

# Digital Business - SaaS Solutions

Human Capital Management (HCM)

Global 2020

Quadrant Report



A research report comparing provider strengths, challenges and competitive differentiators

Customized report courtesy of:



September 2020

## About this Report

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The research and analysis presented in this report include research from the ISG Provider Lens™ program, ongoing ISG Research programs, interviews with ISG advisors, briefings with services providers and analysis of publicly available market information from multiple sources. The data collected for this report represents information that ISG believes to be current as of July 2020, for providers who actively participated as well as for providers who did not. ISG recognizes that many mergers and acquisitions have taken place since that time, but those changes are not reflected in this report.

All revenue references are in U.S. dollars (\$US) unless noted.

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## EXECUTIVE SUMMARY

### About this Report

This study evaluates the SaaS vendors that deliver human capital management (HCM), enterprise resource planning (ERP) and customer relationship management (CRM) solutions for large enterprise clients.

Top executives will find this report useful to help them decide on digital business platform choices. It helps top executives understand the nuances that differentiate vendors that are leading the SaaS market. The report takes the business perspective when evaluating SaaS source options, translating technology complexity and industry jargon into business terms such as risk, continuity, innovation, cost and business value.

The CIO will find argumentations and facts to support their technical choices when choosing HCM, ERP and CRM SaaS. The report observations and vendor profiles allow for best-of-breed analysis versus one-stop-shop choices.

### Software as a Service Observed Trends

The SaaS market had been growing at a strong pace before the COVID-19 pandemic. According to the ISG Index™, which measures commercial outsourcing contracts with annual contract value (ACV) of \$5 million or more, the second-quarter ACV for the combined global market (both as-a-service and managed services) declined 5 percent, from a record high in the first quarter. Global sourcing slowed in the 2020 second quarter, as enterprises sharply reduced managed services spending to contend with the impacts of the COVID-19 pandemic, while still investing in ongoing digital transformation efforts. However, cloud-based as-a-service sourcing was up 7 percent. The growth came from the infrastructure-as-a-service (IaaS) space, which rose 10.5 percent. Even so, this was the slowest quarterly growth for IaaS since ISG began reporting on this segment in 2015. Software-as-a-service declined 2 percent versus the prior year. According to Steve Hall, president of ISG EMEA and partner of Digital Advisory Services, “Forecasting what’s ahead in the second half of this year remains a challenge given the unknowns of the pandemic and the impact of a potential second wave.”

The ISG Index™ tracks a broader market than the companies covered by this report. In 2020, the vendors included in this report continued to report a growth of more than 20 percent of their SaaS revenue, on average, while reporting reductions in their software licensing business. The market is moving from proprietary, licensed software to SaaS subscriptions. Innovation and user experience, rather than cost, are the key drivers for adopting SaaS.

### **AI and cognitive computing are some of the key drivers of innovation.**

Many SaaS solutions offer artificial intelligence (AI), conversational interfaces and analytics out of the box, without any capital investment required. SaaS accelerates digital transformation and enables work from anywhere for enterprise clients.

Machine learning (ML) is in use to understand business data and provide predictive insights. Some of the most recent SaaS updates enable companies to understand late payments, predict cash flow and anticipate cash needs or availability. Using credit scores, AI can predict customer defaults. AI provides a more accurate understanding of seasonal impacts on revenue and sales, enabling predictive procurement. Financial planning and results forecasts can be improved by using current SaaS offerings. For HCM, AI is helping companies understand employee experience and its impact on health and productivity. Behavior analytics and sentiment analysis can predict retention and attrition. AI is accelerating the recruiting process by scanning candidates' resumes. For CRM, AI can estimate deal close chances to predict revenue. In commerce, AI powers dynamic pricing and product recommendation. For contact center agents, AI translates voice to text to compare with

previous calls and guide the next best action. AI provides real-time customer sentiment analysis, which can be used for automated call escalation when the agent's behavior can harm the customer experience.

### **Market consolidation**

The SaaS market has an increasing number of participants, including small, niche solution providers dedicated to a single industry vertical in a limited geographic area. SaaS reduces vendor costs. At the same time, SaaS enables the scale that vendors achieve by promoting their solution to a large audience. All SaaS companies in this study have acquired smaller SaaS vendors in the last three years, except for Acumatica, which was acquired by EQT Partners, and Infor, which was acquired by its parent company Koch Industries, both in 2019. SaaS is ideal for large vendors, and ISG forecasts that market consolidation will continue.

