Hype Cycle for Human Capital Management Software, 2010

Thomas Otter

The Hype Cycle for HCM software helps companies plan their HCM technology investments by providing insight into the maturity of key applications and technologies.
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ANALYSIS

What You Need to Know

The human capital management (HCM) software market is relatively mature, but it continues to evolve and is being increasingly disrupted by newer solutions and vendors. However, as many organizations have automated administrative processes through human resource management systems (HRMSs), they are now deploying applications for more-strategic processes, such as talent management and workforce analytics. Gartner expects the market for HCM software will be roughly $6 billion in 2010. We have seen a significant shift in spend patterns, as software-as-a-service (SaaS) vendors grow at the expense of on-premises offerings.

This Hype Cycle helps buyers understand the maturity of these capabilities in talent management, workforce management and administrative HR.

The Hype Cycle

HCM software includes:

- Administrative applications (personnel, travel expenses, payroll and benefits management applications delivered through an integrated HRMS)
- Talent management applications (workforce planning, e-recruitment/contingent workforce management, employee performance management, career development/succession planning, learning and compensation management)
- Workforce management applications (labor scheduling, time and attendance, and task/activity management)
- Service delivery applications (employee self-service, manager self-service, HR service center and travel management)
- Workforce analytics/workforce decision support applications

This year, we moved HRMS off the Hype Cycle, as these solutions are now very mature, and almost all organizations have a foundational HRMS of some sort in place. SaaS HRMS is moving through the Hype Cycle rapidly. HR organizations continue to improve administrative efficiency; employee and manager self-service are well-established, and many organizations have moved administrative HR processes to a shared-service model, so we added HR shared-service tools to the Hype Cycle to examine the tools that help manage HR shared services. Business process outsourcing (BPO) plays a significant role in administrative HR processes, such as benefits administration and payroll processing, and this sector has seen a number of mergers in 2009 and 2010. Although SaaS initially was most prevalent in strategic HCM areas, it has now made its presence felt in administrative HR, either with new entrants, or via the repackaging of existing solutions.

During the past year, we have seen continued interest in talent management applications — organizations are continuing to invest in systems to help better manage people. There is a growing interest in talent management suites as solutions mature, and HR departments look for more end-to-end processes; nevertheless, deployment still lags behind vendor hype. The talent management market is consolidating, with several significant acquisitions, but new players continue to emerge.
We continue to see an increasing interest in analytics (see “Examining the Market for Workforce Planning and Analysis Solutions” and “Technology Overview for Workforce Planning”). Most HCM application investments will only live up to their potential when married with workforce planning and analytics applications that provide the necessary decision support capability to help users understand what actions can leverage human capital and achieve specific business outcomes. Vertical-industry applications, such as retail scheduling or sales commission management, are becoming more widely deployed and sophisticated.

During the past 12 to 18 months, Gartner has witnessed social software playing a greater role in HCM processes. New vendors are emerging, and many existing vendors are adding social capabilities. It is already impacting recruitment significantly (see “The Business Impact of Social Computing: Real-World Results for Recruitment”), and is growing in significance across other HR disciplines as well, as evidenced by the rapid growth of social-learning platforms.

This Hype Cycle helps buyers understand the maturity and scope of HCM applications so that they can make better HCM technology plans.
Figure 1. Hype Cycle for Human Capital Management Software, 2010

expectations
- Succession Management
- Onboarding
- Biometrics for Time and Attendance
- HR Transformation
- HCM Visualization
- Workforce Planning
- Social Learning Platform
- HR Shared-Service-Center Tools
- HCM and Social Software
- Compensation Management (Line Managers)
- Sales Performance Management
- Workforce Decision Support
- Alumni Community Management

Store-Based E-Recruitment
- Performance Appraisal/Assessment
- Store Task Management
- Workforce Management
- Contingent Workforce Management

Time and Labor Optimization
- Expertise Location and Management
- HRMS (SaaS)
- Talent Management Application Suites

Travel Expense Management
- Benefits Administration Outsourcing
- Compensation Management (Compensation Professional)
- Warehouse Labor Management Systems
- E-Recruitment
- Workforce Analytics
- HCM Consulting and Implementation Services
- Sales Incentive Compensation Management
- Hiring and Recruiting Outsourcing
- Sales Training Solutions
- Manager Self-Service (HCM)
- Comprehensive Human Resources BPO
- Immersive Learning Environments

Field Service Workforce Optimization
- As of August 2010

Years to mainstream adoption:
- ○ less than 2 years
- ● 2 to 5 years
- ● 5 to 10 years
- ▲ more than 10 years
- ◊ obsolete

Source: Gartner (August 2010)
The Priority Matrix

Technologies such as performance management and e-recruitment are now maturing, and are likely to move into mainstream adoption within the next five years, at the latest. The various forms of BPO have also matured.

The 2010 iteration of the HCM Hype Cycle shows some clear trends. SaaS-related solutions, such as HCM SaaS, succession planning, onboarding and performance appraisal/assessment, are moving through the Hype Cycle rapidly. Social software is climbing toward the Peak of Inflated Expectations, and we expect this to receive even more vendor attention through 2011.

Employee self-service — considered revolutionary 10 to 15 years ago — is likely to move off the Hype Cycle next year, as most solutions and organizations have deployed some form of self-service. Tellingly, manager self-service lags behind, as managers have been less willing to adopt the technology than employees have.

BPO is an excellent illustration of the Hype Cycle curve. During the past decade or so, BPO has moved from being HR's savior to its villain, and is now a better-understood component of a broader HCM strategy.

Workforce decision support, despite its transformational potential, has been slow to climb, as HR departments have failed to build the analytical competence to drive it forward.
Figure 2. Priority Matrix for Human Capital Management Software, 2010

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<td>Source: Gartner (August 2010)</td>
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Off The Hype Cycle

This year, we moved HRMS off the Hype Cycle, as these solutions are now very mature.
On the Rise

Alumni Community Management

Analysis By: Thomas Otter

Definition: Alumni community management is the management of online networks of former employees. Increasingly, employees and alumni access social software to network and connect. Organizations use these networks for referrals, rehires and business development. This is largely driven by the recruitment market and the emergence of social software in the consumer space, such as Facebook and LinkedIn. Informal networks have existed for decades, but over the past two years, we have seen the emergence of a class of software and services that provides sophisticated solutions to manage alumni networks. This trend began in the professional services industry, but has grown well beyond that.

Position and Adoption Speed Justification: Traditionally, few organizations outside of "elite" management consultancies or universities have focused significant efforts on managing alumni. Recent advances in technology, such as Web 2.0 capabilities for social-software and managing communities, coupled with a stronger organizational focus on talent shortages in key roles, and a large number of consumer social-network users mean that more organizations are looking to build online communities to tap into alumni. Alumni networks are relatively simple to deploy, and they can provide a good return on investment — for example, by re-recruiting former employees, reducing hiring costs through referrals, and generating business leads through alumni contacts.

User Advice: Consider building an alumni network if your organization faces a significant aging workforce or diversity challenges, or if you recognize that the costs and risks of hiring can be reduced by fostering communities of employees and potential candidates that would be harder and more expensive to track by other means. Unless you have significant experience in social-software networks, use a vendor that has built a network previously. Do not underestimate the politics around "opening up" to former employees. Alumni management should also be seen as part of a broader social-networking strategy (see "Alumni Community Management Isn't Just for Universities and Consulting Firms").

Business Impact: Organizations in many industries face significant skilled-talent shortages, even in a recession. As experienced engineers and other experts retire, there simply isn't the pool of candidates to fill the gaps. HR departments will need to be more creative in sourcing candidates. A well-run alumni network can bring qualified referrals, and lead to cost-effective rehires. By keeping in contact with retirees, you maintain a valuable pool of potential contractors and part-time employees. By remaining in touch with mothers and fathers on career breaks, you increase the chances that they will return to work with you. These technologies are also often used to manage other networks, such as interns. The network has business development benefits, as illustrated by professional service firm examples.

Benefit Rating: Moderate

Market Penetration: 1% to 5% of target audience

Maturity: Emerging

Sample Vendors: Affinity Circles; Conenza; Facebook; LinkedIn; SelectMinds; umantis

Recommended Reading: "Case Study: Dow's Formula for Social Software"

"Cool Vendors in Social Software, 2009"

"Cool Vendors in the High-Performance Workplace, 2009"
"The Effects of Social Software on Your Employer Brand"

"Alumni Community Management Isn't Just for Universities and Consulting Firms"

**Workforce Decision Support**

**Analysis By:** James Holincheck

**Definition:** Workforce decision support tools are used by HR analytics professionals (or HR professionals with the necessary background) to help them make better decisions (see "Best Practices: Workforce Analytics Skills Are Vital for Effective Cost Optimization"). These tools can be used to identify opportunities to better use human capital, evaluate initiatives or interventions related to human capital, and support planning activities related to human capital. These tools are part of a broader set of capabilities needed for workforce analytics (see the Workforce Analytics profile).

**Position and Adoption Speed Justification:** General tools have been available to perform statistical analyses on human capital data for more than 20 years. Workforce-decision-support-specific tools and methods, however, have been around for fewer than five years. There are still few vendors that offer products and/or services geared toward helping HR organizations perform this value-added analysis. However, with SuccessFactors' acquisition of Inform Business Impact (formerly Inform), we may see other vendors adding these solutions to their portfolios (see "Acquisition of Inform Will Shake Up Workforce Analytics Market"). In addition, we have seen a small increase in 2010 client inquiries related to workforce decision support.

**User Advice:** No set of tools supports all workforce decision needs. Different tools and methods answer different types of questions. Following are some tools and vendors:

- **Special-purpose tools** — Capital Analytics offers software and services to help organizations understand the effects of human capital management (HCM) initiatives and interventions. It uses a methodology similar to that used for drug testing. A control group and test group are established. Then, the test group has the intervention (for example, a training program), while the control group does not. Variables of interest are analyzed to determine the effects of the intervention, as well as the differences between the test and control groups.

- **Specific-method/metric analysis** — Mercer, which offers HR consulting, has used internal labor market analyses based on microeconomic theory to examine movement of the workforce (in and out of the organization, and up and down the organizational hierarchy), and how this movement correlates with specific business outcomes and results. Hewitt developed its Human Capital Foresight methodology, which leverages a specific metric called the "Talent Quotient" — a measure of a company's ability to attract and retain critical employees. (It has used the top quartile of pay progression to have a consistent way to identify critical employees.) Using empirical analysis of data from more than 1,000 companies (representing more than 20 million employees), Hewitt has shown that organizations with a higher Talent Quotient have greater cash flow ROI.

- **General statistical analysis tools** — Several leading-edge organizations have used general-purpose statistical tools, such as those from SAS and SPSS, against specific datasets extracted from their HR data stores, or data from an HR data warehouse or data mart. These companies have used these tools to answer a variety of questions concerning the deployment of human capital, as well as to develop their own linkage models between human capital variables and specific business outcomes.
Packaged workforce planning and analytic solutions — Vendors such as Aruspex, Orca Eyes, Vemo, SuccessFactors (formerly Infohrm) and Towers Watson offer integrated workforce planning and analytic solutions that can be used for many different workforce decision tasks.

These tools and approaches are not mutually exclusive. Use a portfolio of tools based on the issues or decisions at hand.

**Business Impact:** We believe that workforce decision support is transformational, because most companies do not leverage their HR data to make fact-based decisions about their human capital investments. Early adopters, such as Valero Energy, Google and Infosys Technologies, have demonstrated how proper leverage of workforce decision support tools can positively affect financial results. By better targeting investments in human capital, companies can lower costs and increase revenue significantly. These tools and methods can drive how companies hire, develop, reward and motivate employees to achieve these outcomes. In "Unlocking the Strategic Value of Talent Management Application Investments," we provide examples of how organizations are using workforce decision support tools to change how they make HCM decisions and deliver value to the business.

**Benefit Rating:** Transformational

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** Aruspex; Capital Analytics; DoubleStar; Hewitt; Mercer; Orca Eyes; SuccessFactors; Towers Watson; Vemo

**Recommended Reading:** "Acquisition of Inform Will Shake Up Workforce Analytics Market"
"Defining Workforce Analytics"
"Best Practices: Workforce Analytics Skills Are Vital for Effective Cost Optimization"
"Unlocking the Strategic Value of Talent Management Application Investments"

**Sales Performance Management**

**Analysis By:** Michael Dunne

**Definition:** Sales performance management (SPM) represents a combination of operational and analytical capabilities that automates and integrates functions for planning, designing, allocating and managing sales territories, quotas and compensation plans. This software segment seeks to improve the organization, focus and motivation of sales organizations to enable firms to realize sustained improvements in revenue and margin production. SPM solutions should integrate territory and quota management functions with sales incentive compensation management (ICM) applications, and include analytics that enable users to detect and understand trends in sales results as they relate to original planning assumptions.

**Position and Adoption Speed Justification:** The SPM software market is rapidly gaining visibility among potential users, as more enterprises attempt to integrate and optimize functions for sales planning, operational management and analytics. Further driving interest in SPM is the widespread need for enterprises to reorganize sales capacity in support of return to growth strategies. However, activities for defining and allocating territories, quotas and compensation plans are often conducted in isolation and haphazardly. This resulted from the historically uncoordinated nature of corporate decision making with respect to these competencies, and because of internal politics concerning compensation, sales targets and territories. Companies
have typically focused on sales ICM — especially in the insurance, high-technology, life sciences and communications industries — to calculate compensation correctly. Now firms are increasingly interested in complementing sales ICM deployments with modules for quota management and analytics. In certain vertical industries, such as life sciences and high technology, territory management and sales ICM continue to be priorities. The number of cases in which companies have deployed multiple SPM modules (i.e., sales ICM and quota management, or sales ICM and territory management) as a combined initiative remains minimal, with recent projects typically paring quotas, objectives or rudimentary analytics with a sales ICM implementation.

The vendor community, overall, has been slow to introduce integrated, prepackaged applications based on Web technologies that comprehensively accommodate territory and quota management requirements. Sales ICM vendors have been prominent in promoting SPM as a vision, but have only gradually introduced territory and quota management capabilities in their offerings via internal development or partnerships. In addition, sales ICM vendors are increasingly supporting the management of objectives. However, the recession did impact the sales ICM software market, leaving it flat in 2009, at approximately $315 million in revenue worldwide.

**User Advice:** Enterprises that are heavily invested in field sales organizations (i.e., more than 100 quota-carrying representatives) or reliant on complicated sales models should rationalize, automate and integrate processes for assigning territories, quotas and compensation plans to gain greater transparency, coordination and influence in organizing sales to increase performance. Enterprises should initially focus on compensation because it's the most mature segment of SPM and addresses central concerns of sales for devising compelling variable pay schemes that influence sales behaviors. Hence, evaluation teams should investigate the visions, product road maps and release histories of prospective sales ICM vendors to determine their long-term suitability in enabling SPM strategies.

Subsequently, enterprises should extend automation to territory and quota processes, and pursue analytics to boost related review, planning, modeling and forecasting practices. Ideally, a sales operations team or an equivalent organization should be deployed to carry out the analytical work, plan changes and adjustments, and retain an institutional memory of mistakes and effective practices.

**Business Impact:** Successful implementations of SPM applications will produce more-informed, motivated and competitive sales organizations. By aiding the consolidation of what has commonly been viewed as “administrative functions” into consistent, integrated processes, these SPM solutions will increase visibility into the interrelationships among compensation strategies, sales targets and territory alignments, and improve the institutional understanding of market demand and optimal approaches to structuring selling resources.

In the near term, migrating from spreadsheets and homegrown systems to SPM will yield operational efficiencies by enhancing the execution and oversight of sales planning processes. In the long term, SPM will provide the basis for devising and executing corporate growth strategies, particularly for organizations dependent on expensive field sales teams. Cases have been reported where companies believed they acquired the equivalent of an additional 5% or more of revenue through the improved management of sales territories, quotas and compensation plans. Often, this was due to better market coverage from territory planning, as well as the more-effective use of incentives for supporting new product launches and promoting upselling and cross-selling.

**Benefit Rating:** High

**Market Penetration:** Less than 1% of target audience

**Maturity:** Emerging
**Sample Vendors:** Callidus Software; marketRX (a Cognizant company); Merced Systems; Synygy; Varicent Software; Xactly; ZS Associates

**Recommended Reading:**
- "MarketScope for Sales Incentive Compensation Management Software"
- "Sales Performance Management Suites: A New Software Application Market Emerges"
- "Introducing the Concept of Sales Performance Management"
- "Territory Management Software Helps Sales Grow Revenue"
- "Sales Incentive Compensation Management Achieves Operational Benefits, but Must Focus on Strategic Value"

**Social Network Analysis**

**Analysis By:** Carol Rozwell

**Definition:** Social network analysis (SNA) tools are used to analyze patterns of relationships among people in groups. They are useful for examining the social structure and interdependencies (or work patterns) of individuals or organizations. SNA involves collecting data from multiple sources (such as surveys, e-mails, blogs and other electronic artifacts), analyzing the data to identify relationships and mining it for new information such as the quality, or effectiveness, of a relationship.

Organizational network analysis is the form of SNA that examines the information flow among individuals. It depicts the informal social network — typically of groups working in the same enterprise. Value network analysis (VNA) examines the deliverables exchanged among roles — typically groups of people from multiple organizations that need to work together. Social influence network analysis scans social media to identify influential people, associations or trends in the collective.

**Position and Adoption Speed Justification:** SNA applications are used to analyze organizations and other explicitly collaborative environments; for example, R&D teams, organizational units and supplier networks. These applications will increasingly be used to mine data from social media sites. In addition, they can be used to establish perspectives on user behavior in enterprises — where linkage is explicit in communications such as e-mail or instant messaging. SNA is also beginning to be used in electronic-discovery (e-discovery) and other investigative applications. The products commercially available simplify the creation of network diagrams; using survey data, as well as creating network visualizations based on electronic communication records. Tools that perform analysis of the relationships, interactions and behavior of networks can be instrumental in diagnosing a variety of workplace issues. Adoption of SNA has been hampered by the perception that it is highly conceptual and the information collected is difficult to translate into practical actions.

