



# 2018 Future Of HR Technology Report

## The Middle Market's Continued Rise

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Sponsor: **Namely** 

For the second annual #HRWINS report on HR technology and the middle market **we recently surveyed 1157 U.S. based employers with less than 5,000 employees.** We asked them about the usability of their HR technology and it's data, as well as their plans for HR tech in the immediate future. What we learned in the process validates several of our views on both the middle market segment and HR technology.

More than ever, employers have little interest in entertaining the “**platform vs. point solution**” debate that tech vendors like to engage in. Employers want their platforms AND their point solutions. They expect their data to be portable and seamless, offering them better insights to their workforce. **The middle market is buying and replacing more HR technology than ever.**

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.

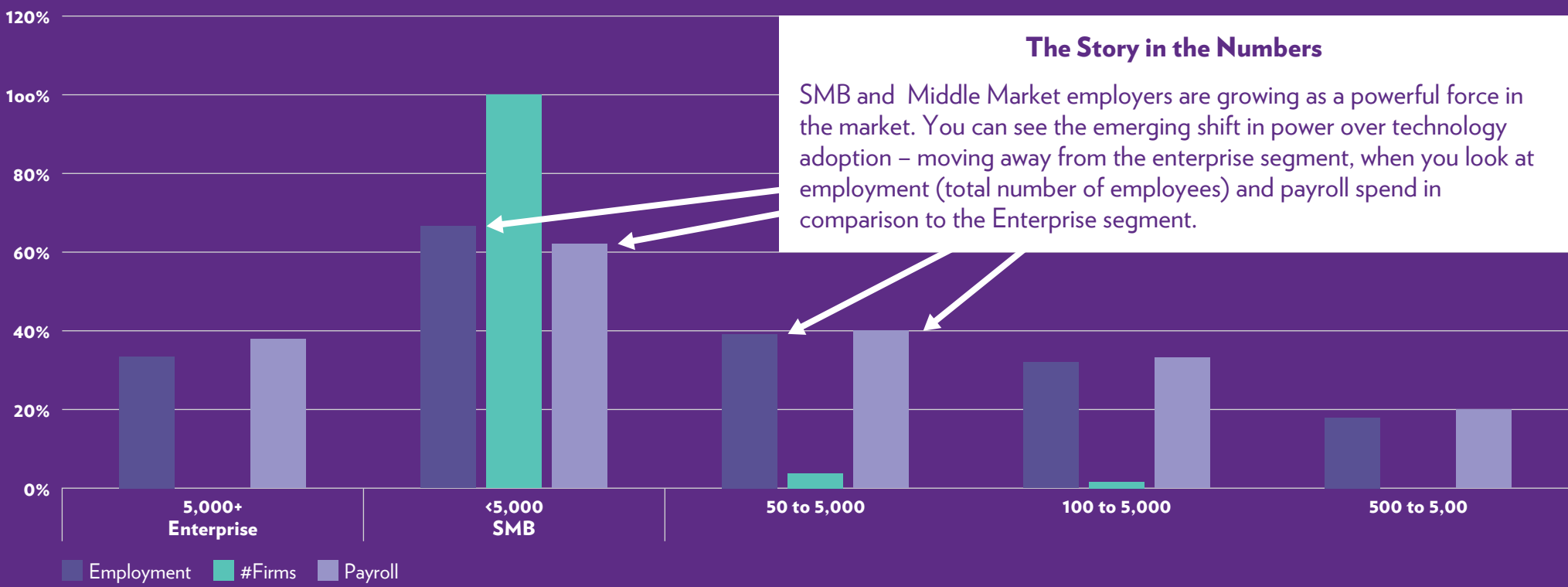
Employee Experience and HR tech user experience are dependent on each other. User experience and its relationship to data is now an increasingly driving force behind employers switching their HR technology. **And, they're switching in bigger numbers than before.**

Middle market employers are not following the trends. They are creating them, and rightfully so. **The middle market is by far the largest segment of employers,** and they are innovating not just to compete globally to win and retain customers, but to hire, engage, and retain their workforce.

