Talent Management Systems 2010

Executive Summary

Leighanne Levensaler,
Director of Talent Management Research

Madeline Laurano,
Principal Analyst

September 2009

The Bersin & Associates Membership Program

This document is part of the Bersin & Associates Research Library. Our research is provided exclusively to organizational members of the Bersin & Associates Research Program. Member organizations have access to the largest library of learning and talent management related research available. In addition, members also receive a variety of products and services to enable talent-related transformation within their organizations, including:

- **Research** – Access to an extensive selection of research reports, such as methodologies, process models and frameworks, and comprehensive industry studies and case studies;
- **Benchmarking** – These services cover a wide spectrum of HR and L&D metrics, customized by industry and company size;
- **Tools** – Comprehensive tools for benchmarking, selection and implementation, and measurement;
- **Analyst Support** – Via telephone or email, our advisory services are supported by expert industry analysts who conduct our research;
- **Strategic Advisory Services** – Expert support for custom-tailored projects;
- **Member Forums®** – A place where you can connect with other peers and industry leaders to discuss and learn about the latest industry trends and best practices; and,
- **IMPACT® Conference: *The Business Of Talent*** – Attendance at special sessions of our annual, best-practices IMPACT® conference.

For more information about our membership program, please visit us at www.bersin.com/membership.

TABLE OF CONTENTS

Introduction

After three years of researching and writing about the value and potential of the "talent management suite," we have reached a point in the market at which it is finally possible to address the real business impact and the true market leaders.

To be sure, this is still a relatively immature market in terms of wholesale adoption of the entire suite. Moreover, buyers are overwhelmed with the sheer number of solution providers and how to approach the integration of their current siloed talent management systems.

In this comprehensive industry report, we set out to understand the marketplace for talent management suites – and to provide real-world insights into the best practices for the selection, implementation and business impact of such systems.

Talent Management Suite Solution Providers

KEY POINT

The focus of this report is *integrated* talent management systems, also known as the "talent management suite."

There are more than 250 solution providers promoting their products as talent management solutions. While these providers claim to support talent management, they typically only support a point solution addressing one of the following strategic human resources program areas:

- Workforce planning;
- Talent acquisition;
- Performance management;
- Career and succession management;
- Learning and development; and,
- Compensation and rewards.

The focus of this report is *integrated* talent management systems, also known as the "talent management suite." As such, the solution providers included in this research study were required to have at least 20 customers supporting three programs areas, with one program area being performance management. Performance management, as we will discuss later, is the linchpin application of the talent management suit – and is essential for the solution provider to have a strong performance core.

Ultimately, we invited 26 solution providers to participate in the research study and 24 chose to participate.

Figure 1 provides a list of the solution providers included in this industry report.

Figure 1: Solution Providers Included in This Research

Authoria	http://www.authoria.com
Beeline	http://www.beeline.com
Cornerstone OnDemand	http://www.cornerstoneondemand.com/
Halogen Software	http://www.halogensoftware.com/
HRsmart	http://www.hrsmart.com/
Kenexa	http://www.kenexa.com/
Lawson	http://www.lawson.com
Learn.com	http://www.learn.com
Meta4	http://www.meta4.com
Oracle (both EBS and PeopleSoft solutions covered)	http://www.oracle.com
Plateau	http://www.plateau.com/
Saba	http://www.saba.com
Salary.com	http://www.salary.com
SAP	http://www.sap.com
SilkRoad technology, Inc.	http://www.silkroad.com
Softscape	http://www.softscape.com
StepStone	http://www.stepstone.com
SuccessFactors	http://www.successfactors.com
SumTotal	http://www.sumtotalsystems.com
Taleo	http://www.taleo.com
Technomedia	http://www.technomedia.com
TEDS	http://www.teds.com
Watson Wyatt	http://www.watsonwyatt.com
Workstream	http://www.workstreaminc.com/

Source: *Bersin & Associates, 2009.*

Top 10 Findings about the Market for Talent Management Suites

1. Talent Management Software Is Now a Well-Understood and Important Segment within Human Capital Management Software.

KEY POINT

The strategic HCM segment of the human capital management systems sector is estimated at $2.23 billion for 2009 and is expected to grow at a rate of 15 percent annually.

Organizations of all sizes and in all industries implement such software to manage the processes of talent acquisition, onboarding, management, succession, training and compensation. Despite the economic recession, the talent management software market continues to grow in size and in importance, outpacing new spending on core human resource management software. Talent management suite solutions represent a huge market-growth opportunity as organizations seek a more comprehensive and integrated solution to attract, manage, develop, motivate and retain the best in the workforce. We estimate this important market will reach $2.2 billion by the end of 2009 and will be back on-track to grow at a rate of more than 15 percent annually.