**User Advice:** Traditional users of SNA in enterprises include identifying groups that need to collaborate. Use SNA/VNA to determine which informal communities already exist that can be augmented, and who appears to lead them, and to directly work with the informal leadership. The simplest forms of SNA might be accomplished by adding a small number of questions to an annual HR employee survey. When previously hidden patterns of information sharing and interaction can be made explicit, these patterns can be studied to make improvements. Additionally, SNA can be used to target key opinion leaders and to enable more effective dissemination of product information. It can also be used investigatively to determine patterns of interaction that may hold clues to prove guilt, or innocence, in legal or regulatory actions.
However, users should be mindful of privacy laws and the concerns of employees who may feel threatened.

**Business Impact:** SNA can be used by organizations to:

- Understand the flow of information and knowledge
- Identify the key knowledge brokers
- Highlight opportunities for increased knowledge flow to improve performance
- Companies use organizational network maps to help them manage change, to facilitate mergers and reorganizations, to enhance innovation, spot talent and plan for succession.
- SNA can be used in the consumer space to identify target markets, create successful project teams and identify unvoiced conclusions. It can also be used to detect implicit connections.
- Some e-discovery vendors use SNA to find patterns in interactions, especially to identify additional legal custodians of data.
- SNA is also gaining traction in sales organizations that see it as a means of identifying decision makers and determining relationship strength.
- As enterprises become more virtualized (with people from different organizations, in different locations and time zones, operating under different objectives), bridging these virtual gaps becomes a key element of collaboration initiatives; these will only succeed if they understand the structure of informal relationships and work patterns that SNA/VNA can reveal.
- SNA is also gaining momentum in industries with significant quantities of customer information to be mined; for example, telecommunications, banking and retail. In telecommunications, SNA uses information from call distribution records (such as number dialed, incoming number, call count and types of call) to find out about the individual consumer and their calling circle. This basic information can then be added to other information — to provide specific data sets for different activities, such as preventing churn or planning marketing expenditures.

**Benefit Rating:** High

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** 7 Degrees; Analytic Technologies; Galaxyadvisors; Grupo AIA; IBM; Neo Metrics; Orgnet.com; Trampoline Systems; ValueNetworks.com

**Recommended Reading:** "Using Social Network Analysis to Inform a Pattern-Based Strategy"

"Cool Vendors in Social Software and Collaboration, 2010"

"The Business Impact of Social Computing: Real-World Examples of Value Network Collaboration"

"Predicts 2010: Social Software Is an Enterprise Reality"

"How to Pick the Right Social Software Tools to Tap the Collective"
**Compensation Management (Line Managers)**

**Analysis By:** Thomas Otter; Jeff Freyermuth; James Holincheck

**Definition:** Line managers use compensation management solutions to perform salary changes, give employees annual merit increases, and allocate bonuses and stock options, based on policies and guidelines created by compensation professionals. We recommend that these solutions be integrated with performance appraisal/assessment solutions, but our research continues to show that many organizations still operate in a silo-type approach with separate solutions. We expect tighter integration as vendors broaden their product portfolios. Recently, there have been significant acquisitions in the compensation market, with Taleo acquiring Worldwide Compensation, and ADP agreeing to takeover Workscape.

Compensation management solutions for line managers differ from other compensation management submarkets; other submarket tools support the needs of compensation professionals (see the "Compensation Management [Compensation Professional]" profile in this Hype Cycle) and sales incentive management software, and they help sales organizations manage morecomplex incentive programs, such as bonuses, commissions and accelerators.

**Position and Adoption Speed Justification:** Compensation planning tools that line managers use have been available for a number of years. However, they are not widely adopted. In "Magic Quadrant for Employee Performance Management Software", Gartner found that the penetration rate of these tools remains relatively low, as few vendors have more than several hundred customers for their compensation planning software. Spreadsheets remain the dominant solution in the market. As organizations continue to strive for tighter integration among performance appraisals, goal management and rewards, we expect adoption to increase. Improvements in usability are also encouraging, and may lead to increased adoption.

**User Advice:** Organizations with larger employee populations (more than 500 employees) and/or complex compensation programs should consider compensation management solutions for line managers. All organizations should look for the opportunity to link compensation and rewards to performance.

**Business Impact:** Automating the compensation planning process can reduce effort and errors in planning. Automating this process also helps organizations apply compensation guidelines equally across the organization. The biggest business impact of these solutions is allowing managers to budget compensation funds more effectively, in the hope of retaining key personnel by rewarding high performers versus low performers appropriately.

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Cezanne Software; Cornerstone OnDemand; Halogen Software; HRsmart; Jobpartners; Kenexa; Meta4; Oracle; Peopleclick Authoria; Pilat HR Solutions; Plateau; Saba; Salary.com; SAP; SilkRoad technology; Softscape; StepStone; Stewart Daly; SuccessFactors; SumTotal; Taleo; Towers Watson; Workscape; Workstream; Worldwide Compensation

**Recommended Reading:** "Magic Quadrant for Employee Performance Management Software"

"Lessons Learned from Employee Performance Management Software Implementations"

"The Hype Around an Integrated Talent Management Suite Outpaces Customer Adoption"
“Unlocking the Strategic Value From Talent Management Application Investments”

“ADP to Expand Benefits Outsourcing With Workscape Buy”

HCM and Social Software

Analysis By: Thomas Otter; Jeff Freyermuth

Definition: Social software technologies are transforming human capital management (HCM)-related processes and systems. Social networks, such as LinkedIn, Twitter, and Facebook are altering recruitment techniques and strategies, and wikis and internal blogs enable policies and procedures to be developed more collaboratively. Social software features have appeared in HCM applications such as recruitment, performance management and learning applications. Alumni community management has been driven largely by the availability of social software and the broader social changes due to consumer social networks. New vendors offer social-software-centric solutions, such as referral-based recruitment (see "Cool Vendors in Human Capital Management and Employee Performance Management, 2010")

It is important to understand that social software isn't simply becoming part of established HCM solutions. Employees are leveraging social software tools and networks, like Facebook, and tools such as wikis and blogs are being used to manage and improve policy creation and communication. Although these tools will affect how HCM processes are done, the bigger impact will be on how the HR function will shape organization policy and practices toward social software and network use by the broader organization. Social software is largely about the relationships among people. Whether it is blogging policies, collaboration networks or contact management, they all require HCM involvement (see "The Effects of Social Software on Your Employer Brand").

Position and Adoption Speed Justification: Some HR-HCM departments grasp that social software can improve HCM processes, and HCM vendors continue to enhance the collaborative features in their applications, either through development or acquisition. Some vendors are offering social-software-centric solutions for recruitment. Leading HR-HCM departments are making extensive use of blogs internally and externally to their organizations. Wikis are being used to document and collaborate on policies. Social networks have altered the recruitment and e-learning landscape, with social learning receiving considerable attention from both startups and established vendors.

HR is under pressure to define guidelines and policies for broader social software use in the organization. What practices should be encouraged? What should be prohibited? Questions arise over how to reward for contribution and collaboration. Privacy remains a poorly understood challenge and risk.

User Advice: HR departments should look to develop awareness about social software and social networking. Organizations should first look for quick wins in HR, such as alumni management and referral management. Companies must focus on building policies and procedures that enable the broader organization to benefit from social software and networks. HR leaders should work with employees, managers and the legal department to build policies and procedures that enable employees to use these tools responsibly.

We've already seen social software used in HCM processes, such as recruitment, performance management, learning succession planning and compensation, as firms gather richer data and speed up collaboration. For new initiatives, ensure that you include social software features in HCM solution evaluation criteria. Companies should broaden their RFPs to examine emerging vendors for innovative new processes, such as social-network-based referral recruitment (see "The Business Impact of Social Computing: Real-World Results for Recruitment").
**Business Impact:** Social software capabilities are impacting HCM systems. We have seen increased customer and vendor focus on this topic in 2010. The bigger business impact of social software in the HR context will be on the organization's culture. Social software can alter the organizational fabric and culture, creating a more open and collaborative work environment. This, in turn, creates demands for new policies and pay, succession, learning and recruitment strategies. HR departments will be strongly affected by these changes. The long-term success and failure of social software in organizations will depend on how well HR adapts to it.

**Benefit Rating:** High

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** Appirio; Avature; Conenza; Cornerstone OnDemand; Jobs2Web; Jobvite; Oracle; Plateau; Saba; SelectMinds; SilkRoad technology; SuccessFactors; Taleo; Umantis

**Recommended Reading:**
- "SuccessFactors to Go 'Social' by Acquiring CubeTree"
- "Cool Vendors in Human Capital Management and Employee Performance Management, 2010"
- "The Business Impact of Social Computing: Real-World Results for Recruitment"
- "The Business Impact of Social Computing on HR Data"
- "The Effects of Social Software on Your Employer Brand"
- "Saba-IBM Collaboration Bolsters Support for Social Learning"
- "The Business Impact of Social Computing on Corporate Learning"
- "Key Issues for Corporate Learning Systems, 2010"

**HR Shared-Service-Center Tools**

**Analysis By:** Thomas Otter; James Holincheck

**Definition:** HR shared-service tools enable organizations to manage HR shared-service operations more effectively. This includes ticketing, policy and knowledge management, incident routing, service-level agreement monitoring, and elements of manager and employee self-service portals. HR shared-service tools often manage sensitive employee data, such as disciplinary data or medical information. Typically, the solutions integrate with core HR management system (HRMS) solutions.

The larger HRMS providers typically offer some HR shared-service tools. In the case of ERP vendors, these solutions are modifications of their CRM call center capabilities (for example, with the SAP Employee Interaction Center and Oracle's PeopleSoft HR HelpDesk). There are a small number of specialist vendors, such as Enwisen and Neocase Software, that focus on HR shared services, and successfully compete with the ERP-based offerings.

**Position and Adoption Speed Justification:** Many organizations have moved or are moving to a shared-services model in HR. This is especially common with large, complex organizations (see "Leverage a Multitier HR Service Delivery Model to Improve Efficiency"). As shared services mature, we are seeing an increasing focus on tools and processes to bring tighter process control and measurement to running the HR shared-service center. The best HR shared-service centers now have a level of sophistication mirroring CRM call centers. HR business process outsourcing (BPO) providers also use these tools to improve BPO operations.
**User Advice:** It is tempting to assume that HR call center functionality needs can be met by IT ticketing systems, but the need for privacy and security requires specialized functionality. Compare the offerings from your core HR/ERP vendor against specialist vendors that have a track record in HR shared services. As shared-service centers mature, there is an increased focus on service-level agreement management and streamlined process redesign. Knowledge and policy management is vital for successful shared-services deployment, so ensure that you include these in your assessment. Also assess integration capabilities; you should expect significant out-of-the box integration to HRMS, knowledge management and telephony services.

**Business Impact:** A poorly run shared-service center can derail the whole HR function. Building a stable foundation for improved HR administration can significantly cut HR costs, and will lead to better employee service. Effective deployment of these tools will help reduce HR administrative costs. Successful shared-service projects often lead to cost reductions of 30%.

**Benefit Rating:** Moderate

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Enwisen; Neocase Software; Oracle; Peopleclick Authoria; SAP

**Recommended Reading:**
- "KPIs for Top Human Capital Management Processes"
- "HR Self-Service Applications Defined"
- "Leverage a Multitier HR Service Delivery Model to Improve Efficiency"
- "Under the Radar: Enwisen Grows 59% in 2009"

**Social-Learning Platform**

**Analysis By:** Jeff Freyermuth

**Definition:** A social-learning platform is an extension of traditional systems for learning management and learning content management that incorporates social-software features to support structured social, informal and formal learning activities. A social-learning platform provides learners with the ability to:

- Establish a presence or social profile that reflects their expertise and interests.
- Create, discuss, share and capture learning content as learning objects.
- Organize and find learning objects from a variety of sources, such as search or peer ratings.
- Interact with peers in their social networks, and reach beyond their networks to find other trusted sources of insight.
- Engage in experience-based learning exercises.

**Position and Adoption Speed Justification:** A higher percentage of employees, customers and partners are looking to social-software features to support a more collaborative learning environment. Over the past couple of years, vendors have adopted product development strategies that are social-learner-centric. The vast majority of vendor product offerings now incorporate social-software features, and learning organizations have begun to move beyond simply exploring how to best use these new options. Social-learning platforms have advanced as companies and educational institutions have begun to tap into the collective knowledge of their
employees, customers, partners or students and to help increase the organization's capacity to learn. These platforms better support the requirement of learners to receive learning as needed in smaller, more-digestible doses. This category of software also acknowledges the importance of social networks and the need to access the expertise of colleagues.

**User Advice:** Organizations that have applications installed for learning and content management should re-engage with their vendors to better understand their latest product releases and development road maps for enhancing systems with social-software features. If their vendors do not currently offer these features and the time frame for development is too far off, organizations should consider alternatives or should look for solutions that can be easily integrated into the learning architecture.

Solutions already in place are preferred over solutions procured specifically for learning purposes. Organizations that do not have systems for learning and content management, or that are looking to consolidate multiple learning applications, should add support for a social-learning platform as an important evaluation criterion.

**Business Impact:** The social-learning platform gives learners the ability to establish a presence or social profile that reflects their expertise and interests; create, discuss, share and capture learning content as learning objects; organize and find learning objects from varied sources, such as search or peer ratings; interact with peers in their social network and reach beyond their networks to other trusted sources of information; engage in experience-based learning exercises; and receive real-time, online coaching and support.

**Benefit Rating:** High

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** Blackboard; Certpoint; Cornerstone OnDemand; Element K; GeoLearning; IMC; Learn.com; Meridian Knowledge Solutions; Moodle; Mzinga; Oracle; OutStart; Plateau; RWD; Saba; SAP; SilkRoad technology; SkillSoft; SumTotal Systems

**Recommended Reading:** "Case Study: Cisco Creates a Social Learning Community"

"Key Issues for Corporate Learning Systems, 2010"

"Magic Quadrant for Corporate Learning Systems, 2009"

"The Business Impact of Social Computing on Corporate Learning"

**Workforce Planning**

**Analysis By:** Thomas Otter

**Definition:** Workforce planning is the systematic identification and analysis of what an organization will need in terms of the size, type and quality of workforce to achieve its objectives. It determines what mix of experience, knowledge and skills is required, and sequences the steps to get the right number of the right people in the right place at the right time. Recently, a set of software solutions has emerged, enabling better workforce planning.

Variants of workforce planning have been around for at least 15 years. Some refer to it as head count planning or head-count-based budgeting, and it has been part of some traditional budgeting, planning and forecasting solutions. These traditional solutions focus more on the financial aspects of workforce planning. They enable managers to plan employee costs by forecasting full-time-equivalent, head count, salary/pay rates and other employee-related
expenses. These tools have not been used to help organizations identify workforce requirements (resource requirements and talent inventory) or to understand how these requirements change as business needs change.

During the past few years, a set of software solutions has emerged that takes a more strategic view of workforce planning. These tools not only help support a financial budgeting exercise, but also help support a more in-depth view of the supply and demand for talent in the organization and how these needs change as business drivers change. The leading tools utilize increasingly sophisticated scenario planning and algorithms, often adapted from other predictive disciplines. Improved visualization capabilities enable HR leaders to seek patterns and trends in the workforce data.

**Position and Adoption Speed Justification:** There has been strong interest in workforce planning in 2010. We have seen SuccessFactors acquire InfoHRM, and several other talent management vendors strengthen their offerings. Leading human capital management (HCM) visualization vendors have also expanded into workforce planning. Inquiry volumes also indicate growing client interest in workforce planning. As HR departments deploy more sophisticated analytics tools and practices, we expect a greater adoption of workforce-planning tools and practices. Demographic pressures and increasing complexity resulting from the growing use of contractors, outsourcers and remote workers are also likely to spur adoption.

**User Advice:** Understand what you are trying to accomplish with workforce planning. Different tools in the market have different strengths. Use traditional head count-planning tools if the goal is only to support a financial-planning process. Use the specialized tools if you want better-segment talent and understand how changes in business drivers affect talent requirements. Ensure that there is alignment between workforce planning and workforce analytics (plan what you intend to measure), and where these technologies integrate with planning tools. Early adopters are now applying social-network analysis to workforce planning. Learn from other successful projects (see "Case Examples Illustrate Best Practices in Workforce Planning and Analysis"). HR leaders should look to develop competence in Pattern-Based Strategy.

**Business Impact:** Line managers, HR personnel and executives should use strategic workforce-planning tools to understand what talent is required to support desired business outcomes. These tools should help line managers and HR understand where they have or will have talent gaps, and the criticality of these gaps. This information can be used to inform appropriate talent management strategies (for example, hiring and development) to fill the gaps. Leading companies combine people-related data with other industry trends, such as robotics in manufacturing, to create scenarios for long-term plans.

**Benefit Rating:** High

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** Acquire; Allocate Software; Aruspex; HumanConcepts; OptTek Systems; Orca Eyes; SuccessFactors; Vemo

**Recommended Reading:** "Best Practices: Workforce Analytics Skills Are Vital for Effective Cost Optimization"

"Findings: Social Network Analysis Prevents a Critical Loss During a Layoff"

"Technology Overview for Workforce Planning"

"Case Examples Illustrate Best Practices in Workforce Planning and Analysis"
HCM Visualization

**Analysis By:** Thomas Otter

**Definition:** Organizational data lends itself to visual display and manipulation. Human capital management (HCM) visualization is the collation, display and manipulation of HCM data through Web-based, and highly visual and interactive hierarchical tools. These tools can be used for organization charting, to perform analytics, to assist with succession planning and to model future organizational capabilities. Initially, these tools filled a gap in ERP functionality, but they are increasingly being used for more-value-added activities, such as merger-and-acquisition analysis and succession planning. These tools extract information from HCM/ERP systems and display them in a more intuitive way; they can also serve as data entry tools. These tools have been built by specialist vendors and provide standard integration with major HCM/ERP applications. Several talent management vendors have built visualization and charting capabilities into their applications. This improves usability, navigation and reporting.

**Position and Adoption Speed Justification:** Over the past two years, we have seen a steady growth in client inquiries on HCM visualization, as organizations look to leverage data in HCM/ERP systems.

