

EXCERPT

Worldwide Human Capital Management Applications 2004 Vendor Shares: Top HCM and Payroll Processing Vendors in Market Segments and Future Workforce Dynamics

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IN THIS EXCERPT

This excerpt is taken from *Worldwide Human Capital Management Applications 2004 Vendor Shares: Top HCM and Payroll Processing Vendors in Market Segments and Future Workforce Dynamics* by Albert Pang (IDC #34165, November 2005). It includes the sections IDC Opinion, In This Study, Situation Overview, Lawson Software profile, and Future Outlook, as well as one table.

IDC OPINION

Our research on the human capital management (HCM) market reveals the following trends:

- ☒ Amid industry consolidations, HCM vendors are better off safeguarding their customers by enhancing their training, customer support, and product maintenance programs. Otherwise, the value of their acquired products and customers will erode over time.
- ☒ Because of changing workplace requirements, new HCM segments are expected to emerge as the existing ones begin to overlap with one another. Global assignments could become an attractive segment as outsourcing, offshoring, and nearshoring activities change the makeup of the workforce.
- ☒ Small and midsized business customers will become the mainstay of the HCM applications market as more IT investments are being made, especially in industries like healthcare, professional services, and the public sector where labor costs are either rising or skilled workers are in a supply crunch.

IN THIS STUDY

This IDC study provides the 2004 software license and maintenance revenue of the top 5 applications vendors in each of the eight HCM and payroll processing segments: large, midsized, and small business HCM customers, payroll processing, workforce management, recruiting, incentive compensation, and performance management. Their market shares, segment-specific applications, and customer counts are also included.

This study also includes profiles of top vendors as well as market dynamics that shape HCM and payroll processing applications buying trends in these segments.

The document should be reviewed alongside a companion study, *Worldwide Human Capital Management and Payroll Processing Applications 2005–2009 Forecast and 2004 Vendor Shares*, (IDC #34171, November 2005), to provide the full scope of market conditions, trends, and recommendations.

SITUATION OVERVIEW

With few exceptions, HCM and payroll processing applications leaders were enjoying above-average growth rates in 2004 as they were able to capitalize on industry consolidations, rapid adoptions of on-demand solutions, as well as the growing awareness of business owners and CEOs on the value of human assets and the collective insights they could extract from centralized and intuitive HR systems.

The successes of these HCM and payroll processing applications vendors are indicative of the macroeconomic conditions shaping the world. Companies are becoming either globalized by necessity or more complex with their output in order to survive, and their workforce characteristics — schedules, allocations, and pay rules — are adapting to those changes.

Knowledge workers are in demand not just in services industries, but almost everywhere else that is driven by the velocity of change and information. That makes the task of hiring, retaining, and improving the skills of these employees more important than ever. Finally, finding new ways to motivate and reward these employees will likely transform the laggards into industry leaders — or the reverse could occur with outmoded compensation schemes and measurements. Following is a list of this year's leading vendors in eight segments that have reached the top of their game by exploiting the market dynamics that are impacting the buying trends of different HCM and payroll processing applications.

TABLE 3

Worldwide Human Capital Management Applications License and Maintenance Revenue, Key Product Offerings, and Number of Customers in Segment, 2004: Top 5 Vendors for Companies with 500–4,999 Employees

Vendor	License and Maintenance Revenue (\$M)	Share (%)	HCM Offerings	Number of HCM Customers in Segment
Lawson	58.0	7.4	Series 8.0.3	1,000
Ultimate	58.0	7.4	Ultipro, Intersourcing	1,300
SAP	50.0	6.4	mySAP ERP HCM	343
McKesson HBOC	46.0	5.9	McKesson Information Solutions	20,000 installations
Oracle	40.0	5.1	Enterprise One Enterprise Workforce Management	300
Subtotal	252.0	32.2		
Other	530.0	67.8		
Total	782.0	100.0		

Note: Oracle's revenue reflects the pro forma results of the 2004 HCM and payroll processing license and maintenance revenue of Oracle and PeopleSoft.

Source: IDC, 2005

Lawson in the Midsized Enterprise HCM Applications Segment

As shown in Table 3, Lawson tied with Ultimate as the HCM applications leaders in the midsized enterprise segment (organizations with 500–4,999 employees).

Lawson Software has become a force to be reckoned with in the HCM applications market for midsized enterprises after it started gaining momentum in strategic verticals.

Some of its recent wins included Build-a-Bear, Gwinnett Health System, and City of Waterbury, all of which underscored Lawson's ability to penetrate into healthcare, retail, and the public sector.

In retailing, Lawson has developed a robust set of applications for tracking and automating a variety of human resources business processes of retailers from workforce planning to scheduling and from expense control to cost analysis using more than 70 performance indicators or measurements.

In healthcare, Lawson customers are leveraging the HCM applications to lower their costs by boosting retention and improving productivity through employee and manager self-service. The less time that hospital administrators have to spend on manual processes like open enrollment, the more time they can devote to more complex issues like nurse shortages and compensation analysis.

Embracing industry standards like Eclipse and J2EE, Lawson has also helped public sector organizations reduce their direct investments in costly integration projects. For example, government agencies can leverage Lawson tools to extend the HR applications to other industry-specific solutions from project and activity accounting to grants management.

Lawson has also benefited from a base of loyal customers, many of whom have been using Lawson products since the client-server computing days. Now Lawson is aiming to redefine the marketplace with a new technology platform called Landmark, which is based on an object-oriented program as well as design instructions from the Lawson Pattern Language (which leverages domain expertise from its customers or industries where certain customizations have already been a norm). That means new releases of Lawson's industry-specific HCM functionality will be able to reach the market in a more timely and stable manner.

At the same time, its pending acquisition of Intentia will enable Lawson to cross-sell its HCM applications into a combined installed base of 4,000 customers in 40 countries. In particular, it will be able to broaden its footprint into Intentia's customer base in the manufacturing, distribution, and consumer packaged goods industries, especially in Europe and Asia/Pacific where Intentia has already enjoyed a sizable following.

FUTURE OUTLOOK

Consolidations in the HCM applications market will blur the lines that separate different segments, allowing vendors to cross over from one to another, like from incentive compensation to performance management.

However, new segments are expected to emerge as the global workforce continues to evolve with accompanying job mobility and transfers, multiple assignments, dynamic profiling, and lifestyle balancing requirements. Increased demands for prehire testing, succession planning, and org charting have spawned a new set of HCM applications vendors that specialize in those areas, like Brainbench, Succession Wizard, and HumanConcepts, respectively.

Small and mid-sized business segments will also be the engine for growth in the HCM market as more companies start leveraging Web services — or simply XML-based packets of human resources information and best practices that can be delivered via the Internet — to do everything from recruiting to performance management and from payroll support to workforce management.

That will change the business models of many HCM incumbents and upstarts, creating as many opportunities as there are risks. What it also means is that innovation in the HCM application market — unlike software designed to manage financial data, inanimate objects, and perishable goods — will continue to revolutionize the ways enterprises view and manage productivity, corporate performance, and enterprise resources.

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