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Magic Quadrant for Cloud HCM Suites for Midmarket and Large Enterprises

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HCM suites enable core HR, payroll, talent, workforce management and service delivery processes. HR IT leaders of enterprises with more than 1,000 workers and emerging global needs that are pursuing a full cloud HCM strategy should use this research to help identify vendors for further evaluation.

Strategic Planning Assumption

By 2020, 30% of global midmarket and large enterprises will have invested in a cloud-deployed human capital management suite for administrative HR and talent management, but will still need to source 20% to 30% of their HCM requirements via point solutions.

Market Definition/Description

Cloud human capital management (HCM) suites deliver functionality that helps organizations attract, develop, engage, retain and manage their workforces. These solutions support a variety of HCM capabilities (albeit to varying degrees based on the offering), including:

- **HR administrative functions (admin HR) —** Including core HR (organizational and employee data, employment life cycle processes, transactional employee and manager self-service), benefits, and payroll administration; may also include occupational health and safety, grievance tracking, travel expense management, or other areas.
- **HR service delivery (HRSD) —** Including direct access to policy and procedure guidance for employees and managers; may also include case management, knowledge base and digital document management.
- **Talent management (TM) applications —** Recruiting, onboarding, performance management, compensation planning, career and succession planning, learning and development, and workforce planning.
- **Workforce management (WFM) —** Including absence management, time capture, time and attendance evaluation, task/activities tracking, budgeting and forecasting, and scheduling.

HCM suites and their individual applications also provide reporting and data as needed by local and international regulations, and often include analytics and dashboard capabilities. Transactional employee and manager self-service have become embedded roles within these solutions, and the ability to support mobile access has become a fundamental part of these offerings. With increasing frequency, we see the inclusion of social tools and applications embedded within HCM technologies to infuse traditional processes with collaboration, and capitalize on new approaches that leverage social channels in the workplace to enhance overall user engagement and productivity.

In addition, the need for a global HR system of record (SOR) continues to move down market. Already embraced by many larger enterprises, globalization is increasingly affecting midmarket organizations as well; the need to operate in multiple countries with diverse regulatory and data access/privacy requirements has become common. A robust and consistent repository of HR demographic, organizational and (often) talent data is viewed as necessary to remain both compliant and relevant in a very competitive business environment. As a result, this Magic Quadrant as delivered evaluates how well a given vendor can satisfy HCM functions across multiple geographies from both a strategic and tactical standpoint. Clients with a limited worker presence outside their home region (of North America or Europe, for example) may get a more accurate representation of vendor capabilities by exercising one of the following options:

- Use the interactive Magic Quadrant and set the Geographic Strategy criterion to its lowest weighting
- Review "Critical Capabilities for Cloud HCM Suites for Midmarket and Large Enterprises" (due for publication in 3Q16); this contains four specific use cases for organizations, three of which have a more limited regional focus:
    - Core HR plus Talent Suite for Larger Global Organizations (more than 5,000 workers)
    - North American Multifunction HCM Suite (1,000 to 5,000 workers)
    - Comprehensive HCM Suite for European-Headquartered Midmarket Multinationals (1,000 to 5,000 workers)
    - North American Administrative Compliance Suite for Hourly Workers (more than 1,000 workers)

Cloud HCM suites have entered the market from many different directions, emerging via native development, acquisition, or expansion into a suite offering from their roots in admin HR, WFM or TM.

This Magic Quadrant's scope reflects Gartner's definition of "postmodern ERP." We define postmodern ERP as a technology strategy that offers diverse options for automating and linking administrative and operational business capabilities with levels of integration that balance the benefits of vendor-delivered integration against customers' requirements for flexibility and agility (see Note 1).

Therefore, this Magic Quadrant features two types of vendor:

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- Vendors developing, selling, and marketing a single integrated solution with a single UI, data model and code base. These vendors each receive a single dot in the Magic Quadrant graphic.
- Vendors developing, selling and marketing multiple, distinct products. These products have workflow integrations, use vendor-supported integration technologies, and are positioned as components of a "solution," rather than as stand-alone products in the vendors' portfolios. These vendors also receive a single dot in the Magic Quadrant graphic. We have incorporated any user feedback on these products' integration into their vendors' scores for the Product/ Service criterion under Ability to Execute. We have considered the degree of market suitability of the portfolio in our assessment of the Market Understanding and Offering (Product) Strategy criteria under Completeness of Vision.

