

Workday's Initial HCM Offering Is Intriguing but Unproven

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The startup Workday's Human Capital Management software-as-service solution includes innovative technology and has had some initial success. Prospective customers will face the usual risks of early adopters.

Event

On 6 November 2006, Workday officially launched its Human Capital Management (HCM) solution, the first service it has offered. Workday, founded in March 2005, focuses on enterprise resource planning (ERP) software and targets midsize and large enterprises. The company also announced its business partners and its first customers with its HCM solution currently in production: Kana Software and Biosite.

Analysis

The launch of a new startup is not typically a significant event. But Workday's official launch marks the return of Dave Duffield — PeopleSoft's founder — to the enterprise business software market. Duffield has brought together many of the principals from his PeopleSoft team to build a new software-as-service (SaaS) ERP solution targeted at service industry companies that employ from 1,000 to 5,000 employees.

Technology: Workday's service-oriented architecture (SOA) forgoes the relational data model. Instead, its metadata and object data are represented in a flattened schema and are stored in the database for persistence and transactional integrity. XML is used to communicate between all tiers of the architecture. This increases extensibility and reuse of business objects and their corresponding logic. The core architecture is multitenant to support the SaaS delivery model. In addition, it includes embedded reporting/analytics and workflow. Web 2.0 design and technology sidestep traditional menu structures by allowing a right-click selection of any displayed object's related tasks.

Applications: Workday's first application, HCM, utilizes two primary objects:

- The "person" object includes support for employees, contingent workers and external workers.
- The "organization" object supports multiple organizational paradigms, including by hierarchy, team and project.

Workday HCM functions include hiring, absence management, compensation management, performance management, benefits management and a payroll interface. The talent management function in v.1.0 HCM is basic, but the application offers strong organizational management functions, built on top of a multinational foundation.

Gartner considers Workday's technology approach very promising. For a version 1.0 product, the HCM application appears very solid. The Workday team is experienced and has been successful in the past. However, in the long term, Workday will face strong competition on several fronts:

- Many innovative niche and talent management application suite providers have a head start on Workday.
- Oracle and SAP are building their next generation of applications leveraging SOA and SaaS delivery models.
- As Workday expands into financial systems, it will also compete with financial management application vendors.

Though early signs are promising, Workday must demonstrate that it can translate its innovative technology and SaaS delivery into offerings that significantly improve agility and boost the productivity and engagement of line managers and employees.

RECOMMENDATIONS

Companies should consider Workday if:

- They require basic HCM functionality delivered via the SaaS model.
- They are interested in being early adopters of a very new solution that has only two production customers (along with several others in implementation).
- They are seeking a human resource solution that allows very flexible organizational management with potential multinational use. (Initially, only an English language version is available.)

RECOMMENDED READING

- "Talent Management Application Suites Can Enhance Workforce Effectiveness" — Companies that have already implemented an integrated set of administrative HCM applications now are turning their attention to strategic talent management applications. **By James Holincheck**
- "Talent Management Application Suites Emerge to Support Strategic HR Capabilities" — Executive, IT, HR and vendor needs are aligned to support the emergence of a new suite of strategic HR applications: talent management application suites. **By James Holincheck**

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