Fosway 9-Grid™

CLOUD HR

September 2021

Independent Analysis of the Cloud HR Systems Market
Key Headlines

Market Trends

HR prepares for the next big disruption as the COVID-19 fallout subsides

The COVID-19 pandemic has caused tectonic shifts in businesses and to where, when and how people work. Most organisations adjusted their HR strategies to put engaging, supporting and caring for people centre stage, and as a result, employee engagement became the number one metric for measuring success.¹ But, the wider consequences of the pandemic; for hybrid working, for supply chains, and for cross-border working, will now lead to significant shifts in operating models and the workforce that supports them. Further shockwaves - beyond automation, digitisation and a global pandemic - are inevitable. Responding to climate change (and resulting government policies and regulation) is set to exert even greater transformational forces on industries. The transition to a net-zero carbon world will further disrupt business models and the skills agenda needed to enable them, as existing roles become redundant and new roles appear. HR must prepare for this next disruption now.

Workers are critical to every business, and so is aligning your HCM strategy to them

For much of the past 10 years, corporate HCM strategies have mainly focused on highly skilled, highly paid employees. But the COVID-19 crisis has served as a reminder that the operational workforce is systemically critical too. Organisations dominated by an operational workforce have had to focus on the needs of their deskless workers first, recalibrating their priorities significantly. But, whilst managing operations and costs remains key, tracking and managing the physical, emotional and financial wellbeing of the operational workforce has become critical too. To be successful, a modern workforce centric HCM strategy has to prioritise people as people, not just as resources. Connecting to the hearts and minds of the workforce also improves worker engagement and leads to stronger business outcomes.

¹ HR Realities 2021/22, Fosway Group.
People experience is the most critical driver for changing HR systems

For a long time, HR processes have been slow and frustrating for everyone involved – employee, manager and HR professional alike. Whether it was approval requests rotting in a manager’s inbox, or reports that took HR weeks to deliver, HR has generally not been an ‘experience’-led function. User experience was already high on the list of reasons to change HR systems, but post-pandemic, delivering a compelling people experience has become critical, and the majority of organisations rate people experience quality as the top driver for change. But the quality of the people experience is based on the outcomes for people, not on the interface of the systems they have to use. That means slicker processes, faster decisions and better outcomes. HR teams must personalise the experience they deliver to employees as well as reducing friction in their processes.

HR is about ecosystems, not single systems

From our research, approximately 65% of EMEA enterprise organisations currently operate on a ‘very standardised’ HR core. But despite the pressure from IT to consolidate HR into a single HCM suite, the reality is that HR is always about ecosystems not single systems. For European companies, the need to operate in many countries with their associated complexities for employment and pay magnifies HR complexity and fragmentation. So even companies with a standardised HR core still must connect a complex web of different HR systems and processes to function. A one-size-fits-all HCM suite option does not exist without significant compromises. Whilst transactional people processes have historically dominated systems investment, the balance is shifting markedly, and transformational HR topics are coming to the fore. As a result, HR ecosystems must also become more transformational – that means able to transform the workforce, the skills it has, and how it is deployed. Talent is now a relevant topic for all, not just for the leaders in an organisation. Engaging all employees and supporting them effectively, regardless of their role and location. HCM suites will continue to provide strong foundations, but they are never the sole answer.

Experience-centric HCM strategies connect the dots across the HR ecosystem

Managing a diverse HR ecosystem can be costly, and it creates significant challenges for the digital experience, making a unified process and a common user interface difficult to achieve. The bigger and more diverse the organisation, the bigger that problem becomes. One strategy to address this is to put cross-ecosystem (transversal) journeys into an independent experience layer outside of the core systems. Here,
cases, portals, chatbots and systems of productivity provide the standard entry points to harmonise and personalise employee journeys across systems. In the past, this strategy has been supported by specialists focused on service delivery and experience, but now the HCM Suite vendors are also getting into the act, building their own experience and employee journey layers. Corporate buyers now have more vendor options to create nuanced HCM strategies.