2. Most Buyers Today Realize That They Must Clearly Define an Integrated Talent Management Systems Strategy.

Unable to answer basic questions about the health of the talent pool or where to find people with critical skills, organizations faced the stark reality that the current approach of a tapestry of "un-integrated" strategic HR systems needs to be addressed. As such, the most organizations have now developed *(or are in the process of defining)* their approaches to implementing and integrating talent management systems. More than 75 percent of organizations surveyed indicated that they are defining what, how and when they will integrate existing point HR solutions or approach implementing new applications to support talent management.

3. After Three Years of Marketing Hype, We Are Finally beyond the Early-Adopter Phase of Integrated Suites.

Almost 17 percent of organizations with talent management software have some type of suite already and 34 percent want the full suite from one solution provider. This is a significant increase in a few short years, reflecting the rapid maturity of this market. Our research shows that talent management suites can drive tremendously high return on investment. Organizations with multiple modules do a much better job of supporting critical talent management initiatives.

4. Few Organizations Will Buy and Implement a Suite as One, Big Project.

KEY POINT

While 56 percent of organizations intend to purchase a full or partial talent management suite, less than 10 percent will buy and implement as one big project.

While 56 percent of organizations intend on purchasing a full or partial talent management suite, less than 10 percent will buy and implement as one big project. Rather, most organizations implement one to two modules at a time to address a specific need (such as pay for performance, succession management or integrated talent development), with expectations to extend their solution footprints when they are ready. This finding is consistent with the buying trends reported by solution providers. On average, the majority of solution providers report that just about one-half of their new customers purchase more than one module or application. Several full-suite providers (including Authoria, HRsmart, Softscape and Technomedia) report between 80 percent and 100 percent of new customers purchase more than one module.

5. Buyers Today Want Both Functional Depth and Integration across Multiple Applications.

Today's talent management suites must be deep and wide. New buyers are no longer willing to sacrifice functional depth for integration across multiple applications; now, they can have both. In the early stages of this market, buying organizations had to make a tradeoff between an integrated set of applications or best-of-breed point solutions. We have now reached a point in the market at which solution providers have considerable depth across two to three (not all) of their suite applications. The challenge for the buyer is to find a solution provider with depth in functional areas that are the most important to supporting their current and near-term talent initiatives.

6. The ERP Providers Are Losing Market Share to the Pure Talent Management Software Providers.

KEY POINT

More than 67 percent of organizations surveyed evaluated their ERP's talent management solution; yet, only 19 percent selected their ERP.

More than 67 percent of organizations surveyed evaluated their ERP's talent management solution; yet, only 19 percent selected their ERP. The issues are no longer as straightforward as functional depth. As we point out in this report's evaluation of solutions, the latest releases from the ERP providers are very competitive and even offer unique benefits over a pure talent management software provider. The fundamental (and more complex) issue is organizational readiness – the customer must be on the latest version of the ERP environment to implement the enhancements. For some organizations, the upgrade could be several years away and they need a solution today.

7. While It Is Still a Very Competitive Market, the Real Market Leaders Are Starting to Emerge.

This is still a very crowded and competitive market with a lot of seemingly indistinguishable solution providers – but now the real market leaders are starting to emerge. There are more than 30 "talent management suite" solution providers vying for market position, making it very difficult for buying organizations to narrow the field for evaluation. In terms of overall talent management systems revenue and number of customers, SuccessFactors, Taleo, Halogen and Oracle are the market-share leaders. Solution providers with more than 100 customers implementing a full or partial suite include Authoria, Halogen, HRsmart, Oracle, Salary.com, SAP, Softscape, StepStone and SuccessFactors. From an overall company revenue standpoint, there are several other large, stable solution providers – Lawson, Halogen, StepStone, Saba and

Watson Wyatt. Solution provider viability is a key issue to address in your evaluation process.

8. Leading Talent Management Providers Are Embedding Social Tools within Their Applications to Drive Talent Management Adoption.

Social tools have enormous potential to augment the ways in which employees have always collaborated, shared knowledge and leveraged personal networks. Providers (including Taleo, Cornerstone OnDemand, SuccessFactors, Learn.com, Plateau and Saba) have all introduced advanced features to support new ways of conversing, connecting, creating and sharing content, as well as collaborating on common goals and tasks. Expanding the use of social tools is an important enhancement for next-generation solution providers. As such, it is on just about every solution provider's product development roadmap. We expect to see even more innovation in this area over the next year.

9. SaaS Is the Predominant (and Preferred) Delivery Model for Talent Management Systems.

KEY POINT

Widespread acceptance of the SaaS delivery model has played a significant role in the rapid growth of the talent management systems market.

