October 7, 2014

HR Technology for 2015:
Ten Big Disruptions Ahead

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The HR technology landscape, which is now more than a $15 billion market in software alone,[1] is exploding with growth and innovation. We are tracking more than 100 new startups in network-based recruiting, talent analytics, assessment science, continuous learning, and new midmarket core HR systems. New tools to help in managing employee communications, recognition, and workplace wellness are also red hot.

Fueled by this new cycle of innovation, private equity and venture capital firms are investing heavily in the space. The top 50 HR technology investment deals this year were more than $560 million, and the top 50 learning and educational technology deals were more than $800 million. For example:

- Just recently, Skillsoft, one of the largest e-learning companies, acquired one of the largest learning management system (LMS) companies.

- Earlier this year, LinkedIn acquired Bright to aid in employment matching.

- Two years ago, IBM acquired Kenexa to build out its talent software offering.

The market is flooded with innovative new solutions, often financed by eager venture capital firms looking to be a part of this fast-growing market.

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[1]   Source: http://www.bloomberg.com/news/2012-10-11/workday-raises-637-million-in-ipo-pricing-shares-above-range.html.

As money and demand comes to HR technology, so do new ideas and smart people. The result—we are seeing one of the most tumultuous times ever in the evolution of the HR technology market. Smart entrepreneurs can now build new tools with very little money, so the number of groundbreaking and often disruptive new ideas is growing.

How do you keep up? In this report, we highlight some of the biggest disruptions that are happening and give you some guidance for your technology roadmap ahead.

1. Shift from HR Systems of Record to Employee Systems of Engagement: Today "User Engagement" or "Ease of Use" Drives System Value

The first and perhaps most profound issue impacting HR technology today is the shift in the purpose of the software itself. Over the last 30 years, HR systems were built to automate, store, and manage HR-related processes and data. They were, in effect, back-office HR process automation systems.

While automating HR practices and integrating systems continue to be a vast need in most companies, today's HR has changed. We no longer rely on an HR manager or HR business partner to "design some process" and teach us how to use it. Currently, these systems are all "self-service"—we, as employees or managers, use them ourselves. So their success is now dependent on how easy they are to use by employees, managers, and even job candidates.

Look at recruiting systems, for example. Only a decade ago, these systems were electronic filing cabinets and indexing systems for résumés. Today, if we can't give job candidates a "one-click apply" button on their mobile phones, as well as an easy way for them to learn about the company, submit their interviews via video, and assess themselves online, we may not even get them to apply! The leading candidates—those who don't really need to look—aren't even going to write a résumé. We have to make it so easy to engage with our recruiting systems that it feels more like a marketing activity.

Internal HR management systems (HRMSs) are also too complex—creating a need for an army of consultants to build self-service frontends. We need to make it simple and easy for people to:

- Update their status

- Find their benefits

- Locate other skilled people

- Find and take courses

- Complete onboarding for a new job

- Locate skilled professionals

- Assess candidates

- Set or monitor goals

Once "paper-based HR practices," the various processes are now all online and they should be easy to do—right in the middle of our work. We don't even want to "log into the HR system" to do these things any more; they must be so integrated into our lives that they can be done as part of our daily activities.

So the HR systems of the future are now "systems of engagement." They are trying to be so easy to use that people think of them as part of their daily lives. I like to think of them as "work management systems" now. They may embed and automate HR practices; but rather than being things we do once a year, they are applications we use every day (or they should be).

Let me cite two common examples.

- **Think about goal management.**

  o Do you want your teams to build goals once per year and not even look at them until performance appraisal time comes (the HR approach)?

  o Or do you want the goal management system to be "agile" and "always in use," helping people to manage their weekly, monthly, and quarterly objectives?

  Our research shows that companies, which revise their goals quarterly or more frequently, are nearly 50% more likely to have above-average customer satisfaction and 65% more likely to be effective at controlling costs than those organizations that only

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🔑 **KEY POINT**

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revise their goals once per year.[2] Why wouldn't the HR system facilitate this agile, continuous goal management process?

