

#HRWINS REPORT

Small and Medium Sized
Employers Are Writing the
Future of HR Technology.
It Looks Like an API.

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The world of work is changing rapidly. As employers of all sizes experience rapid digital transformation in their businesses today, the technology used internally to power the workforce and enable Human Resources is changing just as fast.

The success of any enterprise is increasingly based on workers, managers, leaders, and executives having the information they need when they need it. Whether transactional, like scheduling employee shifts while factoring in employee availability against overtime status and pay - or whether strategic, like analyzing the current status of departmental objectives and key results (OKRS) with associated employee feedback and sentiment, the data we need for a complete picture is rarely found in one system alone.

Employee Experience and HR tech user experience are dependent on each other. User experience and its relationship to data is now an increasingly driving force behind employers switching their HR technology.

#HRWINS recently surveyed 974 U.S. based employers with less than 5,000 employees about the usability of their HR technology and its data, as well as their plans for HR technology in the immediate future. What we learned in the process validates our view that employers are no longer entertaining the “platform vs. point solution” debate that tech vendors like to engage in. That battle is over and the customer has won. **Employers want their platforms and their point solutions.**

And, they expect their data to be portable and seamless, offering them better insights to their workforce.

The middle market is where employment happens in the U.S., and where technology innovation is being adopted more rapidly.

SMB AND MIDDLE MARKET EMPLOYERS



**LARGEST NUMBER
OF EMPLOYERS**

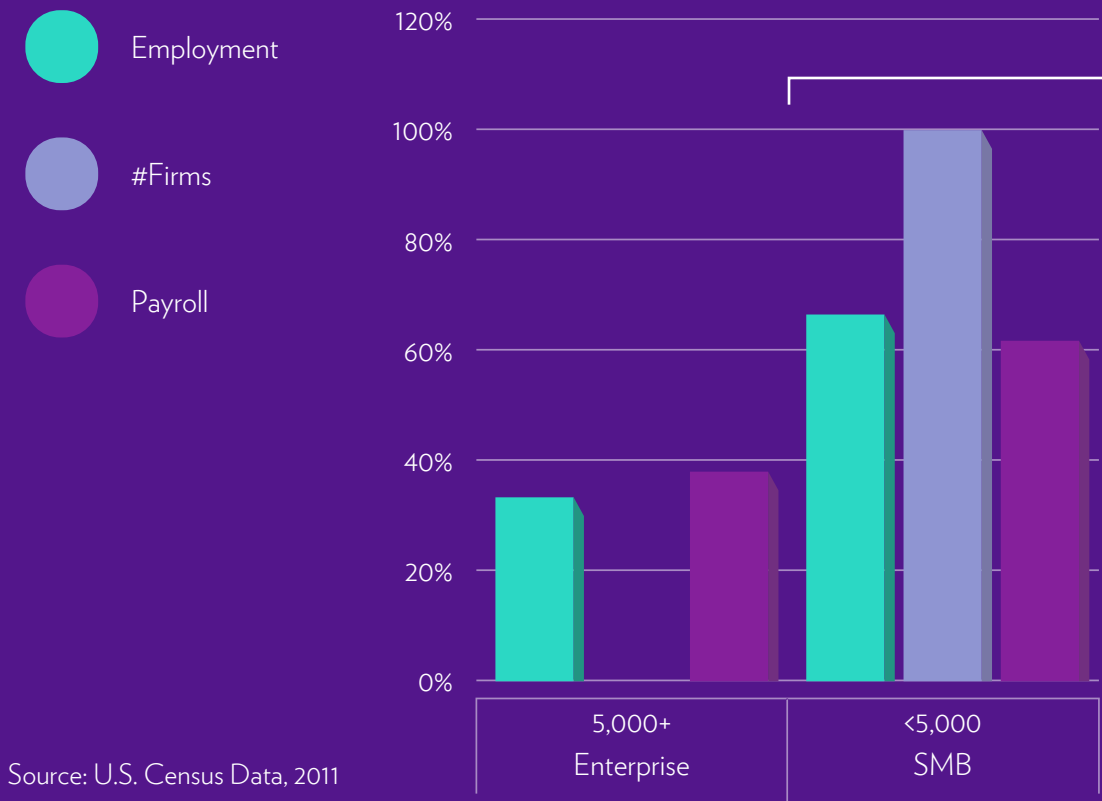


**LARGEST NUMBER
OF EMPLOYEES**



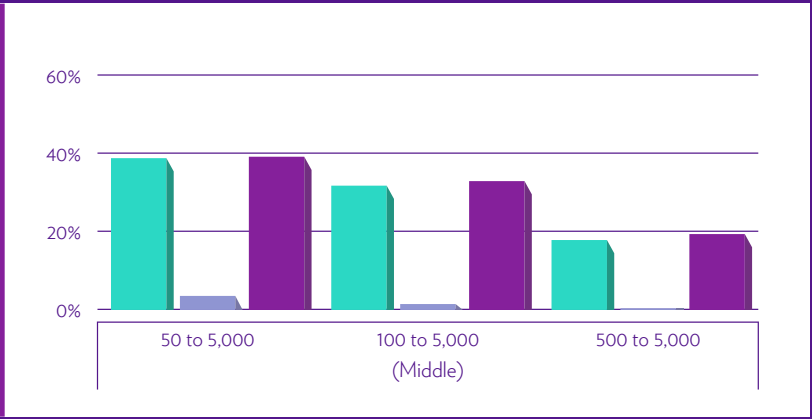
**SPEND MOST
ON PAYROLL**

COMPARING SEGMENTS: WHY THE SMB AND MIDDLE MARKET HAS EVERYONE’S ATTENTION



Source: U.S. Census Data, 2011

A CLOSER LOOK AT THE MIDDLE



THE STORY IN THE NUMBERS

SMB and Middle Market employers are growing as a powerful force in the market. You can see the emerging shift in power over technology adoption – moving away from the enterprise segment, when you look at employment (total number of employees) and payroll spend in comparison to the Enterprise segment.