The varieties of HCM Suites and Cloud HR Specialists continue to grow

In 2020, Fosway reclassified our analysis of the Cloud HR market into HCM Suites and Cloud HR Specialists. Over the past year, both the suites and the specialists have continued growing strongly. Year-on-year, leading vendors have been able to grow both their revenues and customer base at rates of 25% and more. And every year, there are more entrants, and the choices get wider. Vendors do tailor their offerings to fit certain market segments, often separating organisations by size and complexity. But complex solutions will always cost more – not just to buy, but also to implement, operate and innovate. For buyers, choosing a solution that truly aligns to their needs is non-trivial but significantly influences their future success as well as their total cost of ownership. Whilst some HR vendors have developed industry-focused solutions, this is still the exception rather than the rule, and mainly for workforce-centric solutions. Other segments of the HR ecosystem remain stubbornly industry agnostic.

Flexible working is not about location or tools, but about reshaping work

Lockdowns have caused most organisations to accelerate flexible working, and as societies move out of the pandemic, hybrid working is the new norm. Desk-based knowledge work has changed massively with new collaboration tools placed at employees’ fingertips. Many HR vendors have started to integrate with these tools, but the true value in flexible working is not about location or tools, it is about how to transform work productivity. As we move beyond the pandemic, improving business agility is a key challenge for most companies. One emerging strategy to increase flexibility is to enable workers to find and choose the work using a talent marketplace, rather than work being allocated to workers. Companies adopting this strategy saw big benefits during the pandemic as it enabled the rapid redeployment of the right people to the right areas of the business at the right time. Longer term, this approach provides new opportunities to grow and develop people, reduce the need to hire externally, increase employee satisfaction, and to reduce staff turnover. That sounds like a compelling list of benefits for every company to consider.
Corporates are looking at AI for transformation, vendors stick with automation

Significant hype still surrounds the potential for Artificial Intelligence (AI) to transform the workplace and managing the impact of automation and AI on the core business is now a critical challenge as organisations harness technology to accelerate their future transformation. But research shows that AI and machine learning for HR automation is buried deep in the list of HR’s priorities and is only a small factor in changing HR systems. HR has not yet prioritised the automation of its own function yet but is looking for transformational AI to move the needle on employee experience. Vendors putting their efforts into AI for automation over transformation are likely to be betting on the wrong horse.

Solution Trends

Skills everywhere – but are they really?

Skills have been a big story for a while, but the pandemic has accelerated the skills agenda even further. Whether it is the need for reskilling and upskilling of the post-pandemic workforce, or the need to better filter high volumes of applicant profiles in recruiting, or the potential productivity gains in distributing work via talent marketplaces, skills are at the heart of every issue. But from an HR systems perspective, are skills truly everywhere? The answer is no – or at least not yet. Skills are part of the roadmap for all the strategic leaders, but despite the hype, many vendors are still yet to move beyond basic skills tagging and filtering. In the mid-market, many vendors have yet to focus on skills at all. And for those that have embraced skills, there are still many significant pitfalls. Most vendors see themselves as a recorder of skills but not an active sharer. Most want to use their own AI to build the skills taxonomy but are missing significant parts of the data set needed to truly understand skills and how they are used in the workplace. Many solutions have a skills taxonomy but lack the concept of skills proficiency – something that is critical for real world decisions on work allocation or job suitability. Even leading vendors have only partial solutions and suffer limitations.

Employee experience remains a critical decision factor around HR systems

As described in the market trends, the quality of the employee experience and user interface continue to be

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leading drivers for corporates to change systems, as well as being a high priority for vendor investment. Vendors are constantly seeking to freshen up look and feel but this does not always translate into an engaging user experience, let alone a great employee experience. More and more vendors are taking experience beyond the user interface - creating chatbots with natural language processing and embedding these services into mobile apps or digital workplace platforms. Often though, these solutions are limited in their current scope and sophistication, but that will change as their maturity grows and employees increasingly want to engage with the deeper functionality without having to access the full applications.