In recognition of the growing adoption of loosely coupled HCM and financial applications, this Magic Quadrant focuses solely on vendors that actively market cloud HCM suites on a stand-alone basis to midmarket and large enterprises. It does not cover vendors that sell HCM applications only in conjunction with broader financials or integrated ERP offerings (such as Microsoft Dynamics AX or GP), because these solutions prioritize financial functionality and integration over HCM capabilities and therefore deliver basic HCM functionality that is more suitable for organizations with fewer than 1,000 employees. In addition, because the many definitions of "cloud" that currently pervade the HCM market have led to much end-user confusion over current deployment models, participation has been limited to those vendors who deliver their solutions via either public cloud — vendor-managed or in conjunction with an infrastructure as a service (IaaS) provider such as Amazon Web Services or Microsoft Cloud — or shared community cloud. This Magic Quadrant does not include vendors that sell only on-premises HCM solutions (although those that sell *both* cloud and on-premises solutions are included).

Gartner estimates that the overall market for HCM software (including both on-premises and cloud/ SaaS solutions) reached $9.0 billion in 2014, grew 4.4% in 2015 to $9.4 billion, and is forecast to grow another 7.4% to $10.1 billion in 2016. The relatively modest growth of the overall market masks a high level of churn; organizations moving to cloud solutions often exchange traditional "license plus maintenance" agreements for annual subscriptions. On a worldwide basis, Gartner estimates that cloud-based revenue reached 37% of overall HCM software spend in 2015, and predicts that this number will grow to 40% by the end of 2016.

Vendors with existing on-premises customer bases that are aggressively selling their cloud solutions (such as SAP and Oracle) are not only taking share from other vendors, but often cannibalizing their own on-premises revenue streams as well. Concurrently, they may also be losing some on-premises customers to cloud-only vendors in this very competitive market. In the meantime, TM module uptake (whether from HCM suites, TM suites or TM point solutions) continues to grow, with most functions showing double-digit growth and some (particularly performance management, onboarding and contingent labor management) growing even faster. As many vendors still have large on-premises installed bases that need to make decisions on how they will upgrade their HCM technology, it is expected that continued interest in cloud HCM suite solutions will drive considerable market activity for at least the next three to five years.

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Magic Quadrant

Figure 1. Magic Quadrant for Cloud HCM Suites for Midmarket and Large Enterprises

Source: Gartner (March 2016)

Vendor Strengths and Cautions

Note that all mentions throughout this section to "customer satisfaction ratings" or "survey respondents" refer to an end-user survey performed in conjunction with this Magic Quadrant (data collected 1 October 2015 through 6 November 2015), where vendors' clients rated various product and vendor relationship criteria on a 1 to 7 scale (1 = Extremely Dissatisfied, 7 = Extremely Satisfied;

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please refer to the Evidence section for more details on this survey). All reported vendor customer counts are as of October 2015, unless otherwise indicated.

ADP

ADP Vantage HCM is a SaaS solution targeted at North America-based multinationals ranging in size from 1,000 to 10,000 employees (although a few deployments are significantly larger). ADP reports that 315 customers had selected its solution as of March 2016 (more than half are live), and these customers track workers in more than 50 countries. ADP is a Challenger in this Magic Quadrant.

Strengths

- ADP's long track record in outsourced payroll services and its unmatched global payroll presence (direct support of 28 countries and 78 more via partners using ADP Streamline) has resulted in it being a primary payroll partner option for many HCM suite vendors.
- In addition to the Vantage HCM suite's functionality, customers can leverage ADP's broad set of ancillary services for compliance, document management, benefits administration, recruitment outsourcing and analytics, including benchmarking via ADP DataCloud, which includes more than 24 million worker records across more than 600,000 clients.
- ADP now supports implementations with the Vantage best-practice program (offered in conjunction with The Hackett Group) to enable access to benchmarks, increase transformative impact and improve return on investment.

Cautions

- Since its release by ADP in 2013, customer adoption of Vantage HCM has not kept pace with many of its HCM suite competitors; the relatively small number of live customers has resulted in Gartner clients reporting some difficulty in securing sufficient relevant references for their selection process.
- Vantage HCM currently lacks workforce planning and HR case management capabilities.
- Since ADP has many offerings targeted at different segments, and broader corporate messaging, Vantage HCM gets less marketing focus than many other HCM suites.

Ceridian

Ceridian's 2012 acquisition of WFM vendor Dayforce initiated its entry into the cloud HCM suite market. Ceridian has rapidly added capabilities since then, and more than 2,500 North American customers (of which almost 2,000 are live as of March 2016) use Dayforce HCM to manage their workforces in more than 20 countries. The product is well-suited to North American organizations requiring tight integration of WFM to admin HR (including payroll and benefits administration), along with emerging talent management and global needs. Ceridian is a Challenger in this Magic Quadrant.

