Since 1997, CedarCrestone has conducted a survey of Human Resources (HR) technologies adoption in organizations around the world and published results in an annual white paper. The CedarCrestone® 2011–2012 HR Systems Survey, 14th Annual Edition white paper explores HR technology adoption in 727 organizations. To date, the survey has been predominantly North America-centric. Nine percent of the respondents to the latest survey are based in Europe providing what we believe is enough data to provide insights into what is unique among European organizations and their HR technology adoption, deployment, initiatives underway, vendor choices, and more.

An overall conclusion supported by our data is that European organizations have lower adoption of almost all HR technologies we track—they are a bit more cautious or they do not have the resources to move to new technologies as rapidly as other regions. However, European organizations put more focus on workforce support through their adoption of competency management and career development talent management solutions.

We invite readers to download, www.CedarCrestone.com/annual_survey.php, the worldwide results to serve as context for this brief. We ask forgiveness for our use of American English.

About the European Respondents
Average employee size of the European sample is 26,717 employees.

- 20% are very large organizations (50,000+ employees – average size of 147,277 employees).
- 29% are large organizations (10,000 to 49,999 employees – average size of 26,047 employees).
- 30% are medium organizations (2,500 to 9,999 employees – average size of 5,168 employees).
- 21% are small organizations (250 to 2,499 employees – average employee size of 1,177).

The average employee size of the European organizations is 22% larger than the overall survey population. This is important as large and very large organizations are typically stronger adopters of all HR technologies than small or medium organizations, so we caution readers interested in adoption within such organizations to reduce the adoption numbers we report by about 10%.

Organizations from all types of industries are represented:

- 28% are from the manufacturing sector, both consumer and high-tech with an average employee size of 22,376.
- 28% are from various service industries including health care, professional services, hotel chains, higher education, and public administration with an average employee size of 44,953.
- 26% are from construction, transportation, communications, and retail/wholesale with an average employee size of 33,121.
- 19% are from financial services making this the largest single industry sector represented. The average employee size is 57,731.

1 Information contained in this CedarCrestone HR Systems Survey brief was compiled and analyzed as part of our commitment to provide knowledge on workforce technologies, trends, and the impact their adoption has on the performance of the enterprise. We request that all quotes and references are credited as “CedarCrestone 2011–2012 HR Systems Survey, 14th Annual Edition – European Highlights”.

2 For readers not familiar with CedarCrestone, our organization of 750 employees delivers industry-focused client success by providing consulting, technical, and managed services for the deployment, management, and optimization of next-generation applications and technology. Much of that is focused on the human capital management/HR technologies arena. CedarCrestone is US-based with operations in India and we support both US and global organizations: www.CedarCrestone.com

3 CedarCrestone thanks HRN Europe for supporting our survey effort.

www.CedarCrestone.com/about_research.php
Top Ten Initiatives in 2011

We begin our survey with a contextual question on “what are the top initiatives where your organization is spending time—at least 25% of its time and where does it spend money?” As with the overall survey results, business process improvement work tops the list for European organizations. We believe that smart organizations must do this foundational work with their processes before embarking on new technology work. Another foundational activity, is to spend time on their HR systems strategy, certainly an activity needed during an HRMS upgrade or replacement effort, when new talent management functionality is added to a portfolio or when adopting business intelligence and analytics/planning technologies when attention must be placed on data sources to be integrated.

Talent management processes and automation is second on the initiatives list, as it is for worldwide respondents, and given the activity we see planned for talent management automation, we expect this to be on the list for European organizations for several more years.

European organizations vary from the worldwide sample in that they are more focused on creating and/or implementing a competency model, an activity that we will see later played out with their stronger focus on the workforce with talent management activities focused on career development than the overall survey population. One other distinction is that European organizations are more frequently focused on expanding their HR management system (HRMS) to global operations than other regions as so many European organizations operate in multiple countries.

Not on the top ten initiatives yet for European organizations is an HRMS replacement or adoption of social media, including social networking, blogs, or collaboration tools. The other top ten activities currently take precedence. But it is only a matter of time until attention will turn to these initiatives.

Application Adoption

The CedarCrestone HCM Application Blueprint details all the applications we track and it also serves as a kind of roadmap we have seen organizations follow as they move to adopt more and more HR applications and achieve excellence with administration, service delivery, workforce management, talent management, and ultimately with performance and workforce optimization. In the section below, we will highlight some differences between European and US organizations adoption of HR technologies and draw some conclusions based on our fourteen years of watching organizations evolve their HR technology portfolio.
We see organizations start their HR technologies adoption first by deploying administrative applications including payroll and an HRMS, and in the US they adopt benefits administration. Unlike the US, European organizations have much lower adoption of benefits administration (61% vs. 92% in US organizations) and have slightly lower adoption of payroll and an HRMS. Through adoption of the latest HRMS applications, organizations not only achieve a level of administrative excellence but also set themselves up for later stages, for example, by adopting some implicit best practices such as profile management that supports individuals and managers with their competency management and by doing so can support talent management and workforce optimization stages.