Why focus on the middle market?

They are more agile than their colleagues in the larger “enterprise” segment.

It can take enterprise employers 12 to 18 months, on average, to go through their internal buying processes when purchasing technology platforms or high-impact point solutions. 6 to 12 months, when buying applications or apps to implement across the enterprise. Then tack on another 3 to 12 months to implement, and you can see why enterprise employers feel like just after getting started it’s already time to move to something new again....Because it is. In that time, the middle market has implemented, gathered their initial feedback, and moved on to the next...

The middle market is increasingly giving us a view to what the future of HR technology looks like.

The cultural shifts with Generation X in senior leadership, millennials in leadership and as the largest generation in the workplace. It’s happening faster here, where business cycle times are accelerated. As we interview employers in this segment, the practices in HR and HR technology are leading the market – setting the trends – not following them.

In the time it takes enterprise employers to select and implement technology, the middle market has implemented, gathered feedback and moved on.



**INTERNAL
BUYING
PROCESS:**
6-18 months

**TIME TO
IMPLEMENT:**
3-12 months

TOTAL:
9-30 months



**INTERNAL
BUYING
PROCESS:**
6 months or less

**TIME TO
IMPLEMENT:**
3 months or less

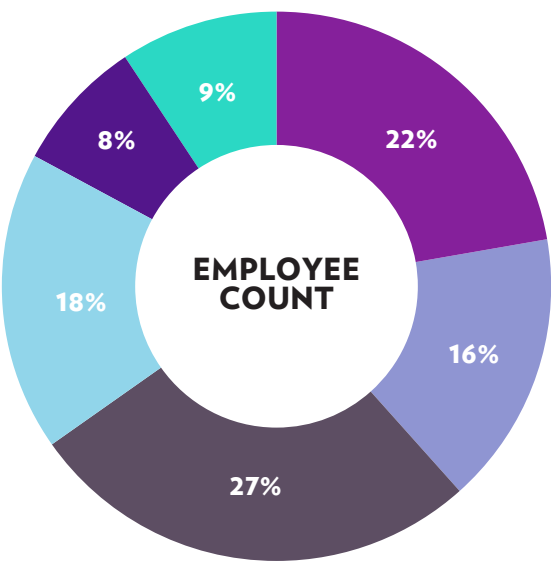
TOTAL:
9 months or less

INFLUENCE

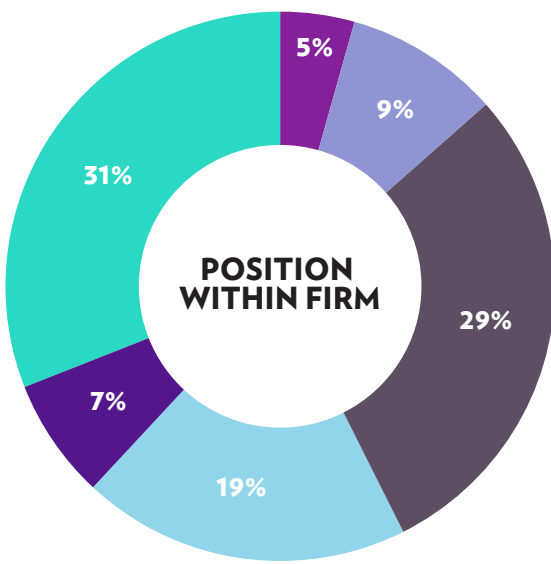
90%

make or influence HR technology buying decisions.

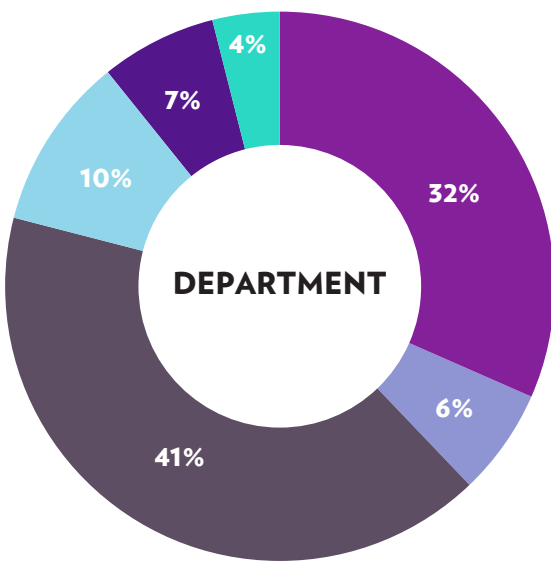
#HRWINS survey respondents look like the leaders in the American workforce. It’s not just about the HR department in this market segment. These businesses are closer to their cultures, customers, employees, production, and spend. Getting valuable and strategic insights from the technology implemented isn’t on a requirements wish list – it’s a necessity.