More and more vendors are taking HR into the flow of work

The user experience of HR systems is important, but it may not be the critical differentiator that many believe it is. Yes, the bar is rising, but UX is rapidly becoming an entry-level requirement. Reimagining the experience and reducing friction around HR processes is critical, but the least friction is no friction – that happens as people processes are embedded into the flow of work, using touchpoints outside of the usual HR technology stack. Most vendors are adapting to this trend too, reducing the hurdles to getting HR things done from whichever system managers and employees need to initiate them.

Employee listening has emerged as a key driver for business agility

Employee listening, engagement and wellbeing solutions have all taken off during the pandemic. Traditionally, HR hasn’t linked them to core HR or talent modules. But the pandemic has shown how strong the link between wellbeing, engagement and performance has become, and this has been the catalyst for a shift in approach and attitude. More importantly, employee listening, engagement and wellbeing is key to implementing change and transforming the business into an agile organisation. Only when managers and teams have the tools to understand where they stand today can they devise good plans to get to a target destination. This makes employee listening one of the critical components of team and people success.

Onboarding and internal mobility: where silos collide, innovation is accelerated

For the vast majority of organisations, onboarding new staff during the pandemic was a fully virtual activity. For many, this is still the case, but the increased focus on reboarding, redeploying and reskilling existing staff has also put greater emphasis on the internal mobility of talent as well as onboarding new talent. Historically, ownership of these processes has been split across different silos in HR teams and the vendors that serve them; especially in recruiting, learning and talent. Both onboarding and internal mobility are at the very top
of the corporate agenda for changing HR systems. But as no clear winner has emerged yet, specialist vendors are filling the space and grabbing market share and connecting gaps across the silos in HR. Both areas bring a lot of innovation, but we should see them in a connected way too, and not in isolation. Pre-boarding, onboarding, cross-boarding, re-boarding and starting a new gig or role are actually not that different.

First-generation chatbots look promising but fail to deliver

Scripted, first-generation chatbot solutions have created a lot of work for corporates, but not delivered on their promise to reduce work for the people function. Too often, end-users fail to successfully navigate these scripted solutions, instead quickly turning to real humans for support. That is self-defeating. For corporates, managing and maintaining the many possible interactions that a chatbot needs to support with all their nuances and deviations has created a prohibitive amount of work. If this doesn’t deliver real value, ultimately corporates will stop their chatbot projects and focus on other approaches. Vendors must mature their products and bring true understanding and intelligence to their chatbots.

As HCM Suite capabilities converge, the biggest differentiator is their ecosystem

As HCM solutions converge, their functionality becomes less differentiating at the core. It is often the niche functionality and specialist insights that drive the most significant advantage for buyers – particularly in workforce, talent and employee experience. Whilst comprehensive in their scope, HCM Suites still only provide part of the answer. An easy-to-activate ecosystem of specialist solutions is also a critical driver of the success for your HR IT strategy and architecture. Understanding how your HR ecosystem impacts your vendor choices is an important step for every mid- to large-sized organisation. As well as assessing functional fit, buyers should also assess the ‘ecosystem-ness’ of vendors when choosing their HR system partners.
# 9-Grid™ Vendor Rating

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Inclusions and Exclusions 2021

Entries into the Fosway 9-Grid™ for Cloud HR are made on the basis of the appearance of those solutions within Fosway Group’s Corporate Research Network which focuses on European enterprise corporates. As a result, there may be providers that have little recognition outside EMEA but are included because they have built a corporate customer base with some leading European companies.