When procuring SaaS, clients should pay strict attention to support options and the chances that a vendor might be acquired. Some vendors opt to provide customer support directly and others prefer to transfer support responsibility to partners. A larger number of partners and apps on a vendor's marketplace is one indication of a robust ecosystem that attracts more contributors to innovation. A healthy ecosystem indicates the vendor has good chances to stay in the market. The companies that qualified for this study have met these criteria, but clients should consider the ecosystem strength and support strategy when comparing these large vendors to niche SaaS options or small vendors.

# Introduction

## Definition

In 2019 ISG introduced the ISG Digital Cube™, an interactive model, to define the enterprise capabilities required for digital transformation. It includes six parameters, namely, digital backbone, emerging technologies at scale, enterprise agility, digital ecosystems, insights, and business model innovation. The ISG Digital Cube™ is the primary reference model for ISG as it guides clients toward realizing their digital ambitions. This ISG Provider Lens™ study focuses on identifying the service providers that can support clients in achieving digital capabilities.

Enterprise clients looking for alternative ways of building a robust digital backbone may consider the software-as-a-service (SaaS) option. SaaS is a ready-to-use option and can support end-to-end business processes such as market-to-order, recruitment-to-hire and procurement-to-pay.

## Definition (cont.)

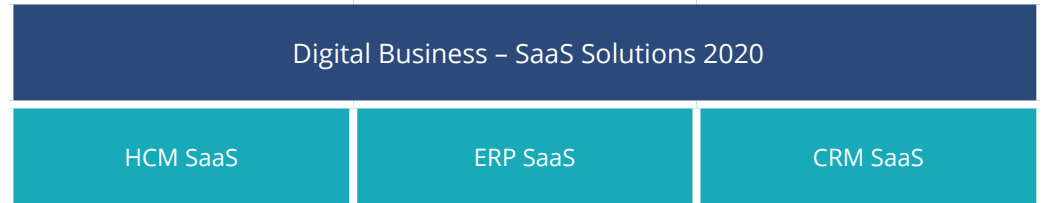
### Scope of the Report

The ISG Provider Lens™ study offers business leaders and IT-decision makers:

- Transparency on the strengths and weaknesses of relevant providers;
- A differentiated positioning of providers by segments;
- This report focuses on global markets.

ISG studies serve as an important decision-making basis for positioning key relationships and go-to-market considerations. ISG advisors and enterprise clients use information from these reports to evaluate their current vendor relationships and potential new engagements. Like others, this study is comprised of multiple quadrants covering the spectrum of services that an enterprise client requires, as illustrated in the following figure:

Simplified Illustration



Source: ISG 2020

## Definition (cont.)

The quadrant descriptions are as follows:

**Human Capital Management – HCM SaaS** quadrant comprises end-to-end employee data management, including functions supporting recruitment, onboarding, learning and development, performance management, succession planning, compensation, payroll, benefits management, time and absence and related functionalities. Leading SaaS providers enable a superior user experience in a digital workplace that attracts the best talent.

**Enterprise Resource Planning – ERP SaaS** quadrant assesses solutions that include accounting (general ledger/GL, accounts payable/AP, accounts receivable/AR), finance, planning, reporting and procurement. Superior ERP-as-a-service encompasses industry-specific solutions. Leading SaaS providers offer real-time business dashboards that leverage insights from artificial intelligence algorithms.

**Customer Relationship Management – CRM SaaS** solutions support all the touchpoints between a company and its clients. CRM-as-a-service, minimally, covers client records (accounts), registers contacts from multiple channels (such as phone, e-mail and chat) and provides sales and service support dashboards. Leading SaaS providers enable clients to increase sales and automate customer support using cognitive solutions.



## Provider Classifications

The ISG Provider Lens™ quadrants were created using an evaluation matrix containing four segments, where the providers are positioned accordingly.

### Leader

The "Leaders" among the vendors/providers have a highly attractive product and service offering and a very strong market and competitive position; they fulfill all requirements for successful market cultivation. They can be regarded as opinion leaders, providing strategic impulses to the market. They also ensure innovative strength and stability.

### Product Challenger

The "Product Challengers" offer a product and service portfolio that provides an above-average coverage of corporate requirements, but are not able to provide the same resources and strengths as the Leaders regarding the individual market cultivation categories. Often, this is due to the respective vendor's size or their weak footprint within the respective target segment.

### Market Challenger

"Market Challengers" are also very competitive, but there is still significant portfolio potential and they clearly lag behind the Leaders. Often, the Market Challengers are established vendors that are somewhat slow to address new trends, due to their size and company structure, and therefore have some potential to optimize their portfolio and increase their attractiveness.