# Why focus on the middle market?

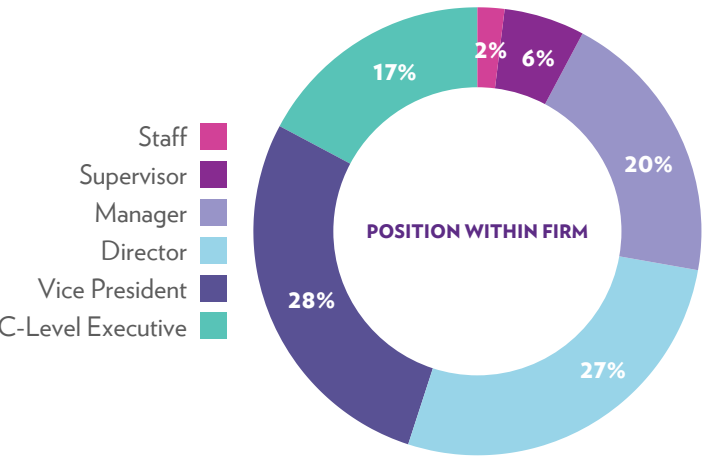
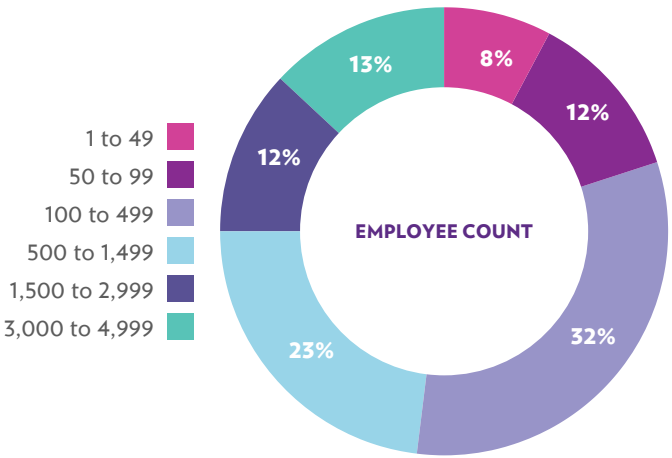
It's where employment happens in the U.S., and where technology innovation is being adopted more rapidly. SMB and middle market employers not only make up the segment with the largest number of employers, but they also have the largest number of employees, and payroll spend.

Comparing Segments: Why the SMB and Middle Market Has Everyone's Attention



# SURVEY DEMOGRAPHICS

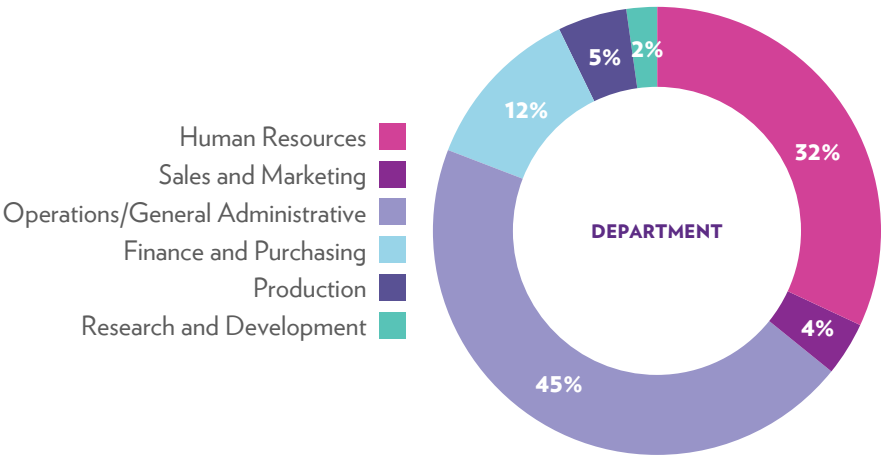
#HRWINS survey respondents are a reflection of the leaders in the American workforce. HR decisions here are made across the enterprise. These businesses are closer to their cultures, customers, employees, production, and spend. Getting valuable and strategic insights from the technology implemented isn't on a requirements wish list, it's a necessity.



**INFLUENCE**

92%

make or influence HR technology buying decisions



## INSIGHTS TO MIDDLE MARKET BUSINESS ISSUES

Middle market companies are competing on a global stage with large brands. Their own reporting of their competitive advantages, business issues, and IT priorities read like that of any large enterprise. Middle market businesses aren't less sophisticated or less complex. Nor are their HR and people strategies needed to compete.