ERP vendors and most HR management system vendors have not provided adequate organization charting capabilities. During the past decade, several vendors have emerged to fill the gap. Basic organization charting is widely deployed, but the use of the charting solution as a basis for more analytical and strategic work is growing rapidly. Strong visualization is a key user requirement, especially for talent management applications. Several talent management vendors have introduced strong visualization features in their products. The market for HCM visualization tools continues to grow at more than 30%, as HR users and line managers demand better tools to interpret HCM data.

We see three trends:

- Talent management vendors will continue to enhance charting and visualization capabilities in their products, especially for processes such as succession planning.
- Charting providers will continue to expand their functionality beyond charting into succession planning and other talent management processes.
- ERP vendors will partner closely with or acquire charting tool providers.

Richer visualization has become a key HCM solution requirement. Use has also grown for tools that visualize social network data (see "Social Network Analysis: What A Difference an 'A' Makes"). Interaction between social-networking visualization and organization visualization will likely be the next step.

**User Advice:** Consider deploying a specialist visualization tool to meet user demand for up-to-date organization charts. It is a waste of resources to have people building organization charts in PowerPoint simply because the ERP vendor tools do an inadequate job of publishing organization charts. Using PowerPoint to build charts is harder than it looks, so avoid trying to program such a solution yourself with desktop spreadsheets. A Web-based charting tool will remove the confusion caused by multiple, often out-of-date, reporting charts.
Consider using organization charts to perform more-sophisticated analytics and modeling. A strong case for these tools can be made in times of mergers and acquisitions, or when reducing the workforce (see "Best Practices: Workforce Analytics Skills Are Vital for Effective Cost Optimization").

Visualization tools are useful as data capture tools to load HR organizational data into ERP and HR systems when implementing data. These tools help users get the reporting and hierarchical data right. Consider integrating charting tools with other non-HR data sources, such as Lightweight Directory Access Protocol (LDAP) directories. They can also be used to display financial structures, such as cost centers and general-ledger structures.

If you have deployed a talent management application, then evaluate the built-in charting and visualization capabilities. Several vendors have sophisticated features as part of their offerings; therefore, leverage this to provide better management information.

Build the organization chart on top of your strongest, most-consistent and richest data sources. This may be your talent management data or your ERP data. The better the data source, the better the chart, and the more managers will rely on it. The more often organization charts are viewed, the more likely they are to be up to date.

**Business Impact:** By simply displaying an accurate organization structure, HR can help create transparency and organizational efficiency, as well as improve communication. Providing line managers with an easy-to-understand visual view of their teams will also improve manager self-service adoption. Better visualization improves usability. If the HR group uses HCM visualization tools to build scenarios for mergers and acquisitions, then HR can create significant business impact. These tools are also useful for planning head count reductions.

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Aquire; Authoria; Cezanne Software; HumanConcepts; Ingentis; Nakisa; Saba; Sonar6; SuccessFactors; Taleo; Worklogix

**Recommended Reading:** "Best Practices: Workforce Analytics Skills Are Vital for Effective Cost Optimization"

"Defining the HCM Visualization Market"

"Competitive Landscape: HCM Visualization Software, Worldwide, 2010"

"Emerging Technology Analysis: Rapid Innovation Drives the HCM Visualization Software Market in 2009"

**At the Peak**

**HR Transformation**

**Analysis By:** Rolf Jester

**Definition:** HR transformation services aim to reinvent an organization's approach to its HR function. This is not just incremental process improvement, and it affects not just the HR function; it is a major change to make the entire enterprise more competitive. Hence, the key buyer will often be the CEO, rather than the senior vice president of HR. For the organization, this can be disruptive, but highly valuable. For the HR function, this means, among other things, developing a
superior ability to attract and retain skilled workers and follow their progression through the human capital life cycle. For the service provider, HR transformational success depends on both high-level and deep understanding of the client enterprise's business.

The transformational services bundle consists of specialist HR consulting, development, integration and application services (as well as related technology) that purport to revolutionize the way an enterprise manages the HR function and its associated processes. HR transformation prerequisites include:

- Intimate process knowledge of HR as a function — Human capital management, governance and reporting should be core service competencies for any provider offering HR transformation services.

- Deep business consulting capability in enterprise and functional performance improvement, change management and organizational design — In any given transformational initiative, additional consulting specialties (such as those dealing with an enterprise's process requirements) and other services (such as those that focus on a change of culture) might be needed as well.

- IT consulting, process design, development, and process and technology integration capability, including in-depth experience with enterprise systems and large integration and implementation projects.

- The ability to advise on sourcing strategies and options — Outsourcing is neither a prerequisite nor a synonym for transformation. However, it is likely that any transformational effort will require the review of various internal and external options to deliver services, including outsourcing, "offshoring" and shared services.

- Own or partner-sourced capability for implementing and integrating the HR solutions for the required processes.

These services and products must be integrated and delivered to produce systemic change, with a focus on defined and measured business value.

**Position and Adoption Speed Justification:** As a concept, HR transformation services have been discussed for at least a decade, and the components of the service have existed even longer. Enterprises have long recognized the need to improve the effectiveness of their overall HR strategy and HR functions and have sought ways to do so under the broad heading of "transformation." One of the main drivers has been the need, shown by our CIO research, for improving employee effectiveness as a business priority. We believe, however, that the early transformational efforts were actually overhyped incremental process improvements and cost takeout projects, frequently tied to an ERP implementation or a decision to pursue HR business process outsourcing or shared services. Too many put the IT cart before the business horse. The real transformational efforts — and related service offerings — began to pick up momentum only in the past few years, as enterprises highly dependent on increasingly scarce skilled resources recognized the need to reinvent their human capital strategies to remain competitive. Even so, most organizations are planning to focus on selected individual HR initiatives, such as self-service or talent management. Very few currently have comprehensive HR transformation plans.

Although ultimately the overall objective of improving the talent "engine" will remain, the recession changed the short-term imperatives for almost all organizations: short-term exigencies forced a focus on more-immediate necessities and shorter-term payback. Hence, the overall appetite for transformation diminished, and shorter projects have dominated the consulting and system integration landscape. The current recovery, more advanced in some regions than others, should
change that, but has not yet done so. There is some way to go before transformational programs involving HR become mainstream.

Our positioning of HR transformation consulting and system integration services on the Hype Cycle reflects our view of when “real” HR transformation comes into play, as distinct from predominantly cost-driven enhancement projects unhelpfully labeled as transformational. We believe that there has been only little change in position during the past year due to the recession. The extended time to maturity reflects the fact that genuine transformation is hard, with few organizations having the ability to manage such major programs successfully. As with any major enterprise-wide change, adoption is slow and typically initiated by Type A early-adopter enterprises, or those that have had a precipitating event or crisis compelling them to act. This includes a significant change in top management, strategy or ownership, or an overall loss of global competitiveness. We expect a modest resurgence of demand for these services, now that the world is emerging from the recession, but there will be a lag.

**User Advice:** Our advice to end users continues to be: Let the buyer beware. Few providers possess the full breadth and depth of capability needed to deliver true HR transformation. The following are essential characteristics of providers being evaluated for an HR transformation project:

- The overall approach to, experience with and methodology for transformation — If the provider begins the transformation discussion talking about outsourcing or ERP implementation, consider that a danger sign. True transformational offerings will be integrated, led by strategy and process, and grounded in a vision of the HR function as a competitive advantage, not as an administrative expense.

- Depth of experience in your industry sector and in your business specifically.

- Ability to demonstrate deep, HR-specific expertise in relevant management consulting, IT consulting and technology implementation disciplines — Change management, organization design and process improvement expertise are particularly important.

- Understanding of and experience in developing HR strategies, with emphasis on effective best-in-class HR functions.

- Ability to advise on the multiple sourcing options.

- Depth in HR processes and their implementation via HR applications.

- Willingness to work with you to create a flexible, phased project plan. Transformation projects assume a higher level of risk acceptance on the part of the buyer and provider, because outcomes are not well-defined and many factors can inhibit revolutionary change. Therefore, a phased approach, with defined value outcomes, metrics and actual pauses for measuring outcomes, is sensible risk management.

- Ability to demonstrate an effective comanagement approach that meshes with your own organizational culture.

- Ability to execute globally (and locally in all the relevant locations), or your ability to manage a multiplicity of local HR consultants to deal with the unique requirements in each country.

At the same time, the nature of any transformational program means that such an initiative must have been originated by the chief HR officer, senior vice president of HR or even by the CEO and be actively sponsored by an executive at a very senior level.
**Business Impact:** Business impact (and risk) is high, because it affects the ability of an enterprise to manage all aspects of human capital, which can be a critical factor in an enterprise's strategy.

**Benefit Rating:** High

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** Accenture; Buck Consultants; Deloitte; Hewitt; IBM; Mercer Human Resource Consulting; PricewaterhouseCoopers; Towers Watson

**Recommended Reading:** "Market Trends: Human Resources BPO, Worldwide, 2007"
"Comprehensive HR BPO for Strategic Talent Management Remains Elusive"

**Biometrics for Time and Attendance**

**Analysis By:** Gale Daikoku

**Definition:** Biometric technologies provide an automated and accurate determination of individuals' identities based on their biological characteristics (such as fingerprints, face topology, hand topology, iris structure and retinal structure) or behavioral characteristics (such as signature dynamics, typing rhythm and voice). In retail, biometric implementations mainly take the form of fingerprint scans, which are used to authenticate the identity of store-level associates punching in and out of shifts, to accurately track and manage time and attendance.

**Position and Adoption Speed Justification:** This technology has been deployed chainwide by many large retailers managing tens of thousands of employees, including grocers, drug chains, and both apparel and specialty retailers. During the past 12 months we have seen an increase in demand for this technology, which we attribute to improvements in the technology and clock pricing. It is not typically deployed as a stand-alone initiative, but rather as a part of a larger time and labor management upgrade.

**User Advice:** Retailers that are evaluating updating or upgrading their store-level workforce management processes, and seeking more-effective ways to manage labor budgets — especially compliance to legal labor requirements — should consider the business benefits of biometric technology for managing the time-keeping process. In certain "dirty" environments, such as in manufacturing operations and warehouse distribution environments, users should expect usability challenges.

**Business Impact:** Fraudulent time-and-attendance practices, including "buddy punching" (employees punching in or out for coworkers) and time spent "fooling around," can be reduced with this technology. Biometric technology has been especially effective at eliminating time-and-attendance fraud brought about by employees buddy punching, estimated to be 1% to 2% of payroll costs. Retailers can stop paying for unproductive or unapproved labor hours by deploying biometric readers at the point of work (at a point-of-sale terminal or in the work area), so that employees sign in there, as opposed to at the back of the store, away from their responsibilities.

**Benefit Rating:** Moderate

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Emerging

**Sample Vendors:** DigitalPersona; Inducomp; JDA Software; Kronos; RedPrairie
**Recommended Reading:** "Key Trends in Retail Time and Labor Vendor Landscape"

"Contactless Payment and Biometrics Remain Solutions Looking for a Problem"

"MarketScope for Retail Time and Labor Applications"

**Onboarding**

**Analysis By:** Thomas Otter

**Definition:** Onboarding is the business process that companies execute from the point at which a job applicant has accepted an offer of employment to the point at which the new employee is productive in his or her job. The onboarding process includes administrative activities (for example, enrolling in benefits), provisioning activities (for example, assigning office space, user identification and employer property), orientation, connecting with colleagues and training. Some organizations include employee performance management activities as part of the onboarding process (for example, goal setting or a 90-day performance review).

**Position and Adoption Speed Justification:** Solutions to support the onboarding process emerged in 2005. These solutions have three primary components:

- Forms management — to support the administrative activities
- Task management/workflow — to ensure that the provisioning activities are completed in a timely fashion
- A new-hire portal — to support orientation, training delivery and new-hire communications

From 2009 to 2010, we have seen vendors embed social-software capabilities into onboarding processes. Onboarding is often a good starting point for social-software deployment in an HR context, as it helps new employees connect with each other and management, and ask questions in an informal setting.

These solutions typically come from e-recruitment software vendors, but there are stand-alone providers as well, such as Enwisen. In addition, vendors that offer broader talent management application suites have also integrated onboarding with employee performance management and learning. There has been strong adoption of onboarding solutions, because the process has been difficult to manage manually.

**User Advice:** Companies that hire more than 200 people annually should consider using an onboarding solution. Onboarding is an ideal starting place for applying social-software concepts. As the users of the solution are, by definition, “new,” change management is not a big issue.

Focus on the basics. Help employees get the administrative activities out of the way quickly, and connect them with colleagues. Don't overengineer the onboarding process.

It should be relatively easy to measure project success, as you can survey a sample of new employees before and after deployment.

**Business Impact:** Onboarding solutions will help enterprises ensure that all the activities required in the new-hire process are completed in a timely fashion. In an environment where employee tenure continues to diminish (it is expected that people coming into the workforce will have more than 20 jobs by the time they retire), it is critical that new hires become productive as quickly as possible. Onboarding solutions can help make this possible. In addition, a poorly executed onboarding process can reduce employee engagement from the new hire and can negatively affect the employer brand.
**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Cornerstone OnDemand; Cytiva; Enwisen; Peopleclick Authoria; Saba; SilkRoad technology; Taleo

**Recommended Reading:** "Magic Quadrant for E-Recruitment Software"

**Succession Management**

**Analysis By:** Jeff Freyermuth

**Definition:** Succession management solutions allow companies to better identify, develop and retain high-potential talent for critical roles. The key business impact has shifted from ensuring organizations are in a position to backfill senior leadership, to a much broader focus on developing and retaining the future leaders of the organization.

With new succession management solutions, leading organizations are beginning to take that broader view. Enterprises are still concerned about "bench strength" — that is, having enough qualified resources in reserve to move into critical positions — but they have expanded the scope of use further down into the organization. The emphasis, however, remains on using the functionality to support the development and retention of the next generation of leaders. Succession planning is now generally viewed as part of a broader, more-integrated talent management strategy.

**Position and Adoption Speed Justification:** For years, stand-alone solutions for succession planning and spreadsheets supported the old style of succession management. The current generation of succession management solutions comes from vendors offering employee performance management (that is, 360-degree assessment functionality), which can be used to support talent reviews and identify high-performing/high-potential employees. These talent reviews identify development opportunities to prepare employees to assume future roles.

The current generation of succession management tools has yet to be widely adopted. Although, given the potential skills shortage driven by the aging workforce, Gartner predicts that organizations will increase their interest in succession management to prevent gaps in critical talent. We've observed a pickup in interest and demand coming out of the latest recession over the past 18 months. Tools are increasingly offering strong visualization capabilities, enabling managers and HR executives to view alternative organization charts, and easily spot gaps in organization structures.

**User Advice:** Use succession management solutions, integrated with employee performance management, career development and learning solutions, to develop and retain the next generation of leaders in your organization. Organizations with critical roles that may be affected by the aging workforce and by employee churn should look to succession management tools to ensure limited business disruption as workers retire or leave. Evaluate talent management vendors, the current versions of ERP offerings and human capital management visualization tool providers.

**Business Impact:** Succession management affects business in two major areas: mitigating risk and developing more-capable leaders. It mitigates the risk of losing key talent through proactive planning and bench strength development. Succession management solutions, via integration with employee performance management and career development applications, can help organizations prepare future leaders for new roles.
Benefit Rating: High

Market Penetration: 5% to 20% of target audience

Maturity: Adolescent

Sample Vendors: Aquire; Cezanne Software; Cornerstone OnDemand; Halogen Software; HRsmart; HumanConcepts; Jobpartners; Kenexa; Meta4; Nakisa; Oracle; Peopleclick Authoria; Pilat HR Solutions; Plateau; Saba; SAP; SilkRoad technology; Softscape; StepStone; SuccessFactors; SumTotal Systems; Towers Watson; Workstream

Recommended Reading: "Technology Overview for U.S. Midmarket Human Capital Management Solutions"

"Magic Quadrant for Employee Performance Management Software"

"Top Processes for Human Capital Management"

Expertise Location and Management

Analysis By: Michael Maoz

Definition: Expertise location and management (ELM) involves identifying human expertise, determining the status of that resource and integrating the person into the interaction process. ELM offers ways to maintain in-depth representations of skills, geographic locations, availability and other parameters relevant to the use of the expertise. ELM has broader impact than customer service — for example, internal use for large, multinational organizations where the corporate directory is inadequate.

Position and Adoption Speed Justification: ELM requirements have changed from the traditional approach of “find the resources with the correct skills” to an approach in which the resources must be integrated into dynamic customer interaction processes. This occurs in real time, in one of several possible interaction channels. There is increased interest in automatic identification and skills capture, because of new ways of building dynamic user profiles, based on "attention metadata" — that is, by looking at what users are actually doing.

Social-networking trends support this advance. E-mail analysis, social bookmarks and tagging, for example, have valuable side effects in capturing information about an individual's interests or expertise. This information has uses beyond expertise location (for example, in identifying "like minded" individuals), which promotes collaboration. Although some of the technology for ELM is mature, new vendors (such as Cisco) with products that tap more deeply and broadly into user activities are creating new expectations and awareness of this technology, which is adding to the hype.

User Advice: ELM is most successful when it targets the solving of business problems that are difficult to articulate or communicate explicitly and involve highly skilled people. In customer service, website users may encounter situations in which they need human assistance for a brief part of the overall interaction, or a service agent in a contact center may need the intercession of an expert to supply an answer, or the agent may need to transfer the call to an expert.

Dynamic people profiles and searches are increasingly seen as integral components of a support environment that encourages unplanned collaboration and informal interactions as effective ways to solve business problems. ELM increases productivity and organizational success by identifying and locating resources in globally dispersed and increasingly virtual organizations. It's important to identify activities that would benefit from the easy identification of experts or, more generally,
the ability to search for people according to their interests or experience, and to consider deploying the relevant technology to do so.

The privacy implications of ELM should be considered carefully. In all cases, this technology should be deployed with care, with adequate training to prevent misuse and allay concerns over privacy violations. Profiles are key, as is the process of expertise identification. In CRM and learning, ELM needs to be more formal (for example, profiles must allow for expertise tagging). In informal communities, ELM is more a function of progressive disclosure.

**Business Impact:** ELM can improve effectiveness in contact centers, websites and kiosks for customer problem resolution, as well as improve relationship- and community-building.