Many startups are focused here.

- **Think about learning.**

  o Do you want your employees to "log into the LMS" only when they think about it to find a course?

  o Or would you rather have them always viewing new videos, new instructional modules, and new learning opportunities every day—or right in the context of their work?

Today, we want employees' learning to be "fully integrated with work"—not someplace where they "go when they have time." So, why wouldn't the LMS become an integrated "learning environment" which:

  o Recommends courses and content

  o Connects you with experts

  o Helps to find certifications and external education easily

Most new LMS companies are focused here.

This tectonic shift—from "system of record" to "system of engagement"—is massive. It is radically disrupting IT and dramatically changing the HR system world.

How did this transition occur? A combination of mobile applications, the consumer web, and our general approach to using technology has totally changed in the last 4 to 5 years. As a result, many HR vendors are now scrambling to redesign their software.

What does this mean? In the new world, HR systems should operate differently.

- **Mobile Is Mandatory**—Applications should be designed for mobile use first (much of the time we spend on the Internet is on our phones).

- **Design Trumps Functionality**—We don't need "more features"; we need "better designs"—which make systems simpler, easier to learn,

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[2] For more information, *Maximizing the Impact of Goal-Setting and Revising*, Bersin & Associates / Stacia Sherman Garr, August 19, 2011. Available to research members at www.bersin.com/library.

> ### KEY POINT
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and elegant in flow. We need fewer menus, less functionality, and a focus on "getting work done," not "finding HR processes."

- **Gamification[3] Is Embedded**—Rather than give people "games" as we did 5 to 6 years ago, we want the systems to track points, usage, and social activity—and make them both fun and engaging to use. Every application now has social features and you can always move from "learning" to "doing" to "finding people" along the way.

Innovative vendors are figuring out all of this—Workday, HireVue, and Cornerstone OnDemand, for example. These companies have radically redesigned their user interfaces, and they invest heavily in object-based design, embedded analytics, and ease of use in every way.

2. Mobile Is Everything: Build Apps, Not Just "Mobile Interfaces"

What we used to call "mobile" is now becoming "the Internet." According to recent research,[4] there are now 5.2 billion mobile devices and 1.6 billion smartphones, while only 789 million laptops and 743 million desktop PCs. This means that your employees, most of whom are more than likely to have a smartphone, are 2 to 5 times more likely to access your HR applications on their phones than they are on their PCs.

This is not to say that web applications are going away; rather, the focus of new applications should now be "mobile first," and the usage mechanics, user interface, and design should be built around the use of a mobile device. In a mobile device, we "tap and swipe" rather than "click and type"; so, if your HR system is not designed well for mobile, look carefully for a vendor which has made that investment.

Mobile apps are just that—apps. They're small, highly interactive, very easy-to-use, single function systems. Unlike traditional HR software, mobile apps look more like SnapChat. They have red dots, simple swiping mechanisms, and lots of feedback; they are fast and efficient. A mobile app should be usable within one or two clicks; most HR applications take dozens of clicks just to get started.

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[3] "Gamification" or game mechanics is actually an academic discipline that describes the elements of a program or system which turn it into a "game." For more information, please read, *The Gamification of Corporate Human Resources*, Bersin & Associates / Josh Bersin, November 3, 2011. Available to research members at www.bersin.com/library.

[4] Source: http://www.kpcb.com/internet-trends.

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> The mobile device will soon be the primary interface to all HR-related applications.

Think about all of the typical HR applications that work better on mobile devices.

- **Time and Attendance**—Most hourly, consulting, and service workers are mobile. They need a rapid-fire mobile app multiple times a day.

- **Online Learning**—What better time to learn than when standing in line, sitting on a plane, or waiting at the doctor's office, especially if it is certification or compliance training.

