Total Compensation Management Value Index
2016 Vendor and Product Assessment
Bend, Oregon
November 2016

Ventana Research performed this research and analysis independently. Our goal was to determine the Value Index for Total Compensation Management by evaluating vendors and products in accordance with the Ventana Research total compensation management blueprint, which examines product and vendor performance in specific operational and performance activities and processes. We charged no fees for this research and invited to participate all vendors that were delivering applications to enable total compensation management generally available as of Oct. 1, 2016. Vendors not covered in this report are not necessarily irrelevant to compensation management, but they did not allow us to scrutinize their company and its products, which we believe should be a concern to buyers in this category.

Our purpose in conducting this research was to evaluate the performance of software vendors and products and their suitability for use in the methodology and processes of total compensation management. This research and report are not intended to imply that one vendor or product is the right choice for any particular organization. Rather, they provide a baseline of knowledge that organizations can use to evaluate vendors and products to manage and improve total compensation management. Unlike IT analyst firm reports that use subjective factors to score vendors, our research is based on a rigorous analysis of customer assurance and product categories – the approach that in our view best represents how an organization should evaluate current and potential technology suppliers.

The full report with more detailed analysis is available for purchase. We can provide detailed insights on this Value Index and advice on its relevance to and use by an organization through the Ventana On-Demand research and advisory service. Assessment services based on this research also are available.

We certify that Ventana Research performed the research to the best of our ability; that this report provides a faithful representation of our knowledge of vendors and products; and that the analysis and ratings are our own.
Total Compensation Management

Compensation management is an essential activity for any organization that values engaging and retaining employees. It is an essential component of a wide range of personnel-related activities from recruiting and hiring to performance assessments and career and succession planning.

Determining and providing appropriate compensation, which may involve base pay, merit pay, variable pay and incentives or bonuses, is equally important for all members of the workforce – full- or part-time employees, contingent or on-demand workers and contractors. Incentive compensation tied to performance objectives often is critical in business areas such as call centers, sales forces and field service. But whatever the particulars, the effectiveness of compensation impacts the core challenge faced by human resources departments: keeping employees productive, satisfied and motivated.

A disparate array of activities and systems support compensation plans for executives and variable pay and rewards for those in sales, field service and contact centers, as well as stock grants and other incentive programs. As organizations consider advanced practices such as pay for performance and talent management, they often discover that they need a more comprehensive and strategic approach to compensation. As a result, total compensation management is gaining interest among organizations that seek not only to streamline their compensation processes but also to fully use the information they have to derive optimal performance from their workforce investments.

While the improvement of compensation processes often is a part of planning conversations in management meetings, organizations have found actually doing so to be challenging. In our most recent compensation management benchmark research close to half (47%) of participants cited inconsistent execution across divisions and departments as an impediment motivating investments in compensation management. Many said they don’t know which process and systems changes will make their compensation practices more strategic and effective.

Our experience and research in this field both indicate that the greatest value of a new approach to compensation, for both HR and corporate management, is to be derived from tying compensation more closely to performance. Where
incentives and rewards can have the most substantial impact, at the managerial levels, a range of types of compensation should be available for use. In addition, it is increasingly clear that worker satisfaction and retention can be impacted by involving employees in the processes associated with their own compensation. This can be done by making their own information easily accessible through self-service applications, including on mobile devices such as smartphones and tablets. However, these capabilities typically are not found in the conventional human resources management system (HRMS) or in many human capital management (HCM) application suites, which typically have not evolved beyond salary budgeting.

Most HR departments aren’t equipped to manage compensation programs that extend beyond the annual review process for establishing and communicating the components of base and merit pay. Progressive HR departments acknowledge the value of having an end-to-end approach to what we call total compensation management, which encompasses the broader needs of compensation and engages all the relevant roles and responsibilities as well as the full set of HR processes. Many such organizations have reviewed or are currently reassessing their established processes and underlying systems. In our view, an investment in total compensation management software is a strategic step toward advancing human capital management. Our benchmark research on this topic found some progress in attitudes toward modernizing compensation practices. Almost three-fourths (72%) of organizations said that it is important or very important to have a total compensation management system rather than a piecemeal approach. Moreover, nearly half (49%) told us they are confident or very confident their organization currently manages its compensation processes effectively.

Though compensation management is maturing, breakdowns in the process and associated systems still occur. Many organizations have pockets of compensation-related functions situated outside HR – functions that may well have neither a complete set of compensation information nor an understanding of the implications for performance of factors beyond base and merit pay. Moreover, they likely lack the modern analytics needed to develop the metrics and performance indicators needed to align pay to performance and guide decisions on compensation.

Some software vendors now offer total compensation management systems that integrate with talent management, workforce management and HR management systems. These are relatively new developments. In our research
fewer than one in five (17%) organizations said they have integrated compensation with talent management, although almost one-quarter (23%) were planning to. Equipped with such advanced systems, organizations can make compensation processes and systems more robust as planning and management tools, use them to increase productivity and satisfaction among managers and workers alike and facilitate collaborative interactions among them.

While an integrated approach is desirable, though, organizations should not be forced to buy an entire suite to start the relationship; it is often a better practice to select a single specific application and, if it meets requirements, add other applications in the suite.

Many organizations currently use a heterogeneous mix of applications and services residing inside and outside the enterprise to manage compensation; this complicates even the most basic tasks. In our research 26 percent of participants identified inadequate software as the largest barrier to effective workforce planning. More than one-fourth said they use only spreadsheets for tracking and managing compensation, and 35 percent said they use them extensively in conjunction with their compensation systems. Spreadsheets cannot be integrated easily into a total compensation management process and are difficult to audit or control.