2021 Additions and Removals

This year sees the addition of the following new names to the 2020 9-Grid™ for Cloud HR:

- IRIS – an HCM Suite provider
- Kallidus – a Talent Suite provider, that recently acquired Sapling, a People Operations Platform
- WorkForce Software – a Workforce Management specialist provider

The 2021 Cloud HR 9-Grid™ also sees the removal or replacement of:

- Jacando, as they did not meet our inclusion criteria
- Kronos (Workforce Ready), has been replaced by UKG Ready (UKG) following the merger between Kronos and Ultimate Software
- PeopleDoc, has been replaced by UKG HR Service Delivery (UKG HRSD) following the merger between Kronos and Ultimate Software
- Zendesk, as they did not meet our inclusion criteria

Accuracy of Information and Warranties

The analysis and recommendations made in Fosway 9-Grid™ are based on the information currently available to Fosway Group from sources believed to be reliable. Fosway Group disclaims all warranties as to the accuracy, completeness or adequacy of such information. Fosway Group will have no liability for errors, omissions or inadequacies in the information contained herein, or for interpretations hereof. Opinions expressed herein are subject to change without notice. All content is copyright Fosway Group Limited, unless otherwise identified. All rights reserved.
Understanding the Fosway 9-Grid™

What is the Fosway 9-Grid™

The Fosway 9-Grid™ is a five-dimensional model that can be used to understand the relative position of different solutions and providers in a selected market segment. It allows organisations to compare different solutions based on their Performance, Potential, Market Presence, Total Cost of Ownership and Future Trajectories across the market.

9-Grid™ is unique, because the model contains value in all of its zones – not just the top right.

9-Grid™ not only provides an understanding of the market, but also identifies the high-level actions that can help corporate organisations get the best from vendors.

9-Grid™ is based on Fosway Group’s independent research in the HR and talent management markets over the past 20+ years and draws upon the insights and experience of our Corporate Research Network. The Corporate Research Network is a group of HR and learning professionals, who between them represent over 250 of Europe’s leading companies. These companies are typically global enterprise-scale organisations with their Head Offices in Europe (or the EMEA HQ of global companies).

Essentially the 9-Grid™ Model brings together our independent view of solution providers, including their:

- **Potential** - Scope, capability and sophistication.
- **Presence** - Historic and current presence in the market. This includes the size of the customer base, the number of enterprise customers and the overall size of the business, within the scope of the market segment we are examining.
- **Total Cost of Ownership** - the FULL cost of acquiring, implementing and operating the solution (typically over a three-year period). Importantly, this includes both internal and external costs.
- **Future Trajectory** – our view of their direction of travel in terms of Performance and Potential, relative to their current position and the market as a whole.

Interpreting the exact position of the vendor in a 9-Grid™ zone is explained in more fully in our Introduction.
to the 9-Grid™ document available from our website www.fosway.com. We strongly recommend reading the full document to understand the model in detail.

The Critical Difference between the 9-Grid™ and other Analyst Models

There is a very important difference between 9-Grid™ and other analyst models. In the 9-Grid™ all of the nine zones have value, and more interestingly, have an associated set of actions that can help you to maximise the value of the relationship with different vendors.

This means that being in the top right is not the only valid selection point. For some organisations, top right may not even be desirable. There are many other zones that offer success, especially when balanced against Total Cost of Ownership.

Suites versus Specialist Solutions

To reflect the increasing importance of a strong HR ecosystem, our analysis divides solutions into two broad categories: HCM Suites and Cloud HR Specialist solutions.

**HCM Suites** are platforms supporting and integrating a broad range of traditional and next-gen HR and talent approaches - from Core HR, payroll, workforce management and HR service delivery through to talent acquisition, people development, talent mobility, performance, engagement and rewards. They often want to be the one system of record in HR that drives the employee experience for as many HR processes as possible.

**Cloud HR Specialists** unashamedly focus on one area of capability with a disruptive high impact agenda. For example, HR Service Delivery or Workforce Management. Specialists have a focused proposition and want to lead the market in their chosen focus area. Specialists will rarely be the only HR system in an organisation. They cannot cover all the areas of HR that a company needs to manage or support. Instead, their goal is to disrupt the Suites and to deliver heightened impact in a specific area.
The 9-Grid™ variables for Cloud HR

What do potential, performance, presence and total cost of ownership mean in the context of Cloud HR?

Performance

This focuses on customers’ choices: does the solution get short-listed, does it win, does it deliver and are customers happy? This is viewed through the lens of large international corporates and is taken from the experiences Fosway Group has gleaned of its Corporate Research Network and general market briefing. This may not, therefore, necessarily reflect the experiences of smaller and mid-sized organisations.