### Contender

"Contenders" are still lacking mature products and services or sufficient depth and breadth of their offering, while also showing some strengths and improvement potentials in their market cultivation efforts. These vendors are often generalists or niche players.

## Provider Classifications (cont.)

Each ISG Provider Lens™ quadrant may include a service provider(s) who ISG believes has a strong potential to move into the leader's quadrant.

### Rising Star

"Rising Stars" are usually Product Challengers with high future potential. Companies that receive the Rising Star award have a promising portfolio, including the required roadmap and an adequate focus on key market trends and customer requirements. Rising Stars also have excellent management and understanding of the local market. This award is only given to vendors or service providers that have made extreme progress towards their goals within the last 12 months and are on a good way to reach the leader quadrant within the next 12 to 24 months, due to their above-average impact and innovative strength.

### Not In

This service provider or vendor was not included in this quadrant as ISG could not obtain enough information to position them. This omission does not imply that the service provider or vendor does not provide this service. In dependence of the market ISG positions providers according to their business sweet spot, which can be the related midmarket or large accounts quadrant.

## Digital Business - SaaS Solutions - Quadrant Provider Listing 1 of 2

	Human Capital Management (HCM)	Enterprise Resource Planning (ERP)	Customer Relationship Management (CRM)
Acumatica	● Not in	● Contender	● Not in
ADP Systems	● Market Challenger	● Not in	● Not in
Ceridian	● Product Challenger	● Not in	● Not in
Epicor	● Not in	● Contender	● Not in
Freshworks	● Not in	● Not in	● Contender
Infor	● Market Challenger	● Product Challenger	● Not in
Microsoft	● Not in	● Leader	● Leader
Oracle Cloud	● Leader	● Leader	● Leader
Oracle NetSuite	● Not in	● Market Challenger	● Market Challenger
Pegasystems	● Not in	● Not in	● Product Challenger

## Digital Business - SaaS Solutions - Quadrant Provider Listing 2 of 2

	Human Capital Management (HCM)	Enterprise Resource Planning (ERP)	Customer Relationship Management (CRM)
Ramco System	Contender	Not in	Not in
Sage	Not in	Contender	Not in
Salesforce	Not in	Not in	Leader
SAP	Leader	Leader	Rising Star
SugarCRM	Not in	Not in	Contender
Ultimate Kronos Group	Leader	Not in	Not in
Unit4	Contender	Product Challenger	Not in
Workday	Leader	Leader	Not in
Zendesk	Not in	Not in	Leader



# Digital Business - SaaS Solutions Quadrants

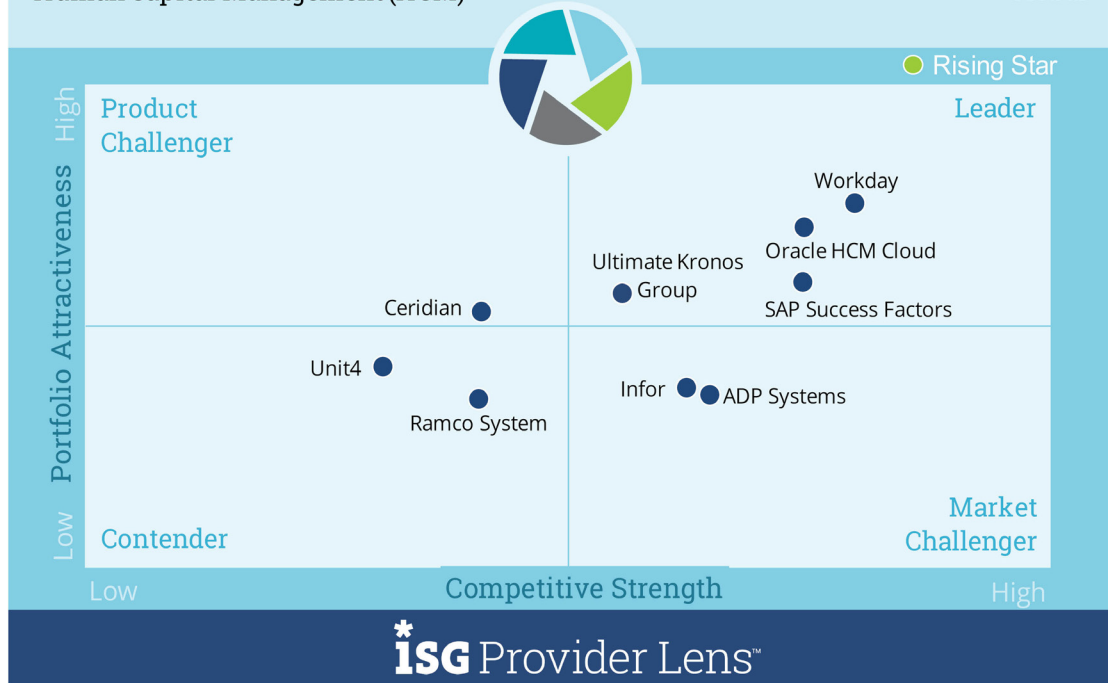
## HUMAN CAPITAL MANAGEMENT (HCM)