- **Employee Directory**—In most cases, we phone someone through a mobile device, so shouldn't the directory be there? Single click, find someone, send an email, or give them a call.

- **Goal-Setting and Management**—What if I have a great idea for a project or goal over the weekend? Why can't I update my goals while I'm out and about? Let me update my goals right this minute, while I'm in line at the bus.

- **Employee Communications**—Most people are more likely to read a newsletter or email on their phones during off hours. I want to read company news in my Twitter feed or phone reader, not by browsing through email.

- **Job Candidates**—As we described earlier, more than half of all job responses start from a mobile advertisement; companies tell us that their leading candidates are those who apply from their mobile devices. LinkedIn, Indeed, Twitter, and many other successful social networks have highly interactive mobile apps. Jobs should just "pop up" in these environments.

- **Feedback and Engagement**—Engagement and feedback surveys, which are becoming more dynamic every day, can be done on a phone in minutes. Adobe found that its employee feedback increased by fivefold when the company used mobile technology to deliver its pulse surveys. If I have something I want to say right now about the work environment, can't I just post it instead of logging into a corporate HR system?

The trend toward mobile apps is only accelerating. With new products now starting to offer "sensing" and "the Internet of things," the mobile device will likely soon be the primary interface to all HR-related applications.

3. Analytics-Driven, Science-Based Solutions: Data Analysis Is the Solution, Not the Product

We used to think of HR systems as giant file cabinets for people-related data. Well they are—but they do much more than that. As our talent analytics research shows,[5] companies which go through the process of "datafying" their HR organizations[6] are seeing 2 to 3 times better results in quality of hire, leadership pipelines, and employee turnover.

In many ways, the whole value proposition of software itself is shifting. The software itself is becoming more and more like a commodity—it's the data, decision-making, and analytics that drive value.

Consider the following fact. Most companies spend 30% to 60% of their revenue on payroll (people). This huge expense goes into salaries, benefits, training, facilities, and all of the people-related services that the business provides. If we want to improve profitability, customer service, revenue generation, or product quality, shouldn't we look at one of the biggest expenses we have?

The problem many companies have is simply one of investment. While finance, marketing, and supply-chain organizations have been implementing analytics solutions for decades, HR is now just starting to see the benefit. Our research shows that only 4% of large organizations have any ability to "predict" or "model" their workforce; but more than 90% can model and predict budgets, financial results, and expenses.[7] So the problem is not "lack of skills"; it's more a historic problem of lack of investment, poor data quality, and an underfunded talent analytics team.

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[5]   For more information, *High-Impact Talent Analytics: Building a World-Class HR Measurement and Analytics Function*, Bersin by Deloitte / Josh Bersin, Karen O'Leonard, and Wendy Wang-Audia, October 2013. Available to research members at www.bersin.com/library.

[6]   Source: "The Datafication of HR," *Deloitte Review* / Josh Bersin, January 17, 2014, http://dupress.com/articles/dr14-datafication-of-hr/.

[7]   For more information, *High-Impact Talent Analytics: Building a World-Class HR Measurement and Analytics Function*, Bersin by Deloitte / Josh Bersin, Karen O'Leonard, and Wendy Wang-Audia, October 2013.

HR organizations now understand this need. I call it, "The Datafication of HR[8]"—the beginning of a decade-long transition toward data-driven people decisions.

Articles, books, research, and conferences now educate us about the strategic information we have—including people's characteristics, job experience, development, and assessment data. This data, coupled with real-time work-related data, gives the company amazing opportunities to make science-based decisions about such issues as:

- Who to hire

- How to improve sales performance

- How to improve patient outcomes

- How to reduce labor costs

Today's HR systems should not simply be "data analysis" applications, but rather "data-driven" applications.