- 1 to 49
- 50 to 99
- 100 to 499
- 500 to 1,499
- 1,500 to 2,999
- 3,000 to 4,999



- Staff
- Supervisor
- Manager
- Director
- Vice President
- C-Level Executive



- Human Resources
- Sales Marketing
- Operations/General Administrative
- Finance and Purchasing
- Production
- Research and Development

THEY'RE USING A LOT OF HR TECHNOLOGY

No matter how many times these numbers come across in the field, or in other analyst surveys, they never cease to impress us. The middle market is using a lot of technology. And, with employee counts up to 4,999, it's not hard to fathom.

AND THEY'RE USING ALL KINDS OF TECH TO GET THE JOB DONE.

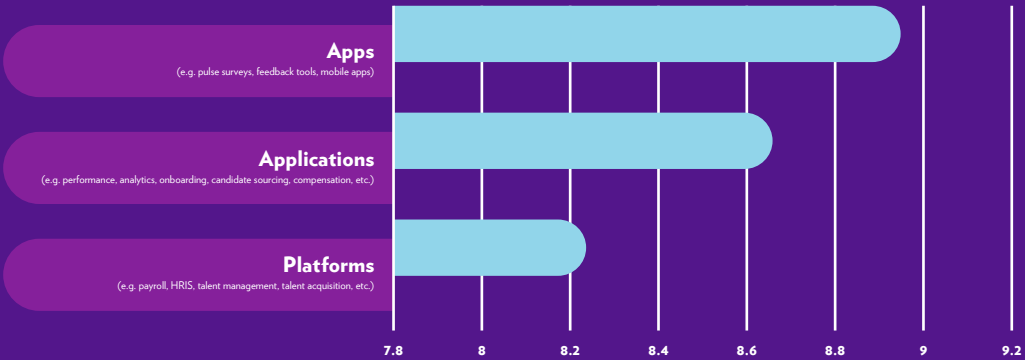
We've been saying that the world is flat for years. That small companies are competing with big brands on a global stage. Well, that wasn't just rhetoric. Middle market employers haven't only invested in HR tech, but in the field, we increasingly hear use cases that are pushing the envelope!

As you might expect, HR technologies that are addressing fundamental HR and business outcomes have deeper market penetration. The rest are catching up quickly!

THE STORY IN THE NUMBERS

We predict accelerated adoption for technologies like Talent Management, LMS, ATS, and Employee Pulse Surveys. When comparing usage metrics to Payroll, HRIS, and performance management, you can see the opportunity. Expect vendors to continue to innovate for this “green field” opportunity.

AVERAGE NUMBER OF HR TECHNOLOGIES USED BY DELIVERY INTERFACE



HR TECHNOLOGY CURRENTLY BEING USED



THEY WANT THEIR DATA. WHEN THEY WANT IT. WHERE THEY WANT IT.

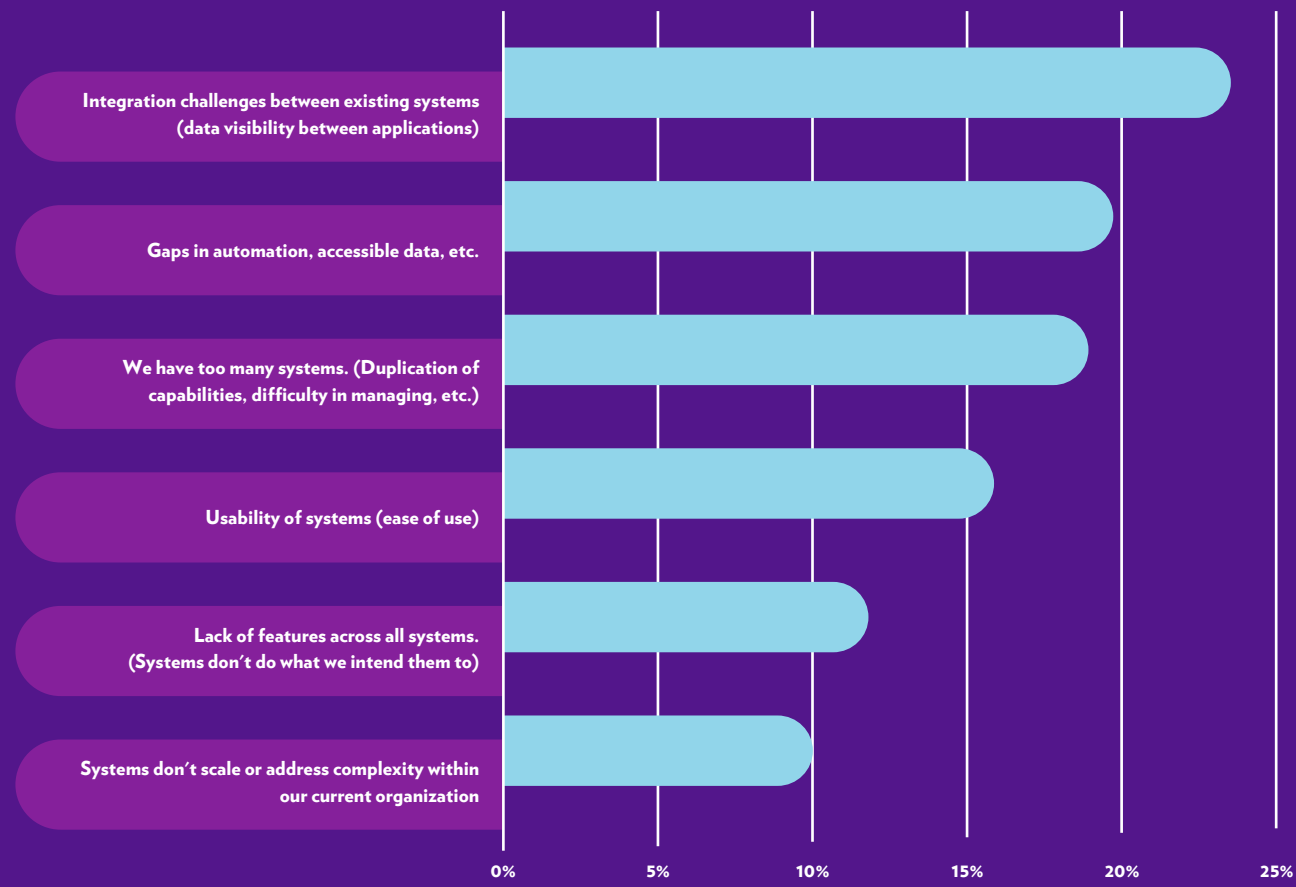
Tech vendors battling over “owning the desktop” is so 2002. HR technology users in the middle market are investing in the features they need to run their business. They expect their platforms and their point solutions to talk to each other. They expect their data to be fluid between interfaces. They want their platforms and they want their point solutions, too. They’ve lost patience with costly integrations, lengthy implementations, and products that don’t work well together.

