STARVest
PARTNERS

Human Capital Management (HCM) Technologies

August 2015

StarVest Thesis

Human capital is the primary competitive advantage in the knowledge economy

Critical business services within the HR platform directly impact the HR Director's ability to recruit, manage, and retain talent within their organization
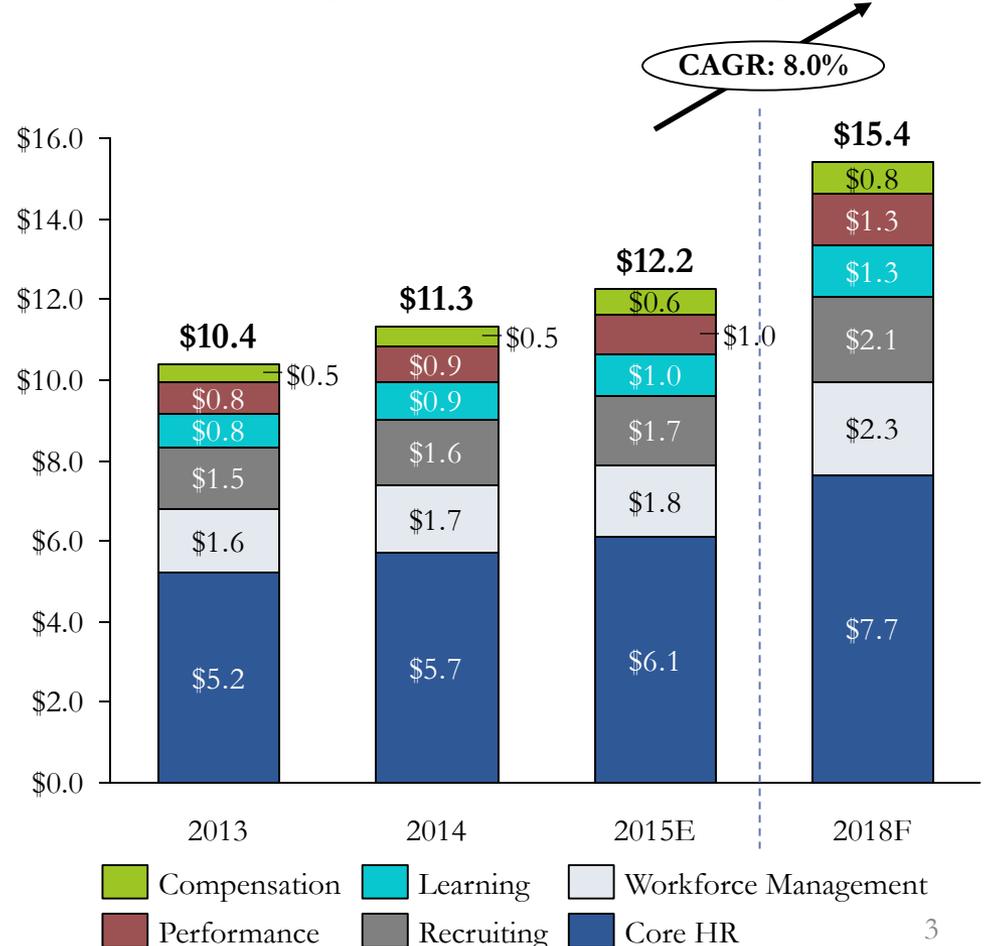
StarVest Thesis

"We seek investments in technology companies that provide critical business services generating high returns on investment ('ROI') for their enterprise customers"

STARVEST
P A R T N E R S

HCM Software Spend Rising

Spending on HCM Software is expected to rise as companies replace and revamp their legacy systems with new cloud-based technology

- According to IDC, the total HCM Technology Market is expected to grow from $12.2bn in 2015 to $15.4bn in 2018 (8.0% CAGR)