A new solution from Deloitte, for example, looks at real-time labor activity, and uses analytics techniques to show companies how to save millions of dollars in payroll expense without reducing any worker flexibility or productivity. Similar solutions now let companies scientifically understand who their leading recruiters are and how to source far better candidates based on the success profiles of existing employees. One vendor has a "virtual educator" who looks at employees' online activities, and actually recommends training and learning based on their activity patterns.

What does this all mean for HR technology? It has profound effects—today, we buy HR tools because of their functionality and ease of use; in the near future, we may buy the tools because of their "intelligence" and "analytics" capabilities.

This does not simply mean that we need HR systems to have good reporting and analytics tools—these capabilities are becoming

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8   For more information, please read, "The Datafication of Human Resources," Forbes.com / Josh Bersin, July 19, 2013, http://www.forbes.com/sites/joshbersin/2013/07/19/the-datafication-of-human-resources/.

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commodity-like already. What we do need are vendors which provide embedded analytics with their products—predefined models that:

- Predict retention

- Identify pockets of high cost

- Recommend learning

- Intelligently help us to make talent mobility decisions

Vendors that offer these "embedded analytics" solutions today include Oracle, Workday, Ultimate, Saba, Skillsoft, SuccessFactors, and others. If your software vendor is not providing you with out-of-the-box analytics that "do the analytics for you," then you should probably look elsewhere. Yes of course we need good analytics tools; but, today, the tools are available at very low cost—intelligence is where the value will reside.

Finally, let's remember that, before long, your HR vendors will be selling you "data" in addition to the system. Today, SuccessFactors offers a vast database of benchmarks with its new talent management software. You should soon expect your HR systems and technology vendors to offer benchmarking data with their systems—and this will help certain, well-entrenched vendors to disrupt their competitors.

4. Science of Leadership, Assessment, and Psychology Evolves with Big Data

A large and very traditional part of HR is dedicated to industrial and organizational (I/O) psychology. This industry (dominated by PhDs with backgrounds in statistics, organizational development, and psychology) has brought us many of the most powerful assessment and leadership development solutions in the world.

Nearly every major leadership development and assessment company (including leaders like Korn Ferry / PDI, DDI, SHL, Wiley, and hundreds of others) is now sitting on years of data about leadership, sales skills, employee performance, and the power of personality. Almost all of these companies have been acquired and are now in the hands of larger companies. Why the convergence? A lot of these assessment and I/O science tools seem to be the same. Buyers simply cannot differentiate between the tools, so the market looks commodity-like. *(We're not saying that it is, but it "feels" that way.)*

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Bersin
by **Deloitte**

Just as disruption happens in technology markets, a new set of disruptive assessment solutions is emerging. New vendors are now trying to build assessment solutions based on "real-time Big Data," rather than core psychological models. Many of these companies may start with the Big Five[9] personality traits (a public domain personality model), but then quickly build tools to collect social data, peer assessment data, and behavioral data that expand the world of assessment. These new vendors are not only smart psychologists, but also data scientists—so they may find performance-driving characteristics we never previously considered.

Some of these companies include Evolv, Good.co, IBM / Kenexa, Kaisen, jobFig, Roundpegg, Logi-Serve, and others. They are bringing together traditional assessment with Big Data and what one may call "social sensing"—to better understand the relationship between skills, personality, and organizational culture. While most of these companies are still relatively small, they have the potential to disrupt the traditional market for prehire and leadership assessments, as well as give us ways to assess everyone in the company using a combination of data, gamified tools, and social information.

Given the tremendous focus on work-life balance and better work environments, new tools that help us to manage our own health and work-life balance are emerging as well. All of these Big Data, science-based tools that assess our behavior and personality are becoming a major new industry within HR.

5. Sensing, Crowdsourcing[10], and the Internet of Things: Systems Become More Real-Time

As more and more people use internal HR systems, they become more useful as employee sensing and communications systems. While most HR applications were designed for a top-down organization, today's companies operate in a much flatter, peer-to-peer manner. The result is that HR systems now are like real-time communications systems.