THE STORY IN THE NUMBERS

Here’s an interesting fact. No matter how we slice this data point – by any size of employer, by users of any specific technologies, etc. – the number one challenge remains integration. In field interviews, the issue of integration brought out the most emotional responses from employers.

They’re mad as hell and they’re not going to take it any more.

BIGGEST CHALLENGES ACROSS ALL TECH



MODERN HR TECHNOLOGY TAKES THE LEAD

“Modern” is the key word in the phrase. A modern platform makes it easier for point solutions to add value to the platform experience. How? It’s now an API world. API is the acronym for “application programming interface”. The set of routines, protocols, and tools for building software applications which specifies how software should interact at a component and interface level. Modern HR technology applications are now expected to come with a complete and transparent API.

But, this isn’t just a technical issue. Culturally, the newer, emerging developers would never consider holding your data hostage. It’s your data. They are less concerned with maintaining the “real estate” on your HR desktop and more concerned with maintaining their relationship with you as a customer.

Modern HR technology vendors that are leveraging an improved user experience with truly open APIs are really the new standard. Expect almost any vendor launching a new product after 2010 to have this in it’s DNA both technically and culturally.

66%

ARE CORRELATING HR DATA
TO BUSINESS OUTCOMES

48%

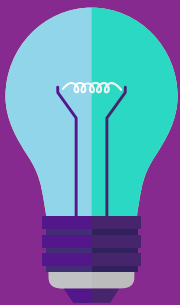
EXPECT TO TIE MORE HR
DATA TO BUSINESS RESULTS

SYSTEMS PROVIDING DATA TIED TO RESULTS



WHAT HR TECHNOLOGY ARE MOST EMPLOYERS INVESTING IN?

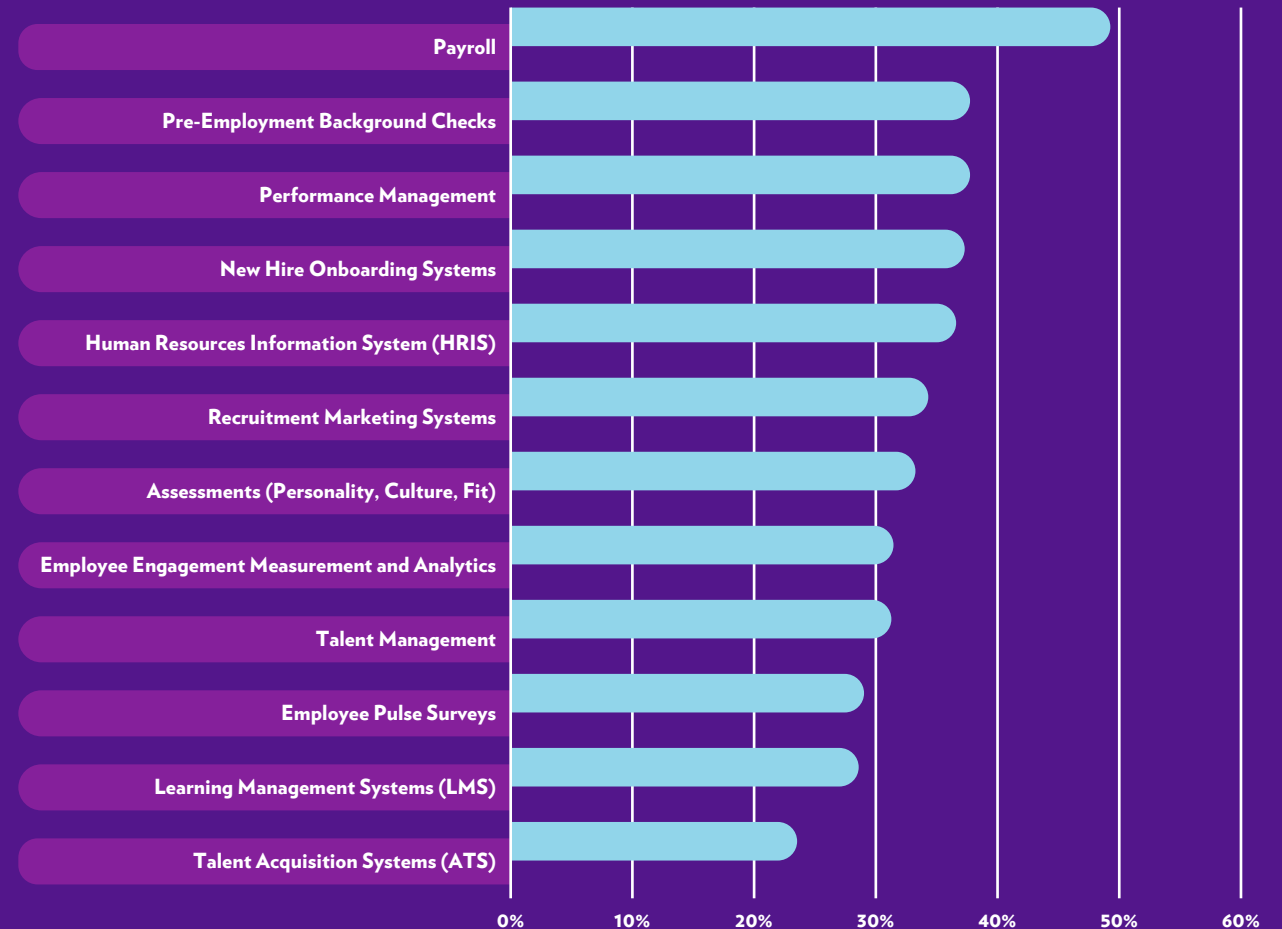
As middle market employers look to leverage HR data more strategically, they will be implementing systems aggressively. This probably speaks to a new level of accessibility with modern HR technologies built with the employee in mind – the push to consumerization finally hitting the market in a big way.



