alignment, performance support, and kudos. It is supporting shared goals by enabling individuals to find experts on these goals. It is enabling collaborative goal creation and using the social tools for team-based collaboration and work updates on these goals.
- For **succession planning**, managers and planners are using social communities for feedback to fine tune succession planning for individuals and talent pools. It is connecting successors and mentors. It is conducting social network analysis to see the “real” organization chart of influencers, doers, etc.
- For **compensation**, it is bringing social data onto a compensation dashboard to help the manager understand the value of actual employee contributions. It is using crowd-sourced salary benchmarking.
- For **business intelligence/workforce analytics**, it is mining social data to understand where value is created within and across business processes through dynamic network analysis.
Recruiting was the first group to vigorously adopt social-enabled recruiting. On average, half of recruiting staff use social-enabled recruiting for passive and active recruiting, for communicating with candidates, and more. Across the other processes, today 9% of the workforce is using social-enabled HR processes up from 6% last year, a 50% increase. Further, respondents report an average 57% increase adoption of all these processes by 2014. Early adopters of social-enabled processes are achieving significant value!

New this year, we also asked respondents the value they perceive coming from using social tools and approaches. Topping the list of perceived value is enabling organizations to get better candidates, improve employee engagement, and improve collaboration. We further looked at the correlation between the percentage of employees with access to these social-enabled processes and our value chain factors, many of which match with the perceived value of social tools. Having more employees with access to social-enabled processes correlates with an improved ability to attract talent (i.e., better candidates), improved employee engagement, and higher usage of direct access particularly for managers.

According to recent research by Brandon Hall Group\(^6\), having a more open approach to communications and collaboration links to an organization being “high performance.” Certainly social-enabled processes support that approach. Top Performers, our term for high performance organizations, have more social tools used strategically today and more employees using social-enabled processes, especially in talent management.

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\(^6\) Relationship Centered Learning: An Adaptive Learning Model
Mobile HR Applications

Working with another set of vendors that offer mobile enablement along with various subject matter experts in various process areas, we developed definitions of mobile enablement for key HR processes. We asked Survey respondents for the percent of the workforce—and in the case of recruiting, recruiting staff and hiring managers as well—using today and for their projected use in the next 12 months.

Mobile-enabled process adoption grew 67% since 2012! The most used mobile-enabled processes are payroll, recruiting, and performance management. Overall average adoption of mobile-enabled processes will almost double by 2014!

Figure 31: Major Mobile-Enabled Process Adoption by the Workforce

<table>
<thead>
<tr>
<th>Mobile-enabled Process</th>
<th>Workforce Using</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Today</td>
<td>In 12 Months</td>
<td></td>
</tr>
<tr>
<td><strong>Payroll</strong>: view a paycheck or make changes to exemptions</td>
<td>13%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td><strong>Recruiting/talent acquisition services</strong>: employees view job postings and apply using a pre-stored resume; staffing specialists post jobs requisitions, initiate candidate screening, or set up interviews; and managers approve new job requisitions, view candidates, provide interview result feedback, etc.</td>
<td>12%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td><strong>Performance management/Goal management</strong>: employees view and respond to their appraisal; managers participate in related workflow approvals</td>
<td>11%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td><strong>Learning and development</strong>: employees enroll in courses, review course material or complete a course survey; managers approve requests</td>
<td>10%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td><strong>Time and labor/time and attendance</strong>: employees enter time worked or request time off; managers approve time worked or time off request</td>
<td>9%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td><strong>HR management/record keeping</strong>: transactional services such as employees changing an address or managers approving a transfer of an employee</td>
<td>7%</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td><strong>Compensation</strong>: managers view employee compensation or approve salary change actions</td>
<td>5%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td><strong>Business intelligence</strong>: employees and managers might review reports and metrics</td>
<td>5%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td><strong>Succession planning/Succession management</strong>: managers search and drill down on an org chart and view successors or top performers</td>
<td>4%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td><strong>Average workforce adoption across all mobile applications</strong></td>
<td>10%</td>
<td>19%</td>
<td></td>
</tr>
</tbody>
</table>
Statistical analysis indicates that organizations with more employees with access to all mobile-enabled processes correlates with improved employee engagement, higher levels of employee direct access, and higher levels of managers with direct access to data for decision making. Mobile-enabled talent management processes specifically also correlate to the ability to attract top talent, perhaps a reflection of the ability of recruiting staff or hiring managers to engage potential talent more immediately and flexibly.

The correlation to employee engagement makes sense, as mobile devices are the most personal and ubiquitous devices employees use in their daily lives. Organizations need to engage with employees at that personal device level to drive their adoption of direct access services to expand enterprise value.
Recommendations

In closing, we recommend the following practices and technologies adoption based on reviewing Top Performer practices and our statistical value chain analysis:

- Standardize processes, consolidate systems, and manage service delivery globally/centrally
- Deploy a SaaS HRMS, or consider it when it is time for your next upgrade
- Invest more in HR technologies to achieve competitive advantage (especially service delivery, talent management and business intelligence/analytics)
- Enable higher adoption of employee and manager direct access:
  - Prioritize excellent user experience
  - Introduce social tools to increase collaboration and employee engagement
  - Provide for mobile access to HR processes and data on employees’ devices of choice
- Integrate data between disparate systems—the easiest way to do this is to adopt an integrated talent management solution on the same platform as your HRMS
- Move to more sophisticated business intelligence tools and give managers direct access to workforce data for decision making
- Whatever changes you make, invest in change management—it continues to be a game changer!

One Final Key Investment

Just to emphasize the recommendation made above, adoption of social and mobile tools encourages more user adoption of HR technologies. More user adoption results in more value achieved from investments.

Figure 32: 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.
ABOUT CEDARCRESTONE

CedarCrestone delivers industry-focused client success by providing consulting, technical, and managed services for the deployment, management, and optimization of next-generation applications and technology.

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