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## **RESEARCH NOTE**

### **NUCLEUS TOP TEN PREDICTIONS FOR 2014**

#### **THE BOTTOM LINE**

Smarter software, smarter tablets, and smarter technology in general are driving Nucleus's Top Ten Predictions for 2014. These predictions are driven by fundamental shifts in the value, pricing, and access models of enterprise applications across the pillars of CRM, ERP, HCM, and analytics.

#### **1. VENDORS WILL EMBRACE THE DARK COCKPIT APPROACH**

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We've watched the vendor race for feature and function parity accelerate for some time. In CRM, it's been driven by emerging areas such as social, mobile, and analytics, with each vendor wanting to show they've checked off all the boxes — or created a new category of boxes to check. In ERP, relatively mature solutions now are pressed to show additional functionality to justify license maintenance investments and upgrades, and most vendors are answering with more specific industry functionality. In HCM, consolidation and focus on the "hire to retire" process is driving vendor investment in integration, but in many cases that just means more irrelevant features for the average user.

As vendors seek to differentiate themselves in an increasingly risk averse marketplace, those that can tie their application's direct impact on users doing their job better (sales needs to sell more) will be more likely to make the cut. We've already seen companies look at new user interfaces (UIs) as a differentiator. Those that step ahead in 2014 and beyond will be those that simplify, focus, and use the intelligence of software to automate a lot of the data interpretation and assimilation users have to do today (Nucleus Research *n167 - Enterprise software must adopt the principles of Dark Cockpit*, November 2013).

It may be the greatest design challenge for software vendors, but those that leap ahead in making software more intelligent will deliver incrementally greater value and differentiate themselves from the pack. The good news is that every vendor now has access to the intelligence of IBM's Watson research and development through IBM's move to provide it as a cloud OEM service. The hard part will be applying Watson's brain in areas where it makes the most sense, which may not be the most exciting places to start (Nucleus Research *n15 - What Watson can do for CRM*, February 2013).

## 2. THE CLOUD: AGAIN AND BEYOND

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Nucleus has predicted broader cloud adoption for years, and it's no surprise given the clear ROI benefits (Nucleus Research *m108 – Cloud delivers 1.7 times more ROI*, September 2012). What started with CRM and collaboration has spread to the broader enterprise application footprint, and 2013 saw even the most traditional of vendors (even those that had publicly disdained the early cloud) embrace it. The final holdouts, in areas such as infrastructure, will crumble in 2014 as the lines between hardware and devices blur and voice over IP (VoIP) and other vendors deliver professional-grade cloud solutions that highlight the lack of innovation and customer hostage-taking strategies of their on-premise predecessors. Companies that embrace opportunities for virtualization and the flexibility of cloud solutions will reap productivity, tax, and other benefits.

## 3. CRM: ALL BUYERS ARE PEOPLE

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Many CRM vendors have spent the last 18 months differentiating their solutions' abilities to address companies' business-to-business or business-to-consumer sales strategies. However, we're finding that they're not that different. Moving forward, there is only one model: business-to-buyer, and all buyers, at the end of the day, are people.

As individual worker's and consumer's profiles and social presences become more and more intertwined, knowing the business buyer's personal preferences and expectations (and how much they want us to know about them) is plain good sales management. Conversely, consumer sophistication is rising and even companies selling 100 percent through the Web can take advantage of tools and strategies previously thought of as only b-to-b to reach individuals. Moving forward, although they may have different types of sales teams (just like we do for inside and outside sales), the distinction between CRM supporting processes for business and consumer buyers will melt away.

## 4. GEOFENCING AND TRUE MOBILITY

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Geofencing is emerging to take timekeeping off the work site and into the hands of the employees. HCM and workforce analytics companies are looking at utilizing geofencing as a way to improve employee function tracking inside a given workspace. To employees this may seem like Big Brother is watching. For the manager, it means being able to track employees based on location and give them access to applications and data based on that location.

Developments in geofencing in the coming year will likely be the key for employers to engage in true mobility on employee-owned personal devices, wearable or otherwise, as opposed to in-house company-owned tablets and smartphones. New entrants such as Xora and AboutTime are already using geofencing for added location-based workforce

reporting. Although employees may not see the upside of geofencing, ambitious employees will recognize the potential benefits of providing management with a much clearer and detailed picture of how effectively they manage their time.

Companies will leverage geofencing to control cost functions such as clock punching inside the fence and to release functions like timecard reviews outside the fence to maintain control over operational cost procedures and reduce costs associated with oversight. The added control will likely drive up the value returned on the implementation of workforce management by reducing terminal technology overhead and generating more precise employee timing records and feedback from true mobile devices (Nucleus Research L133 – *Workforce management pays back \$7.88 for every dollar spent*, December 2011).

## **5. DEATH OF THE TIME CLOCK – ON TO MULTI-METRIC DATA**

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We've talked about mobility in timekeeping for a long time, but the real killer of the timeclock will be advances in multi-metric employee tracking. Established HCM vendors are already putting timeclocks in the past in favor of mobile devices and upgrades to their cloud infrastructure, while new market entrants are offering mobile-only solutions altogether, bypassing the traditional wall unit. Despite the mobility hype, companies are using on-premise, company-owned and managed tablets and smart technology to make employees mobile but put them on a short leash.