**Benefit Rating:** High

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Adolescent

**Sample Vendors:** AskMe; Cisco; Hoover's; IBM; SAP; TRG SATMAP; XpertUniverse

**HRMS (SaaS)**

**Analysis By:** James Holincheck

**Definition:** Human resource management systems (HRMSs) are used to manage the administrative functions for an HR organization, including personnel, benefits and payroll administration. In addition, HRMSs typically include self-service functions that enable employees and managers to interact with the system. HRMS solutions (and payroll services that leverage a SaaS application) have been in place for more than 40 years. However, it is a relatively new phenomenon for a comprehensive HRMS to be offered through a software-as-a-service (SaaS) model.

**Position and Adoption Speed Justification:** SaaS has become the preferred model for leading vendors in the HRMS midmarket; however, the SaaS model is not widely used by large enterprises for their HRMS needs. Analysis of inquiries in 2010 shows that larger enterprises are becoming interested in SaaS alternatives to ERP HRMS solutions. The global functionality and flexibility of solutions continues to improve, and early customer deployments are being completed successfully. Many customers are facing investments in major upgrades to their ERP-based HRMS solutions and are assessing whether the total cost of ownership (TCO) for the SaaS model may be less than their existing solutions — in some cases, it is; in other cases, it may not be.

Users are becoming tired of waiting — in many cases, for four to six years — for vendor upgrades to deploy functional enhancements released by the ERP vendors every two to three years. Although the ERP vendors have introduced methods to get new functionality faster, they have not been widely adopted, and HR users are interested in the SaaS model, which typically provides new capabilities three to four times per year. Finally, SaaS vendors have focused on refining their user experience as they produce more-frequent releases.

We have placed HRMS (SaaS) at the peak on the Hype Cycle. We have put it there to reflect adoption by midmarket organizations and increased interest from large enterprises. We also recognize that — for large-scale, global implementations — there are still relatively few full deployments in the SaaS model. It is possible that, as more of these deployments occur, the same challenges faced by traditional deployments will also affect SaaS deployments (which could move it into the Trough of Disillusionment). As these events unfold, we expect it to take five to 10 years to get to the Plateau of Productivity.
**User Advice:** Consider the SaaS model for HRMS if you have:

- Limited IT resources
- A limited budget
- The desire for new functionality to be delivered faster, with lower-impact upgrades

Because SaaS HRMS solutions are usually based on a subscription-licensing model, they can be purchased through an operating expense budget, rather than as a capital expenditure. Thus, the upfront cost is less for a SaaS Solution, but the ongoing TCO may not be less. It is important to do a cost analysis (especially if the vendor offers choices) to help determine which model is best.

**Business Impact:** HR departments and HR IT organizations will benefit from faster deployments, lower upfront costs, and more-frequent delivery of new HRMS functionalities via the SaaS model.

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** ADP; Ceridian; Lawson; Meta4; NorthgateArinso; NuView Systems; Ultimate Software; Workday

**Recommended Reading:**
- “Workday 10 for Human Capital Management Is Emerging as a Global Alternative”
- "SaaS Impact in Human Capital Management"
- "Cloud Computing and HR"
- "Technology Overview for U.S. Midmarket Human Capital Management Solutions"

**Talent Management Application Suites**

**Analysis By:** James Holincheck

**Definition:** Talent management application suites (TMAS) include an integrated set of applications encompassing the employee life cycle, including workforce planning, talent acquisition (e-recruitment and contingent workforce management), performance appraisal/assessment, career development, succession management, learning management and compensation management. Some core HR management systems (HRMSs), which support personnel administration, benefits and payroll, also include talent management capabilities.

**Position and Adoption Speed Justification:** Each individual application (such as succession planning) is further along the Hype Cycle than are TMAS as a whole. However, the integrated suite, and its adoption by customers, emerged a few years ago. There have been many mergers and acquisitions among vendors, many of which began as point solution providers, to put together an integrated TMAS. The marketing message of the vendors is now clearly focusing on the advantages of a suite, such as a more consistent look and feel, and shared data models. ERP vendors continue to position integrated TMAS as part of a broader human capital management (HCM) offering.

During the past year, Gartner client interest in suites has continued to grow, especially for software-as-a-service (SaaS)-delivered solutions. SaaS delivery, while driving adoption today, will become less of a differentiator as the adoption of SaaS for core HRMS solutions increases. However, many clients are still buying point solutions or groups of modules to meet specific use
case needs (attract and retain talent, develop talent, improve pay for performance), partly because the suites lack maturity, and also because many HR departments remain relatively siloed.

User Advice: Do not expect to find a TMAS that provides the depth and breadth of functionality across all applications. For example, vendors that are strong in learning management don’t have strong e-recruitment capabilities. During the past year, several vendors have made significant enhancements in their offerings, but no single vendor offers a complete TMAS that is consistently strong across the suite. Balance your need for best-in-class functionality with the desire to simplify integration and vendor management. Reduce the number of vendors as the depth and breadth of solutions improve, to further ease integration and vendor management.

Many customers, especially large enterprises, have recruitment solutions. There has been significant uptake of performance appraisal and competency assessment, as well as learning solutions, but less adoption of succession management and compensation management solutions. That is changing as more companies come to view performance and succession management as an integrated set of capabilities. In addition, more customers are interested in integrated performance and compensation management to support efforts for linking pay to performance. Other organizations are investing in integrated performance, development and learning.

Start your integrated talent management efforts with the use case where you have the greatest challenges, as well as the most potential benefits. Look at the providers that are strongest in those areas, while also providing a broader set of capabilities. Carefully examine the integration between the TMAS components. In many cases, this is still a work in progress.

Business Impact: Done correctly, integrated talent management is strategic, because it can help operationalize talent programs and initiatives that can directly drive business outcomes. As CEOs prepare for the return to growth, they may start taking talent seriously as a resource on the level of capital, intellectual property and other corporate resources. Beyond demographic issues that affect the supply side, organizations will want to maintain the stricter head count regimes they put in place during the recession, but also will want to focus on growth in their businesses without loosening the hiring controls excessively. The same logic will increase the focus on performance management, learning management and the other functions, and will encourage suite adoption.

Benefit Rating: High

Market Penetration: 5% to 20% of target audience

Maturity: Adolescent

Sample Vendors: Cezanne Software; Cornerstone OnDemand; Halogen Software; Jobpartners; Kenexa; Learn.com; PageUp People; Peopleclick Authoria; PeopleStreme; Plateau Systems; Saba; Salary.com; SilkRoad technology; Softscape; StepStone; SuccessFactors; SumTotal; TalentSoft; Taleo; umantis

Recommended Reading: “Building the Benefits Case for Talent Management Application Investments”

“Magic Quadrant for Employee Performance Management Software”

“Magic Quadrant for E-Recruitment Software”

“Magic Quadrant for Corporate Learning Systems”

“Global Talent Management Isn't Just Global”
Store-Based E-Recruitment

**Analysis By:** Gale Daikoku

**Definition:** Store-based e-recruitment software automates the requisition-to-hire process for field-based hourly staff in an integrated solution. These solutions are typically offered via a software-as-a-service (SaaS) model and can be quickly deployed, often in less than 90 days. Many large retail organizations, including Best Buy, Toys"R"Us, Macy's, Gap, OfficeMax, Tesco, Marks & Spencer, Blockbuster, Petco, Restoration Hardware and McDonald's U.K., are using these solutions to streamline the staffing process for store management by screening and prioritizing applicants for open positions.

**Position and Adoption Speed Justification:** E-recruitment software that focuses on the recruit-to-hire process for field-based hourly (nonexempt) retail workforces has been around for several years. Many large, global retailers are using these solutions to improve the efficiency and recruit-to-hire process for store-level management. Gartner expects to continue to see large retailers pursue these types of initiatives as a priority. This will eliminate an administrative burden for managers so that they can spend more time with associates and customers on the selling floor. While the major pain point is improving store-level hiring for hourly associates, Gartner is seeing increased demand from large retailers seeking a single solution to manage hourly and corporate/salaried employees and expects this trend to continue. A continued high level of interest in leveraging the potential of social media as both a recruiting tool and candidate lead channel supports the hype that keeps this technology near the Peak of Inflated Expectations.

**User Advice:** E-recruiting solutions for the field-based, hourly workforce are very different from the recruiting solutions for salaried workers typically offered by human resource management system or ERP vendors. The best functionality and flexibility supporting the business process requirements for field-based/store staffing continue to come from niche e-recruitment vendors. Because more vendors in this space are now updating their solutions to manage salaried/corporate hiring, retailers should evaluate the possibility of migrating to a single tool to support a broader enterprise talent strategy.

**Business Impact:** E-recruiting not only automates the applicant-tracking-to-hire process, but significantly minimizes the time spent by overburdened store managers on interviewing candidates by prescreening and narrowing the field to highlight the most-qualified, most-compatible candidates for open positions.

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Cytiva; Kenexa; Kronos; Peopleclick Authoria; Taleo

**Recommended Reading:** "Case Study: Best Buy Invests to Hire the Best"

"Case Study: McDonald's U.K. Improves Recruit-to-Hire Process"
Sliding Into the Trough

Performance Appraisal/Assessment

Analysis By: Jeff Freyermuth

Definition: Performance appraisal/assessment solutions help organizations manage goals and objectives, assess competencies (self-assessment to 360-degree assessment), and create performance appraisals and developmental plans.

Position and Adoption Speed Justification: The market demand for performance appraisal/assessment solutions remains high, but the majority of companies have not fully deployed all of the functionality. A customer reference survey for the "Magic Quadrant for Employee Performance Management Software" in 2009 showed that most organizations (65% in the survey) use these solutions to automate performance-related processes. Unless more organizations use performance appraisal/assessment solutions to improve organizational performance, rather than simply record it, the gap between the marketing promise and the reality will not close.

User Advice: The greatest value of performance appraisal/assessment solutions is to integrate them with other talent management applications. Look to implement performance appraisal/assessment solutions as a starting point to a broader talent management strategy. Include performance appraisal/assessment in a broader performance management strategy, because it is a mechanism to align employee behaviors with organizational goals.

Organizations should consider the talent management vendors, ERP/human resource management system (HRMS) providers and a few of the leading corporate learning vendors when choosing solutions. A growing number of talent management providers now offer their solutions via software as a service (SaaS). Our "Magic Quadrant for Employee Performance Management Software" found that 50% of customers for the vendors evaluated had adopted SaaS employee performance management (EPM) solutions (of which performance appraisal/assessment is a part).

Business Impact: A high percentage of organizations still utilizes paper forms or uses a word processor to record performance appraisals. Therefore, many companies want to use these solutions to better automate the appraisal process as a first step. More importantly, the opportunity exists to use performance appraisal/assessment more strategically. Leading organizations use these applications to help align corporate goals with individual goals. Many companies use assessment to drive development planning through competency gap analysis. Performance appraisal/assessment closes the loop in terms of a performance management strategy, because it ensures that employees are held accountable and rewarded based on achieving goals and objectives that may be defined in a corporate performance management solution.

We find that organizations look to integrate performance appraisals/assessments with other talent management applications. For example, these solutions are used in conjunction with compensation management solutions to enable pay for performance. In addition, performance appraisal/assessment solutions are integrated with succession management to improve the identification of high-performance/high-potential workers. Moreover, performance appraisal/assessment solutions can close the loop with other applications, such as e-learning and e-recruitment, to better understand the effectiveness of training and quality of hire.
**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** ADP; Cezanne Software; Cornerstone OnDemand; Halogen Software; HRsmart; Jobpartners; Kenexa; Lawson; Learn.com; Meta4; Oracle; Peopleclick Authoria; Pilat HR Solutions; Plateau; Saba; Salary.com; SAP; SilkRoad technology; Softscape; StepStone; SuccessFactors; SumTotal; TalentSoft; Taleo; Towers Watson; umantis; Workstream

**Recommended Reading:** "KPIs for Top Human Capital Management Processes"

"Key Issues for Human Capital Management Software, 2010"

"Magic Quadrant for Employee Performance Management Software"

"Thinking of Forced Ranking Your Employees? Tread Carefully"

**Time and Labor Optimization**

**Analysis By:** Gale Daikoku

**Definition:** These are store-level, integrated applications that automate labor planning, scheduling and time keeping for store management. Solutions are Web-based and provide greater visibility to store-level scheduling practices. Advanced scheduling optimization incorporates many factors, including capacity, staff availability and budget constraints, to produce a schedule that maximizes store efficiency and compliance to labor laws while minimizing budget variance.

**Position and Adoption Speed Justification:** Time and labor management (T&L) applications are not new to large retailers; however, the ability to automate and electronically deliver an integrated time-keeping and scheduling solution is not something all retailers have adopted. Today's vendor technologies are mainly out of the box (configuration versus customization needed) and proven with many more referenceable customers. However, the current position on the Hype Cycle has advanced this technology near the Trough of Disillusionment.

This new position is based on Gartner's awareness of some early-adopting retailers revisiting or replacing existing deployments that fell short of expectations because a vendor's solutions were still evolving, and only a few known retailers have deployed a single-vendor solution capable of supporting an end-to-end T&L management process. Nearly all retailers we speak with about T&L management challenges are seeking guidance about single-vendor solution suite capabilities. Anecdotally, we continue to see most retailers request details of task management capabilities as part of their RFPs. Yet, only a few vendors have commercially available task management applications that support the end-to-end T&L management process. Gartner sees retailers including task management as part of their definition of an integrated T&L management project. Vendors will need to support this requirement.

**User Advice:** Evaluate your end-to-end store-level labor management process, and consider the business benefits to be gained by deploying a single vendor's Web-based T&L management solution. More retailers are choosing to implement, at the very least, integrated T&L and labor scheduling, and we are seeing many retailers include task management in the scope of RFPs and workforce initiatives. In addition, ensure you have established labor standards before you deploy labor scheduling and apply optimization technologies. Without labor standards in place, it is difficult to optimize or impact labor budgets.
**Business Impact:** T&L applications will improve store productivity and labor use. Store capacity and workload will be better matched to deliver the highest value to customers.

**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** InVision Software; JDA Software; Kronos; Oracle; RedPrairie; Reflexis Systems; SAP; Tomax; Torex; Workbrain/Infor; WorkPlace Systems

**Recommended Reading:**
- "Key Trends in Retail Time and Labor Vendor Landscape"
- "Retail Workforce Capabilities of Key Time and Labor Management Vendors"
- "Retail Task Management and the Integration Challenge"
- "MarketScope for Retail Time and Labor Applications"

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**Store Task Management**

**Analysis By:** Gale Daikoku

**Definition:** Store task management applications are deployed to bridge the gap between retailers' sales-planning strategies and operational execution in stores. Web-based and highly configurable, these off-the-shelf applications have helped many large retailers improve the design, planning, execution and monitoring of processes executed in stores. Retail management, both at corporate offices and in stores, can balance the workload sent to stores, have real-time visibility to estate compliance of key store initiatives, and quickly collect and analyze store feedback. Exception reporting and alerts enable the retailer to resolve and respond to store execution issues in a timely manner, which can be the difference between profitability and loss in this tough economic climate.

**Position and Adoption Speed Justification:** Many Tier 1 retailers have deployed task management as a stand-alone workforce solution that has helped them improve their ability to execute promotions and critical recall issues on a timely basis and to corporate management satisfaction. However, most large retailers we speak with are interested in having these capabilities integrated with time and labor solutions to deliver the promise of end-to-end store workforce processes in a single solution. This technology has been around for several years, yet there are only a handful of vendors that have task management in their current time and labor management solutions. Store task management is central to a store's labor planning model, and until these processes and technologies are integrated with core time and labor management capabilities, the benefits will be limited for retailers. Gartner expects deployment of integrated store task management solutions will continue to be a challenge through 2010, and thus fall short of transformational. It is for this reason — that store task management is mainly deployed as a stand-alone application — that we have moved this technology from a transformational to a high-benefit rating as it approaches the Trough of Disillusionment.

**User Advice:** Define your vision for end-to-end workforce management business processes from a planning and store-execution perspective. To maximize business impact when deploying task management capabilities, ensure that you have defined the potential integration points with scheduling applications.

**Business Impact:** Corporate planning, staff productivity and store communications will improve. The solution provides real-time visibility on store-level compliance for corporate or operational initiatives for corporate and field management. While the promise of task management delivered
as part of an integrated solution with labor scheduling could be transformational, the reality is that it is only high impact today when it is deployed as a stand-alone initiative. Task management should be perceived as the glue that helps to optimize an end-to-end workforce management business process.

**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** RedPrairie; Reflexis Systems

**Recommended Reading:** "Key Trends in Retail Time and Labor Vendor Landscape"

"Retail Task Management and the Integration Challenge"

"MarketScope for Retail Time and Labor Applications"

**Workforce Management**

**Analysis By:** James Holincheck

**Definition:** Workforce management solutions for product-centric industries (and other industries with a large percentage of hourly workers) typically include labor scheduling, time and attendance, leave/absence management and, in certain industries, task/activity management. Time and attendance and labor-scheduling solutions are widely adopted, but primarily as site-specific solutions (for example, implemented in a retail store, hospital or a manufacturing plant). Customers want to implement centralized, enterprisewide solutions. For professional service industries, labor scheduling is not as critical. There is more focus on time reporting and integration to downstream project or client accounting solutions. There are also job-specific solutions such as call center workforce management solutions that integrate scheduling and time reporting with other resource management capabilities.

**Position and Adoption Speed Justification:** Time and attendance and labor-scheduling functionality are relatively mature. However, the adoption of integrated labor-scheduling and time and attendance solutions is relatively new. In some industries, such as retail and healthcare, historically, there have been separate and distinct labor schedule and time and attendance markets. In these industries, vendor solutions are deep enough in both areas to enable companies to buy from a single vendor. Web-based time-reporting solutions for service-centric industries have been available since the late 1990s, but adoption has been gradual.

Task/activity management functionality is new, and early adopters have bought solutions from specialist providers. We expect that task/activity management will be folded into the suite of integrated workforce management applications during the next four years. It is this move toward an integrated suite that has led us to change this technology profile from focusing on just time and labor toward a broader workforce management set of capabilities.

We are getting more inquiries from clients about the possibility of standardizing time and labor solutions globally. Today, few organizations have implemented global solutions. This trend should lead to even more solution consolidation as global support from vendors improves.

