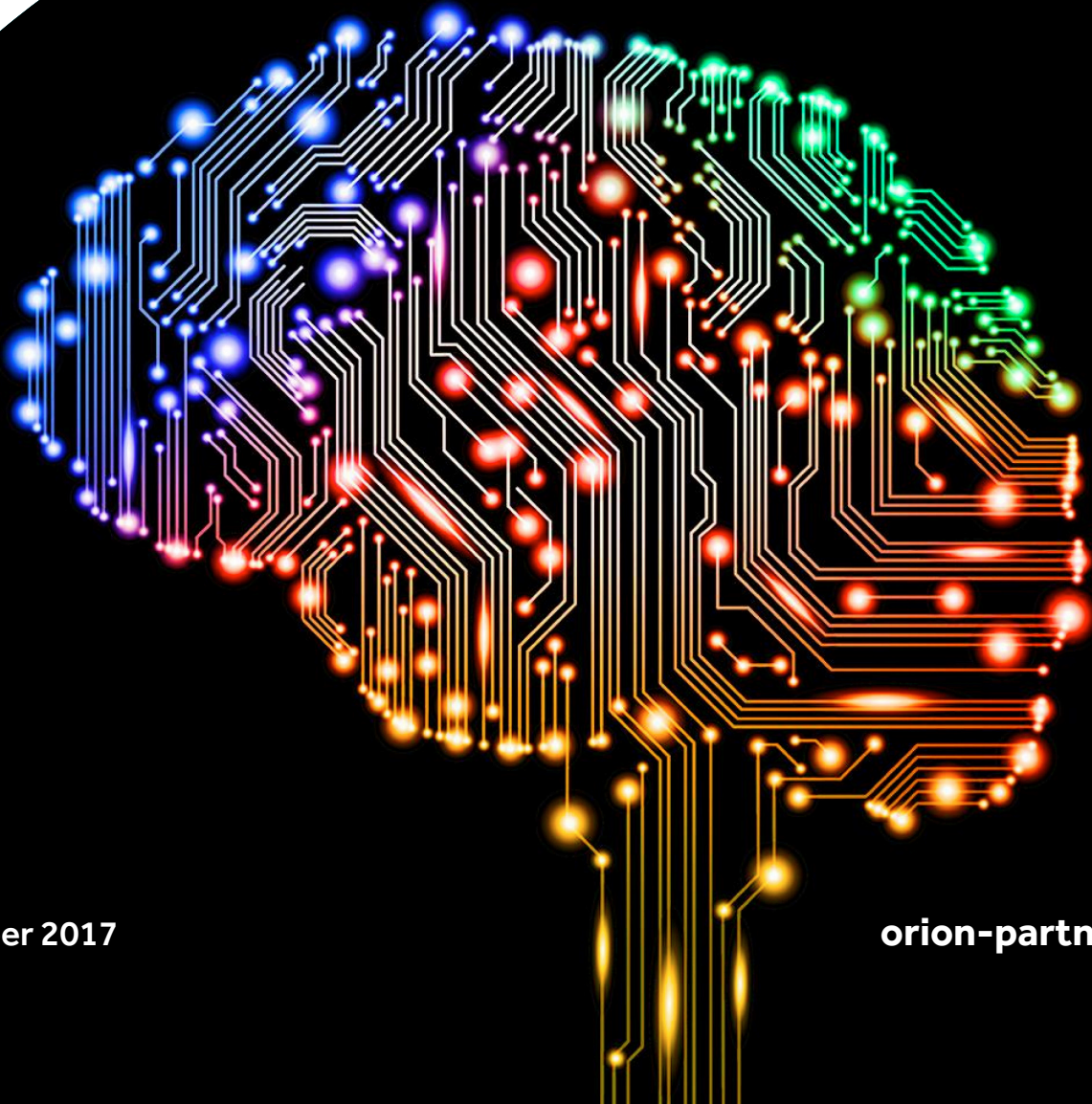




ORION
Transforming HR

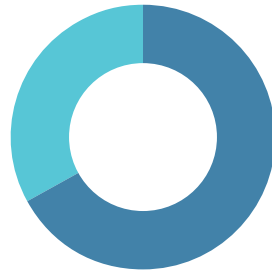
HRIS 2018 Market Overview



November 2017

orion-partners.com

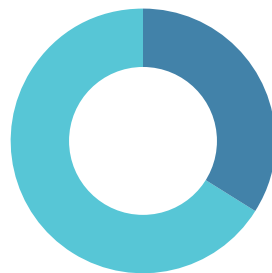
Digitisation means every business is digital



67% of CEOs believe they are running a technology company – Fortune

- 47% CEOs think digital presence is critical to sales
- Businesses in widely varied industries are 'retooling' for digital markets
- This means better management of customer data, consumer focus, on-line presence, emphasis on digital marketing