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Strengths

- Dayforce HCM is a natively developed multitenant SaaS application with a single-person record spanning core HR, WFM, payroll, benefits and talent functions.
- The robust WFM capability of Dayforce HCM (including labor scheduling and optimization) outstrips most of its HCM suite competitors, and rivals that of vertical industry point solutions.
- Dayforce HCM includes innovations such as digital HR document management and TeamRelate, which purports to improve engagement and team performance.

Cautions

- Dayforce HCM lacks full TM functionality: Succession is planned for later in 2016, and learning is delivered via partnership. Existing TM functionality is targeted toward midmarket companies. While these capabilities are likely to be enhanced over time, to meet more complex needs, they may not satisfy the most complex use cases of large global enterprises.
- Rapid uptake of Dayforce HCM has resulted in an implementation backlog; some Gartner clients report a four- to 12-week timeline from contract signing to project start.
- Direct payroll support via Dayforce is limited to the U.S., Canada and U.K.; however, the Dayforce Connected Pay aggregator solution is tightly integrated with Dayforce and connects to partner payrolls in 60 additional countries.

Meta4

Founded in 1991, Meta4 is a privately held company based in Madrid, Spain, and has about 900 employees. Meta4 delivers the full spectrum of HCM suite functions to about 1,600 clients that have 18 million employees in total. Its PeopleNet solution is well-suited to organizations with 1,000 to 30,000 employees or more that have substantial populations in Western Europe and Latin America and a modest North American presence. Meta4 is a Niche Player in this Magic Quadrant.

Strengths

- Meta4 has an established presence and a strong track record in meeting the needs of midsize or large complex multicountry customers in Latin America and Western Europe.
- PeopleNet's embedded competency framework facilitates integrated TM processes for entities with more sophisticated needs; the product also includes an embedded help desk capability that is more robust than those of most other HCM suites.
- The satisfaction of Meta4's reference customers with the overall vendor-customer relationship is above average, and customer satisfaction with both product quality and administrative HR functionality is well above average.

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Cautions

- While overall product satisfaction is average compared with Meta4's cloud HCM peers, customer references are less satisfied than average with PeopleNet's mobile support.
- Meta4 has limited brand awareness outside its core markets of Latin America and Western Europe, and to date has not focused on attracting multinational customers based in North America.
- Meta4's size compared to the leading vendors requires it to focus its sales, marketing and R&D investments on specific target markets rather than across all industries, geographies and sizes of customer.

Oracle

Oracle delivers its comprehensive HCM suite (Oracle HCM Cloud) via a combination of internally developed Fusion applications and its acquired Taleo offerings for recruiting and onboarding. More than 15 million users in over 190 countries use HCM Cloud, and more than 1,000 customers have purchased its Global HR module as of February 2016 (of which about 600 are live). The product is well-suited to multinational organizations that desire a global system of record for core HR and talent processes. Oracle is a Leader in this Magic Quadrant.

Strengths

- The Oracle HCM Cloud delivers leading recruiting and robust compensation planning, as evidenced by above-average customer reference satisfaction scores with these capabilities.
- Oracle has invested substantially in mobile and social/collaboration enablement, and its references are more satisfied than average with this capability. The vendor has also innovated by delivering wellness and competition functionality within its Work Life Applications.
- Oracle has a significant global presence, with HR localizations for more than 100 countries. These product capabilities are supported by global development, support and sales organizations, and managed in 20 global data centers.

Cautions

- Oracle HCM Cloud customers were less satisfied than average with overall product criteria, and specifically were least satisfied with product quality. These reference scores may have been influenced by the inclusion of larger customers with complex multiproduct, multicountry rollouts, because the Oracle reference sample had the highest mean employee size of all the Magic Quadrant participants.
- Customers were also less satisfied than average with the product's ability to integrate with other enterprise applications; the lower scores in this area may indicate lack of awareness of the integration options Oracle offers as part of its cloud platform.

- In March 2015, Oracle announced a new learning module built on its Fusion technology stack. Gartner estimates that 18 to 24 months of development will be needed for Oracle's offering to satisfy the most complex use cases currently included in leading learning solutions.

SAP

Substantially enhanced since its acquisition in 2012, SuccessFactors is SAP's designated HCM cloud platform. More than 1,100 clients have adopted its Employee Central admin HR module (more than 450 are live), which delivers 71 country localizations for HR, 31 for payroll and 16 for benefits. A recently developed integration is now available to the SAP Fieldglass Vendor Management System for contingent labor (acquired by SAP in 2014). SAP SuccessFactors is well-suited to multinationals that desire a global system of record for admin HR and TM processes. SAP is a Leader in this Magic Quadrant.

Strengths

- SAP SuccessFactors has broad, deep and innovative posthire TM functionality, as well as strong adoption (more than 4,400 customers and 33 million users across 177 countries).
- SAP has an extensive global sales, implementation and support presence, as well as substantial adoption of the SuccessFactors solution across all geographies.
- SAP SuccessFactors offers options for customers to extend the application's delivered capabilities without customization, including its Metadata Framework and Hana Cloud Platform tools.