**User Advice:** If your company is in an industry with a high percentage of hourly workers (such as retail, healthcare and manufacturing), then automate time and labor management. If you have some automation in place (specialty or site-specific solutions), then consider looking for an enterprisewide, integrated time and labor management application to simplify your environment.
For service-centric industries, automate time reporting in conjunction with client accounting/billing or project management (for internal services, such as IT, which are project-centric).

**Business Impact:** Time and labor management solutions can help reduce labor costs, which generally are 20% to 70% of total costs for organizations. In addition, these applications help improve labor efficiency (having the right person in the right place at the right time, working on the right thing). Schedule optimization, in particular, can dramatically improve how resources are used. The leave-management capabilities can help organizations manage what can be a significant liability on the balance sheet (unused, accrued leave). Finally, time and attendance solutions mitigate risk in compliance with regulatory requirements and labor agreements, as well as help ensure accurate payrolls.

**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** API Healthcare; CyberShift; Infor (Workbrain); InVision Software; JDA; Kronos; Oracle; Oracle (PeopleSoft); RedPrairie; SAP; SiSQUAL; WorkForce Software; WorkPlace Systems

**Recommended Reading:** "MarketScope for Retail Time and Labor Applications"

"Managing Employee Absence: Absence Makes the Heart Grow Fonder, and Time Is Money"

**Contingent Workforce Management**

**Analysis By:** Debbie Wilson

**Definition:** Contingent workforce management applications are procure-to-pay solutions configured specifically for the unique requirements of contingent workforce requisitioning, hiring and ongoing management. Typical contingent workforce management application functionality includes:

- Configurable workflow for approving requisitions, work orders and timecards
- Maintenance of the list of preferred staffing suppliers and controls to limit requisition publication to those that are preferred
- Maintenance of internal rate cards for frequently staffed positions
- Market pay rate intelligence for frequently staffed positions
- Automated "match" scoring between the requisition and each candidate
- Side-by-side candidate comparison
- Candidate interview status tracking
- Worker eligibility/certification tracking, including Form 1099 (IRS) validation routing/tracking
- Onboarding/offboarding task tracking
- Online posting of work instructions for hires to download
• Web-based, self-service time cards, with allocations of time and expenses to multiple funding/billing codes
• An interface for integration to timekeeping and/or security systems
• Embedded compensation rules such as overtime payment rates
• Online time card approval
• Consolidated invoice preparation and presentation
• Contingent worker performance tracking
• Worker total-tenure tracking across multiple positions and multiple suppliers
• Embedded analytics for tracking staffing agency performance and spend

Contingent workforce management solutions are available in a variety of configurations, including: as a module of a procure-to-pay suite (for example, Ariba, Oracle E-Business Suite, Oracle PeopleSoft and SAP); as an element of a services procurement offering (for example, Emptoris); as the centerpiece of a pure-play services procurement suite (for example, IQNavigator, Provade and Fieldglass); and as a full-service managed service provider (MSP) with its own technology (for example, WorkforceLogic, Beeline, Covendis Technologies and ProcureStaff Technologies).

Position and Adoption Speed Justification: Over the past year, contingent workforce management solutions have progressed most of the way down the Slope of Disillusionment as current customers validate the benefits and ROI. This technology is poised to bottom out and rise the Slope of Enlightenment during the next year.

User Advice: Companies with significant levels of spending ($30 million or more) for contingent workforce management should consider using this solution type to streamline their processes, rationalize their supply bases, and enhance contingent staffing productivity. Spend of this amount or greater is generally required to achieve a payback.

Business Impact: Customer case studies have shown a 10% to 20% reduction in overall spending on services through the implementation of contingent workforce management solutions because they enforce precommitment review, competitive sourcing and negotiated rate compliance. Moreover, contingent workforce management solutions are often credited with significant process enhancements in the invoice receipt and matching process by leveraging self-billing (evaluated receipt settlement). The overall benefit rating is moderate, however, because contingent labor is only one of many procurement spending categories in an organization.

Benefit Rating: Moderate

Market Penetration: 5% to 20% of target audience

Maturity: Adolescent

Sample Vendors: Ariba; Beeline; Covendis Technologies; Emptoris; Fieldglass; IQNavigator; Oracle; Peopleclick Authoria; ProcureStaff Technologies; Provade; SAP; Skire; WorkforceLogic

Recommended Reading: "Case Study: Jeppesen Gains Agility With Contingent Workforce Management"
"Cut Indirect Costs Now With E-Procurement"
"One-Size Procurement Transaction Tools Don't Fit All"
Field Service Workforce Optimization

**Analysis By:** Michael Maoz

**Definition:** Field service workforce optimization is the ability to optimize the planning and dispatch of complex teams of field service technicians through software algorithms that incorporate technicians' skills, SLAs, severity, real-time travel conditions, parts availability and business rules. This is focused on field service performed at a customer site, rather than maintaining a business's physical plant. Few field service teams require this level of complex management.

**Position and Adoption Speed Justification:** The need to better understand the conditions of equipment, and optimize personnel, fuel and travel time is driving the adoption of optimization software and processes. The technologies exist; however, the software supplier landscape has been unstable. New vendors have emerged, and the older applications are undergoing rewriting to be natively Web-based service-oriented architectures.

**User Advice:** If you meet the criteria of a complex field service organization, then you need to evaluate field service workforce optimization. A complex team could be as small as 50 technicians in a single city, or 5,000 technicians across a region handling a continuously variable number and variety of calls for customer service in the field. These teams need to respond with agility to changing field service demands, and to locate and select the best technician(s) to send to a site. Other types of field service are better-served by the dispatch and planning capabilities that come built into most field service management applications.

**Business Impact:** Field service optimization addresses businesses' needs to reduce the number of dispatchers sending out field service technicians, decrease the number of technicians required to optimize their routes, lower the levels of spare-parts inventories and free up technicians' time to enable them to interact better with customers.

**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** ClickSoftware; Oracle; TOA Technologies; Ventyx

**Recommended Reading:** "Magic Quadrant for Field Service Management"

Immersive Learning Environments

**Analysis By:** Jeff Freyermuth

**Definition:** Immersive learning environments (ILEs) are learning situations that are constructed using a variety of techniques and software tools, including game-based learning, simulation-based learning and virtual 3D worlds. ILEs are distinguished from other learning methods by the ability to simulate realistic scenarios and environments that give learners the opportunity to practice skills and interact with other learners.

**Position and Adoption Speed Justification:** While many of the factors, such as cost, complexity and dearth of vendors, that have inhibited the adoption of ILEs have lessened, the recession of 2009 slowed adoption. The military and higher education are the two primary
industries where these technologies have had higher adoption. A number of vendors have entered the market, which has reduced setup and implementation costs. Although, with the dramatic slowdown in spending in 2009, we did see a couple of vendors (Forterra Systems and Metaplace) go out of business.

The growth of open virtual environments, such as Second Life, has exposed large numbers of people to the ILE concept and reduced user intimidation. However, there are still ease-of-use and reliability issues that must be addressed, as well as the expense of creating very detailed 3D virtual world learning simulations.

**User Advice:** Evaluate the enterprise's receptivity to using ILEs before making significant investments in courseware development. Ensure that an ILE is the most appropriate mechanism to deliver the learning content. Monitor the results of using ILEs. Many organizations find that, while they initially implemented ILEs to reduce travel costs, more-significant benefits accrue from the ability to enable learners to test options in a nonthreatening environment and interact with peers. Organizations that do not have experience in creating ILEs should consider outsourcing their first few projects until they gain the expertise to create their own.

**Business Impact:** Organizations have found that using ILEs results in a more complete skills transfer and better concept retention, because the learning is contextually based. Learners engage in realistic scenarios, can test different options to see which works best and collaborate with colleagues.

**Benefit Rating:** Moderate

**Market Penetration:** 1% to 5% of target audience

**Maturity:** Adolescent

**Sample Vendors:** IBM; Microsoft; nTeams; ProtonMedia; Second Life; Teleplace; Will Interactive

**Recommended Reading:**
- "Cool Vendors in Social Software and Collaboration, 2010"
- "Case Study: Michelin Uses Virtual Environment to Teach Complex Material"
- "Learning Simulations Equip People to Face Crises"
- "Q&A for Virtual Environments: Common Themes Emerge from 3D TLC"

**Comprehensive Human Resources BPO**

**Analysis By:** Robert Brown

**Definition:** Comprehensive HR business process outsourcing (BPO) consists of support for multiple business processes within the HR domain through a singular BPO contract. It typically includes four or more of the subprocesses associated with HR, such as payroll, online benefits enrollment, health and welfare benefits administration, defined contribution program administration, flexible spending accounts, recruiting, background checking, education and training, contingent workforce management, and other HR processes such as "expat" administration, organizational development, compensation planning, and strategy.

**Position and Adoption Speed Justification:** Far fewer companies are buying the full end-to-end scope of comprehensive human resources outsourcing (HRO) at the outset of contracting. Instead, the demand for comprehensive HR BPO services has begun to coalesce around administrative functions (like bundled payroll and benefits administration services) as a first phase of adoption. Once stabilized, these administrative services have given way to incremental phases
of higher-impact talent management services like recruiting, learning, and personnel administration adoption.

Ultimately, the market is at a crossroads. Major trends affecting the maturity of the market in the ensuing year include the increased appetite for global solutions, especially those that “anchor” around global payroll. We’re also seeing increased adoption by the midmarket for more standardized, platform-based options to accelerate speed to solution and replatforming to a common human resource information system as necessary. We’re also seeing a small but growing minority of buyers starting to look at the “unbundling” of the outsourced subprocesses from individual comprehensive contracts and attempting to manage best-of-breed, multiple providers against insourced processes. Consolidation among the competitive landscape is another trend over the past 12 months, with the acquisition of Convergys’ HRO unit by NorthgateArinso, the exit (and eventual sell-off to ACS) of HPES’s ExcellerateHRO unit from the market, as well as the decision by Fidelity HR Services to stop pursuing comprehensive HR BPO deals. Furthermore, Xerox purchased HRO leader ACS.

Stabilization of service, listening to customers, focus on long-term partnerships, and generally making HR BPO “easier to buy” have been major characteristics of our research and discussions with buyers and providers of comprehensive HR BPO services in the preparation of this year’s Magic Quadrant. These elements have largely manifested themselves in the Offering (Product) Strategy, Overall Viability, Market Responsiveness and Track Record, and Customer Experience ratings. Because of the exigencies of the recessionary period, many providers “shifted upward” in the Magic Quadrant, and generally there continues to be less activity around business development and “visioning” for market differentiation.

Throughout the recessionary climate of hard economic times, strategic and complex comprehensive HR BPO services that require significant front-end transition investments and time to implement will likely give way to greater adoption of standardized services (which feature use of alternative delivery models, such as business process utility and SaaS, that are easier to implement in incremental components over time. Investment in platforms that increase the odds of scalability, leverageability and standardization is one of the biggest market trends to be observed. Some of the largest providers that cannot adapt and offer the delivery of this style of comprehensive services will struggle.

User Advice: While many buyers are reluctant to “over-outsource” their HR function, we recommend performing a cost-benefit assessment of the time, systems and interfaces required to manage multiple vendors supporting your outsourced HR functions, compared with the cost of a more comprehensive approach to HR BPO. Part of this assessment also needs to account for the cost of sourcing management that a comprehensive HR BPO contract will need added back to the business case: typically 8% to 15% additionally added on top of the total contract value quoted by the service provider (compared with 5% to 11% for multiple best-of-breed discrete HR BPO deals). And, based on sourcing requirements, think through the processes where improvements and cost benefits may be possible and which benefits might in turn help fund investments in critical nonoutsourced processes that will help sustain the enterprise’s competitive advantage. Comprehensive HRO needn’t be a “big bang” approach. HRO buyers seeking an eventual comprehensive HR solution should look for HRO providers that can add additional subprocesses incrementally to the contract as their needs change over time.

Business Impact: HR BPO can be a strategic catalyst for cost reduction and improvement in quality in the HR function, coupled with an inability or lack of desire to do so through the capital budget or a desire to remove assets from profit and loss, especially among those HR processes that continually fail to attract investment approval. In gaining ease of management through a single provider for services, there is a trade-off because it is unlikely that buyers will get best-in-class solutions and delivery across all the service HR categories. This type of HRO carries a
higher risk because of the relative immaturity of the offerings and lack of standardized process definitions. Generally, in comprehensive HRO deals, Gartner believes that a minimum threshold of 10% to 15% cost reduction should be attained; 20% or more is typically average.

**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Accenture; ACS (a Xerox Company); ADP; CaliberPoint (Hexaware); Capita; Ceridian; Hewitt; IBM; Logica; NorthgateArinso; Tata Consultancy Services; TriNet

**Recommended Reading:**
- "Magic Quadrant for Comprehensive HR BPO"
- "Survey Analysis: BPO Expands in Recession, yet Cost Reduction a Struggle, 2009-2010"
- "Comprehensive HR BPO for Strategic Talent Management Remains Elusive"
- "Seven Critical Variables Reduce Costs in HR Outsourcing Deals"
- "Toolkit Sample Template: RFP for Human Resources BPO"
- "Answers to Key Questions for Crafting Successful Service-Level Agreements in HR Outsourcing Deals"
- "Market Trends: Recession Brings Worry and Opportunity to Worldwide HR BPO Market in 2009 and Beyond"
- "User Survey Analysis: HR BPO Market Faces Make-or-Break Hurdles in Global User Adoption, 2008"

**Climbing the Slope**

**Manager Self-Service (HCM)**

**Analysis By:** Thomas Otter; James Holincheck

**Definition:** Manager self-service (MSS) in human capital management (HCM) applications helps automate HR-related tasks that managers must perform, such as promotions, hiring requests, transfers, approving leaves of absence and making salary changes. It aims to reduce the time spent on low-value administrative tasks, and to provide easier access to HR information with greater flexibility to perform HR tasks when needed. MSS is sometimes broader than HR processes; it can include other approval-related workflows (for example, from finance and procurement). MSS works closely with employee self-service (ESS).

**Position and Adoption Speed Justification:** MSS applications have been around for years, but the adoption of manager desktop applications has lagged behind because of poor usability and the high cost of deployment. Since Web-based options became available, the use of MSS applications has steadily increased. As organizations look to deploy more-sophisticated HCM applications, MSS applications provide an important foundation: They enable organizations to better maintain their core data, such as reporting lines. The accuracy of these hierarchies is critical to the functioning of any HCM application. There is an increasing burden on managers, partly driven by the uptake of ESS, but also because organizations are demanding more governance and adherence to organization policies, such as for leaves of absence, bonuses and grievances.
Most organizations source MSS solutions from their HR management system (HRMS) providers, although they're also available from a growing number of niche vendors. We have also seen a growth in custom-made MSS solutions using Web services as part of portal deployments and widget-based MSS.

Vendors have been investing in usability because it has been a major stumbling block to MSS adoption. Vendors also are improving the integration of analytical information into MSS. New vendors are emerging that are exploiting new Web technologies to deliver MSS and ESS services. There is a thriving partner ecosystem for "front-ending" ERP-based MSS and ESS with a more user-friendly user interface (UI), often using Adobe Flash or other rich Internet application (RIA) technologies. Several vendors have also integrated MSS transactions into Microsoft Outlook and Lotus Notes. Newer HCM solutions have MSS as a foundational design principle. We expect to see more mobile scenarios for MSS in 2010, and mobile may help accelerate MSS adoption.

**User Advice:** MSS often is required to make ESS work effectively. Without an approval process via MSS, many ESS processes aren't deployed. This eliminates potential cost savings, as well as process and data quality opportunities. However, visualization technologies can improve MSS adoption and ease of use.

MSS deployment often is more difficult than ESS deployment because manager resistance or apathy are common inhibitors. Don't simply dump a mass of HR administrative processes onto the manager and expect it to work, because many managers will just delegate access to an administrator, defeating the goal of MSS. Rollout functionality that's useful to the manager and simple to use also includes useful analytics, not just transaction entries.

The ideal is to make the processes so simple they don't require training; however, in the real world, managers often require additional training. Even if the tools have become simpler, if the process and your company-specific jargon are complex, you will need to invest in training managers. To do this, consider simulation tools and other e-learning techniques.

**Business Impact:** MSS applications help reduce managers' and HR's time and efforts regarding the performance of personnel actions. Further, they help ensure that organizations maintain accurate, up-to-date organization charts. MSS also plays a key role in supporting HR shared services, as the manager is a key component in many of the processes. MSS may seem like a burden to managers, but it looks to reduce e-mail and paper-based administration considerably. When combined with good reporting, MSS provides managers with excellent visibility of their teams.

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Mature mainstream

**Sample Vendors:** Aquire; HumanConcepts; Lawson; Nakisa; NorthgateArinso; Oracle; ROC Group; SAP; Workday; WorkLight; Workscape

**Recommended Reading:**
- "Case Study: Ness Combines Consumer Application Ease of Use With ERP Robustness"
- "Cool Vendors in Web Technologies, 2009"
- "Case Study: How Galapagos Evolved Nimble Global HR Processes"
- "Top Processes for Human Capital Management"
Sales Training Solutions

Analysis By: Michael Dunne

Definition: Sales training solutions represent software designed to support the education of salespeople on the policies, procedures, processes, methodologies, best practices, and market and product information required to conduct sales responsibilities. Enterprises typically seek sales training solutions to improve onboarding processes for new hires, enable appraisal processes to better understand skill levels, provide continuing education on evolving business practices and skills requirements, and help salespeople more effectively address events in sales cycles. More recently, firms have also inquired about packages designed to improve the mentoring skills of sales line management. The tasks involved range in sophistication from facilitating the creation of presentations and delivering e-learning courses, to providing extensive training on specific sales methodologies and supporting sales coaching.

Position and Adoption Speed Justification: Organizations that have attempted to implement sales training software have experienced mixed results. Salespeople often feel uncomfortable with new technologies, view standard training content as irrelevant, or fail to retain and practice the advice offered. (Aside from instruction on travel and entertainment [T&E] systems, reviewing commission statements, etc., salespeople retain little more than 10% to 17% of the instructional material presented in a course.) In addition, this market remains fragmented among different disciplines focused on creating training materials, delivering multimedia e-learning capabilities, performing appraisals, and supporting coaching capabilities and sales methodologies. Many of the technology providers are small or are heavily committed to other markets.