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9   Source: http://en.wikipedia.org/wiki/Big_Five_personality_traits.

10   "Crowdsourcing" is the practice of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, and especially from an online community or the Internet, rather than from traditional employees or suppliers.

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- **Look at the LMS, for example.** Originally conceived as an online course catalog, today these systems connect people to content, people to information, and people to people. We see a flurry of new social skills-matching and content-matching applications that are changing the way people learn. Rather than only take what training you are assigned, why wouldn't you also look at what training is popular? What courses are your mentors taking? What courses are most active today?

- **A second example of this new trend is employee feedback and engagement tools.** These systems, which used to be annual surveys, are rapidly being replaced by a wide variety of real-time feedback, social sensing, and analytics systems that can gauge and measure employee feedback quickly. Companies, like BlackbookHR, tinyHR, Culture Amp, and dozens of others, now let people feed back their feelings or experiences at work in real-time—giving managers and leaders immediate information about work and management issues.

Crowdsourcing or social systems are also transforming HR practices. Just the concept of voting up or down for certain ideas (once called an "IdeaFactory") has huge power. HR can now immediately get feedback or commentary on any new program, organizational change, or new idea. HR systems that facilitate this transparent sharing of information may become mainstream.

Companies which offer recognition tools, for example, now let people provide real-time "kudos" and "rewards" to others in the company. These tools are having dramatic impact on employee engagement—and engagement has become the most important issue on the minds of HR leaders in many companies.

Finally, in the next year, as mobile device vendors unleash a new barrage of mobile phones, we will have increasingly more location and employee data available than ever. Many HR solutions should plan to accept and manage real-time data, real-time feedback, and continuous social feeds to provide value to people.

Companies are now looking at ways to capture continuous data about hourly employees (i.e., time worked, overtime, schedules), high potentials (i.e., are they threatening to leave, how are they feeling about work or their managers), and leaders and staff (i.e., how are they

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performing, why are some people performing better). The "quantified self[11]" may become the "quantified employee" over the next few years.

6. Radical Changes to Recruiting: "Network Recruiting" Becomes the Norm

The recruiting market has dramatically changed. Thanks to tools like LinkedIn, Indeed, Glassdoor, and many others, we now source, attract, and recruit candidates through what we call, "network recruiting." Recruiters look for candidates based on their social profiles and new referral systems (Careerify, for example), and let us find candidates through the networks of our employees.

We now market to these individuals through candidate relationship management systems, and can track their activity and interest in our brand. We monitor our brand through new sensing tools and can now begin to build local employment brand based on opportunities within a country.

Recruiting platforms (like Workday and Saba) now connect to this new world of network recruiting applications—facilitating the transition from traditional "post-and-pray" applicant tracking systems to highly interconnected recruiting applications.

From a technology standpoint, this means that recruiting applications are now also networked; most applicant tracking systems (many of which are 7 to 9 years old) must be complemented by referral recruiting tools, candidate relationship management systems, candidate analytics systems, advertisement management systems, video-interviewing tools, mobile recruiting tools, and employment data providers like BurningGlass.

Recruiters have to become familiar with this highly interconnected set of systems, and select a tapestry of tools and vendors to build a total solution.

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7. Dramatic Changes to Performance Management and Talent Mobility: Agile, Transparent Practices Are a New Area of Focus

The old-fashioned performance appraisal is under stress.

While most companies still have annual reviews, many tell us that they are not worth the time invested; everyone wants real-time, feedback-based solutions, coaching, development, and more agile approaches to goal management. This ultimately means not only more real-time information flowing into the HR systems, but also more transparency.

A new breed of performance management tools and approaches now includes features for regular check-ins, transparent sharing of goals, and agile team management. While end-of-year reviews are still important, new tools facilitate the regular process of coaching and checking—and, if they are hard to use, they won't fit the bill. Social recognition, a market which today exists as a separate set of vendors, is now becoming an integrated part of the talent management platform.