Their attention then turns to the adoption of service delivery applications that enable an organization to provide transactional services and improve productivity of their HR staff, along with some reduction in time needed for both managers and employees themselves as they conduct transactions such as transferring an employee or changing an address through the use of employee and manager self service or perhaps through the services provided through an HR-oriented help desk. We see the adoption of this latter application especially in larger organizations that move to centralize service delivery into a service center along with a programmatic move to shared services. In the US, with this move, historically, we have seen an average reduction in HR administration staff on the order of 20% to 25% but we do not yet see this among European organizations. European organizations in our sample exhibit a higher adoption of manager self service than our US sample (59% vs. 55%). All other applications tracked (employee self service, an HR help desk, workforce communications, and workforce life cycle management including onboarding) are adopted at lower levels. The European financial services industry segment is the highest adopter of the service delivery applications we track, and especially manager self service. Adoption of these various applications enables organizations to achieve service delivery excellence.

Once an organization has established direct access to transactional services for managers and employees through service delivery application adoption, their attention turns to improving processes associated with workforce management and talent management and the adoption of additional applications. Workforce management applications enable the organization to put the right people in the right place at the right time and ideally at the right cost and to achieve workforce management excellence. They include time data entry, absence management and labor scheduling. European organizations are much higher adopters of absence management (68% vs. 49% among US organizations) but not of time data entry (58% vs. 75% among US organizations). Labor scheduling adoption is es-
sentially the same among European and US organizations. We believe the adoption of absence management is one that reflects work council requirements and the lower adoption of time data entry reflects work council restrictions amongst unionized workers.

In terms of talent management applications which enable organization to acquire, develop, and retain the right talent, European organizations are higher adopters of competency management (35% vs. 27%) and career development (30% vs. 26%) but lower adopters of recruiting (77% vs. 83%) and compensation management (33% vs. 54%) applications. They are on par with the worldwide adoption of performance management, learning management, and succession management. We view this European adoption of talent management applications as supporting a significant cultural difference—European organizations care more for the support of the workforce than other regions and show that by a focus on worker career development. We believe that at the heart of this cultural difference is the knowledge that competencies are being developed that will be good both for the worker and the organization and for that, European organizations place focus on competency identification and management as evidenced by their higher application adoption.

Over the past few years, for early adopter organization, most often within financial services and the high-tech industry sectors, their attention has next turned to bringing all the transactional and process information from the above applications into a data repository to offload reporting from transactional systems. They have expanded their use of business intelligence (BI)/analytics and planning applications starting first with reporting and metrics capabilities and even extending access directly to managers. They have most recently have begun to deploy workforce analytics along with workforce planning. Some of the more sophisticated and long-term HR technology users have also deployed various BI tools such as middleware that enable them to aggregate data from multiple sources into a repository such as an HR warehouse. All of this gives organizations the power to measure workforce performance and use that knowledge to direct both short term and long term workforce planning. Adoption of BI tools, reporting and analytics/planning applications enable organizations to achieve performance and workforce optimization excellence. European organizations show higher adoption of workforce planning applications (23% vs. 14% among US organizations) and we see this adoption primarily within financial services and high-tech organizations. For all the other ten+ BI applications we track, European organizations have significantly lower adoption levels.

CedarCrestone also tracks the strategic use of emerging social technologies. We ask whether the organization is using social tools strategically to support recruiting, branding, service delivery and collaboration, thus providing the strongest value in supporting the workforce and the organization. European organizations mostly mirror worldwide use of commonly used social media including LinkedIn (24% vs. 27% worldwide), Twitter (18% vs. 17%) and wikis (15% vs. 18%) as strategic tools to support these activities. Of concern to us is that the outlook for strategic use over the next year is not particularly robust as it is in other regions. We highly recommend European organizations explore the potential use of social tools to support the workforce to determine for themselves how these various popular tools may help them. In addition, we invite readers to review the CedarCrestone HR Systems Survey for our deeper coverage on how various human capital management processes are being socially enabled (page 18) as the outlook for growth is stupendous.

5 Educational resources include: HRN Europe, the organization initiating the HR Technology Europe Conference, blogger and strategist Jon Ingham, and IHRIM Workforce Solutions Review, a magazine focused on the support of the HR information technology specialists.
To CedarCrestone, what is important about all these categories and applications we track is that in order to use technology to truly optimize the workforce contribution to the organization, it is imperative that all functionality needs to be unified end to end and integrated within an ecosystem that provides:

- Access to other services such as social- and mobile-enablement tools (or the applications themselves), service-oriented architecture middleware to enable automating new processes, electronic content management to handle things like a knowledge base used by a service center to support answering employee questions, and others in the light orange ring of the figure above. These all should ideally be architected for seamless integration rather than available as add ons.
- Access to other information sources at the lowest total cost of ownership.