However, interest is re-emerging in enterprises for software solutions that help salespeople and teams learn to sell more effectively, particularly with following a preferred sales methodology for prospecting or account management responsibilities. One reason for this is that a critical mass of firms are beginning to expand their sales forces after a period of downsizing, and wish to shorten the time required to make a new hire fully productive. In addition, sales organizations are concerned about limiting salespeople’s time away from the field for training, and are willing to explore technological solutions as viable alternatives to provide remote training. A number of firms are concerned about the experience of their sales line management following the recession, and wish to bolster their skills around sales coaching and mentoring salespeople.

User Advice: Enterprises that depend on large field sales forces or significant revenue streams from third-party channel partners should begin exploring sales training solutions to improve the quality of training programs as part of a comprehensive effort to increase sales effectiveness. In general, enterprises should be concerned with sales training if they are planning acquisitions, reorganizations of lines of business, ambitious changes in product lines (for example, a series of new product launches) or substantial changes to sales practices.

However, sales management should carefully assess the readiness of sales organizations to effectively adopt new sales training solutions. Realize that projects will likely be vulnerable to budget cuts because of economic uncertainty, and will need to demonstrate a quick ROI. Avoid deploying solutions that are too sophisticated or intimidating for users to implement successfully. Ensure that target sales cultures are receptive to such innovations as receiving coaching via software systems. Plan on initially deploying a proof-of-concept program to a limited audience or to one channel to gain experience in delivering training solutions, and to mitigate the risk of investing in an inappropriate offering.
**Business Impact:** Measuring direct, quantifiable business value from sales training solutions can be difficult. However, when implemented properly, such solutions can aid enterprises by providing new, flexible and user-friendly approaches to educate internal staff and partners on how to sell more effectively. Deployments can present materials in more easily consumable formats, reduce the time and effort needed to master foundational course work, facilitate the adoption of prescribed methodologies and help improve standards on training. Ideally, such offerings can help new hires ramp up and be productive in shorter time frames, raise the general skill levels of sales teams in handling common scenarios, or facilitate efforts to reorganize sales practices (like making the transition from transactional selling to solution selling).

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Avitage; ForceLogix; Holden International; Imparta; Miller Heiman; OutStart; Sales Performance International; Silent Edge; StreetSmarts; The TAS Group; ValueSelling Associates; Xentor Solutions

**Hiring and Recruiting Outsourcing**

**Analysis By:** Robert Brown

**Definition:** Hiring and recruiting outsourcing, often known as recruitment process outsourcing (RPO), describes the process of finding and attracting capable individuals to apply for employment. It includes needs analysis, strategic staffing, requisition management, publication of job descriptions (including development, revision, updates and analysis), labor market analysis, diversity management, employment leasing, internal staffing, executive search and placement, advertising, employment events, online recruiting, applicant/resume tracking, screening and job matching, background checking, drug screening, and testing and assessment.

**Position and Adoption Speed Justification:** Hiring and recruiting has been a feature of the HR business process outsourcing (BPO) market for several years, but it typically involved very niche services as opposed to holistic outsourcing of the entire recruiting function.

The last two years (2008 and 2009) saw a major retrenchment of the hiring and recruiting outsourcing market due to the recession. This came on the heels of two years of unabated hype in the RPO market as more and more entrants vied for market opportunities. As companies stopped hiring due to the recession, most severely constrained their recruiting services (the exception to this was in Asia/Pacific). Many went so far as to cut their internal "stay back" recruiting teams as well. As such, as the economy re-enters a return-to-growth cycle, businesses will once again turn to hiring and recruiting services. The opportunities for RPO providers will include complex, higher value-added functions like recruiting strategy and strategic talent acquisition, owing to the cutting of senior recruiting staff during the downturn. Automation of recruiting functions for greater efficiency will also drive greater BPO adoption. All told, while 2008 to 2009 was a fairly dire period for RPO, the current and future growth prospects of hiring and recruiting outsourcing has yielded a flatter transit of the Trough of Disillusionment than we have seen with some other BPO services.

The size of market adoption of hiring and recruiting outsourcing has been relatively minimal compared with other types of HR BPO, such as payroll and benefits administration. We expect medium- to long-term growth for RPO around the concept of outsourcing for talent management — an outgrowth of talent management adoption at the software (and related software as a service [SaaS] technologies) level that is bundled under broader recruiting and RPO contracts. For that reason, the long-term future of hiring and recruiting outsourcing is bright, as buyers look...
to these services to grapple with the challenges of workforce globalization and the impact of the baby-boom retirement wave in North America and Western Europe. For industries such as banking and high technology (among others), long-term competitiveness is directly correlated to the talent they have in the business. Therefore, the cost of keeping HR functions and infrastructure internal would be a detriment to the ability to invest in more "frontline" core resources. In the short-term return to growth environment, swiftness in accessing global and local talent will be paramount for companies. As such, the hiring and recruiting outsourcing sector is poised for solid growth in the coming years.

**User Advice:** Consider RPO based on its capability to manage cycles of hiring and downsizing to reduce costs in the hiring process, enhance the quality of new employees, and hasten the overall speed of the process. Understand your organization's approach to hiring and recruiting and whether you seek increased efficiency of the function (cost reduction) versus a transformational use of new recruiting technologies, channel diversification, and access to global talent pools (which will cost more from a total-cost-of-ownership perspective). Remember, partial outsourcing of components of the hiring and recruiting function is always an option, versus more-holistic forms of RPO.

**Business Impact:** Specialist providers of hiring and recruiting BPO are in a unique position relative to talent management BPO. They are about "getting the right people in the door," but often that is where their BPO services start and stop. Successful buyers will start to use those recruiting BPO vendors that can identify and cultivate talent pools over time, including from within the buyer enterprise itself. Today, recruiting BPO companies usually identify and source candidates from outside the enterprise.

Hiring and recruiting BPO providers are in a unique position relative to outsourcing and talent management because a focus on continuous recruitment will be needed to identify, retain and cultivate the best and brightest staff over a period of time, not just get them in the door in a piecemeal fashion based on specific open requisitions (which is currently the single-minded value proposition of most hiring and recruiting outsourcing providers).

**Benefit Rating:** Moderate

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** Adecco; Alexander Mann Solutions; FutureStep; Hays; Hudson; IBM; KellyOCG; Kenexa; Manpower; PeopleScout; Pinstripe; SourceRight Solutions; Spherion; TalentFusion; TAPFIN; The RightThing; WorkforceLogic; Yoh

**Recommended Reading:** "Comprehensive HR BPO for Strategic Talent Management Remains Elusive"

"Survey Analysis: BPO Expands in Recession, yet Cost Reduction a Struggle, 2009-2010"

"Magic Quadrant for Comprehensive HR BPO"

“Market Trends: Recession Brings Worry and Opportunity to Worldwide HR BPO Market in 2009 and Beyond”

"The Hype Around an Integrated Talent Management Suite Outpaces Customer Adoption"

**Sales Incentive Compensation Management**

**Analysis By:** Michael Dunne
**Definition:** Sales incentive compensation management (ICM) applications document remuneration plans, set associated rules and quotas for sales personnel (internal and external), and track and report on results and performance-based payments. Such software packages should include tools to model and analyze compensation strategies for influencing selling behaviors, as well as support workflow for compensation processes, such as plan design and dispute resolution.

**Position and Adoption Speed Justification:** The market for sales ICM applications remained about flat in 2009 in the face of the recession, generating approximately $315 million in revenue worldwide, when taking into account sales of perpetual licenses, subscriptions, startup fees, and maintenance and professional services by software vendors active in this market. In addition, some consolidation has transpired (notably, Callidus Software purchasing ActekSoft and Salary.com acquiring Makana Solutions). However, interest remained strong among a growing number of enterprises that appreciated the practical value of prepackaged sales ICM solutions and required alternatives to custom-built solutions or spreadsheets. In addition, offerings delivered as software as a service (SaaS) have successfully broadened the addressable market to small and midsize organizations requiring support for 50 to 300 payees. Buying activity is likely to increase as the economy recovers and corporate leadership teams confront dilemmas around rebuilding and funding sales capacity, where compensation plays a central role. In fact, sales ICM software vendors are estimated to have only penetrated about 10% of the potential market opportunity. Best-of-breed vendors still captured disproportionate attention in pioneering innovations, and delivering hosted and SaaS-based solutions. North America remains the largest market, followed by Western Europe, but opportunities are increasingly emerging elsewhere, such as in South America and the Asia/Pacific region. Insurance, high technology, life sciences and communications remained bellwether vertical industry segments investing in sales ICM.

**User Advice:** Sales ICM solutions can streamline administration, improve operational efficiencies, and increase insight and influence over the productivity of sales resources. Enterprises should consider adopting high-end incentive compensation solutions if they:

- Have complex sales models and hierarchies
- Have large, quota-carrying sales forces that receive substantial variable compensation
- Rely heavily on external, third-party sales channels
- Credit large payee population based on high volumes of transactions or events

Companies that view compensation data as sensitive information, require support for crediting more than 1,000 payees for more than 100,000 transactions or events per job run, or have significant data integration requirements should carefully compare on-premises and hosted solutions to identify the most practical option for satisfying concerns about costs, implementation cycles, scalability, manageability and security. Companies focused on managing basic quota and compensation information efficiently for 50 to 1,000 payees, and dissatisfied with spreadsheets (e.g., lack of integration and governance, error rates, and process inefficiencies), should initially investigate hosted and SaaS options as potentially economical solutions that offer rapid deployment time frames. Similarly, small or midsize businesses with more than 50 payees and intentions to re-engineer sales practices should explore SaaS options.

**Business Impact:** Sales ICM systems present operational and strategic benefits. Business users can reduce the costs, time and resources required to plan, implement and manage variable compensation plans. They can also improve turnaround times and accuracy in producing necessary payments, statements and reports. For example, companies have reduced commission calculation errors by more than 90%, as well as decreased staffing for administrative and IT functions by more than 50%. This is significant because commission expenditures alone
can represent the equivalent of 2% to 6% of a company's revenue, depending on the vertical industry.

Strategically, this market offers valuable management planning tools to analyze, model and devise compensation schemes that better harness the self-interest of sales personnel in meeting and exceeding overall corporate goals. These solutions hold the promise of aiding organizations in increasing revenue production, as opposed to just helping cut costs. Early indicators of this potential include instances in which companies successfully increased new product sales, as well as cross-selling and upselling, based on improved compensation practices and better incentives managed through sales ICM solutions. However, better oversight and forecasting of variable compensation costs are attractive sales ICM benefits for many companies looking to reorganize their sales forces to better capitalize on economic recoveries within their industries.

**Benefit Rating:** High

**Market Penetration:** 5% to 20% of target audience

**Maturity:** Adolescent

**Sample Vendors:** 1010data; Callidus Software; Enterprise Incentive Software; Excentive; marketRx; Merced Systems; NetCommissions; Oracle; SAP; SunGard; Synergy; Varicent Software; Versata; Vue Software; Xactly; ZS Associates

**Recommended Reading:**
- "MarketScope for Sales Incentive Compensation Management Software"
- "MarketScope for Insurance Incentive Compensation Management Applications"
- "Emerging Technology Analysis: On-Demand Sales Incentive Compensation Management"
- "The Impact of SaaS in Sales Incentive Compensation Management"
- "Sales Incentive Compensation Management Achieves Operational Benefits, but Must Focus on Strategic Value"
- "Embarq Gains Strategic Value by Implementing a Sales ICM System"
- "Essential Building Blocks of Sales Incentive Compensation Management Software"

**HCM Consulting and Implementation Services**

**Analysis By:** Rolf Jester

**Definition:** Human capital management (HCM) consulting and implementation services are those that advise, plan, design, build and implement strategies, processes and solutions for HCM or HR. Our analysis focuses on those services related to HCM processes that are supported by IT applications. The strategic consulting aspect of these services in most cases is intimately combined with the implementation aspect. The IT component is also an essential part of the realization of any business process, including HCM. The continuing operation and maintenance of such applications, or the continuing provision of HCM services as a business process, are covered separately under various outsourcing profiles.

Special HCM knowledge is required for the delivery of these services, and the purchase of such services typically involves the HR department as well as IT. Many of the same providers deliver both general ERP application services and HCM-related services, but they typically have a separate practice area to handle it. In addition, there are numerous specialist companies with an HCM background.
HCM consulting and implementation services can span the breadth of HCM or HR functions and can include specific services to advise on. They can implement or optimize functions, such as analytics for talent management or workforce management, as well as services related to specific HCM functions, such as workforce optimization.

Traditional functions in the HCM area, such as workforce management, are undergoing some changes as a result of social and workplace changes, including "teleworking." Likewise, collaboration and the use of social media in enterprises, although separate technologies from HCM applications, are increasingly overlapping HCM functions.

**Position and Adoption Speed Justification:** Some aspects of HCM advisory work are decades old. Although a little more recent, the consulting and implementation services related to core HCM applications are, on the whole, as mature as any ERP-related service. The processes and products are well-understood by the providers and buyers, and there is a reasonable pool of talent to do the work. Certainly, for the bulk of the services concerned, both the overhyped phase and the subsequent disillusionment stage are over.

But some types of service included in this profile remain less mature, largely because the relevant application modules are still immature. This applies, for instance, to consulting and system integration (C&SI) related to talent management solutions, where the technology is itself in the early stages of the HCM software Hype Cycle. But they are in demand during the postrecessionary recovery. Likewise, other newer applications are emerging, as shown on the Hype Cycle for HCM software. For these, the necessary consulting skills are still emerging as well. Market understanding is developing as users begin to realize the importance of these application functions for the continued growth of their organizations. Thus, as usual with a newer application area, advisory services and workshops will tend to come first, before buyers fully implement the applications. Hence, looking at HCM consulting and implementation services overall, we currently place them as approaching the midpoint of the Slope of Enlightenment.

One factor affecting HCM consulting and implementation is the trend toward the use of emerging business models, such as software as a service (SaaS) for HCM. Indeed, HCM is one of the leading applications for which the SaaS model is being used. This adoption has continued to expand and will continue to do so. This changes the mix of work that is required from external service providers and, hence, the mix of skills they require, because the software is installed, hosted and managed by the SaaS provider. But it is not a profound change for the implementers.

New technological developments continue to emerge and create new opportunities for HCM solutions. Social-networking and collaboration tools are an example, affecting recruitment and other HCM processes. This not only changes the tools, but also opens up new possibilities for HCM. In the economic recovery, flexible work practices, work-at-home/teleworking and other workplace changes will impact HCM functions such as workforce management. There is, therefore, continuing evolution in this area of services.

Taking this into account, we expect HCM consulting and implementation services to reach the Plateau of Productivity in two to five years.

**User Advice:** Understand the difference between projects for straightforward implementations, significant process enhancements and major transformations as defined in Gartner’s sourcing research. For true transformational programs that change an aspect of the nature of the whole organization in some way, see the "HR Transformation" profile in this Hype Cycle. For other HCM implementations, it is important to distinguish among the various types of providers in the market. Some have an advisory heritage, offering either general management consulting or specialist HCM advice. Others come from an IT background and are execution-driven or focused on the downstream implementation project work. Many, of course, offer both capabilities because of their specialization or the size of their HCM practice. Therefore, a clear understanding of which
externally provided skills are most important to you is a necessary starting point in your selection of providers. Few providers have all the skills to the same extent. This matters also because there can potentially be quite a difference in the business impact, depending on the level (the business level or IT) at which you engage an external provider and the provider's capabilities.

Providers also vary significantly in their experience with specific application packages and specific HCM process areas. Some are highly specialized (for example, on one process area, such as talent management).

In addition, provider strengths vary significantly by country in an application area in which local labor regulations and payroll issues are major factors complicating HCM processes and solutions. Although there are global providers, they may use smaller local providers in various countries to handle local HCM issues, and buyers of services spanning multiple countries will have to consider whether to use smaller local providers directly and take on the management and integration task. That raises sourcing and vendor management issues, as well as questions about assessing the quality of small local providers in remote countries.

As with all discrete implementation projects, prices will vary according to the mix of on-site, onshore and offshore/nearshore resources that are acceptable for the task. Project estimates and quotations will also vary according to the nature of the responsibility and the risk you assign to the provider versus that which you retain. When comparing proposals, examine the offering closely to distinguish among proposals that purport to meet the same need but are in fact based on quite-different models of risk, responsibility, service delivery management and outcome management.

**Business Impact:** HCM was once seen as a necessary but nondifferentiating business function, which is why it is often a candidate for business process outsourcing, shared services and partial automation through self-service. This often remains the case for core HCM functions. However, resumed economic growth is making talent management and performance management more important than ever. As a result, CEOs are becoming more conscious of talent as a critical resource over which they have stewardship. Our research into CIO priorities shows that workforce effectiveness is high on the agenda of C-level executives. As organizations seek to take advantage of advanced HCM applications and the related C&SI services, as well as newer online and cloud-based tools, the potential business value will increase, as will the impact on multiple aspects of the organization's operation and risk.

**Benefit Rating:** Moderate

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Mature mainstream

**Sample Vendors:** Accenture; AspireHR; Ciber; Deloitte; HCL Axon; HP Enterprise Services; HRchitect; IBM Global Services; Logica; NorthgateArinso; Northrop Grumman; PricewaterhouseCoopers; ROC

**Recommended Reading:** "MarketScope for Large Enterprise HRMS, 2008"

"Talent Management Application Suites Can Enhance Workforce Effectiveness"

**Workforce Analytics**

**Analysis By:** Thomas Otter

**Definition:** Workforce analytics is the set of tools and applications that enables organizations to provide stakeholders with:
- Reports and information (through ad hoc access) to support regulatory and control requirements (for example, pay audits)
- Operational/managerial reporting requirements (for example, head count/span-of-control reporting)
- Executive/contextual reporting (for example, balanced scorecard)
- Workforce planning
- Workforce decision support

Increasingly, specialist performance management vendors, as well as more-traditional business application and business intelligence (BI) vendors, are providing these capabilities.

**Position and Adoption Speed Justification:** Ad hoc reporting tools and standard reports for regulatory and control requirements (such as absence tracking) have been delivered by HR applications for many years. Most organizations still use these tools, but are often frustrated because the tools are difficult to use and have high maintenance costs.