The most critical skills are in the contingent workforce

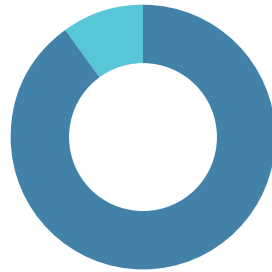


34% of workers operate in the 'gig economy' – Forbes

Despite perceptions, high value, scarce skill sets dominate the contingent workforce. Organisations need:

- A single view of the contingent workforce
- An integrated process for managing contingent and regular employment
- A talent process that includes contingent labour

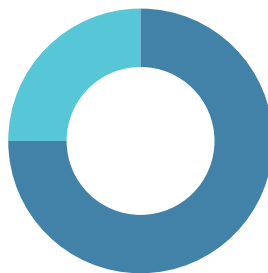
The war for talent is focused on fewer skill sets



90% of CEOs anticipate more competition for a smaller pool of talent – Forbes

- Digital businesses need data scientists, digital marketers, network engineers, web creatives.
- These jobs are in extremely high demand cross industry
- Success in the talent war will favour agile approaches

Influence of millennials is set to dominate



75% proportion of millennials in the workforce in the next ten years – Forbes

- Their work expectations are defined by their experience as consumers
- They don't value long careers with one employer
- They value their intellectual capabilities, skills and experience more highly than their job
- They are prepared to make rapid, frequent changes to remain employable

Focus on the 'end to end' employee experience



83% of HR leaders think the employee experience is 'critical' – Forbes

- Moving away from silo'd approaches to talent management
- An integrated approach to talent acquisition, recruitment, onboarding, development, career pathing, reward
- Aligning work experience with consumer experience
- Employee wellness/ wellbeing
- Career mobility options to entice millennials
- Focus on team development and collaboration, not just individuals
- Improving work spaces – office environments – remote working opportunities
- Investment in workplace tools and technology
- Demonstrate commercial value – linking employee experience

Treating employees like consumers

"The best on-line consumer experience should become the minimum expectation everywhere." – Forbes

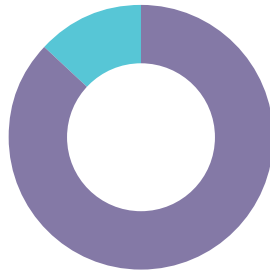
- Personalised information and tailored solutions
- A culture of 'instant feedback' – staff can rate an employer like any other commodity
- 'Design thinking' and 'hackathon' approaches to drive performance improvement
- 'Consumer grade' technology tools at work
- High quality service centres as part of a seamless employee experience

Planning for a blended workforce

Gigging on the rise – 51% of companies will increase their usage of contingent workers over the next 3-5 years – Forbes

- Contingent labour forms up to a third of the workforce
- High value, scarce skill sets tend to be in this group
- Increasing need to develop a single, integrated view of contingent and regular workforce
- Single approach to talent and common systems to manage – integrated workforce planning

Agile approaches to HR



87% of Senior HR leaders believe the need for organisational agility will increase significantly – Orion Partners

- Business agility is more about leadership and talent than tactical/operational practices
- Biggest investments are in leadership development, talent and change capability
- Use of analytics to spot new opportunities
- Addressing historical 'over-investment in operations at the expense of talent

Three market giants still dominate...

ORACLE®



workday®

Rapid development cycles mean that relative product strengths change frequently. Long term roadmap becomes more relevant than a 'point in time' product comparisons.

...but smaller start-ups drive innovative solutions

Disruptive start-ups challenge established providers

New breed of HR apps embracing:

- Embedded feedback
- Video
- Gamification
- Built in analytics



degreed.

gameffective

BetterWorks

Trello

cultureiQ

Some market volatility seems likely as consolidation takes hold

From Talent Management to People Management

New tools focus on 'employee experience' – 'People' not 'Talent'

- Continuous performance
- Feedback and engagement
- Smart learning tools
- Social recognition and reward
- Wellness and fitness
- Candidate analysis
- Team productivity

Integration remains a risk

- Historically, fully integrated solutions deliver more consistently.
- New 'best of breed' applications may increase integration risk
- Integration concerns stretch across the enterprise not just HR/payroll
- Prediction: major vendors will start providing integrating platforms – "the app marketplace"
- Extensibility of cloud solutions a key consideration for integration

Our research shows that integrated solutions produce better results

Level of Integration		Single solution	Best of breed	Ad Hoc
Good – Systems are world class	100%	82%	18%	0%
Acceptable – Systems are patchy	100%	36%	18%	45%
Poor – Systems are a constraint	100%	14%	14%	71%

Source: Orion Partners

Shifting SI market – Independent views are scarce

- Evolution of agile delivery methods for SaaS solutions can speed delivery
- Integrating faster technology delivery with organisational change is critical
- SaaS technology skills at a premium – many SIs lack experience or resources
- Some vendors now seeking a bigger share of the SI market.
- Who partners with who? SI/Vendor partnerships are not always called out – few advisers can operate with integrity in the due diligence phase

Artificial Intelligence is set to create a paradigm shift

746% growth in the global AI market in last 5 years

- Next generation of HRIS tools include embedded AI functionality
- Potential is huge but hard case studies are still scarce.
- Likely early applications include:
 - HR OPERATIONS: developing the 24/7 service
 - TALENT ACQUISITION: Better decisions, reduced time to hire
 - TALENT DEVELOPMENT: Personalised learning

Where will AI have the biggest immediate impact in HR?