You hear much about the importance of an integrated talent management solution that enables an organization to share and use data from a performance management process, perhaps to identify profiles of high performers to then use that information to guide recruiting or workforce planning. Also integrating the data directly with other information sources such as finance or customer-facing repositories is important to do workforce analytics to show how the workforce impacts financials or customer results. Further integrating talent data with project costing, time, scheduling, absence management, activity-based costing, pay, and more, ultimately enables workforce optimization. CedarCrestone believes that talent management, or in fact any aspect of human capital management, today must interplay as seamlessly as possible with all these other organizational resources to provide the strongest value and the lowest total cost of ownership.

**Barriers to Adoption**

Before exploring how European organizations deploy the various HR technologies we track, we want to take a moment to explain the two primary barriers to HR technology adoption. The first is a universal barrier: European organizations as well as others around the world, report that getting budget/funding is their primary barrier (64% for European organizations vs. 70% for US organizations). The second barrier is lack of resources and here, European organizations suffer more than other organizations (55% vs. 49% for US organizations). New technology adoption needs new or additional resources. Adopting new deployment models such as Software as a service (SaaS) either need some internal expertise or partnership with the providing vendor or consultancies. Adopting new business intelligence solutions also require a level of expertise in BI, statistics for predictive analytics, and the ability to tell what the data mean—good storytelling expertise, for example.

**HR Technologies Deployment Trends**

The CedarCrestone HR Systems Survey collects not only information on adoption levels, but how organizations deploy these HR technologies. Do they license the software and operate it in house or hosted, do they outsource the software and the underlying process, do they acquire their software using the increasingly popular SaaS deployment approach, or do they develop the software themselves (bespoke)? The worldwide average deployment figures are available at [www.CedarCrestone.com/annual_survey.php](http://www.CedarCrestone.com/annual_survey.php). We will report just one data point for European deployment because our sample is small: HRMS deployment as it is indicative of a larger trend.

First, some context: While licensed software deployed on premise continues as the leading deployment approach overall the 40+ technologies we track, SaaS is clearly undergoing faster growth. SaaS adoption of HR technologies met the 2010 forecast and will continue to grow 50% over the next 12 months across our 40 tracked applications. The
HRMS deployment approach is currently at 16% via SaaS among US organizations and 6% among European organizations. Growth will be 60% worldwide and significantly higher among European organizations (250%)! We remind readers that our European sample is small and based on our years of conducting the survey we think this number reflects an enthusiasm that, given the budget barrier noted above, is unsupported. Nevertheless, this enthusiasm reflects the strong trend towards the SaaS deployment model.

**SaaS HRMS Value Propositions**

From our worldwide data, we see three distinct value propositions for choosing a SaaS HRMS.

- With SaaS, a smaller HRIT/IT staff is needed (4.4 staff vs. 15.4 among organizations with a licensed on-premise solution).
- SaaS HRMS customers are on more innovative products and get to that latest innovation faster. 81% of SaaS customers are on the latest release whereas 34% of those with a licensed on-premise solution are on the latest release. Implementation time for a SaaS HRMS averages 8.3 months compared to 10.8 months for a licensed on-premise HRMS.
- A SaaS solution, because it is newer and more innovative, has a better user experience. An improved user experience drives usage which then drives value from the solution.

These value propositions are more thoroughly explained in the worldwide results on pages 9 and 10.

**HRMS Vendor Choice**

We track vendor choices for twelve applications in our worldwide survey (see the four Vendor Outlook dashboards on pages 8, 11, 14, and 15). We will focus on just two for the European respondents: the HRMS and integrated talent management solutions.

Currently, PeopleSoft is the leading HRMS in use today both worldwide (32%) and among European organizations but its growth will be static. Other leading ERP-based providers, SAP and Oracle will, however, continue to grow in adoption, particularly among organizations with a global footprint. The emerging news is the addition of Workday to the HRMS Outlook dashboard. We note that Workday adoption appears to be of interest in all sizes of organizations too, not just smaller organizations as we had seen until 2011. We forecast also increasing interest in the Oracle Fusion HCM solutions and continued adoption of SAP HCM solutions, both now offered via SaaS, especially among the large organizations. Peeking into the remaining data, we see a plethora of other core HR system vendors supporting the European market but none with 5% adoption either this year or next.

For the integrated talent management arena, we see two predominant approaches: 1) European organizations are utilizing the talent management capability provided by their core system of record vendor, with PeopleSoft the dominant choice, and 2) the use of a best-of-breed
integrated talent management solution of multiple talent management components provided by vendors such as Cornerstone OnDemand, Lumesse, and SuccessFactors. We again invite readers to review the worldwide survey results for the larger context we see with integrated talent management and the movement to and from leading vendors not mentioned here as they do not have at least 5% adoption either this year or next.