Cautions

- SAP has pursued a solution strategy of build/buy, believing that customers gain benefits from the expanded functionality offered by a single vendor. However, seamless integration between developed and acquired components is still a work in progress, as evidenced by customer references who were less satisfied than average with integration within the HCM suite.
- While aggregate vendor-customer relationship reference feedback for SAP SuccessFactors from October 2015 shows notable improvement over data collected in July 2014, customers are still less satisfied than average with these criteria (including implementation, ongoing support and enhancement requests).
- Customer satisfaction with product criteria in general for SAP SuccessFactors remained consistent from 2014 to 2015 and is also below average, with customers least satisfied with reporting.

Talentia Software

Talentia HCM is part of a broader offering of enterprise solutions (also including finance and corporate performance management) from Talentia Software. The HCM suite supports more than 3,600 clients, with workforces operating across 30 countries; about 20% of the customer base has adopted the public cloud offering. Talentia's development plans for 2016 include delivery of user

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experience improvements. The product is most suitable for midmarket Western European multinationals. Talentia is a Niche Player in this Magic Quadrant.

Strengths

- Talentia released a new recruiting module in 2015, with enhanced analytics and social enablement to better support the attraction and onboarding of new talent.
- In 2015, Talentia also delivered a new multicountry Absence Management module and a service-oriented architecture (SOA)-based continuous data integration engine to support multinational groups based in Europe.
- Talentia focuses on midmarket organizations with up to 5,000 employees, and customer adoption is spread evenly across industry verticals.

Cautions

- Talentia reference customers were less satisfied than average with overall product criteria for its HCM solution, and were least satisfied with the integration to other applications, ease of use for employees and managers, and social/collaboration capabilities.
- Overall vendor-customer relationship satisfaction was also well below average; customers were least satisfied with their experience through the sales process, after-sales care and additional deployments and upgrades.
- Talentia HCM has limited awareness and consideration outside its core country markets of the U.K., France, Italy, Spain and Portugal.

Ultimate Software

Founded in 1990, Ultimate Software has more than 3,000 employees and annual revenue of more than $600 million. Its cloud HCM suite, UltiPro, has more than 2,900 clients in production as of March 2016 (more than 3,300 in total) and about two-thirds of these have more than 1,000 employees. The product is well-suited to midmarket and larger North American-based multinationals with a majority of their workforce in the U.S. and pockets of employees in other countries. Ultimate Software is a Challenger in this Magic Quadrant.

Strengths

- Ultimate has the longest-tenured HCM cloud solution of any participant in this Magic Quadrant; the first cloud version of UltiPro came to market in 2002.
- UltiPro delivers robust process support for admin HR, as well as embedded reporting and analytics; customer reference satisfaction with these capabilities was well above average.
- Customer references for Ultimate indicated the highest satisfaction levels with both product and vendor-customer relationship criteria of all vendors rated in this Magic Quadrant.

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Cautions

- UltiPro includes training administration but not full learning management; however, it offers prebuilt integrations to learning specialists (including Infor Learning Management and Total Training Network) and also partners with Cornerstone OnDemand.
- While UltiPro supports HR data needs for 34 countries, its localizations lack the depth and level of automation of other solutions. Direct payroll processing is limited to the U.S. and Canada; Ultimate offers prebuilt integration with partners (including Celergo and PayAsia) to process payroll in other countries.
- TM functionality in UltiPro was initially better-suited to midmarket organizations. While these capabilities have been enhanced over time — to meet more sophisticated needs — they may not satisfy the most complex use cases of large global enterprises.

Workday

Founded in 2005, and publicly traded, Workday's SaaS HCM suite was first implemented in 2007. Gartner estimates that more than 1,100 organizations have purchased Workday HCM as of January 2016 (of which more than 700 are live), and the customer base operates in more than 200 countries in total. Workday is best-suited to multinationals that predominantly manage their HR processes globally — with modest regional or country-specific process variations. Workday is a Leader in this Magic Quadrant.

Strengths

- Workday continues to differentiate itself from its enterprise competitors by deploying all of its HCM functionality on a natively developed application with a single security model and user experience.
- Customer satisfaction scores for Workday's overarching product and service criteria — as well as core HR and most TM functionality delivered by Workday HCM — are well above average.
- Workday continues to invest in underlying technologies and customer support to meet the demands of its growing installed base.