The talent review itself is changing. We used to sit in a locked room and place people on a nine-box grid[12] to decide who is a HiPo[13] and who should get the next developmental assignment. Our new research shows that this information should be shared with people and that individuals should get direct feedback on their performance.[14]

Dynamic talent pool management and tools that let managers and HR teams find people based on experience, role, skills, and job history are now becoming common. Many large organizations today are struggling to build a new generation of talent mobility practices—making it possible for younger employees to take "tours of duty"

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[12] A "nine-box grid" is a matrix tool that is used to evaluate and plot a company's talent pool, based on two factors, which most commonly are performance and potential.

[13] A "high-potential employee" is an employee who has been identified as having the potential, ability and aspiration for successive leadership positions within the company. Often, these employees are provided with focused development as part of a succession plan and are referred to as "HiPos."

[14] For more information, *Prehire Assessments: A Four-Step Model*, Bersin by Deloitte / Charles Handler, Ph.D. and Kim Lamoureux, April 2013. Available to research members at www.bersin.com/library.

and developmental assignments. HR systems must not only measure performance, they must help to manage employee skills and mobility as well.

Remember also that one of the most important practices in management is development planning. Our research showed years ago that, of all the practices to consider in performance management, development planning is among the most important.[15] While most HR systems bolted together their performance and learning modules with some integration, today these systems are much more tightly linked; employees can now browse for development, and use crowdsourcing to understand what experiences or training they may need.

Even onboarding, a practice not well adopted by many companies, is now becoming a critical part of the talent process. When an employee joins the company, changes roles, or is promoted to a new assignment at a more senior level, that person needs a whole set of things to prepare for the change. Vendors are beginning to understand that "onboarding" and "mobility management" are similar problems; you should look for this kind of functionality in your new systems.

8. Learning Management Systems Change and the Market Expands

One of the oldest HR technologies is the learning management system. Originally designed as classroom scheduling systems, this market has grown and changed rapidly over the years. In the early 2000s, these systems turned into "e-learning management systems"; in the last 4 years, many of the successful LMS vendors were acquired.

Today, the LMS market is more than $2.5 billion in size and grew by more than 21% this year; it is the fastest-growing major segment in HR software.[16] Why this growth? Corporate learning, content, and

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[15] Our High-Impact Performance Management research is a series of industry studies, published between 2011 and 2012, and are available to research members at www.bersin.com/library or for purchase at www.bersin.com/hipm.

[16] For more information, T*he Global Market for Learning Management Systems 2014*, Bersin by Deloitte / David Mallon, Todd Tauber, Wendy Wang-Audia, August 2014. Available to research members at www.bersin.com/library.

collaboration have become fundamentally strategic to nearly every company. Today, as the economy grows, every company should:

- Reskill technical staff

- Onboard and train new employees

- Build deeper leadership pipelines

- Help employees to understand how to do their jobs better

The disruption taking place is the rapid shift away from LMS as a "training administration system" to the LMS as an "employee learning engagement platform." New LMS technologies now integrate learning with talent and performance management; they include integrated content and expertise management; and, they often have integrated collaboration, recommendation engines, and tools. Massive open online courses[17] (MOOCs), for example, represent a whole new source of learning—as does YouTube and a wide variety of new content sources. Your LMS should incorporate this into an employee's experience. New technology, called "Tin Can API[18]," will let you track any and all learning activities, including just clicking on a website.

One of the other disruptive changes in the LMS market is the emergence of "embedded learning" and "intelligent learning" as keys to success. One vendor, for example, connects its LMS technology to retail store management systems and can "pop learning" right into the window of a workstation when retail employees have a quiet time during a shift. Another vendor offers a direct link to Salesforce.com, can automatically register employees in courses, and pop content into

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[17] "Massively open online course" (or MOOC) refers to a new category of vendor that provides open, no-cost (or low cost) online education and courseware. For more information, please read, *The Impact of the MOOC Market on Corporate Training*, Bersin by Deloitte / Josh Bersin, September 11, 2013. Available to research members at www.bersin.com/library.