Potential

In the Cloud HR context, *Scope* covers both people operations and people management as well as transformational talent and people success, as well as enabling enterprise services as represented by the Fosway HCM model below.
**Sophistication** defines the functional depth of the processes and the level of complexity that can be managed within solutions. Mid-market tools tend to have wider scope but lack sophistication or functional depth. High sophistication implies a high degree of control on how each of the processes can be configured, as well as the ability to support different processes.

**Presence**

This is the solution’s presence in the enterprise marketplace. This is very much about the size of the customer base, as well as presence in the overall market. Again, this is not a linear scale, but represents three bandings that group the levels of maturity/distinct groupings we see in the market. Higher Presence solutions will have large numbers of corporate enterprise scale customers and high overall user numbers.

**Total Cost of Ownership**

TCO is about the overall cost of buying, implementing and operating the Cloud HR solutions. This is a combination not only of the initial cost of buying the platform, but also the cost of operating the solution – namely the hosting, maintenance and upgrade overheads as well as the cost of resources, i.e. the team to run it.

**Trajectory**

For Cloud HR solutions, trajectory is our sense of potential direction of travel in terms of both Performance and Potential. Trajectory is measured relative to the solutions current Performance and Potential and the market as a whole. It is **not** a relative positioning compared to other solutions in the same zone.
Next Steps

Make better HR buying decisions faster

A key difference of the 9-Grid™ to other analyst models, is that all the nine zones have value. Top right is not always best! The key question you should be asking is, ‘What is best for you?’ i.e., your specific organisation, your likely investment/resources and your real needs and requirements.

Referencing the 9-Grids™ is a great place to start when evaluating current suppliers, planning your future or looking for new tools and technology. But what you see here is just the tip of the iceberg. As well as access to the data behind the 9-Grid™, Fosway has also developed tools and a methodology that help companies make better HR buying decisions faster. From aligning your stakeholders and validating your buying options through to accelerating your RFP and procurement, Fosway has all the resources you need. Why start your procurement process from scratch when we already have the research and insight to help you make better supplier decisions faster?

For companies seeking greater detail of the data behind the Fosway 9-Grids™ or looking for a ‘critical friend’ to provide independent feedback and advice, please contact us at info@fosway.com or by phone on +44 (0)20 7917 1870. As well as accessing the best existing research and market insight, you also have the security of knowing that we are completely independent and don’t have a vested interest in the outcome of your decisions, other than ensuring it’s right for your organisation and your people.

If You Are a Vendor

Fosway Group is constantly researching the market via our direct research projects, through conversations with our Corporate Research Network, and via direct vendor tracking and briefing. Vendors interested in engaging with Fosway Group more deeply are encouraged to consider joining our Fosway Vendor Programme (FVP). Please contact Philippa Bean on +44 (0)20 7917 1870 to discuss further.
About Fosway Group

Fosway Group is Europe’s #1 HR Industry Analyst focused on Next Gen HR, Talent and Learning. Founded in 1996, we are known for our unique European research, our independence and our integrity.

For over 25 years, we have been analysing the realities of the market, and providing insights on the future of HR, Talent and Learning. Fosway analysts work extensively with our corporate clients to understand the inside story of the challenges they are facing, and their real experiences with next gen strategies, systems and suppliers. Our independent vendor analysis also provides a vital resource when making decisions on innovation and technology.

And just like the Roman road we draw our name from, you’ll find that we’re unusually direct. We don’t have a vested interest in your supplier or consulting choices. So, whether you’re looking for independent research, specific advice, or a critical friend to cut through the market hype, we can tell you what you need to know to succeed.

Example clients include: Alstom, Aviva, Boots UK, BP, BT, Centrica, Deutsche Bank, Faurecia, HSBC, International SOS, Lloyds Banking Group, Novartis, PwC, Rolls-Royce, Royal Bank of Scotland, Sanofi, Shell, Swiss Re, Telefonica, Thomson Reuters, Toyota Europe, and Vodafone.

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