Cautions

- Workday delivers core HR, benefits administration and posthire TM (except learning) as a single module; usually, customers must pay for all functionality regardless of how long it takes them to deploy processes globally.
- TM coverage is incomplete, because Workday currently lacks learning management; however, an initial release of the Learning module is planned for 3Q16. Recruiting (the newest HCM module) was delivered in May 2014, and although its capabilities are still maturing, approximately 50% of Workday customers have purchased the module and more than 200 are in production as of March 2016.

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- Workday's prospects should take into account its premium pricing approach in most markets, and the substantial upfront switching costs, as they develop project estimates for return on investment and total cost of ownership.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor's appearance in a Magic Quadrant one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

Added

This is a new Magic Quadrant; all vendors included have therefore been "added" based on the initial inclusion criteria.

Dropped

This is a new Magic Quadrant; no vendors have therefore been dropped.

Inclusion and Exclusion Criteria

To be included in this Magic Quadrant, a vendor had to meet *all* of the following criteria:

- Deliver HR administrative transaction support and reporting/analytics capabilities plus at least three TM functions (recruiting/onboarding, performance management, career/succession management, learning, compensation and workforce planning), *or* a combination of workforce management and at least one TM function.
- Deploy its solutions on either a community cloud or public cloud (subscription-based private cloud deployment is not acceptable).
- Have at least 100 customers — each with more than 1,000 employees — in production with core HR and at least one TM function on either a community cloud or public cloud.
- Actively market, sell and implement HCM suites on a stand-alone basis, regardless of any additional bundling with ERP suites or other applications.
- Be regularly identified by Gartner clients and prospects as a notable vendor in the HCM market.

A number of vendor's products did not meet *all* of these criteria and were therefore not included in this Magic Quadrant; however, their offerings do meet many customer requirements and could also be considered in an evaluation of HCM suites. "Market Guide for HCM Suite Applications" contains additional profile data for 24 solutions from 19 other vendors in addition to the eight participants in this Magic Quadrant.

Evaluation Criteria

Ability to Execute

Gartner assesses a cloud HCM suite vendor's Ability to Execute by evaluating the products, technologies, services and operations that enable it to be competitive, efficient and effective in the market, and to positively impact revenue, client satisfaction and retention, and general market reputation. A provider's Ability to Execute is judged on its success in delivering on its promises, using the following criteria:

- **Product/Service.** This includes the vendor's capabilities in admin HR, TM, WFM and HRSD (see Market Definition/Description section above for the detailed list of functions). These areas were assessed for functional breadth and ease of use; how well the vendor has integrated the components was an important additional factor. Reporting and analytics received considerable attention, because they have been major customer concerns. The architecture, delivery models, and use of mobile and social capabilities were also rated. The focus was on the vendor's current functionality, although enhancements and/or new modules on the verge of general availability were also taken into consideration.
- **Overall Viability.** Key aspects of this criterion are the vendor's ability to ensure the continued vitality of a product, including support of current and future releases and a clear roadmap for the next three years. The vendor must have the cash on hand and consistent revenue growth during four quarters to fund current and future employee burn rates, and to generate profits. The vendor is also rated on its commitment to the specific product being evaluated, and the ability to leverage it to generate revenue and profits in the cloud HCM suite market.
- **Sales Execution/Pricing.** The vendor must provide multicountry regional and/or global sales and distribution coverage that aligns with its marketing messages. It must have specific experience and success in selling cloud HCM suite solutions to HCM buying centers; this includes deal management, partnering, pricing and negotiations, presales support, and the overall effectiveness of the sales channels.
- **Market Responsiveness and Track Record.** This refers to the vendor's ability to respond, change direction, build alliances, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness as this market has developed during the past seven to 10 years.
- **Marketing Execution.** This criterion assesses the clarity, quality, creativity and efficacy of programs designed to deliver the vendor's message to influence the market, promote its brand and business, increase awareness of its products, and establish a positive identification with the vendor's product or brand in the minds of buyers. This mind share can be driven by a combination of publicity, promotions, thought leadership, word of mouth and sales activities.
- **Customer Experience.** This criterion assesses relationships, resources and programs that enable customers to be successful with the products and services offered. This includes feedback from active customers on generally available releases during the past 12 to 18 months. This can also include the existence and quality of such customer resources as ancillary

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tools, support programs, the availability of user groups, service-level agreements, and others. Sources of feedback also include vendor-supplied client references and their responses to a targeted survey conducted in conjunction with this research and covering a series of product and vendor-customer relationship criteria (see Evidence section); Gartner inquiries; and other customer-facing interactions taking place at Gartner and industry conferences.