[18] The "Experience API" (xAPI) e-learning specification, also known as the "Tin Can API," is the product of an Advanced Distributed Learning (ADL) Initiative (from the U.S. Department of Defense, http://www.adlnet.gov) to develop a runtime API that captures data on a person's learning activities other than using courseware (e.g., social and informal learning, and other activities). The development goals of the xAPI are to meet the expanding needs of online distributed learning and to be the next generation of SCORM (sharable content object reference model). For more information, please read, *Emerging Technology: The Next Generation of SCORM*, Bersin by Deloitte / Janet Clarey, April 16, 2013. Available to research members at www.bersin.com/library.

Bersin by **Deloitte.**

their PC windows after they execute certain transactions. Imagine a salesperson, for example, who opens an opportunity for a multimillion dollar deal, but has not yet been certified for "large-account selling." The system would automatically register and notify that person to complete the course before moving forward.

Just to show how disruptive this market has become, we are tracking more than 200 LMS and learning technology providers, with many of the major players listed as follows:

a. **Integrated Talent Management Suites**—Including Cornerstone OnDemand, Fairsail, Halogen, Lumesse, Oracle, Peoplefluent, Saba, SilkRoad, SuccessFactors (SAP), Technomedia, etc.

b. **General Purpose Learning Management Systems**—Such as Absorb, Docebo, Expertus, GeoMetrix, Gyrus, imc, Infor, Intellum, Litmos (Callidus Cloud), MeridianKSI, Totara, and many, many more

c. **Content-Plus Technology Providers**—Including BizLibrary, Cegos, CM Group, Commelius, CrossKnowledge, Cyberwisdom, and Skillsoft, among others

d. **Affiliated Learning Technologies**—Virtual classroom providers, such as Adobe or Citrix; social learning providers, such as Bloomfire, Digital Ignite, Triple Creek, or Wisetail; or, mobile learning providers, such as Intuition or OnPoint Digital, etc.

e. **Audience Specialists**—Operations and compliance training, such as Ancile Solutions, Dupont Sustainable Solutions, RISC, Thompson Reuters (formerly Reqwired), and Underwriters Labs; and, industry verticals (for example, healthcare) include Elsevier MC Strategies and Healthstream

9. HRMS and Talent Management Merge: ERP[19] Vendors Are Catching up

What about the big issue of buying all of your HR applications from a single ERP vendor? With Oracle, SAP, Workday, Infor, Ultimate, and other HRMS providers offering a range of talent management applications, is it time to consolidate to a single vendor solution?

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[19] "Enterprise resource planning" (ERP) is a category of enterprise software that typically integrates financials, HR, manufacturing, order processing and customer relationship management in an integrated solution.

Well, in many ways, consolidation has already occurred. All major HRMS vendors offer recruitment, learning (with the exception of Workday), performance management, talent management, and analytics solutions along with their core HRMS and payroll applications. So you can now select an HRMS or ERP provider, based on your infrastructure or broad existing investment, and expect much of your core functionality to come from that vendor.

Are all of the ERP vendors the same? Not at all. Each company comes from its own legacy technology and a wide variety of new vendors are now serving the midmarket. If you are a global company, you must evaluate payroll solutions, as well as country-specific solutions and support. If you are a midmarket company, you should make sure that the system is both affordable and easy enough to use for your organization's employees and HR staff.

You may still end up with multiple vendor solutions. While the major ERP vendors have now acquired or built many of the end-to-end modules companies need, it is rare to find a situation in which an ERP vendor can meet a company's entire set of needs. Innovation in the areas of networked recruiting, analytics, crowdsourcing, real-time engagement management, social recognition, and collaborative learning still continues. The ERP providers now offer credible, trusted solutions for most core applications of HR and talent, but most of the innovation continues to come from small providers.