DID YOU KNOW?

Google searches are the most common starting points for most research done by modern B2B tech buyers. SMB employers are able to discover and learn about innovative HR approaches and technology, with less vendor interaction than ever before.

PLANNING TO BUY NEXT 12 MONTHS



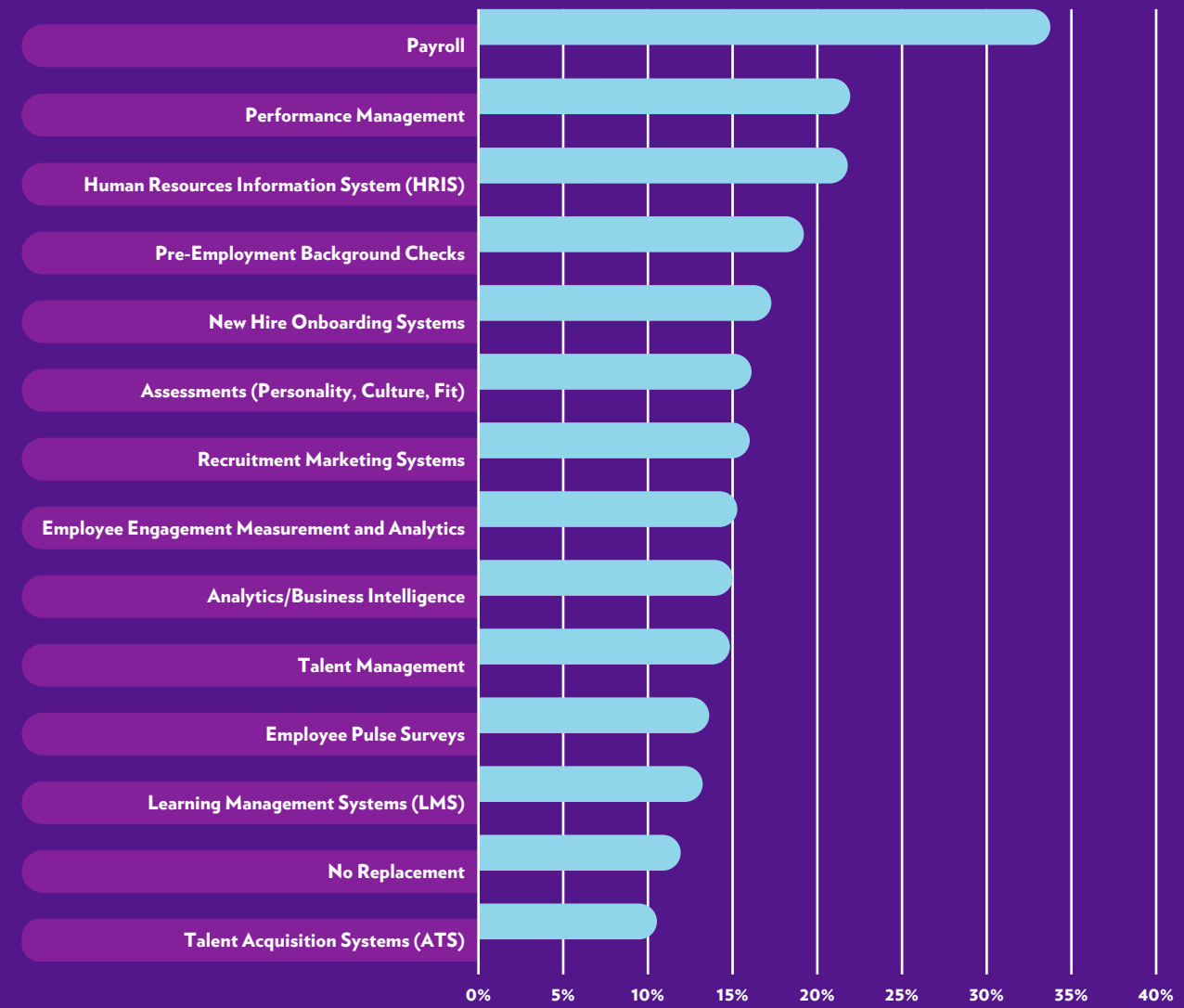
THE COST OF SWITCHING SYSTEMS ISN'T AS SCARY AS IT ONCE WAS

Middle market employers aren't afraid to take their data with them, and move to a new system. The data shows that nearly 35% of planned purchases in any given category (payroll) are replacing an existing system.