- **Operations.** This criterion assesses the ability of the vendor to meet its goals and commitments. Factors include the quality of the organizational structure — the skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

The relative weighting assigned to each criterion is shown in Table 1.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	Medium
Marketing Execution	High
Customer Experience	High
Operations	High

Source: Gartner (March 2016)

Completeness of Vision

Gartner assesses the Completeness of Vision of cloud HCM suite vendors by evaluating their ability to successfully articulate their perspectives on current and future market direction, to anticipate customer needs and to meet competitive forces. A vendor's Completeness of Vision is also judged on its understanding and articulation of how market forces can be exploited to create new opportunities for itself and its clients, using the following eight criteria:

- **Market Understanding.** This refers to the vendor's ability to understand buyers' needs and to translate those needs into products and services. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance them with their added vision. We specifically looked for how vendors described the integrated market and opportunity for their cloud HCM suites as a whole, not merely that of the component products.

- **Marketing Strategy.** This criterion assesses whether the vendor has a clear, differentiated marketing strategy with a set of messages that appeals to HR organizations and leaders, and that is consistently communicated throughout the organization and externalized through the vendor's website, customer programs and positioning statements.
- **Sales Strategy.** The vendor should have a strategy for selling cloud HCM suite software that uses the appropriate network of direct and indirect sales, marketing, service, and communications affiliates that extends the scope and depth of market reach, skills, expertise, technologies, services and the customer base. Key elements of the strategy include a sales and distribution plan, internal investment prioritization and timing, and partner alliances.
- **Offering (Product) Strategy.** The vendor should demonstrate a vision for application functionality across the breadth and depth of the cloud HCM suite. We focused beyond the functional scope listed in the Ability to Execute section, and placed additional focus on the vendor's vision for the use of mobile technologies, advanced analytics, relevant social use cases, integration and ease of use as well as support for process transformations enabling the digital workforce. The product strategy can be a combination of organic development, acquisition and/or ecosystems. For ecosystems, close attention is paid to the quality and support of third-party partners. For those that acquire functionality, we pay close attention to integration strategy and roadmaps.
- **Business Model.** Vendors need to have clear business plans for how they will be successful in the cloud HCM suite market. These business plans should include appropriate levels of investment to achieve healthy growth during the next three to five years.
- **Vertical/Industry Strategy.** The vendor should have a strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.
- **Innovation:** Vendors must show a marshaling of resources, expertise and/or capital for competitive advantage or investments in new areas (such as advanced analytics, machine learning or talent science) or new access methods (such as tablets, smartphones, watches or other wearables).
- **Geographic Strategy.** We examine the vendor's strategy to direct resources, skills and offerings to meet the specific needs of regions outside the location of the corporate headquarters — either directly or through partners, channels and subsidiaries — as is appropriate for that geography and market.

The relative weighting assigned to each criterion is shown in Table 2.

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Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Medium
Marketing Strategy	High
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	Low
Vertical/Industry Strategy	Low
Innovation	Medium
Geographic Strategy	High

Source: Gartner (March 2016)

Quadrant Descriptions

Leaders

Leaders demonstrate a market-defining vision of how HCM technology can help HR leaders achieve business objectives. Leaders have the ability to execute against that vision through products and services, and have demonstrated solid business results in the form of revenue and earnings. In the cloud HCM suite market, Leaders show a consistent ability to win deals, including the foundational elements of admin HR (with a large number of country-specific HR localizations) and high attach rates of TM, WFM and HR service delivery capabilities. They have multiple proof points of successful deployments by customers based in the main geographic regions (North America, Europe, the Middle East and Asia/Pacific) in a wide variety of vertical industries and sizes of organization (by number of employees). Leaders are often what other providers in the market measure themselves against.

Challengers

Vendors in the Challengers quadrant are larger than the vendors in the Niche Players quadrant. They have developed a substantial presence in one market, but are not able to execute consistently or equally well in all geographies. They understand the evolving needs of an HR organization, yet may not lead customers into new functional areas with a strong functional vision. Challengers tend to have a good technology vision for architecture and other IT organizational considerations, but may not have fully won the hearts and minds of HR and IT executives. The three Challengers in this Magic Quadrant began in the North American payroll services market, but have taken different approaches to add the capabilities (functional, technical and organizational) needed to compete in

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the broader cloud HCM suites market. Their relative inability to execute consistently across the full range of cloud HCM suite functionality for large and complex global enterprises is primarily what separates these vendors from the Leaders.

Visionaries

Visionaries are ahead of most potential competitors in delivering innovative products and/or delivery models. They anticipate emerging/changing market needs and move the market ahead into new areas. Visionaries have a strong potential to influence the direction of the cloud HCM suite market, but are limited in execution and/or demonstrable track record. There are no Visionaries in this Magic Quadrant, predominantly due to the greater importance placed on the execution (including cost-effective and reliable delivery of standardized processes) of admin HR processes that are, by their nature, more limited in innovation. In addition, much of the innovation in HCM has taken place in niche TM and analytics applications; these capabilities have been adopted over time by the cloud HCM suite vendors, but many have had to focus on the threshold of what is "good enough" for their target segments so that the benefits of an integrated solution are able to overcome feature/function gaps. Only the Leaders (two of which have also been designated as TM suite Leaders) have been able to consistently deliver strong vision in this market.