Operational and management reporting capabilities, delivered via BI platforms, also have existed for many years, but customers have been frustrated by the inability to adapt to changing reporting needs as business changes. Reports needed in times of growth differ from those needed in a recession. In addition, these management reporting solutions typically provide a library of prebuilt reports and key performance indicators (KPIs) as a starting point for information delivery. However, customers have struggled to determine which KPIs are most relevant to them, and how to best present information to the various stakeholders. Uptake of the more strategic elements of workforce analytics has also been sluggish, partly because the incumbent tools have been awkward to use, and partly because the HR function hasn't focused sufficiently on workforce analytics and decision support. This is changing, however, with the growing adoption of a new breed of workforce analytics applications. Workforce analytics has become more relevant to the broader business during the past three years. However, analytical skills shortages in HR departments will continue to have a dampening effect.

Vendors like DoubleStar combine the software and services that many customers require into more-holistic solutions. SuccessFactors acquisition of Inform is significant (see “Acquisition of Inform Will Shake Up Workforce Analytics Market”), as it gives them strong analytics services and benchmarking. Talent management vendors like Taleo and Softscape have been investing in improved analytics.

There is a shortage of in-house skills, so a strong service offering is important. Traditional BI providers, such as Oracle, SAS, SAP BusinessObjects, Informatica and IBM Cognos, are improving their reporting flexibility, usability and presentation via acquisitions or organic investments. During the past four years, we’ve noticed a growing interest in workforce decision support and workforce planning, which is leading to a renewed interest in getting workforce analytics “right.” During the past two years, we have noted an increased focus on workforce analytics in the road maps of the larger BI vendors.

**User Advice:** Know what tools are available (from your business applications and BI providers), and determine what kinds of information stakeholders need to make better workforce decisions by working with those stakeholders; often, you will be surprised about what they really need to report on. Maximize your chances of success by starting small. It can be useful to start with a single metric (such as head count) or a single issue (such as how to get the most impact from a training initiative). Use such pilot efforts to gain quick wins and support to build out the infrastructure required for enterprise-wide workforce analytics.
Although it makes sense to start small, consider workforce analytics as part of a broader BI and performance management strategy; otherwise, you risk creating a silo of workforce information that will have limited value. Also, some vendors are BI platform and corporate performance management suite vendors that are expanding their portfolios into other aspects of performance management. This may offer integration benefits that should be taken into account during evaluation.

Data is useful only if you analyze it correctly and design interventions based on that analysis; therefore, the tools, on their own, are not enough. Leading HR departments are strengthening their analytical skill sets by hiring people with strong statistical backgrounds to work with HR data, and to discover trends and issues.

**Business Impact:**

- Enable businesses to target their workforce investments in a way that hasn't been possible before. However, other aspects of workforce analytics are less transformational:
- Administrative reporting is useful in helping HR professionals do their jobs, but it's focused on control and regulatory reporting, as well as meeting information requests from other stakeholders.
- Operational reporting can be more strategic, because it can help HR professionals and managers highlight opportunities to improve human capital management. In addition, understanding KPI exceptions can enable corrective actions to be taken.
- Executive reporting also can be more strategic if the metrics highlight places where senior executives can take action. However, workforce decision support typically provides deeper, fact-based insights into the effects of alternatives.

**Benefit Rating:** Moderate

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Mature mainstream

**Sample Vendors:** COA Solutions; DoubleStar; IBM (Cognos); Informatica; Oracle; SAP BusinessObjects; SAS; Softscape; SuccessFactors; Taleo

**Recommended Reading:**

- "Acquisition of Inform Will Shake Up Workforce Analytics Market"
- "Examining the Market for Workforce Planning and Analysis Solutions"
- "KPIs for Top Human Capital Management Processes"
- "Case Examples Illustrate Best Practices in Workforce Planning and Analysis"
- "Cool Vendors in Human Capital Software, 2009"
- "Defining Workforce Analytics"
- "Best Practices: Workforce Analytics Skills Are Vital for Effective Cost Optimization"

**Warehouse Labor Management Systems**

**Analysis By:** Dwight Klappich
**Definition:** In a warehouse labor management system, the best work patterns are employed to construct goal times for the performance of each discrete task in the warehouse. These are called "engineered labor standards." This is done at a detailed level and can be based on a library of best work standards that specialist implementers and vendors have developed. For example, the difference in time it takes to reach the top shelf of a warehouse rack versus what is required at eye level is taken into account. One of the most important components of this system is the incorporation of travel times into the goal time. For this reason, it's important to pay attention to how the travel paths are constructed in the system.

Once these parameters are determined, each pick task is analyzed by the warehouse management system (WMS) or labor management system (LMS) to determine its goal time based on the individual elements of that task, such as beginning and ending zone, person assigned the task and time on shift (to account for things such as fatigue). Then, the actual time is compared to the goal time for the specific task, and achievement is evaluated. This is superior to productivity management systems that evaluate only the completion of an aggregate number of tasks during a work period (such as picks per hour) because the more precise specifications of goals and performance enable the manager to properly evaluate work, counsel for improvement and fairly compensate good performance. However, most vendors have not completed the technology projects to enable the systems to fully comply with restrictive labor laws outside the U.S. In addition, there are still few reference customers on these systems outside the U.S., although some European companies use them at the aggregate level.

While basic labored reporting is mature, leading-edge systems are being extended to support labor and resource planning and scheduling. The goal is to provide tools that will consider all the activities of the warehouse, projected over a time frame, so that the labor and resource requirements can be more accurately forecast and scheduled. This trend is accelerating as warehouse managers strive to be more proactive in planning and managing the work within their warehouse operations, taking into consideration constraints and projected work requirements.

**Position and Adoption Speed Justification:** LMS use is mature in large grocery facilities, but the technology and engineering standards have expanded during the past several years, making the technology and labor management processes applicable to most midsize to large warehouse facilities. However, most buyers of LMS remain users with large workforces working in large warehouses. LMSs were once specialized systems, but with general use, there's more emphasis on integration with the WMS and the technical fit and finish of the systems.

Most LMS implementations have been in the U.S. European companies have generally resisted this technology because of local labor laws or perceived cultural constraints. In parts of Europe, unions or work councils restrict detailed worker oversight from the use of tools such as labor management. Therefore, LMSs are used only at the aggregate resource management level. Some vendors have begun focusing on deployments outside the U.S., amending systems to meet local conditions. Gartner expects these changes as well as real-world experience in other countries to accelerate adoption by users outside the U.S. LMS can be an add-on to established WMSs.

Although the value is high and the market is mature, adoption as a percentage of the total addressable market is low. There are several reasons for this. Many companies continue to operate aging WMSs that do not have LMS as part of the package. These users are first focused on upgrading to a newer WMS. However, we find that LMS is now a common requirement for a new WMS. Another reason is that an LMS historically fit certain environments like grocery because the solutions were not strongly packaged. Plus, the total cost of ownership (TCO) and the time, effort and cost to implement and support LMS was high, so only operations with large workforces could justify it. As LMS has matured and become more standard and prepackaged,
the costs and complexity have come down, opening the LMS market to more and smaller warehouse operations.

**User Advice:** Most users with over 100 workers in their warehouses in the U.S. should evaluate or implement an LMS based on engineered standards. However, it isn't enough to just install the system. Users must be willing to incorporate best work practices as well as build a program of worker training and rewards based on the system. This requires a high degree of change management. Users that work with labor unions should employ a consultant with specialized expertise in working with labor unions regarding the deployment of labor management systems to ensure that a win-win business case and business process are developed. Users outside the U.S. should begin evaluating LMSs to determine whether there are real or perceived issues with cultural fit and legal regulations.

**Business Impact:** A typical warehouse might be performing at 50% to 70% of optimal performance through the use of productivity management tools and a good WMS. The implementation of an LMS can bring a warehouse to 90% to 100% of optimal performance. The deployment of pay-for-performance schemes based on engineered labor standard goal times can move a warehouse to 110% to 120% of "optimal" levels for true best-in-class performance. Sometimes, these systems can be used to evaluate temporary labor to determine whether a full-time offer should be extended based on performance.

The scheduling components can be used to forecast labor requirements and reduce overtime expenditures. The time-and-attendance systems can reduce the need for costly third-party systems

**Benefit Rating:** High

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** Catalyst International; CyberShift; HighJump Software; Infor (WFM Workbrain); Kronos; Kurt Salmon Associates; Manhattan Associates; RedPrairie; SAP

**Recommended Reading:** "Magic Quadrant for Warehouse Management Systems"
"Supply Chain Management Vendor Guide, 2008"
"Gartner's SCM Scenario: Post-Lean Supply Chain, 2008 and Beyond"
"Key Issues for SCM, 2009"
"Predicts 2009: How ERP and the Supply Chain Are Adapting to a Changing Economy"
"A Roundup of Supply Chain Planning Research"
"Use the Gartner SCM Maturity Model to Show the Business Benefits of SCM Investments"
"Roundup of Supply Chain Execution Research, 2008"
"Stratifying WMS: A Multilevel View"

**E-Recruitment**

**Analysis By:** Jeff Freyermuth

**Definition:** E-recruitment software automates the requisition-to-hire process. The Internet has provided vendors with the opportunity to expand solution functionality for candidate acquisition
and candidate self-service. The software-as-a-service (SaaS) model remains the preferred delivery model in this market (see "SaaS Impact in Human Capital Management"). As this market has matured, significant consolidation has taken place (see "The Pace of Consolidation Accelerates in the E-Recruitment Software Market").

During the past year, many e-recruitment vendors have added social-software capabilities, and most have it on their road maps. The functionality scope varies considerably among vendors. Improving the hiring manager and candidate user experience is key to addressing many challenges. Social software is starting to affect this, and many vendors have renewed or redesigned their user experience to take advantage of advances in user interface (UI) technologies.

**Position and Adoption Speed Justification:** Some of the largest enterprises in the world leverage these SaaS solutions for their recruiting software. However, many midmarket organizations still have not adopted e-recruitment solutions. We expect that, in the next two to five years, a greater percentage of small to midsize businesses will use e-recruitment solutions (likely delivered via SaaS, but possibly through their core HR management systems [HRMSs] as well), because the ability to compete for top talent for critical roles will drive these organizations to leverage technology (automation will free up time for recruiters to focus on sourcing).

**User Advice:** Core HRMS solution providers continue to improve their functionality and flexibility. However, the deepest functionality and the most-flexible and mature solutions come from niche e-recruitment providers. If your core HRMS does not meet your requirements, consider specialist e-recruitment solutions. Because most niche solutions are delivered via the SaaS model, ensure that you look not only at functionality and price, but also at SLAs and end-of-contract-term transition items (see "Best Practices for Negotiating Software-as-a-Service Contracts" and "Software as a Service: Negotiate Key Terms to Avoid Unexpected Costs").

**Business Impact:** HR, recruiting and HR IT organizations will value the speed of implementation and the depth of functionality provided by e-recruitment software vendors that use the SaaS model. Although the requisition-to-hire process has not fundamentally changed with the introduction of e-recruitment solutions, candidate sourcing continues to evolve. Job boards have emerged as alternatives to newspaper advertisements to reach active job seekers. Emerging solutions focus on sourcing passive candidates (those not actively looking for a new job). These new sourcing solutions have the potential to provide tremendous value to organizations, especially those in which the demand for talent greatly exceeds the available supply (see "Magic Quadrant for E-Recruitment Software").

There are significant benefits from improvements in e-recruitment software and practices. We have seen retailers earn as much as $100 million annually from the Work Opportunity Tax Credit program through better automation. In addition, many companies have reduced the cost per hire and time to hire for critical roles significantly. More importantly, organizations like Google competitively differentiate themselves through their ability to hire top talent.

**Benefit Rating:** High

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Mature mainstream

**Sample Vendors:** ADP; Bernard Hodes Group; Bond International Software; Cytiva; First Advantage; HRsmart; iCIMS; Jobpartners; Kenexa; Kronos; MrTed; Neogov; NetMedia; Oracle (PeopleSoft); PageUp People; PeopleAdmin; Peopleclick Authoria; SAP; SilkRoad technology; StepStone; Taleo; WCN; WebCruiter

**Recommended Reading:** "Magic Quadrant for E-Recruitment Software"
Compensation Management (Compensation Professional)

Analysis By: Jeff Freyermuth

Definition: Compensation professionals use compensation management applications to analyze salary survey data, perform pay equity analyses and define the salary structures that drive compensation planning policies and guidelines (for example, salary changes, merit increases and bonus program definitions). There are three types of subcategories for compensation management: tools that support the needs of compensation professionals, manager self-service compensation planning applications (see the Compensation Management (Line Managers) profile in this Hype Cycle) and sales incentive compensation management software.

Position and Adoption Speed Justification: Compensation management is a relatively mature market, and many solutions are available. However, a large number of small or midsize businesses (SMBs) still use Excel spreadsheets to support the necessary analyses, because they have fewer jobs to analyze.

User Advice: Customers should adopt compensation management tools when their compensation programs are complex, such as when there are complex grade/step progressions, broadbanding and so on. Some providers offer broader compensation management solutions, and organizations should investigate the possibility of using integrated compensation professional and manager self-service compensation planning tools. However, we do not see many customers adopting this approach. There has been more adoption of integrated, pay-for-performance applications (integrating performance appraisal/assessment applications with manager self-service compensation planning tools).

Business Impact: These tools aid the compensation professional, but have little value beyond this audience. The tools mitigate risk by ensuring pay equity within the organization. They provide the foundation (in policies and guidelines) that enables improved pay for performance, which is valuable to organizations.

Benefit Rating: Low

Market Penetration: 20% to 50% of target audience

Maturity: Mature mainstream

Sample Vendors: CadreHR; MarketPay; Mercer; NorthgateArinso; NPKtools; Salary.com; Stewart Daly; Towers Watson

Recommended Reading: "Magic Quadrant for E-Recruitment Software"
"Competitive Landscape: HCM Visualization Software, Worldwide, 2010"

Employee Self-Service

Analysis By: Thomas Otter

Definition: Employee self-service (ESS) in human capital management (HCM) applications enables employees to perform basic HR transactions, such as updating their names and addresses, or viewing a paycheck, without intervention from the HR organization. In addition,
ESS applications support more-complex transactions, such as benefits open enrollment or life event changes (for example, having a child).

**Position and Adoption Speed Justification:** ESS applications are not new; they have been offered for many years. However, the uptake was relatively low until Internet-based solutions emerged that were easier and more cost-effective to deploy. Most organizations have some ESS applications in place. However, many have not fully deployed ESS, especially on a global basis.

Most organizations source ESS applications from their HR management system (HRMS) providers. In most cases, these ESS solutions have been available for more than five years, so those customers have already completed the required upgrades. Some stand-alone providers offer solutions, but several vendors offer add-on tools, such as knowledge databases, that improve ESS.

HRMS vendors are improving the usability of ESS through the use of rich Internet applications and integration with office productivity tools, such as Microsoft Outlook, SharePoint or Lotus Notes. Newer tools, such as widgets, are further improving flexibility and deployment options. During the past two years, we have seen an increased interest in ESS, often as part of a widget or portal project. Newer Web toolsets allow custom scenarios to be developed more easily, which had been a problem in the past. Web 2.0 characteristics like autofill are helping to further improve usability.

**User Advice:** ESS (and manager self-service) applications should not be considered in a vacuum; rather, they should be part of the overall HR service delivery strategy for an organization. Most large organizations (10,000 employees or more) are adopting a multitier model for HR service delivery, where the first tier is ESS, the second tier is a service center employees can contact when they have questions or issues (which could be part of a shared-service center or outsourced), and the third tier is subject matter experts (internal or external experts provided through a business process outsourcing relationship) who can deal with complicated issues or policy questions. To provide a more-robust user experience, consider integrating a third-party knowledge base and communications solutions. These solutions provide content that can directly answer employee questions, or help guide employees who may be infrequent users, through required tasks. If you have challenges with the standard HRMS ESS interface from a user acceptance perspective, consider using alternative development tools to deliver more-compelling, self-service scenarios. This trend is increasing.

**Business Impact:** The ROI from ESS is usually solid, especially if done in conjunction with moving to a multitier service delivery model that enables the HR organization to focus on more-strategic activities.

**Benefit Rating:** Moderate

**Market Penetration:** More than 50% of target audience

**Maturity:** Mature mainstream

**Sample Vendors:** Enwisen; iEmployee; Neocase Software; Peopleclick Authoria; WorkLight; Workscape; Workstream

**Recommended Reading:** "Leverage a Multitier HR Service Delivery Model to Improve Efficiency"

"HR Self-Service Applications Defined"

"Cool Vendors in Human Capital Software, 2009"
Entering the Plateau

Benefits Administration Outsourcing

Analysis By: Robert Brown

Definition: Benefits administration outsourcing includes the distribution of healthcare and retirement plan information. It involves managing eligibility, answering questions regarding coverage, leave-tracking maintenance, retirement earning histories, enrollments, new-hire processing, retirement or vested-rights estimates, and benefits termination administration.

Position and Adoption Speed Justification: The United States is the biggest market for benefits administration outsourcing, and compliance concerns are its biggest driver of growth. The Hiring Incentives to Restore Employment Act and federal healthcare reform have left uncertainty in the legislative and regulatory environment, and clarity and compliance on both these issues are leading to increased adoption. Clients are in particular looking for consulting-led services and best practices on navigating these issues with respect to exposure to mandates and penalties, tax implications, and postretirement healthcare changes.

Benefits administration is one of the most mature sectors of HR outsourcing (HRO), so it’s less risky as an entry point for buyers that have yet to outsource HR functions (along with payroll). In North America, a number of providers, such as Fidelity, Hewitt, and Mercer, are staking a major portion of their business on benefits BPO. Globally, defined benefit program administration outsourcing (pensions) has been most widely adopted, and online benefit enrollment and health and welfare benefits administration are likely to see the biggest near-term adoption. In the United States, most businesses will focus on flexible spending accounts (FSAs) in the near term. As North American businesses look to aggressively cut costs in their benefits portfolios, health savings accounts (HSAs) and FSAs offer an “alternative” route to health and welfare costs through employee choice. FSAs also underscore the trend toward greater employee-directed spending, allowing HR departments to cut costs and offer flexible benefits to employees.