Some analysts often believe that the ERP vendors will "take over" the HR market; in reality, the market itself keeps expanding. While every ERP provider has an impressive and broad array of solutions, the pace of innovation in HR is accelerating. So, while buyers must obviously select one or only a few ERP providers, we believe that the HR market will always have new disruptive innovators.

Areas, which are all dominated by small, rapidly growing vendors, include:

• Social recruiting

• Retention analytics

• Mobile applicant management

• Data-driven culture assessment

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- Social employee recognition

- Work-life balance and happiness applications

- Real-time employee engagement

We believe this will continue to be the trend, so one of the "disruptions" is the continuous growth of new application areas and new technologies, which will always "interrupt" or need to integrate with ERPs.

You, as a buyer, should always be open to taking your existing ERP vendor standards and opening that up to new, small vendor solutions. The "one-vendor" idea has come and gone. In today's cloud-based technology environment, companies can easily integrate multiple solutions. We should design and assume that there will be new disruptive products to buy—and just make sure we are ready to integrate them with our ERP investments.

10. Technology-Savvy Vendors Will Likely Outpace Their Peers

The final disruption is the commoditization and rapid change in technology itself. Vendors with legacy products and legacy architectures will find life more difficult in the coming years. Standard technologies for startups include:

- Cloud-based systems

- Flat user interfaces

- Mobile game mechanics

- Video

- Advanced analytics

Vendors that can continuously adopt these new engineering and design paradigms will likely outpace their peers.

Look, for example, at how fast companies like Snapchat and Whatsapp became billion-dollar valuation companies. It wasn't because these companies had thousands of advanced features; in fact, it was quite the opposite. These teams were able to harness new mobile and cloud

technologies to create a highly engaging user experience that makes communications or photo-sharing easy. This is not as simple as it sounds. These companies understand modern technology and they know how mobile devices work; they designed something quite transformational in our lives.

HR vendors have to do the same.

Winning vendors will have agile, highly expert teams. They will release new features and interfaces every few months; they will be able to rapidly adapt their products as technology, user experience, and client demands change.

The rules for HR software are changing. Companies no longer buy HR software solely based on features; they now look for the total employee and user experience. Vendors have to build deep skills in:

- Design

- Mobile

- Analytics

- Cloud

- Integration

- Modern programming technologies

They need to use data to make the applications relevant and useful—and hide complex tools in the background.

Even more importantly, disruptive HR vendors know how to manage their teams. A huge market exists for the world's leading software engineers—so they go to the effectively managed companies. HR vendors will not likely be able to attract this type of talent if they aren't building exciting products and creating an environment that drives high levels of customer value. Engagement is not just a market for HR technology; it is also an important strategy for the vendors themselves.

Bottom Line: Tomorrow's HR Solutions Will Likely Be Radically Different

The days of selecting a vendor based on features and checklists are slowly ending. Many vendors have many of the same HR process features today; many of the strong product managers have moved from company to company to share their skills. Winning vendors will likely embrace these disruptions and deliver products that feel like consumer apps, yet have the data analysis, network integration, and compelling user experiences of Apple, for example.

The incumbent, larger vendors will likely remain; the winners may continue to acquire smaller companies. Vendor salesforces will compete as vigorously as ever, but buyers will likely start to look at HR technology as a total "employee experience" and much less as a "great product."

Implementation of HR technology will always be a challenge. But, other than change management and communications, the systems will become easier and easier to use—making HR technology "disappear" into the corporate infrastructure, and become just "part of doing business and coming to work."

Vendors have many challenges to deal with over the next few years, but the marketplace is filled with highly trained, motivated, smart people. HR technology can add ever more value each day. This is a dynamic market filled with talented and committed vendors, and we see the value of HR technology going up rapidly. For the first time since the original personnel database was developed on a mainframe, HR technology can become one of a company's most important tools for talent management, strategic decision-making, and overall company success.

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