The death of the traditional timeclock will come when employees no longer have to engage an application for employers to track their working activities. As we become more and more plugged in in our personal lives, we are providing more ways to be tracked according to activities, behavior, and ID that show our personal routines. From speed passes for tolls on our morning commutes to the smartphones we rely on for daily exchanges of information, devices that can show trends about us are everywhere. As HCM technology becomes more intelligent and HCM vendors seek out true mobility, companies will take advantage of the tracking ability to move away from single-metric employee identification to a system that knows when an employee arrives and leaves according to multiple metrics such as routine movements, photo ID recognition, heat signatures, and digital fingerprinting from the touch screen of a personal phone or tablet. While it is true that some biometrics capabilities are being introduced to timeclocks, the future of employee recognition is in using multiple metrics that identify employees even before they engage an application to identify themselves. Combining bio-recognition with multi-metric tracking and geofencing, we can kiss the traditional wall unit and pseudo-mobile application user interface as we know them goodbye.

## 6. HCM: FURTHER SHAPESHIFTING TO SHCM

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The past two years have been all about bringing social and social collaboration into HR and HCM solutions to add unstructured data to structured analytics and provide more direct, real-time feedback on workplace performance. These capabilities are a baseline functionality requirement; moving forward, predictive analytics will be applied to that unstructured data to drive more proactive, predictive performance management for smarter hiring, ongoing performance reviews, and all HCM processes.

Social collaboration will introduce contextual data into coded analytics for compliance-based documentation, employee reviews, and case filing in the processing of pre-screening for new hires and workforce management. 2014 will likely see the majority of HCM providers continue to integrate social media and social collaboration into their solutions to increase person-to-person functionality, to integrate unstructured data into structured analytics, and to re-balance the scale between objective and subjective data from hiring to succession planning. Innovators will go a step further with text analytics, in-application coaching, and predictive problem solving (Nucleus Research *n75 - The future of sales performance management*, May 2013).

## 7. CONTROLLING COMPLIANCE

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The 2013 rollout of the Affordable Care Act was the first major test of implemented HCM solution capabilities to handle changes to compliance rules. 2014 will likely see a evolution of compliance requirements. Vendors will be faced with merging and inconsistent job roles and regulatory challenges that customers will be seeking to resolve by implementing HCM solutions. Solutions will integrate higher-level compliance measures and scalability into their cloud solutions while simplifying their UIs, taking a lesson from the unfinished product rollout of the ACA exchange Web site. Vendors are already promising strong changes to their cloud applications suites to handle compliance reporting and to store vital employee data from the time of hire. HCM vendors will likely become more nimble in cloud application development for compliance purposes while being careful to apply simpler UIs to customer-based compliance issues following the healthcare exchange's initial failures (Nucleus Research *n167 - Enterprise software must adopt the principles of Dark Cockpit*, November 2013).

## 8. CLOUD BI – EASY COME, EASY GO

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Although cloud business intelligence (BI) has been marketed by many vendors for some time, we're starting to see the emergence of true "pay by the drink" solutions: companies can take advantage of the technology of the cloud with the on-off switch instead of a monthly or annual subscription. This means customers can more easily try before they buy and turn off if they're not happy - making revenue streams a lot less predictable.

Many of these solutions are touting ease of use, ease of deployment, and low training requirements as key solution values. Low-cost implementations, with little-to-no on-premise hardware or software requirements and little-to-no IT maintenance costs have certainly made cloud BI a compelling option for many.

The focus for these Cloud BI vendors will be ensuring they have a robust community of happy users: a strong online community, and constant new features and functionality updates to keep up with users' growing feature and functionality demands. Vendors should closely watch their customer churn and monitor their base to ensure user satisfaction. As we found in the cloud world, no customer is truly loyal — vendors must prove their value every day (Nucleus Research *m107 – CRM: Propensity to switch*, September 2012), and the same holds true for BI. As the pendulum swings further toward ease of use, it will no longer be an insurmountable task for organizations to follow the bouncing ball of subscription or utility-based pricing and, as a result, organizations will be able to easily change cloud BI solutions without incurring high re-training costs, or losing user adoption.

## 9. THE YEAR OF THE API

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As organizations focus on maximizing value from existing investments, leveraging the cloud, and putting more onus on the vendors to make sure their applications talk to each other, a robust cloud API strategy will be a core part of the portfolio of winning vendors. APIs will evolve from "catch-all" interfaces that still include custom coding, testing, and upgrade disruption to true cloud-managed, standards-based interfaces that enable users to upgrade with less risk, iterate with less testing, and maximize value from their existing application investment and the investments vendors are making in upgrades. When companies stay on the upgrade curve, they can justify license maintenance investments or subscription renewals. Without vendor-managed APIs, they will always be below the value curve.

## 10. TABLETS: NOT JUST FOR ANGRY BIRDS ANYMORE

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Over the next year, we'll be watching an accelerating push of data and processing to the cloud, and much of the access to that data will be off premise – and not from laptops. Vendors will be selling more business-ready devices with support for business applications, and users will be demanding support for more than just social activities on their devices. Enterprise-grade support contracts will be introduced with built-in management of security and compliance. Users are demanding access to their reports and business information from increasingly mobile and untethered environments, and while the tablet definitely doesn't have the processing power of the desktop, it is starting to become the workhorse of the office and leave the laptop back with the desktop pc. This means vendors that have focused on being cool and BYOD will lose ground, while those

that are shipping their tablets enterprise ready will increasingly become the vendors of choice.

### **BONUS PREDICTION: ENCRYPTION, EVERYONE?**

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This year was a watershed year for conspiracy theorists, and we have not yet heard the end of disclosures about how the government is accessing and reviewing our personal electronic communications. While most of Snowden's revelations have been more embarrassing than damaging, it's not unrealistic to predict a future where a junior NSA contractor uses information gained during "analysis" to make a fortune in the stock market, sell competitive intelligence to the highest bidder, or commit some other form of business catfishing. We can expect e-mail encryption vendors to experience a boost in sales in 2014, as individuals and corporations alike take their own initiatives to make it harder for the government to listen in on the Internet.