### What Is Your Firm's Competitive Advantage

1. Superior product or service
2. Great customer service or relationships
3. Talent
4. Ability to respond to customer needs
5. Strong sales and marketing process

### Top IT Priorities\*

1. Collaboration
2. Move to the cloud
3. Mobility of solutions
4. Data Security
5. Analytics/Business Intelligence

### Top Business Issues\*

1. Improving Workforce Productivity
2. Improving sales and marketing effectiveness
3. Improving product quality
4. Inventory management
5. Customer attraction and retention

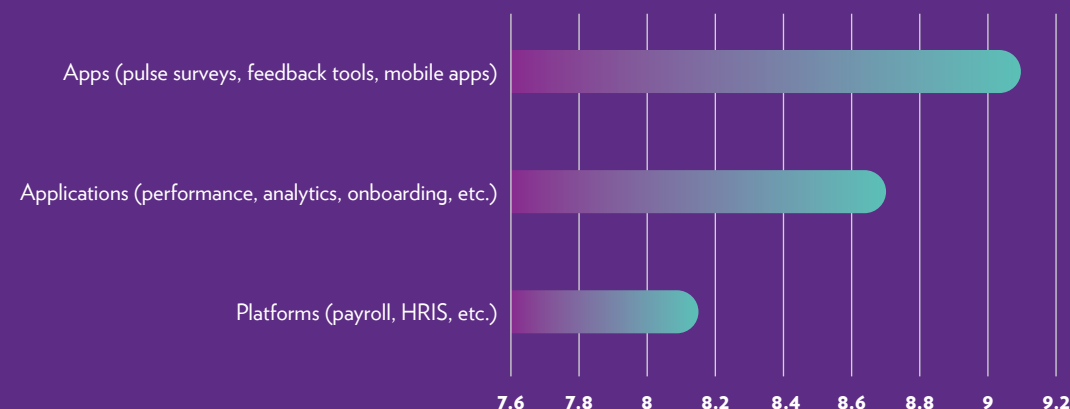
\*TechAisle 2017 Mid Market Report

This year the middle market adopted more apps. That makes sense. Apps are mobile, easy to use, and require little to no IT support. They are also a great way to get the HR message out to employees and capture metrics needed to move the business forward.

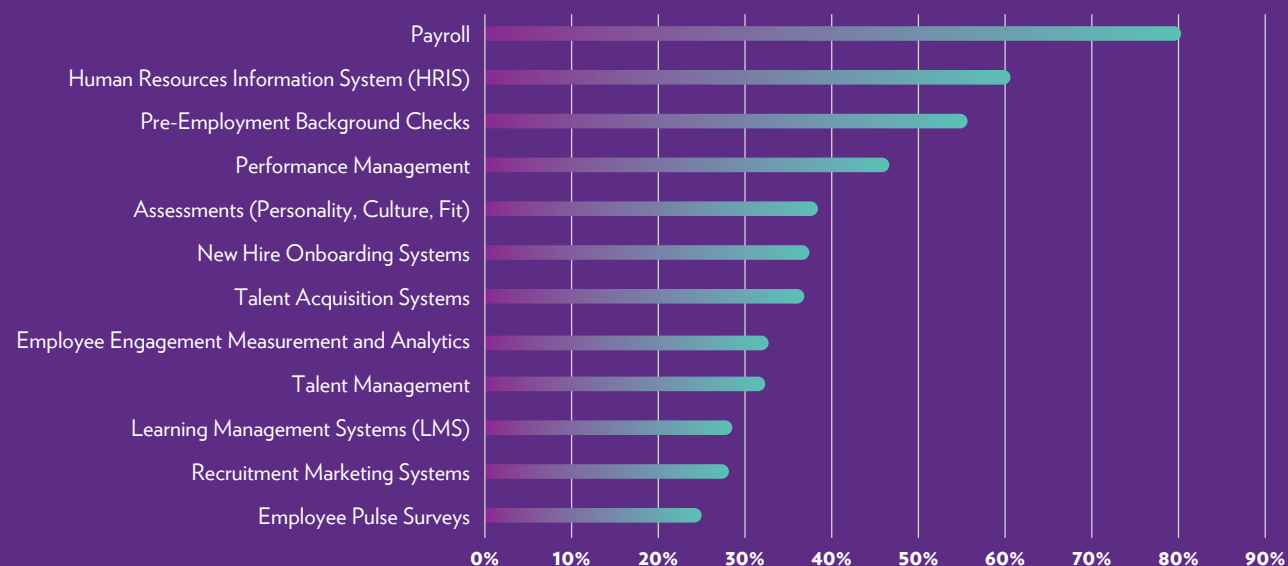
As we expected, based on 2016 trends, this year HRIS, Assessments, and Talent Acquisition Technologies increased their share in the middle market.