Widespread acceptance of the SaaS (Software-as-a-Service) delivery model has played a significant role in the rapid growth of the market for talent management systems. SaaS providers now support some of the largest, most complex organizations and mature talent practices. Adoption of the SaaS model has dramatically increased the pace of product innovation and the frequency of product releases in the market. In just a few short years, many providers now offer highly configurable solutions to accommodate variation in practices, as well as variability in the approaches, based on business unit, region, type of worker or any combination of attributes. Functionality for establishing business rules, templates, controlling data access and setting up notifications can now be defined at a very granular level. In addition, the solutions have come a long way in offering distributed administration privileges. All SaaS solutions, however, are not equally competent in this area and configurability should be considered a key differentiator.

10. Buyers Need to Be Aware of Potential Challenges in Implementing Talent Profiles.

KEY POINT

Talent profiles provide a consolidated view of all talent-related employee data, and are used extensively throughout a suite to guide and inform decision-making and planning.

Many early adopters of talent management suites have faced serious challenges implementing the first generation of talent profiles offered by solution providers. Talent profiles provide a consolidated view of all talent-related employee data, and are used extensively throughout the suite to guide and inform decision-making and planning. They are an essential feature of a truly integrated talent management suite and many of the benefits of a suite assume a strong talent profile foundation. During our research, we learned that many talent profile initiatives are hampered because of security issues related to data access and visibility. Solution providers do not offer role-based views of the profiles and granular security controls. Further, many solution providers do not offer workflows to support the timely gathering of quality data or provide opportunities for employees to update their profiles within an existing process, such as performance management or career planning. Given the importance of talent, we strongly recommend organizations put their prospect providers through extensive use cases[1].

1 A "use case" provides a description of a sequence of interactions between actors, and the system necessary to complete a specific goal or function. Use cases are often co-authored by systems analysts and end-users, and are presented as a sequence of simple steps.

Conclusions

Organizations are taking several different approaches to integrating talent management systems, including standardizing on the talent management suite. Before making such a broad and far-reaching investment in a talent management suite, organizations must consider the benefits over and above the fact that it all comes from one solution provider. Our research found that most organizations are asking the following types of questions.

KEY POINT

HR has two primary roles in an organization – the administrative role (often called the "back-office" function) and the strategic role.

- What is the best way to approach integrated talent management, given my organization's current systems landscape?
- Given that our HR function operates in silos, how does our governance model need to change to support integrated talent management systems?
- What is the role of my ERP / HRMS in an integrated talent management systems strategy?

This market is one of the most dynamic, exciting and rapidly changing areas in enterprise technology. We hope that our research[2] helps you to navigate these waters effectively and gain the greatest possible business benefit from your investment.

2 For more information on this research, *Talent Management Systems 2010: Market Realities, Implementation Experiences and Solution Provider Profiles*, Bersin & Associates / Leighanne Levensaler and Madeline Laurano, September 2009. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/tmsuite

Regarding This Research

We will be presenting highlights of this research at webinars and other events[3] throughout the coming year. If you are interested in benchmarking your organization against the best practices developed in this report, please contact us. Our *WhatWorks*® Benchmarking[4] service will provide your organization with the data, recommendations and strategic insights to determine the best course of action to adopt the high-impact learning practices of the modern learning function.

Come Visit with Us

We are continuing to expand our workshop and events program to bring research and best practices to your organization. In particular, we encourage you to attend our yearly research conference, IMPACT: The Business of Talent®[5]. We hope you will join us, and many other senior HR and L&D executives as they share their experiences and best practices with you.

Join Our Research Membership Program

Did you get a lot of valuable information from this report? If you like our research and would like to have complete access to more than 10,000 pages of research, case studies, analyses and bulletins, please consider joining our research membership program. Research members have access to all Bersin & Associates research and advisory services, as well as special discounts to our events and workshops. You can learn more by visiting www.bersin.com/membership or calling us at (561) 455-0622.

---

3 For more information on our upcoming events and webinars, please visit www.bersin.com/newsevents.

4 For more information on benchmarking, please visit www.bersin.com/benchmarking.

5 For more information about this conference, please visit www.bersin.com/impact.

About Us

Bersin & Associates is the only research and advisory consulting firm focused solely on *WhatWorks*® research in enterprise learning and talent management. With more than 25 years of experience in enterprise learning, technology and HR business processes, Bersin & Associates provides actionable, research-based services to help learning and HR managers and executives improve operational effectiveness and business impact.

Bersin & Associates research members gain access to a comprehensive library of best practices, case studies, benchmarks and in-depth market analyses designed to help executives and practitioners make fast, effective decisions. Member benefits include: in-depth advisory services, access to proprietary webcasts and industry user groups, strategic workshops, and strategic consulting to improve operational effectiveness and business alignment. More than 3,500 organizations in a wide range of industries benefit from Bersin & Associates research and services.

Bersin & Associates can be reached at http://www.bersin.com or at (510) 654-8500.

About This Research