12%

ONLY 12% OF BUYING DECISIONS REPRESENT NO REPLACEMENT!

PURCHASES REPRESENTING A REPLACEMENT



TOP 2 REASONS SYSTEMS ARE BEING REPLACED

THE STORY IN THE NUMBERS

The link between integration challenges and employer frustration seems undeniable. This chart screams that the lack of data fluidity in the enterprise is impacting user experience directly, and prohibiting employers from filling gaps in existing features or functionality.

Talent Acquisition Systems (ATS)	Challenges Integrating Data	Limited Features or Functionality
Employee Pulse Surveys	Challenges Integrating Data	Limited Features or Functionality
Talent Management	Challenges Integrating Data	Limited Features or Functionality
Learning Management Systems (LMS)	Overall Usability	Limited Features or Functionality
Analytics/Business Intelligence	Challenges Integrating Data	Overall Usability
Recruitment Marketing Systems	Overall Usability	Limited Features or Functionality
Assessments (Personality, Culture, Fit)	Overall Usability	Limited Features or Functionality
Employee Engagement Measurement and Analytics	Challenges Integrating Data	Overall Usability
Pre-Employment Background Checks	Challenges Integrating Data	Limited Features or Functionality
Performance Management	Challenges Integrating Data	Limited Features or Functionality
New Hire Onboarding Systems	Challenges Integrating Data	Overall Usability
Human Resources Information System (HRIS)	Challenges Integrating Data	Overall Usability
Payroll	Overall Usability	Limited Features or Functionality
Employee Engagement Roll Up	Challenges Integrating Data	Limited Features or Functionality

The middle market is more concerned with technology that will help the business help their managers and supervisors than any other objective.

The top objectives all require technology with interfaces that are built with the employee in mind, and ease of getting data out.

THE STORY IN THE NUMBERS

Supporting managers and supervisors effectively beat out trendy topics like analytics, employee experience, and company culture when employers considered the objectives driving their technology decisions. Perhaps that’s because empowering managers to manage and leaders to lead has a more direct impact on business results than almost anything HR could do, otherwise.

Remember that SMB and middle market C-suites are closer to their business operations than the enterprise segment. The top three drivers of HR technology decisions all represent strategic contributions to the business by HR.

TOP 5 OBJECTIVES DRIVING HR TECHNOLOGY DECISIONS



CASE STUDIES

As we interviewed employers in the middle market, we were incredibly impressed with the level of innovation and sophistication in innovation of both HR and HR technology.

Perhaps it's because in companies with less than 5,000 employees the C-Suite is closer to the day to day business.

Perhaps it's because the cultures are less bureaucratic, or because the HR leaders have largely emerged from the lines of business and operational departments.

Or, perhaps it's because smaller businesses are more agile and nimble by nature.

We think you'll agree that the following cases of HR and HR technology innovation are pleasantly surprising - connecting and integrating HR and non-HR systems to link to business outcomes and give business leaders and managers the information they need, when they need it.

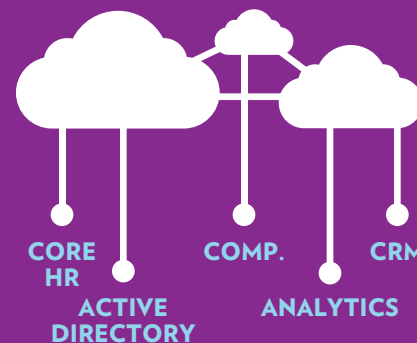
A rapidly growing technology firm was looking to leverage HR technology in order to bring HR support in sync with the strategic level they operate as a business. A high performing culture, they needed HR data to help inform strategic decisions from workforce planning to compensation.

BEFORE

- Like many employers, this company said they were data-driven, but used big complicated spreadsheets to make HR-related decisions
- None of their HR systems in place could talk to each other
- Needed HR technology that would grow with them.
- Needed to take HR from a “do-er and recorder” of business, and turn it into a DRIVER of business

WHAT WAS IMPLEMENTED

- Integrated **core HR** data into the enterprise in exciting ways
- HR data is integrated with **active directory** data, the enterprise **analytics tool, CRM, compensation, and other** tools.
- Onboarding and offboard ing employees starts in the core HR system and triggers automated transactions across several systems
- Changes propagate automatically
- Visibility for leadership team impacts strategic decisions in workforce planning and operations



Incredible Employee Experience!

