



# HR Club

Monthly newsletter from "HR Club"

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## 7 Reasons HR Technology Is So Hot Today

**In a recent research that was published by Bersin by Deloitte HR technology buying trends and the market is hotter than ever. As companies start a new war for talent, this \$14+ billion market continues to explode with growth. Fast fact: 57% of companies plan to make a major new HR software purchase in the next 18 months. Here are the top 7 drivers of growth:**

### 1. HR software systems are aging

The average HRMS system in large companies today is more than 5 years old and more than half are over 7 years old. And enterprise software becomes nearly obsolete in seven years, leading most companies to shop around.

### 2. Cloud HR software is now easy to buy.

Nearly every major HR software provider now offers their solution in the cloud, making it possible for corporate HR managers to stop the frustrating cycle of upgrading systems every year or two.

This includes core HR providers such as Oracle, SAP, Workday, ADP, Ultimate, Infor (Lawson) as well as talent vendors such as CornerstoneOnDemand (grew at 61% last quarter), Silkroad, SumTotal, Lumesse, Halogen (just went public), PeopleFluent, Saba, Kenexa (owned by IBM) and many others.

And once you buy a cloud-based system, you are out of the cycle of major upgrades every few years because the vendor does this for you.

### 3. New User Interfaces are a top driver for replacement.

The biggest challenge HR software buyers face is the fear that people won't use the systems. The research

shows that the #1 driver of change is the need for a more compelling, consumer-like, experience. Most of the vendor solutions now have mobile applications also, enabling employees to manage their vacation, time sheets, and employee directories on the road.

### 4. Companies have too many systems and are ready to consolidate.

The research shows that only 13% of organizations have a single HR system and on average companies have 3 - 4 different HR applications (one for HRMS, another for learning, another for recruiting, for example). Vendors have gobbled each other up, making most platforms more complete than ever. The result: nearly half of the buyers surveyed said they are willing to sacrifice features for a single vendor solution.

### 5. The Potential for BigData Analytics is Driving Adoption

Second on the list of buying criteria is the desire to create better talent analytics. Our new research shows that while much of the core HR technology has now become a commodity, analytics is still a new area of technology and vendor solutions here vary greatly.

SAP (SuccessFactors is now a \$billion business), Oracle

(Fusion, PeopleSoft, and Oracle E-Business), ADP, Workday (grew at 61% last quarter), and all the other big talent management providers offer integrated analytics now, giving buyers the promise of finding a single solution at last.

### 6. Cloud Technology makes it Easier to Switch Vendors

Since more and more companies now have cloud-based systems for recruiting, learning, and other HR applications, it is now easier than ever to switch. Unlike traditional software which is highly customized by IT, these new systems can be replaced.

The research shows that 24% of the companies surveyed are considering replacing their vendor. Yes cloud-based software is a wonderful business model – but it also reduces switching costs to some degree.

### 7. Talent has now become one of the most important issues on the mind of the CEO

And finally, as the global economy recovers more and more companies realize that talent is their biggest challenge. Strategic recruiting, employee development, social networking, and internal employee communications are all critical business issues.

### Human Capital and Operational Excellence are the Top Global Challenges for 2013

Global Rank	CHALLENGES 2013*	Score
N=729		
1	Human Capital	2.44
2	Operational excellence	2.10
3	Innovation	1.99
4	Customer relationships	1.72
5	Global political/economic risk	1.68
6	Government Regulation	1.55
7	Global Expansion	1.31
8	Corporate brand and reputation	0.92
9	Sustainability	0.82
10	Trust in business	0.46

N=Number of overall responses. The response rate varies for each challenge. Each score represents the mean of the ranks given the challenge. For information about how the scores were created, see "About the 2013 Survey" on page 24 of the *CEO Challenge® 2013 Summary Report*.

\*Operational Excellence was added to the list of challenges in 2013 replacing Cost Optimization. Trust in business was also added in 2013 replacing Investor relations.

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HR software is no longer purchased to improve the efficiency of HR. Today companies buy these systems to help transform their talent strategies and directly improve employee engagement and the ability to hire.