### Definition

HCM solutions comprise end-to-end employee data management, including functions supporting recruitment, onboarding, learning and development, performance management, succession planning, compensation, payroll, benefits management, time and absence and related functionalities. Leading SaaS providers enable a superior user experience in a digital workplace that attracts the best talent.

Digital Business - SaaS Solutions  
Human Capital Management (HCM)

2020  
Global



Source: ISG Research 2020

## HUMAN CAPITAL MANAGEMENT (HCM)

### Eligibility Criteria

- The software solution covers most functional areas within the HCM domain.
- This survey and analysis are not looking at single-function solutions, such as payroll or recruitment only. The solution should have core HR data management functionality.
- The solution is offered as software as a service run in the cloud. For vendors that provide both on-premise and cloud options, the cloud functionality and market volumes were considered, while the on-premise market data were excluded from the analysis.
- The software commercialization model is subscription based.

### Observations

The HCM market is transitioning from on-premise to the cloud. Vendors are focused on developing new applications and enabling subscription services. From monitoring SaaS usage patterns, vendors have a better understanding of their product's functionality utilization and can improve their product quality.

The companies in this quadrant serve approximately 40,000 enterprise clients. Most vendors do not provide revenue details by product line. However, ISG estimates that this group makes approximately \$24 billion from HCM SaaS. This study finds that most vendors have more midmarket clients than large enterprises. Some large client references include American Airlines, BDO, Corning, Cummins, EY, FedEx, Hewlett Packard Enterprise, Netflix, Reliance Capital, Subway and Walmart.

Nine companies have qualified for the HCM SaaS quadrant, four were awarded Leaders designation.

## HUMAN CAPITAL MANAGEMENT (HCM)

### Observations (cont.)

- **Oracle** reported \$39 billion in revenue in 2019, including Oracle Applications revenue of \$11 billion (all SaaS offerings included). Oracle Cloud offers a fully functional HCM scope. Custom functionality can be added by leveraging its APIs. It has improved its analytics tools by adding AI and ML capabilities for data-rich dashboards. The company invests more than \$6 billion a year in product research and development. Quarterly updates ensure clients have access to the most modern features.
- **SAP** reported \$27 billion in revenue in 2019, including SaaS and PaaS revenue of \$3.2 billion. SuccessFactors was founded in 2001 and acquired by SAP in 2012 when it had 3,500 customers in 168 countries. It reported more than 7,000 clients and 120 million users in 2020. In 2019, SAP acquired Qualtrics, improving its experience management capabilities, and changed its HCM suite name to SAP SuccessFactors Human Experience Management (HXM).
- **Ultimate Kronos Group (UKG™)** combines the strength and innovation of Ultimate Software and Kronos Inc. The company offers workforce management solutions from Kronos, full HCM suite capabilities from Ultimate Software and HR helpdesk/service delivery solutions from PeopleDoc, acquired in 2018. UKG™ has more than 23,000 clients, including 6,600 UltiPro clients, with users in more than 170 countries. UKG™ offers personalized support and free training for life. It enjoys an outstanding 96 percent customer retention rate.
- **Workday** reported \$3 billion in revenue in the fiscal year that ended in January 2020. It operates in 31 countries and serves 2,600 clients. It is an innovative company founded in 2005. The company delivers financial management, human capital management, planning and analytics applications. Recent acquisitions include Adaptive Insights in 2019 and Scout RFP in 2020. Workaday focuses on the world's largest companies, educational institutions and government agencies. Its client base ranges from medium-sized businesses to Fortune 50 enterprises.



## ULTIMATE KRONOS GROUP

### Overview

Ultimate Kronos Group (UKG™) combines the strength and innovation of Ultimate Software and Kronos Inc. The company offers workforce management solutions from Kronos, full HCM suite capabilities from Ultimate Software and HR helpdesk/service delivery solutions from PeopleDoc, acquired in 2018. UKG™ has more than 23,000 clients, including 6,600 UltiPro clients, with users in over 170 countries. Its SaaS platform handles more than 50 million people records. The company is headquartered in the U.S., with 16 offices in nine countries.