- Having engaged other departments, they are now asking how they can leverage the HR systems
- Engaged other departments in HR systems
- The source of all HR data is consistent

Strategic Value Via HR Data

- C-Suite, exec, and management teams have access to up-to-the-minute workforce data for strategic decisions
- Facilitates decision with up-to-the-minute data

Effective OKR Management

- Tracking cost per employee and revenue per employee via HR workflows and integrations

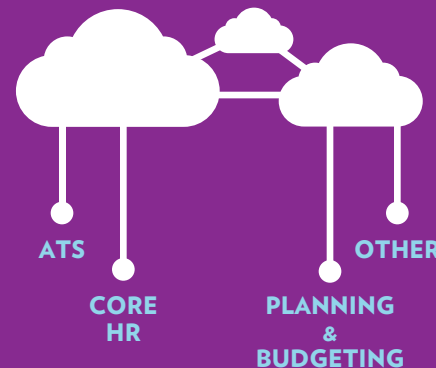
This growing consumer brand wanted to transition its talent acquisition from spreadsheets and email to a modern technology platform to get better at recruiting and scale its business. Viewing talent as a true strategic advantage for their brand's success, they needed talent acquisition to connect to the rest of the enterprise.

BEFORE

- Like many growing firms, this employer had an unhealthy dependency on agencies to find talent.
- They were concerned about their less-than-ideal candidate experience having an impact on their overall consumer brand.
- They needed their collaborative culture to be reflected in their hiring process.
- They needed more planning and strategy in their hiring efforts.
- As they scale operations rapidly, they needed a better sync between talent acquisition, operations, and HR.

WHAT WAS IMPLEMENTED

- Measuring sourcing channel effectiveness to ween off of agencies
- Capturing candidate communications
- Empowering hiring team members to take initiative
- Implementing structure to ramp-up global operations
- Integrated **ATS to sourcing apps, core HR, and other systems**, connecting the process from planning through onboarding



- Increases in the overall number of candidates sourced, and those sourced directly by this employer
- Decreased time from source to close to 14 days
- Offer acceptance rates nearing 100%

Seamless transitions from:

- **Planning and budgeting** to recruiting
- Sourcing to interviewing
- Hiring to onboarding
- Candidate experience improved
- Employee experience and collaboration during hiring improved

This growing global service provider needed to reinforce their core values and retain their company culture. They looked to foster communication and employee recognition, also providing employees support during a time of rapid growth.

BEFORE

- Access to a growing and distributed global workforce was a challenge.
- They wanted real-time communication of feedback and recognition.
- Rewards were under-utilized by employees, who had to remember codes or log-ins to take advantage
- They needed to assess their culture with a more in-the-minute view. Keeping up to speed with their fast moving operations
- Employees were largely unaware of the support available to them

WHAT WAS IMPLEMENTED

- Real-time, company-wide social recognition
- Perks and rewards that also promote financial wellness via easy to use discounts
- Private social network for communication, networking, and collaboration
- **Integrated Employee Assistance Program**
- **Integrated wellness program**



- Increased awareness and use of EAP
- Use of recognition by entire enterprise approaching 100%
- Company wide communications have been streamlined and are now linked to supporting HR programs
- Savings received by employees generated an almost immediate ROI
- Via **analytics, now able to correlate recognition, wellness, engagement, and EAP usage to business factors** and conditions

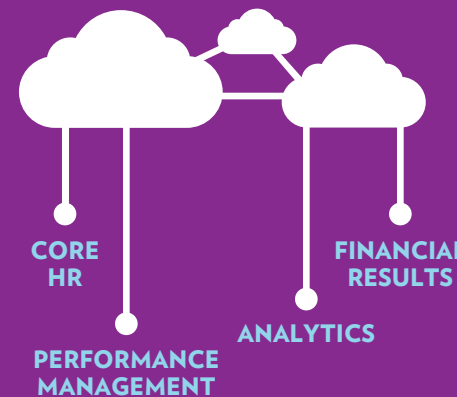
This healthcare provider wanted to reinforce their culture while getting a more real-time view to how employees feel about their work. They also wanted to tie these metrics to business outcomes –results.

BEFORE

- Fast growth created challenges keeping the culture aligned with the mission.
- Leadership needed more frequent and real-time feedback from employees on the issues that tied to the company culture and the engagement of the workforce.
- They wanted to analyze this feedback by tenure, job type, office/region, etc.
- While they had annual engagement scores, they lacked any meaningful correlation to business results.

WHAT WAS IMPLEMENTED

- Real time employee feedback tools that align with performance metrics
- Pulse-surveys measuring engagement
- ***Analytics, incorporating core HR and other data*** from the business, including ***performance management*** and ***financial results***, correlating to business outcomes.



- Increased transparency by this employer has increased levels of feedback
- Managers empowered with data-enriched perspectives
- Individual, department, and overall company performance is now correlated to employee engagement and culture.

The employers have spoken. They want their point solutions. They want their platforms. They want their data to be finally set free by the promise of the cloud.

HR technology customers are increasingly sophisticated. Their expectations of software to use in their business mirrors the rest of the B2B technology landscape. They want better, easier to use, interfaces that require little to no training. Like the consumer oriented systems they use for everything from home finances to social media. They also expect their data to be portable. They have grown tired of vendors that can't support getting data in or out of their systems.

HR leaders have grown impatient with platform vendors that keep customer data hostage in order to hold onto their encampment on the "HR user's desktop". It's an old school mentality designed to maintain market-share by being the only lens the user gets to look through. Many platform vendors fear that their value will be diminished if data is flowing out of their system and users get their "actionable insight" somewhere else. It hasn't been a successful strategy in the SaaS/Cloud-age for both the tech vendors that choose this path as well as their customers.