- Companies are replacing aging core systems

- Forrester reports that 20% of companies with greater than 1,000 employees have plans to or are interested in adopting new HCM Software (28% of companies with less than 1,000 employees)
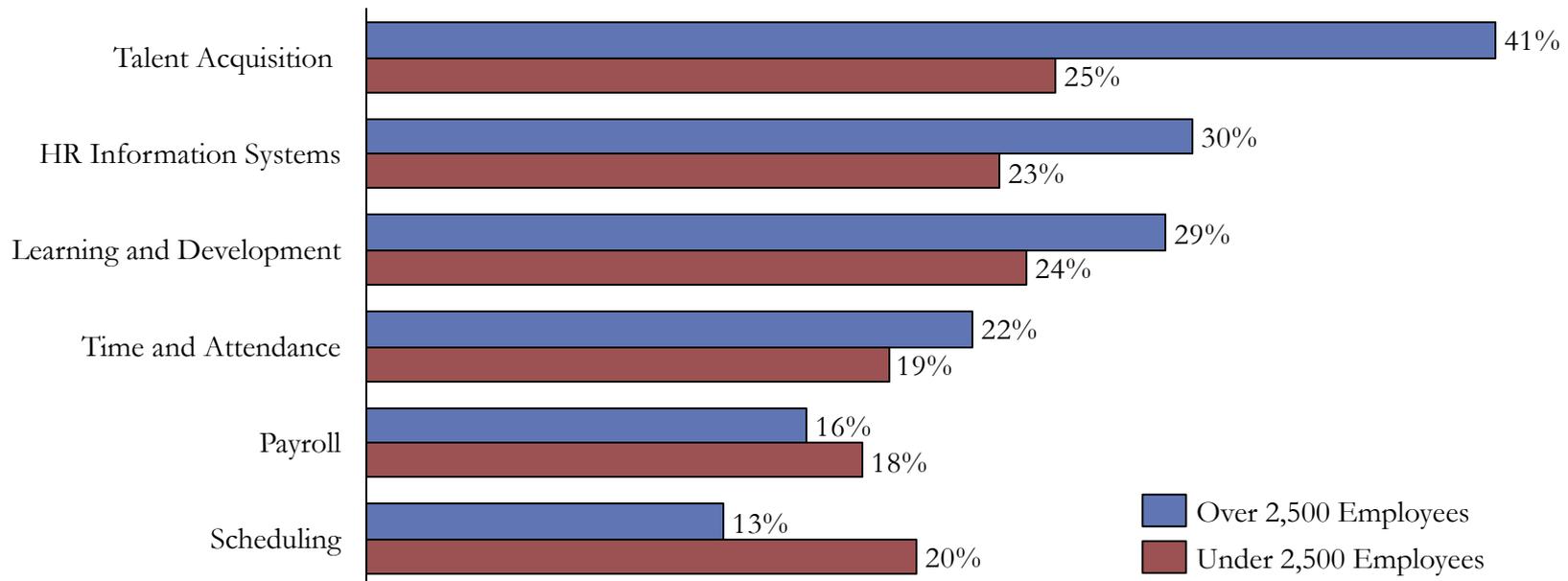
HCM Technology Market Size and Growth by Segment ($ in bn)

CAGR: 8.0%

	2013	2014	2015E	2018F
Total	$10.4	$11.3	$12.2	$15.4
Compensation	$0.5	$0.5	$0.6	$0.8
Performance	$0.8	$0.9	$1.0	$1.3
Learning	$0.8	$0.9	$1.0	$1.3
Recruiting	$1.5	$1.6	$1.7	$2.1
Workforce Management	$1.6	$1.7	$1.8	$2.3
Core HR	$5.2	$5.7	$6.1	$7.7

Legend: Compensation, Learning, Workforce Management, Performance, Recruiting, Core HR

STARVest PARTNERS

3

HR Tools are Being Replaced

Large and small companies alike, are most looking to replace systems that help manage talent acquisition, HR information and learning and development

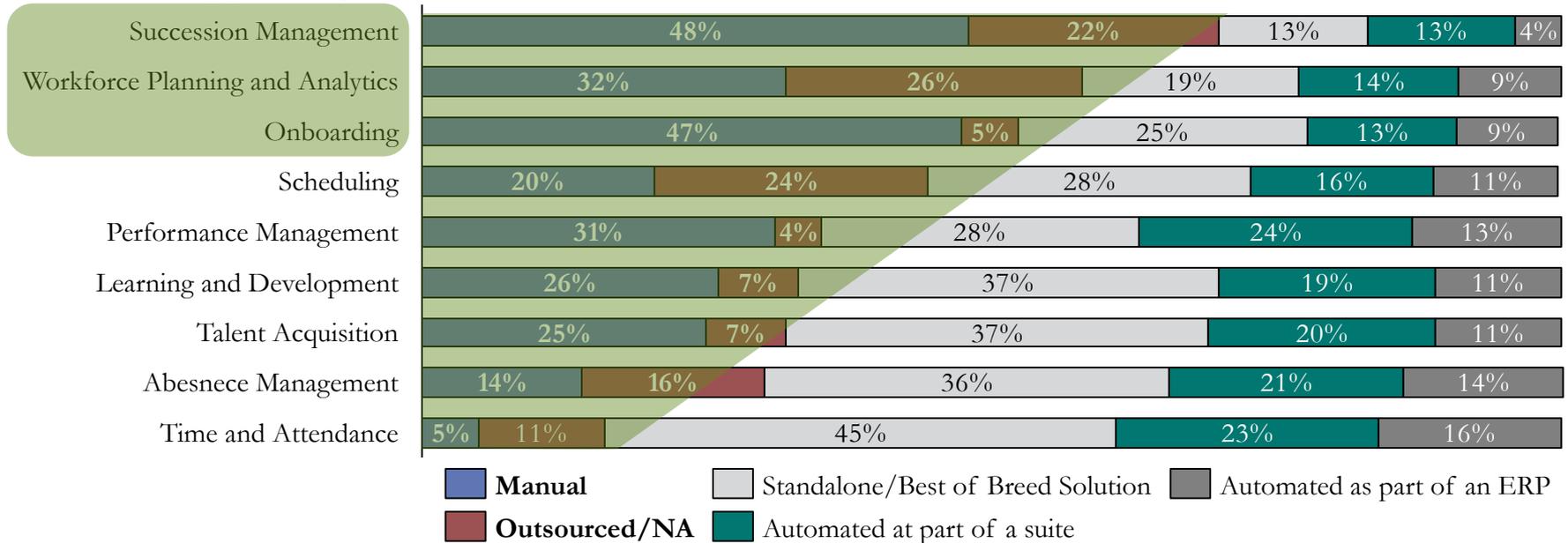**Percent of Companies Considering Replacement of Systems Next Year**