### Strengths

**Customer engagement:** UKG's goal is to make every client successful. It provides a fixed customer-onboarding fee and partners with clients to shorten their HCM solution adoption time. Subscription fees typically do not start until the client has gone live. The company's practitioners engage with clients in understanding their requirements. UKG™ offers personalized support and free training for life. It enjoys an outstanding 96 percent customer retention rate.

**Innovation with analytics:** Xander® is UKG's unique artificial intelligence (AI) engine. It offers natural language processing (NLP), sentiment analysis and sophisticated real-time analytics. It helps clients adopt a more consistent tone across their communications, providing personal and timely support to employees, based on unbiased insights. Besides, UKG's powerful metadata platform enables non-technical users to create and maintain custom analysis to support their particular needs.

**Robust and reliable products:** UKG is fully focused on HCM, providing decades of HCM expertise embedded in its SaaS platform. Its people and culture provide differentiation. The company is backed up by a solid investment fund to ensure technology and functional robustness. In 2020, it added AI/ML cloud automation to optimize resources while scaling capacity. Data replication on many cloud availability zones provides higher security. To enhance functionality, it listens to clients. In 2019, UKG received more than 4,400 customer ideas, prioritized by over 70,000 community votes, enabling 415 unique ideas to improve HCM functionality.

### Caution

Ultimate Kronos Group is in its third year of managing mergers and acquisitions, making its path to a large, global organization. Naturally, the company will face the challenges of growth at the same time it integrates diverse business cultures and optimizes its portfolio. Clients engaging with UKG™ should negotiate to include product and price protection clauses in the face of possible changes in its portfolio and contractual terms.



## 2020 ISG Provider Lens™ Leader

UKG™ joins its People First mission with leading-edge technologies to deliver robust HCM SaaS solutions that enable employees' LifeWork journey and adapt to particular client needs. Combining with Kronos' industry-specific workforce solutions and broader geographic footprint should enable UKG™ to realize their ambitious expansion goals.



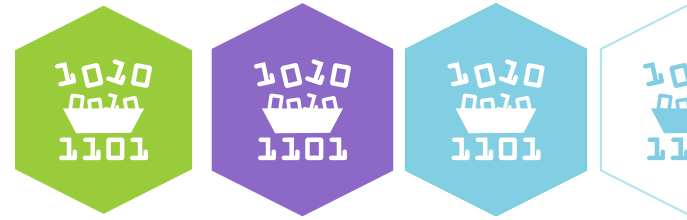
# Methodology

## METHODOLOGY

The research study “ISG Provider Lens™ Digital Business - SaaS Solutions 2020” analyzes the relevant software vendors/service providers in the Global market, based on a multi-phased research and analysis process, and positions these providers based on the ISG Research methodology.

The study was divided into the following steps:

1. Definition of Digital Business - SaaS Solutions market
2. Use of questionnaire-based surveys of service providers/vendor across all trend topics
3. Interactive discussions with service providers/vendors on capabilities & use cases
4. Leverage ISG's internal databases & advisor knowledge & experience (wherever applicable)
5. Detailed analysis & evaluation of services & service documentation based on the facts & figures received from providers & other sources.
6. Use of the following key evaluation criteria:
  - Strategy & vision
  - Innovation
  - Brand awareness and presence in the market
  - Sales and partner landscape
  - Breadth and depth of portfolio of services offered
  - Technology advancements



# Authors and Editors



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Distinguished Analyst

Distinguished analyst and author, Pedro Bicudo brings extensive experience in the research of the SEMEA (Southern Europe Middle East and Africa) and Latin America service markets. With more than 30 years of experience in sourcing, he has developed vendor assessments plus contract restructuring, services scope and IT benchmarking programs for diverse vertical markets in the Americas and APAC. Before joining ISG, Pedro was a partner of TGT Consult and managing vice president at Gartner Inc., responsible for the consulting business in APAC and Latin America.



**Jan Erik Aase, Editor**  
Director, Principal Analyst and Global Head – ISG Provider Lens/ISG Research

Mr. Aase brings extensive experience in the implementation and research of service integration and management of both IT and business processes. With over 35 years of experience, he is highly skilled at analyzing vendor governance trends and methodologies, identifying inefficiencies in current processes, and advising the industry. Jan Erik has experience on all four sides of the sourcing and vendor governance lifecycle - as a client, an industry analyst, a service provider and an advisor. Now as a research director, principal analyst and global head of ISG Provider Lens™, he is very well positioned to assess and report on the state of the industry and make recommendations for both enterprises and service provider clients.

# ISG Provider Lens™ | Quadrant Report

## September 2020

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