HRIS Market overview



38% of HR organisations now use AI – almost half in payroll and benefits admin – CIPD

- Embedded HRIS applications utilising artificial intelligence are emerging in mainstream solutions
- Market is relatively immature and hard case studies are limited
- However, potential applications of AI and machine learning technologies in HR are extensive – current consensus is that AI offers 'low hanging fruit' in three areas:

Current HR uses of AI

1. HR operations

- Providing new input channels for People Services - real-time responses to employee questions
- Enhancing capabilities of Helpdesk, case management, knowledge management tools.
- Minimising compliance failures and associated fines
- Compiling large amounts of data without human error
- Moving towards the possibility of a 24/7 service

2. Talent acquisition

- Automation of candidate screening and reducing bias
- Using embedded analytics to identify hires with greatest probability of success
- Forming high-performing teams
- Enhancing candidate assessment
 - Digital video interviewing
 - Suggesting i/v questions
 - Predictive analytics
- Automating candidate outreach
 - CV screening and candidate communication
- Streamlining onboarding – using bots as virtual assistants

3. Talent development

- Augmenting human teaching
 - Chatbots as teaching assistants
 - Coaching line managers
 - Understanding/ actioning feedback
 - Recommending learning opportunities
 - Curating social learning
 - Effective targeting of learning experiences
- New insights on talent
 - Mining candidate pools
 - Identifying new predictors of success
 - Analysing mindsets and experiences
 - Advising on career path decisions
 - Identifying flight risk
- Improving workplace learning
 - Micro-learning experiences
 - Accumulation of mass data on learning to drive productivity increases
- Managing learning logistics

What are the vendors saying? HRIS Market overview

"Integration means thinking about the whole architecture not just HR and payroll – HR, finance, assets, procurement are all critical"

"AI offers us the next generation of trend analysis and ability to benchmark data across multiple systems."

"We see massive value in using AI to correlate HR data with other data across the organisation – e.g. performance data, sales data etc."

"Improving the employee experience is fine but we must be able to demonstrate how this translates into improvements in productivity."

"We are having lots of conversations about 'the digital experience' and what this means – users are looking for consumer based interactions from their HR tools"

"New tools offer our customers the potential to share benchmark data across their organisations"

"Products move rapidly these days - future roadmaps and the extensibility of cloud solutions are more important than a simple point in time comparison."

"Next phase of will be to open up our development platform and business process framework to allow specialist developers to develop tools for unique or specialist needs"

5 predictions for the HRIS market

HRIS Market overview

1. The war for digital talent will intensify

Employers will respond with a focus on:

- The end to end employee experience
- Marketing led approaches to talent management
- Integration of contingent labour with the 'regular' workforce
- Enterprise view of talent – integrated view of programme/ project resource management
- Investment in new technology tools to support

2. Major HRIS vendors continue to dominate the market but will be challenged by app based 'people focused' tools

- Performance management
- Engagement and feedback
- Wellness/ fitness
- 'Always on' learning
- Social recognition and reward

3. Application technology skills will continue to be at a premium in the SaaS market

- Availability of skilled resources will be a critical success factor. Vendors will take an increasing stake in delivery.

4. Potential impact of AI is huge and is only starting to be explored in HRIS

- Initial focus will be on embedded solutions to support HR operations;
- Talent acquisition and Development. Embedded analytics will provide real-time feedback and opportunity for continuous improvement.

5. A clear strategy for HR transformation will be critical

- In the face of rapid technology change, HR will need to deliver business change faster and more effectively to keep up with the potential offered by new technologies and rapid delivery timescales. A clear strategy for transformational change will be essential



“We believe the way people are managed has a measurable impact on commercial success.”

How we work...

We help our clients by:

- **Being specialists in the field of HR and Talent**
- **Always taking a business focused view**
- **Leveraging our experience with over 100 transformation clients**
- **Conducting regular research programmes into HR/talent**
- **Only using senior teams**

What we do...

We do five things in HR and talent:

- 1. Strategy**
Developing people strategies to make a commercial impact
- 2. Transformation**
Building the service the business really needs
- 3. Technology**
Planning and delivering technology to give you the edge
- 4. Capability**
Developing skills to underpin the new HR model
- 5. Change**
Leading change so the business stays flexible, focused and productive