In Europe, especially the United Kingdom, the market has also seen the adoption of more individual pensions opening new pockets of benefits administration activity. However, outside the U.K., especially in social-democratic countries, governmental programs obviate the need for business-sponsored benefits; therefore, there is no need for their administration by corporate HR processes. Also, in Europe, benefits administration can often be part of the payroll function. In Asia/Pacific, most benefits BPO is focused on Australia and New Zealand. There is also huge potential for benefits outsourcing in countries like Singapore and Malaysia, where superannuation is compulsory and where management is currently left to state-run organizations, but the future portends such services may likely be outsourced. Generally, benefits BPO has reached a point in its maturity at which buyers are outsourcing to focus on their core HR tasks (such as business alignment) and cost savings.

User Advice: Benefits administration is a relatively mature HRO offering, but steady growth will occur. Consider benefits administration outsourcing for near-term compliance assistance with changing federal employment directives, as well as reducing costs from the internal HR function, especially in the United States. Try to anticipate any additional HRO requirements you may need in the future, and base your choice of provider on its ability to offer benefits administration as part of a larger, comprehensive HRO contract as your requirements increase. Understand your readiness to outsource across the spectrum of available benefits administration services. Although there may be an urgent need to deal with pressing compliance challenges, determine whether additional benefits administration outsourcing will lower costs even further while reducing HR management expenses.
**Business Impact:** With the need for greater compliance with U.S. federal regulations and the continued demand for consumer-driven health plans and HSAs, businesses and their employees will need more education on how to make their healthcare investments go further, and vendors will likely add advisory services to guide their benefits-transaction-processing services.

**Benefit Rating:** Moderate

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** ACS (a Xerox Company); ADP; Aon; ExcellerateHRO; Fidelity Workplace Investing; Hewitt; Mercer Human Resource Consulting; Thomson Online Benefits

**Recommended Reading:** "Magic Quadrant for Comprehensive HR BPO"

"Market Trends: Recession Brings Worry and Opportunity to Worldwide HR BPO Market in 2009 and Beyond"

"Survey Analysis: BPO Expands in Recession, yet Cost Reduction a Struggle, 2009-2010"

"Forecast: HR BPO Services Worldwide by Subprocess, 2006-2011"

**Payroll Outsourcing**

**Analysis By:** Robert Brown

**Definition:** Payroll outsourcing involves the receipt and analysis of payroll data, reporting and payment of payroll taxes, issuing payments (via check or electronic payment) and reports to employees, issuing payments to third parties (such as employee individual retirement accounts), and management reporting of data to HR executives.

**Position and Adoption Speed Justification:** Payroll business process outsourcing (BPO) is generally mature, but there's room for evolution and growth, even with an established buyer clientele. The recession of 2010 saw shrinkage in market growth as transaction volumes fell due to unemployment and layoffs. But more companies than ever looked at payroll outsourcing as a quick way to reduce HR costs and speed to solution. We also saw more large enterprises looking at payroll outsourcing, especially for multicountry operations, as a way to avoid costly technology rollouts and place country operations on a common platform.

While the industry is mature, additional growth is still expected as unoutsourced payroll BPO buyers choose it as a first stop in short-term cost-cutting strategies. We expect to see payroll expansion by volume linked to economic recovery, as well as ongoing demand for new global payroll undertakings.

For traditional payroll outsourcing, which is the vast majority of the market, most buyers service single-country operations; the BPO vendor processes the calculations and outputs, but internal HR retains control of the inputs and serves as the interface to employee end users. This type of payroll outsourcing has been market-tested for years, and as such it offers features that are stable and predictably priced, with established vendors and best practices in adoption. That said, we continue to see significant adoption of new-breed payroll business process utility services that are automated and cloud-sourced via Internet delivery.

Multinational/global payroll outsourcing in multiple countries to a single provider isn't yet mainstream and has seen some fluidity of the competitive landscape in recent years (and is a key reason why payroll is generally still considered "early mainstream" in terms of its market maturity). A number of contenders, such as ADP, NorthgateArinso and Patersons, are seeing
significant demand for their multinational offerings. Additionally, payroll services are generally a major component of the more-comprehensive contracts signed by providers such as IBM and ACS.

**User Advice:** Consider payroll outsourcing based on its capability to reduce costs in the HR and finance organizations. Understand whether it will necessitate a radical shift in the HR software platform you use (that is, some vendors will likely mandate a shift to their proprietary platform). Analyze the costs and benefits of moving from a partial payroll contract (for example, outsourcing only check printing or deposits) to having the vendor provide fully managed payroll services, which include the entire spectrum of payroll services.

Cost savings for larger enterprises may be smaller as they can achieve greater economies of scale themselves and leverage techniques like shared services to drive down cost. Some of the expected cost changes sometimes do not materialize in high-change environments because payroll providers offer a standard set of services that can be delivered at a certain cost point with some degree of markup, and they tend to charge more when there are many unexpected changes. Note that one of the most common errors with payroll outsourcing is not getting the data feeds delivered to the provider in a timely and clear manner, which can affect expected cost reduction expectations, as well as providers' attainment of accuracy and timeliness of SLAs.

**Business Impact:** Most businesses will strive to outsource "noncore" business processes. Although payroll is a critical HR function (and interfaces with finance), it's often considered a good initial candidate for BPO because it isn't necessarily a core competency for most organizations, and some vendors can execute it more cost-effectively for buyers who are willing to accept a vendor's standardized solution. Payroll outsourcing is also a key area for consideration among small and midsize businesses that are often underserved by larger, more-strategic forms of BPO.

**Benefit Rating:** Moderate

**Market Penetration:** 20% to 50% of target audience

**Maturity:** Early mainstream

**Sample Vendors:** ADP; AT&T; Bluegarden; Capita Group; Ceridian; Datev; IBM; Logica; NorthgateArinso; Patersons; Paychex; SDWorx; Ultimate Software

**Recommended Reading:**
- "Competitive Landscape: Size Matters for Providers in the Payroll BPO Market, 2009"
- "Market Trends: Recession Brings Worry and Opportunity to Worldwide HR BPO Market in 2009 and Beyond"
- "User Survey Analysis: HR BPO Market Faces Make-or-Break Hurdles in Global User Adoption, 2008"
- "Forecast: HR BPO Services Worldwide by Subprocess, 2006-2011"
- "Magic Quadrant for Comprehensive HR BPO"
- "Evaluating the Use of One Provider for Global Payroll Outsourcing"
- "Consider Three Critical Factors Before Embracing Multicountry Payroll Outsourcing"

**Travel Expense Management**

**Analysis By:** John Van Decker
**Definition:** Travel expense management (TEM) solutions address the automation requirements of employee-submitted expense reports, as well as the coordination of the approval, accounting and reimbursement activities across the business process. TEM functionality includes:

- Integration with corporate travel card companies for receipts
- Integration with time-capture processes
- Linkage to company projects and project accounting
- Complex policy/rule processing for expense management
- Web-based processing with disconnected user capability (the ability to enter expense reports without being online)
- The ability to pay first and approve or audit afterward
- E-mail-based approval processes
- Analytic purchasing reports by vendors to enable contract optimization
- Exception processing
- Ease of configuration and ongoing maintenance
- Multilanguage/multicurrency processing
- Per-diem alternative reimbursement
- Value-added tax
- Local legal and tax regulation support
- Integration with accounts payable, payroll or general ledger
- Integration with HR data for reporting and authorization levels

Increasingly, travel planning is being considered along with TEM to provide a more holistic approach to managing travel spending, as well as providing lower levels of detail for hotel and car rental bills through the integration of the two functions within a single suite. This demand is mostly due to vendors that offer suites of travel planning functionality, including Concur and Ariba.

Important ancillary functionality that will add value to the TEM implementation includes:

- Imaging to automate the paper flow and reduce the need for organizing reports and receipt copies in a central location
- An embedded analytics tool to understand compliance issues and what is being spent with each vendor
- Control of monitoring solutions, such as an access control list, that can help analyze trends in TEM and provide additional postreport analysis to understand potential compliance issues
- Payment via central payment processes with credit card vendors and direct deposit for out-of-pocket expenses, which are important options

**Position and Adoption Speed Justification:** Early expense management attempts were typically centered on the Excel spreadsheet, where a fixed-format spreadsheet was used to
accumulate expense information and route this for approval. Many organizations have replaced or are in the process of replacing these solutions with commercially available software. Those that have implemented multiple solutions, either by unit or geography, are now seeking to consolidate their approaches into a global financial management process. In some companies, travel management reports are merged into purchasing or HR, but the same global process requirement is at play.

The majority of software selection in the TEM market is ERP-based or software-as-a-service (SaaS) offerings. During the next two to five years, 95% of companies selecting TEM solutions will choose an ERP vendor, a large SaaS vendor, such as Concur or IBM, or a solution integrated with a procurement suite, such as Ariba. The market has favored ERP and large SaaS vendors. If there is a standard ERP preference for TEM transactions, then an ERP solution, such as SAP or Oracle, will be selected over a SaaS solution. If other factors are at play, then most of the current selections seem to be around Concur and IBM, with Concur getting the bulk. This has increased its penetration over the last year, and will most likely be mainstream in 2011.

**User Advice:** First and foremost, take a commodity approach to TEM, implementing solutions with minimal, if any, customization. Leverage best practices inherent with the business application, using standard configuration capabilities, rather than customization. When choosing a technology, favor ERP and SaaS offerings. If there is a standard ERP in place, consider the solution from the ERP vendor. However, if there is a multi-ERP environment, or even a common ERP with different releases/instances deployed, look to a SaaS vendor for a common global TEM process. Best-of-breed, license-based solutions are rarely pursued, because cost models for SaaS offerings are increasingly attractive for most organizations.

Although this list is not exhaustive, we recommend that SaaS solutions be considered in situations where companies:

- View TEM as a commodity solution and see no value to keeping the software in-house.
- Want to enter the SaaS world. TEM represents a good candidate for this initial foray, due to its relatively uncomplicated functionality and compartmentalized processes. SaaS may eventually lead to business process outsourcing arrangements, such as IBM or Concur (via the Gelco acquisition), if the company also wants to consider outsourcing the corresponding auditing, payment and document management functions.
- Have a heterogeneous ERP environment (that is, multiple ERP solutions — such as SAP, Lawson and Oracle — are used in the same company), but want a consistent global process and solution in place for TEM. This is often seen in companies that have grown through mergers and acquisitions, and want common solutions for this process.
- Have a single ERP application, but with multiple instances, and do not plan on moving to a common platform in the near future.
- Use legacy applications — such as Lotus Notes-based tools, client/server and Excel-based solutions — that need to be replaced quickly due to end-user dissatisfaction or broken processes.
- Want to stay current with industry best practices and operate globally on one version of the software. For SaaS solutions, particularly where there is a multitenancy model in place (for example, Concur) and the vendor operates on a single instance of the software, it is easier for that vendor to keep up with industry best practices and leading functionality. This is the case for legal and statutory compliance requirements as well.
- Want an easier-to-use graphical user interface for travel expense report entry.
- Want a rapid, low-cost deployment — not requiring any IT involvement or internal hardware/infrastructure — with little or no customization.

**Business Impact:** Businesses can achieve cost reductions, legal and statutory compliance, and fraud management and have happier employees (through faster reimbursements) by implementing a Web-based travel reimbursement product. TEM solutions provide an important opportunity to drive costs out of expense report processing, and the upgrade to Web-based technologies has been a natural progression, delivering improved access and facilitating global deployment. After salaries, travel and expense is the second-largest controllable expense for many enterprises, and project initiatives in this area are often led by the finance office. TEM license-based on-premises and SaaS applications have enabled companies to reduce processing costs, check/bank fees and cash advances (via quicker reimbursement), and to have focused spending with key suppliers (by employing stricter travel policy enforcement).

The mere introduction of an automated expense reporting tool will provide benefits and may be the right first step toward improving TEM. To maximize business value and effectively integrate technology with business processes, organizations desiring more control over rising travel costs will ensure that implementation effectively embeds current best practices in travel procurement, travel policy compliance, spending analytics, expense processing and regulatory compliance.

**Benefit Rating:** Moderate

**Market Penetration:** More than 50% of target audience

**Maturity:** Mature mainstream

**Sample Vendors:** Ariba; Concur; CyberShift; IBM; Infor; Oracle; SAP

**Recommended Reading:** "Q&A for Travel Expense Management Software Selection and Implementation"

"Travel Expense Management: Best Practices Yield Success"
Appendixes

Figure 3. Hype Cycle for Human Capital Management Software, 2009

expectations
- Talent Management Application Suites
- Succession Management
- Store-Based E-Recruitment
- HRMS (SaaS)
- Onboarding
- Biometrics for Time and Attendance
- HR Transformation
- Social Learning Platform
- Sales Performance Management
- HCM Visualization
- Compensation Management (Line Managers)
- Workforce Planning
- Alumni Community Management
- Workforce Decision Support
- HCM and Social Software

Technology Trigger
Peak of Inflated Expectations
Trough of Disillusionment
Slope of Enlightenment
Plateau of Productivity

Years to mainstream adoption:
- less than 2 years
- 2 to 5 years
- 5 to 10 years
- more than 10 years
- obsolete

As of July 2009
Source: Gartner (July 2009)
## Hype Cycle Phases, Benefit Ratings and Maturity Levels

### Table 1. Hype Cycle Phases

<table>
<thead>
<tr>
<th>Phase</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Trigger</td>
<td>A breakthrough, public demonstration, product launch or other event generates significant press and industry interest.</td>
</tr>
<tr>
<td>Peak of Inflated Expectations</td>
<td>During this phase of overenthusiasm and unrealistic projections, a flurry of well-publicized activity by technology leaders results in some successes, but more failures, as the technology is pushed to its limits. The only enterprises making money are conference organizers and magazine publishers.</td>
</tr>
<tr>
<td>Trough of Disillusionment</td>
<td>Because the technology does not live up to its overinflated expectations, it rapidly becomes unfashionable. Media interest wanes, except for a few cautionary tales.</td>
</tr>
<tr>
<td>Slope of Enlightenment</td>
<td>Focused experimentation and solid hard work by an increasingly diverse range of organizations lead to a true understanding of the technology's applicability, risks and benefits. Commercial off-the-shelf methodologies and tools ease the development process.</td>
</tr>
<tr>
<td>Plateau of Productivity</td>
<td>The real-world benefits of the technology are demonstrated and accepted. Tools and methodologies are increasingly stable as they enter their second and third generations. Growing numbers of organizations feel comfortable with the reduced level of risk; the rapid growth phase of adoption begins. Approximately 20% of the technology's target audience has adopted or is adopting the technology as it enters this phase.</td>
</tr>
<tr>
<td>Years to Mainstream Adoption</td>
<td>The time required for the technology to reach the Plateau of Productivity.</td>
</tr>
</tbody>
</table>

Source: Gartner (August 2010)

### Table 2. Benefit Ratings

<table>
<thead>
<tr>
<th>Benefit Rating</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational</td>
<td>Enables new ways of doing business across industries that will result in major shifts in industry dynamics</td>
</tr>
<tr>
<td>High</td>
<td>Enables new ways of performing horizontal or vertical processes that will result in significantly increased revenue or cost savings for an enterprise</td>
</tr>
<tr>
<td>Moderate</td>
<td>Provides incremental improvements to established processes that will result in increased revenue or cost savings for an enterprise</td>
</tr>
<tr>
<td>Benefit Rating</td>
<td>Definition</td>
</tr>
<tr>
<td>----------------</td>
<td>------------</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td>Slightly improves processes (for example, improved user experience) that will be difficult to translate into increased revenue or cost savings</td>
</tr>
</tbody>
</table>

Source: Gartner (August 2010)

### Table 3. Maturity Levels

<table>
<thead>
<tr>
<th>Maturity Level</th>
<th>Status</th>
<th>Products/Vendors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Embryonic</strong></td>
<td>• In labs</td>
<td>• None</td>
</tr>
<tr>
<td><strong>Emerging</strong></td>
<td>• Commercialization by vendors Pilots and deployments by industry leaders</td>
<td>• First generation High price Much customization</td>
</tr>
<tr>
<td><strong>Adolescent</strong></td>
<td>• Maturing technology capabilities and process understanding Uptake beyond early adopters</td>
<td>• Second generation Less customization</td>
</tr>
<tr>
<td><strong>Early mainstream</strong></td>
<td>• Proven technology Vendors, technology and adoption rapidly evolving</td>
<td>• Third generation More out of box Methodologies</td>
</tr>
<tr>
<td><strong>Mature mainstream</strong></td>
<td>• Robust technology Not much evolution in vendors or technology</td>
<td>• Several dominant vendors</td>
</tr>
<tr>
<td><strong>Legacy</strong></td>
<td>• Not appropriate for new developments Cost of migration constrains replacement</td>
<td>• Maintenance revenue focus</td>
</tr>
<tr>
<td><strong>Obsolete</strong></td>
<td>• Rarely used</td>
<td>• Used/resale market only</td>
</tr>
</tbody>
</table>

Source: Gartner (August 2010)

**RECOMMENDED READING**

"Understanding Gartner's Hype Cycles, 2010"
"Cool Vendors in Human Capital Management and Employee Performance Management, 2010"
"Magic Quadrant for E-Recruitment Software"
"Top Five Human Capital Management Processes for 2009 to 2013"
"The Hype Around an Integrated Talent Management Suite Outpaces Customer Adoption"
"Technology Overview for U.S. Midmarket Human Capital Management Solutions"
"Examining the Market for Workforce Planning and Analysis Solutions"
"Predicts 2010: How Finance, HR and Procurement Organizations Can Plan for These Dynamic Markets"
"Technology Overview for Workforce Planning"
"The Business Impact of Social Computing: Real-World Results for Recruitment"
"Case Study: Managing Business Change and Legal Compliance With Talent Management at La Francaise des Jeux"

"Case Study: How Galapagos Evolved Nimble Global HR Processes"

"Key Issues for Corporate Learning Systems, 2010"

"Key Issues for Human Capital Management Software, 2010"

"Competitive Landscape: HCM Visualization Software, Worldwide, 2010"

"The Hype Around an Integrated Talent Management Suite Outpaces Customer Adoption"

"SaaS Impact in Human Capital Management"

"Building the Benefits Case for Talent Management Application Investments"

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