Customers have found ways to implement point solutions they see value in, and to get the data in and out of their systems to support its use. Even when this meant a high degree of complexity doing so, making trade-offs with regard to usability of the integration, or both. With employers operating potentially dozens of HR tech applications running alongside their legacy HCM platform - it's a mess.

Even in this new API world we live in, employers have a challenge vetting solution providers for who does this well.

GOOD NEWS. THAT'S GETTING A LOT EASIER.

You no longer need the IT department to ascertain whether someone has an API, or vendor ecosystem, worth your time. Although, we do recommend getting their help, if you have access.

AS EMPLOYERS LOOK TO IMPLEMENT NEW HR TECHNOLOGIES THAT FULFILL THIS PROMISE OF DATA FREEDOM, HERE ARE FOUR THINGS TO KEEP IN MIND TO HELP WITH SELECTING YOUR NEW VENDORS.

- Demand an open and well documented set of APIs that allow the employer or other vendors to integrate relevant and core facets of their systems. These APIs should be freely accessible and supported like a product, not like a service.
- Refuse to work with vendors that have closed, or limited, ecosystems. Vendors should not be making decisions about which applications you get to work with based on their capacity or revenue opportunities. Moving your workforce forward at the speed of current disruptions mandates that you, and the vendors that YOU have selected and trusted, have access to YOUR data. The vendors you would like to integrate shouldn't have to enter an approval queue, or pay "partner fees" to access the API that lets them help you.
- Require a demonstration of some, or all, of the applications that are important for you to integrate. Don't let vendors tell you this is too hard to show. Custom integrations, or configurations specific to you, are hard for vendors to show. If they have an API and have integrated these technologies before, they have something to show you.
- Require a list of both customers AND vendor references that have integrated, and are a current part of the vendor ecosystem. You want to learn how the APIs are supported and the commitment to this approach, but not just from customers that have agreed to talk to you. You need to hear it from a few vendors that will validate the ease of working, and supporting you, in that ecosystem.



#HRWINS are the body of reports and analysis that explore and celebrate innovation in Human Resources with a particular focus on technology. Published by LAROCQUE, LLC, an analyst and advisory firm helping employers and HR technologists better understand the intersection of technology and the workforce.

Topics found at hrwins.com include Human Capital Management (HCM) and core HR, company culture, employee engagement, talent management, and talent acquisition.

About The Author: George LaRocque, Principal Analyst and Founder of #HRWINS has more than 25 years in the HCM industry. A former practitioner in talent acquisition, talent management, and HR, he turned technology vendor executive for some of the market's largest brands. Now an HCM market analyst and advisor focused on users and developers of HR technology. Publisher of #hrwins research and reports on workforce trends and related Innovation in tech. He helps employers understand the trends that are impacting their workforce today and in the future. He helps HR technology vendors with a unique perspective on the HR customers, changing workforce, partners, channels, influencers, analysts, integrators, implementors, and others in their eco-system."



Greenhouse is a recruiting optimization platform that makes companies great at hiring. From strategic sourcing to customizable interview kits, Greenhouse provides a technology platform that helps organizations of all sizes improve their recruiting performance. Find better candidates, conduct more focused interviews, and make data-driven hiring decisions using Greenhouse.

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Namely is the first HR platform that employees actually love to use. Namely is powerful, easy-to-use technology that allows mid-sized companies to handle all of their HR, payroll, benefits and talent management in one place. Coupled with dedicated support and benefits consulting, every Namely client gets the software and service they need to deliver great HR and a strong, engaged company culture.

Namely is used by over 500 clients with over 100,000 employees globally. Headquartered in New York City, the company is funded by Sequoia Capital, Matrix Partners, True Ventures, Lerer Hippeau Ventures, Greenspring Associates, Vayner/RSE, Bullpen Capital, and others. For more information, visit **www.namely.com** and schedule a free personal demo. **See today how Namely can help keep your employees engaged and your company growing.**

Lifeworks

LifeWorks makes your employees feel engaged and loved every day, seamlessly bringing together the functions of EAP, wellness, perks, social recognition, and a private social network with a user experience that drives high repetitive daily usage, all in one beautifully designed company app.

Our technology and service is made possible by 450+ passionate team members who champion this mission on a daily basis. Driven by the passion to positively impact the lives of our 15+ million users, we deliver an innovative engagement and wellness platform backed up by a purpose driven staff of counselors and coaches. Changing how companies think about employee engagement, we believe that a better company starts with a better you.

Customers choose us for our innovative technology and services, but employees love LifeWorks for the difference we make in their everyday lives. That's why LifeWorks is proud to be the No. 1 most engaged HR Technology platform in the world today.

To learn more, visit www.lifeworks.com.

Talmetrix

Talmetrix™ is re-inventing how talent-focused organizations, and their employees, work together to fuel a culture of high performance. Through our cloud platform, we simplify the gathering of employee intelligence and existing organizational data to deliver unique workforce insights in real-time.

The Talmetrix cloud-based platform and solutions offer both insight and intelligence. This process is built on three pillars:

- Talmetrix captures employee feedback through multiple formats, including baseline surveys, pulse surveys, and crowdsourced social feedback.
- Talmetrix integrates employee feedback with existing organizational data from disparate platforms that house payroll, performance, customer, and revenue data into one easy-to-interpret solution.
- Talmetrix provides real-time analytics enabling organizations to identify the drivers of engagement, retention, culture, performance and productivity.

Connecting Talent to Business Outcomes

To learn more, visit www.talmetrix.com.