Niche Players

Niche Players offer cloud HCM suite functionality, but they may lack some functional components, may not show the ability to consistently handle deployments across multiple geographies or may lack strong business execution in the market. Niche Players may offer complete portfolios for a specific vertical, but are unable to fully support cross-industry requirements for several HCM functions — such as workforce management, recruiting or learning in TM, or many HR localizations in admin HR. They may have an inconsistent implementation track record, or may lack the ability to support large enterprise requirements or complex global deployments. Despite the issues described, in many cases Niche Players can offer the best solutions to meet the needs of particular HR organizations, considering the price/value ratio for the solution and their relative strength in specific groupings of countries within a region. These vendors may win component deals or multifunction evaluations in a specific region, but are not consistently winning the whole suite across multiple regions.

Context

All vendors included in this Magic Quadrant sell and support admin HR functions with the option for the customer to utilize functional capabilities for payroll, benefits, TM, WFM and HRSD. The extent of support for country-specific HR regulatory requirements and common practices (as well as their actual implementation experience in countries) varies by vendor. They have customers that are successfully using their products and services; however, this is not an exhaustive list of all providers, because many other regional and/or vertical industry specialists did not fully meet our inclusion criteria. Other vendors have substantial customer bases that have deployed their solutions on-premises and are now making the transition to full cloud HCM suites; these vendors were also

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excluded from this Magic Quadrant, but are profiled in the "Market Guide for HCM Suite Applications."

Regardless of the provider you're considering, ask yourself, "Will this vendor enable more effective support of HCM processes across my organization?" and "How well does this vendor align with our HCM technology strategy?" In many cases, an HR organization must evaluate not just a vendor's direct product offerings, but also the ecosystem of providers that can fill in whatever functional gaps the considered vendor on the Magic Quadrant may not offer.

Use this Magic Quadrant as a reference for evaluations, but explore the market further to qualify the capacity of each vendor to address your unique business problems and technical concerns. Depending on the complexity and scale of your requirements, your shortlist will be unique. The Magic Quadrant is not designed to be the sole tool for creating a vendor shortlist. Use it as part of your due diligence, and in conjunction with discussions with Gartner analysts and companion research notes such as Gartner's "Market Guide for HCM Suite Applications" and "Seven Ways to Compare the Enterprise HCM Suite 'Big Three.'" Placement of a provider in the Leaders quadrant is not a representation by Gartner that the provider is necessarily the best fit for every buyer's needs.

Market Overview

The core human resources management system (HRMS) market (predominantly on-premises) had matured by 2005, and most innovation had shifted to TM point solutions as well as emerging TM suites. However, a number of disruptive innovators bringing cloud admin HR capabilities to market — combined with growing frustration over the difficulties of integrating disparate HCM solutions — resulted in a desire for suite solutions that could support a wider range of HCM processes within a single user experience, data model and reporting platform.

This report evaluates the vendors that have achieved critical mass in deploying cloud HCM suites for midmarket and large enterprises. Key findings are:

- Primary objectives for adopting cloud HCM suites include many familiar themes, but also show the drive toward a consolidated SOR. 148 customer references were asked to indicate their top five objectives in implementing their cloud HCM suite solution; the following achieved top 2 priority; that is, they were rated No. 1 or No. 2 by respondents:
  - Globalized/consolidated HCM processes/single SOR — 35%
  - Improved HCM process automation — 29%
  - Increased workforce efficiency/effectiveness — 26%
  - Standardized HCM processes — 22%
  - Improved quality of reporting and people information — 20%
- The percentage of those that indicated their perceived success in achieving these objectives as being either 6 or 7 on a 1 to 7 scale (where 7 is the highest) are as follows:

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  - Globalized/consolidated HCM processes/single SOR — 84%
  - Improved HCM process automation — 83%
  - Increased workforce efficiency/effectiveness — 67%
  - Standardized HCM processes — 85%
  - Improved quality of reporting and people information — 80%
- These results also indicate the high level of customers' perceived success in meeting these objectives, with four out of five reaching 80% or more.
- The critical components of a cloud HCM suite are in the eye of the beholder. However, while the strategy most commonly considered is "core HR plus TM," some industries (particularly those with a high concentration of hourly workers) have focused on an "administrative compliance suite," because of the criticality of robust WFM functions linked to core HR, payroll and benefits in a single user experience. Even within the broader "core HR plus TM" strategy, organizations may separate out prehire TM functions (recruiting and onboarding) or learning management from posthire TM capabilities (such as performance, goals, career and succession management) based on their unique organizational context.
- Even if "all in one" is the strategy, functional and geographic adoption is usually incremental. While there are multiple case studies of "big bang" cloud HCM suite implementations (both multifunctional and multigeographical), phased implementations are the rule rather than the exception and occur in the following major forms:
  - First deploy admin HR functions (along with WFM if needed), followed by enabling of TM processes according to the organization's HR process calendar (for example, rolling out performance management for first-quarter performance appraisals for the preceding year, talent reviews for second quarter, compensation planning and succession for third quarter).
  - Phased implementation by geography is often driven by critical business need (for example, the lack of HR automation in a region) or the desire to more rapidly achieve cost, data consistency or process standardization objectives.
  - Advanced capabilities are often piloted in a subset of the employee population as a "control group" to gain experience with the solution before broader deployment takes place.
  - Practically speaking, many organizations have existing point solutions in place and want to let those contracts expire before moving those processes to the cloud HCM suite module; this may result in a one- to three-year lag for each major function to move to the suite.
- Global payroll remains elusive. The participants in this Magic Quadrant vary in how they approach the delivery of payroll capabilities: some provide localizations for multiple countries; others focus on direct payroll processing for their country of origin and supplement with a variety of country/regional partners and/or global payroll aggregators. Consistent, cost-effective global payroll with full visibility to actual payroll costs remains one of the thorniest issues for the modern enterprise to solve.

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Acronym Key and Glossary Terms

HCM	human capital management
HRSD	human resources service delivery
SaaS	software as a service
SOR	system of record
TM	talent management
WFM	workforce management

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"How Markets and Vendors Are Evaluated in Gartner Magic Quadrants"

"Market Guide for HCM Suite Applications"

"Seven Ways to Compare the Enterprise HCM Suite 'Big Three'"

"Craft Your Postmodern HCM Technology Strategy to Support the Digital Workplace and Beyond"

"Lessons Learns from SaaS HCM Implementations"

Evidence

Gartner's 2015 Human Capital Management Suites Customer Reference Study — 253 total vendor-provided references for 30 products from 26 vendors (data collected 1 October to 6 November 2015). A cohort of 148 cloud/SaaS references was analyzed for the Magic Quadrant rating process. All mentions of "survey data" and "reference client survey respondents" throughout this document therefore refer to this study, unless otherwise noted. Respondents were asked questions spanning HCM business drivers, implementation experiences, deployment scope, and current and planned functional adoption. They were also asked to rate satisfaction with their vendor's offering on a 1 to 7 scale (1 = Extremely Dissatisfied, 7 = Extremely Satisfied) for the following key areas, all of which informed the customer experience scores for each vendor.

Product Satisfaction:

- Product quality
- System performance
- Ease of use for professional users

- Ease of use for employees and managers
- System administration/configuration/workflow
- Reporting
- Workforce analytics
- Mobile support
- Social/collaboration
- Integration within the HCM suite
- Integration of the HCM suite with other applications
- Ability to customize or extend the application
- Documentation with the solution
- Training made available

Vendor-Customer Relationship Satisfaction:

- Experience through the sales process
- Initial implementation and deployment
- Handover from implementation to support
- Ongoing communication and support
- Additional deployments and upgrades
- After-sales care
- Account management
- Enhancement request processes

Product Functionality Satisfaction:

- Core HR (administrative HR)
- Payroll
- Benefits administration
- Workforce management
- Recruiting
- Onboarding
- Performance and goals management

- Succession management
- Compensation management
- Learning management
- Workforce planning

We also gained insight from Gartner client inquiries taken from 1 January 2015 to 29 February 2016.

Note 1 Postmodern ERP and the Nexus of Forces

Postmodern ERP describes the deconstruction of suite-centric ERP into loosely coupled applications that are indifferent to the source of process provision, taking into account the Nexus of Forces (see below) opportunities and driven to be business-agile. The concepts and benefits of an ERP are preserved where it makes sense to do so, but there is no automatic quest for on-premises, or a single instance, or for a single megavendor, or for operational efficiency (for example, preintegrated capability) over business agility (see "2015 Strategic Roadmap for Postmodern ERP").

In 2012, Gartner introduced information technology advances — described as the Nexus of Forces — as the convergence and mutual reinforcement of mobile, social, cloud and information. Consumerization and democratization of IT drives this convergence and reflects a technology-immersed world (see "The Nexus of Forces Is Creating the Digital Business").

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

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Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

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Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

More on This Topic

This is part of an in-depth collection of research. See the collection:

- Adapting Your IT Strategy for a Cloud-Dominated Business Application Environment

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