Talent Acquisition — Over 2,500 Employees: 41%, Under 2,500 Employees: 25%
HR Information Systems — Over 2,500 Employees: 30%, Under 2,500 Employees: 23%
Learning and Development — Over 2,500 Employees: 29%, Under 2,500 Employees: 24%
Time and Attendance — Over 2,500 Employees: 22%, Under 2,500 Employees: 19%
Payroll — Over 2,500 Employees: 16%, Under 2,500 Employees: 18%
Scheduling — Over 2,500 Employees: 13%, Under 2,500 Employees: 20%

■ Over 2,500 Employees
■ Under 2,500 Employees

HCM Process Automation

Technology solutions addressing manual and outsourced processes represent the largest opportunity for disruption

Zone of Opportunity

Percent of Automation of HCM Solutions by Process

Process	Manual/Green	Outsourced	Standalone	Suite	ERP
Succession Management	48%	22%	13%	13%	4%
Workforce Planning and Analytics	32%	26%	19%	14%	9%
Onboarding	47%	5%	25%	13%	9%
Scheduling	20%	24%	28%	16%	11%
Performance Management	31%	4%	28%	24%	13%
Learning and Development	26%	7%	37%	19%	11%
Talent Acquisition	25%	7%	37%	20%	11%
Abesnece Management	14%	16%	36%	21%	14%
Time and Attendance	5%	11%	45%	23%	16%

Legend:
- **Manual**
- **Outsourced/NA**
- Standalone/Best of Breed Solution
- Automated at part of a suite
- Automated as part of an ERP

- Succession management, workforce planning and analytics, and onboarding represent the highest growth areas for HCM Tech
  - Over 50% of respondents report that these processes are currently done either manually, outsourced, or not at all, creating market opportunity for new tech solutions
  - Succession management and onboarding are the most manual processes and ripe for technology disruption

STARVest PARTNERS

Source: Brandon Hall Group

Implications for StarVest

- StarVest will look for companies focusing on underserved areas in the HCM marketplace, such as succession management, workforce planning and analytics, and onboarding and off-boarding

- In addition to being traditionally manual processes, these three areas are also becoming more important due to macro trends:

  - The baby boomer generation is reaching retirement age
  - Minimum wage and employee benefit regulation is changing
  - Workforce demographic shifts are leading to higher labor churn rates

STARVest
P A R T N E R S

The HR Function

Human capital is the main differentiator for companies today and HCM technologies help HR Directors and companies streamline processes and manage this most valuable resource

Recruiting
Hiring Strategy
Candidate Pipeline Management
Candidate Review and Interview Management
Onboarding (incl. relocation)

Managing
Payroll and Benefits Administration
Employee Training
Productivity Enablement
Compliance Management

Review and Retention
Compensation Structuring
Employee Morale
Development and Opportunities

Internal Promotions

STARVest
P A R T N E R S

The Recruiting Problem

The HR Director must develop a recruiting strategy that attracts the best talent; software that helps them develop, execute, and optimize that strategy will be in increasing demand

Example Questions to be Answered

What are the best means for onboarding?

What are my hiring needs?

How do I find and evaluate potential candidates?

STARVest
PARTNERS

The Managing Problem

Managing and tracking employees to ensure compliance and productivity can be a challenge; HCM technology streamlines this process and ultimately lowers the cost

Example Questions to be Answered

How do I ensure compliance?

How do I train my employees?

How do I ensure my employees are productive?

STARVest
PARTNERS

The Review and Retention Problem

Reviewing and retaining talent is very important for companies; HCM software can help keep employees happy and motived by helping managers with tasks like structuring compensation packages, developing employees, and determining promotions

Example Questions to be Answered

How do I minimize turnover?

How do I structure compensation and benefit packages?

How do I keep my employees happy?

Who should be promoted? When?

How should I evaluate and review my employees?

STARVest
PARTNERS

HCM Technology Landscape

HCM Tech allows HR Directors to plan and execute on strategies that recruit, manage, and retain employees and result in lower overhead costs for the company

Recruitment and Hiring		Managing		Review and Retention	
Hiring	Onboarding	Training / Learning	Administration	Performance Tracking	Incentives and LT Development

SMB

- Identifying hiring needs
- Applicant evaluation
- Candidate engagement

- Security and background checks
- Benefit enrollment
- Technology and

- Collaboration tools
- Professional certification
- Learning course material and

- Payroll administration
- Benefits administration and employee wellness

- Employee performance and talent review
- Utilization analysis
- Goal

- Compensation management
- Short-term bonus plan and long-term incentives
- Retirement and

For full access to the white paper, please contact info@starvestpartners.com