The middle market continues to leverage HR technology as a strategic workforce tool at increasing rates.

#### AVERAGE NUMBER OF HR TECHNOLOGIES USED BY DELIVERY INTERFACE



#### HR TECHNOLOGY CURRENTLY BEING USED



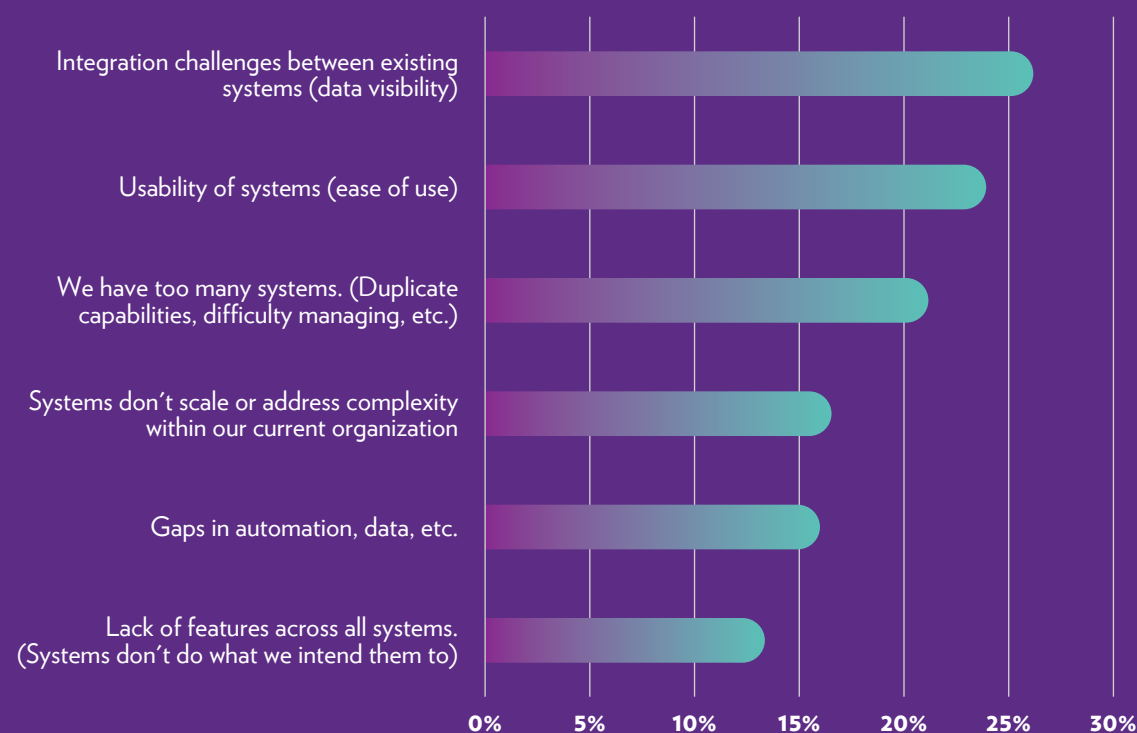
## THEY WANT HR TECHNOLOGY THAT CAN KEEP UP WITH THEIR BUSINESS

Employers' frustration with integrating their data to other systems increased this year, and held its number one spot on the frustration list, chased closely by usability.

No surprise there. In the field, legacy HR software continues to get poor marks in its ability to “work well with other systems” and in usability and user adoption.

The big story here? The increase in employers' concern with HR technology scaling to address the complexity in their business. Technology users in companies of all sizes want elegant, easier to use software, but this should not be confused with “simple.” We expect HR technology buyers to be looking closely at scale in areas like workflow, analytics, and reporting.