Impact of Adoption, Deployment and Vendor Choices
CedarCrestone does extensive analysis of survey responses to determine the value organizations achieve from adoption, deployment approaches, and vendor choices through a comprehensive correlation analysis with financial performance. We first segment respondents into those that show the highest level of HR technology adoption and the highest level of pervasiveness of use. In all cases, those with higher adoption outperform on key financial metrics such as sales per employee, profit per employee, and operating income growth. Further, in all cases, these organizations more often view HR as strategic and their HR function is able to serve more employees (See Figure 34 on page 24 of the worldwide survey results). Unfortunately no European organizations are in the top quartile as they are slightly behind leading edge adopters.

Conclusions
So, we must draw some conclusions from our worldwide survey results of top quartile HR technology adopters in hopes these will resonate also with European organizations.

• **Standardize processes where it makes sense.** Engage in business process improvement work. CedarCrestone has some concern about what we are seeing with the rapid move to SaaS HRMS, not because the technology cannot deliver—it clearly does—however, in some adopting organizations we see their processes are not optimized. So, moving to a new HRMS deployment approach will not help with bad processes. We recommend some business process improvement work where some processes may be standardized across the organization, but others remain optimized for a country or division.

• **Standardize data handling across the organization.** Minimize your number of HRMS instances, for example, if for no other reason than it will lower your total cost of ownership. We note that 61% of European organizations have three or more HRMS systems. Top quartile organizations have an average of 2.6 HRMS systems.

• **Adopt manager self service and an HR-oriented help desk and move to shared services** to lower administrative staff costs. European organizations have a higher than average adoption of manager self service, but have not adopted the HR-oriented help desk nor moved to shared services to any great degree (68% among European organizations; 86% among US organizations).

• **Adopt an Integrated Talent Management approach.** In 2011, that need not be an integrated talent management solution built on the same platform as your underlying ERP-based HRMS. It can be an Integrated Talent Management suite. One hallmark of the most successful organizations continues to be pervasive integration among processes, solutions, and systems. If you choose an integrated talent management suite that is from a vendor other than your HRMS vendor, be prepared for integration activities. And, if your desired end state is to be able to provide analytics for workforce optimization, note that we found that expenditures in such a situation are as much as 50% higher than with a fully integrated solution set among those that have moved to BI/analytics.
• Competency management and career development matter, particularly during down times. So, first providing some way to get your employees or managers to identify their strategic competencies and then to manage these is a foundation for other talent management activities. Career planning and supporting your employees to be the best they can be through the adoption of automated career development support is equally important. We have seen this very clearly in down economic times and if you think we are headed there again, focus on this area. We applaud European organizations for being more aggressive adopters of both competency management and career development applications.

• Adopt SaaS HRMS and keep the end state in mind—manager direct access decision support at a low total cost of ownership. Adopt SaaS HRMS for the innovation of the products, the user experience, the lowered need for HRIT and IT people to maintain the HR technology environment, the faster time to innovation, and the faster time to implement. Do make sure that business process improvement work is done first though. Further, keep your end state in mind of providing direct manager access to metrics and analytics. Recognize that today a SaaS HRMS choice will require additional integration costs that will be less if your HRMS choice is on the same platform as your BI and other data sources.

• PeopleSoft and Oracle EBS customers: evaluate Fusion HCM and a Fusion Talent Management co-existence approach as you look at any other solutions under consideration.

• Adopt BI/analytics (warehouse, middleware, workforce analytics, and workforce planning) and roll out to managers for their direct use as quickly as possible.

• For those considering mobile- or social-enabled applications, if you are not already engaged in these initiatives, as you get started evaluate the social and mobile tools from your current vendor set, again to avoid later integration costs. And, no matter what, keep a strategic focus, whether cost cutting with some of the transactional solutions or a real business outcome focus with learning and development or recruiting solutions.

CedarCrestone recommends that change management is a critical success factor. To embrace any new technology, it is critical to start from a business need, ensure the organization is ready for change, convey the value of “what’s in it for me” to every involved stakeholder for whatever your organization is implementing, provide training if not on the technology then on the process changes, and communicate, communicate, communicate.

We hope this CedarCrestone European survey brief provides some insights into HR technology adoption. We welcome feedback to hrsystemssurvey@CedarCrestone.com. Even more, we hope that more European organizations will respond to our 15th annual survey in 2012. To ensure an invitation, please visit www.CedarCrestone.com/about_annual_survey.php to download the full survey white paper and while there, indicate you wish to be included in our 2012 invitation and sign up for our RSS feed feeds.feedburner.com/Cedarcrestone.