### BIGGEST CHALLENGE ACROSS ALL HR TECHNOLOGY



## THEY NEED THE DATA TO RUN THE BUSINESS!

66%

are correlating HR data to business outcomes

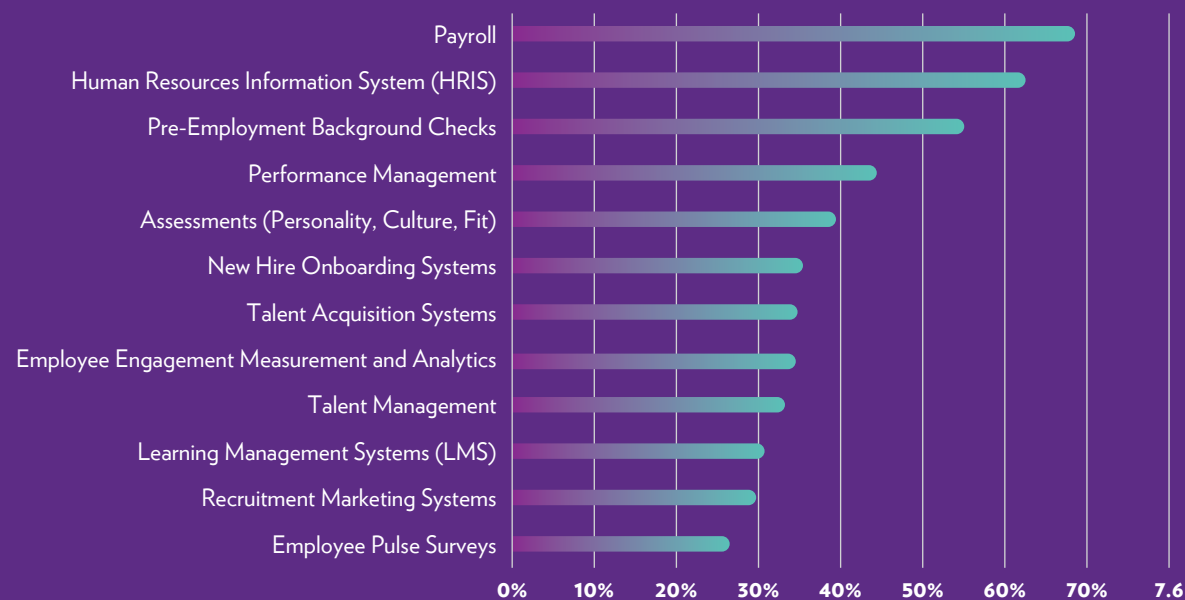
56%

Expect to tie more HR data business results. That's almost a 10% jump from last year!

Core HR systems lead the charge in their tie to business outcomes.

Talent acquisition, employee pulse surveys, and LMS have some work to do!

### SYSTEMS PROVIDING DATA TIED TO RESULTS





# WHAT HR TECHNOLOGY ARE MOST EMPLOYERS GOING TO BUY?

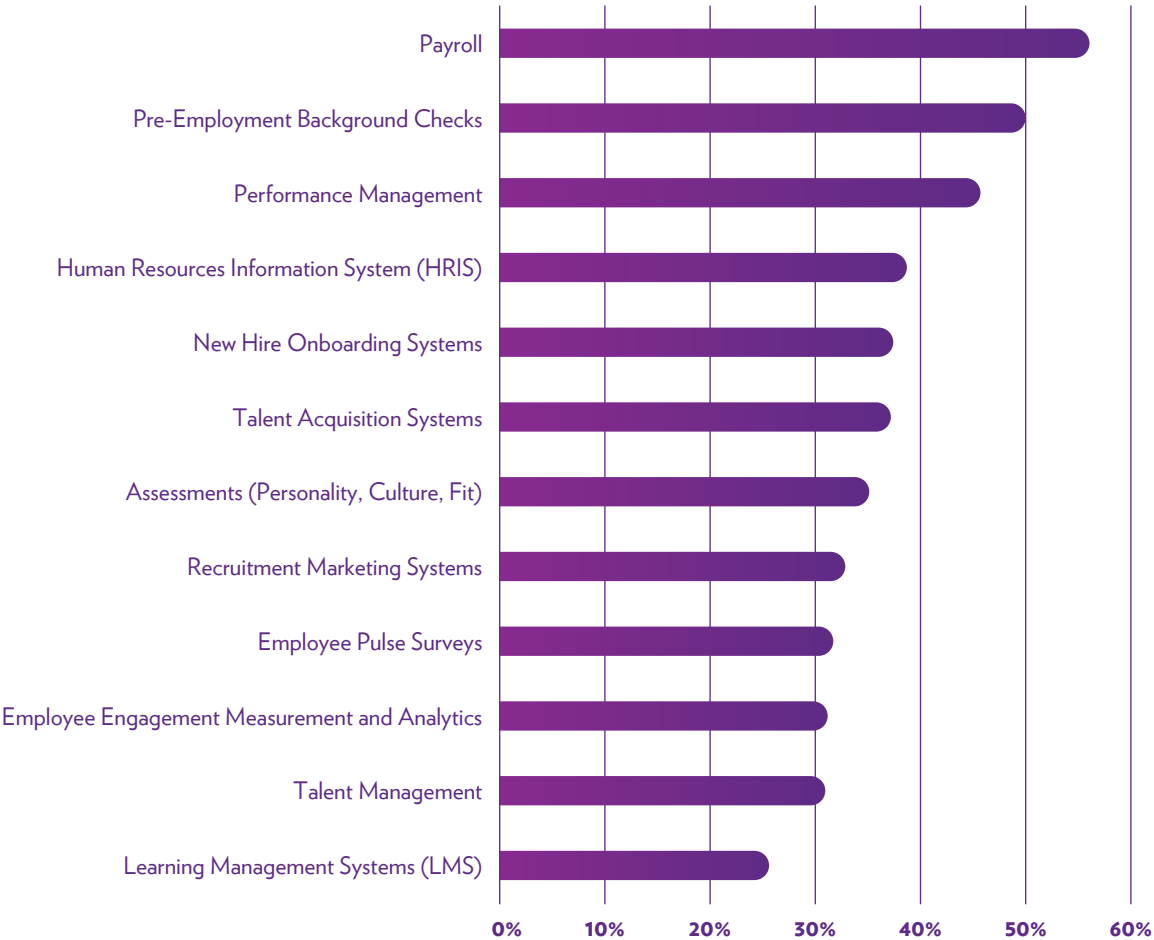
Incredibly more than 50% of the middle market is considering a change in payroll systems this year. Even more than in last year’s survey.

## The big changes this year over last?

More employers are looking for talent acquisition systems and HRIS than those we talked to last year.

With 25% to 55% of the middle market looking for HR technology in any given segment, it’s no wonder that the lion’s share of tech innovation for HR is targeting this market segment.

PLANNING TO BUY NEXT 12 MONTHS



# CHURN, BABY CHURN

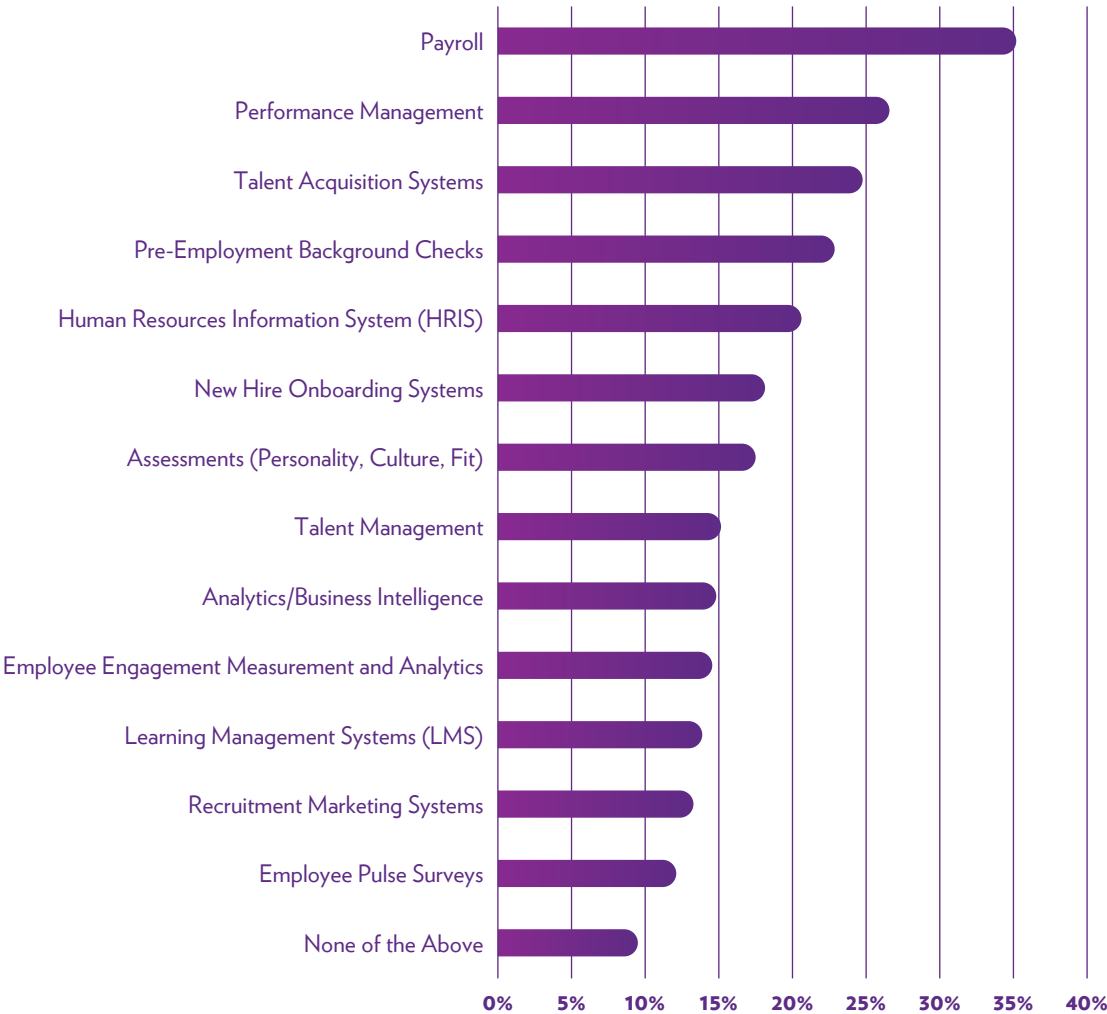
The “cost of replacing” technology used to be enough to force many companies to make do with what they have. No longer.

For the second year in a row, we’re seeing high replacement rates across all categories. To put this in perspective, a 10% replacement or “churn” in any given product segment would be considered big.

HR Technology is looking at an average market churn of just over 19%, and goes as high as 35%!

Talent acquisition skyrocketed to the top three this year after being on the bottom of the list in 2016. There are probably many reasons for this – the emergence of more usable software in the category, CRM and marketing software catching attention of buyers, and general frustration with incumbent platforms, to name a few possibilities.

## PURCHASES REPRESENTING A REPLACEMENT



# TOP OBJECTIVES DRIVING HR TECHNOLOGY DECISIONS

The top four objectives for HR technology in 2018 all speak to HR’s desire to support employees with a better experience: **Supporting managers and supervisors, employee retention, improving productivity, and employee experience itself.** HR is looking for ways to improve the support it delivers, extend its reach, and impact the business more than ever.

Attracting talent, capturing insights, and looking at data across the HR stack are ranked so closely, you could call it a tie for the 5th spot on the list.

Any misconceptions about the middle market being less strategic or sophisticated in HR and talent processes should be put to rest with this list.

OBJECTIVES FOR HR TECHNOLOGY



## HR AND HR TECH TRENDS THE MIDDLE MARKET CARES ABOUT

We asked employers to identify the HR and HR technology trends that interest them as they look to the future of their workforce.

It's clear that middle market businesses aren't settling for any static best practices or the status quo.

The future of work, and the HR technology that supports it, will be defined where most of the work in the world gets done: in the middle market.

Employee Experience
Recruitment Marketing and CRM
Internal Mobility
Employee well-being
Content and Support for HR
Analytics & Predictive Analytics
Candidate Experience
Artificial Intelligence, Automation, Machine Learning
Talent Assessments
Finding new sources of talent
Modern learning solutions
Supporting a non-desk workforce
Alternative employee benefits



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Since 2009 #HRWINS is the only modern analyst firm providing much needed context expressly for employers based on their employee size and industry. HR isn't one size fits all, neither is the #HRWINS.

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

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**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."



**Namely** is the first HR platform that employees actually love to use. Namely's powerful, easy-to-use technology allows companies to handle all of their HR, payroll, time management, and benefits in one place. Coupled with dedicated account support, 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 900 clients with over 140,000 employees globally. Headquartered in New York City, the company has raised **\$157.8 MM** from leading investors, including Altimeter Capital, Scale Capital, Sequoia Capital, Matrix Partners, and True Ventures.

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