A total approach to compensation management also should support financial and operational management. Our research shows that the finance department often plays a role in assessing and adopting new compensation software, by influencing (31%), needing access to (23%) or sponsoring and funding (13%) the investment. To manage compensation comprehensively requires that capabilities be available at all levels of the organization, from management and managers to the range of workers. The wide acceptance of cloud computing, which can be easily deployed and configured, means that compensation management can be made more readily available across any organization.

In recent years some vendors have more tightly coupled compensation management with talent management capabilities, making it available not only during recruiting and hiring but also throughout performance reviews and appraisals. Only one-fifth of organizations in our research currently have such a system, although more than three-quarters (76%) said such linkage is important or very important. As organizations consider a comprehensive
approach for all employees, they need to integrate compensation information related to hourly pay and incentives with workforce management systems.

Integration with sales compensation systems also is essential to ensure that the organization has a uniform view across all forms of compensation to ensure that all are both fair and effective. It also is important to integrate such information with the HRMS, which is the source of policies established to provide a uniform approach to all compensation information. We add that integration across a variety of systems was the second-most often cited barrier impacting compensation management, for two-thirds of organizations in our research.

Total compensation management is poised to become a powerful component of human capital management; used properly, it will help organizations understand how to get full value from all of the talent in their workforce. It can even deliver a competitive advantage in engaging and retaining employees. But understanding the changing processes and related application needs requires in-depth market research on the vendors and products that best fit your organization.

Ventana Research’s Total Compensation Management Value Index will help compensation specialists, human resources professionals and those in finance or other management and operational roles understand what it will take to turn compensation practices into strategic tools.

The Value Index evaluates the following vendors that offer products that address key elements of total compensation management as we define it: beqom, Curo, Decusoft, HRsoft, Oracle, PeopleFluent, Saba, SAP SuccessFactors and Willis Towers Watson.

We urge organizations to do a thorough job of evaluating total compensation management systems and tools and offer this Value Index as both the results of our in-depth analysis of these vendors and as an evaluation methodology. The Value Index can be used to evaluate existing suppliers and also provides evaluation criteria for new projects; applying it can shorten the RFP cycle time.

Unlike many IT analyst firms that rank vendors from an IT-only perspective, Ventana Research has designed the Value Index to provide a balanced perspective of vendors and products that is rooted in an understanding of business drivers and needs. This approach not only reduces cost and time but also minimizes the risk of making a decision that is bad for the business. Using the Value Index will enable your organization to achieve the levels of efficiency and effectiveness needed to optimize total compensation management.
Value Index Overview

The Ventana Research Value Index: Total Compensation Management in 2016 is the distillation of a year of market and product research efforts by Ventana Research, the premier benchmark research and advisory services firm. Built on a foundation of 12 years of business and technology research, this unbiased, fact-based index is the first such industry undertaking to assess the value of software designed specifically for enabling total compensation management.

This Ventana Research Value Index is an analytic representation of our assessment of how well vendors’ offerings meet buyers’ requirements for software that enables and supports total compensation management. The Index evaluates the software in seven key categories. Five are product-related: Usability, Manageability, Reliability, Adaptability and Capability. In addition, we considered two customer assurance categories: Vendor Validation and Total Cost of Ownership and Return on Investment (TCO/ROI). To assess functionality, one of the components of Capability, we applied the Ventana Research total compensation management methodology and blueprint, which links the business process of total compensation management to an organization’s information technology.

We use our research-based analytics and methodology to generate the Value Index percentages. We then build them into a set of indicators that we present graphically to reflect levels of performance. These performance ratings represent our assessment of the value to you, the potential buyer, of a specific vendor’s offering in terms of what it can deliver that is relevant to your total compensation management needs.

"Making the wrong decisions can hamper your organization’s ability to reach its performance potential."

The Value Index is not an abstraction; Ventana Research uses a carefully crafted best practices-based methodology to represent how organizations actually will assess vendors. We believe it is important to take this approach, since making the wrong decisions can raise the total cost of ownership, lower the return on investment and hamper an organization’s ability to reach its performance potential. In addition, this approach can reduce the project’s development and deployment time and eliminate the risk of placing on the short list vendors that are wrong for an organization.

To ensure the accuracy of the information we collected, we required participating vendors to provide evaluation data across seven categories designed to reflect the concerns of a well-crafted RFP. Ventana Research then validated the information, first independently through our database of product
information and extensive Web-based research, and then in consultation with the vendors. The majority of selected vendors participated in one-on-one consultative sessions, after which we requested them to provide additional documentation to support any new inputs.

**The Value Index Findings**

The Value Index for Total Compensation Management in 2016 shows that currently Oracle is the highest-performing supplier, leading the second-place vendor, PeopleFluent, by nearly five percentage points. SAP SuccessFactors finished a close third. These three vendors occupy the top three positions across all seven evaluation categories, except that beqom ranks first in Capability and second in Validation. Oracle has invested significantly into its application and underlying platform and since our previous Value Index in this area has taken advantage of its overall HCM resources to dramatically improve its compensation application. PeopleFluent and SuccessFactors have been consistently improving their applications in all areas.

The next two vendors in the rankings are beqom and Willis Towers Watson. They and the three top finishers scored more than 80 percent in overall weighted performance. Beqom is the highest-ranking dedicated provider of compensation; its score in Validation testifies to its commitment in this market. Willis Towers Watson has advanced in all areas and provides some unique benefits through its supporting services for benchmarking and employee feedback.

The remaining four vendors – in order, HRsoft, Saba, Decusoft and Curo – are grouped within five percentage points of each other. All did not perform well in the TCO/ROI evaluation category, not having made available tools and services with which to examine the value of investing in their products. HRsoft has a history in serving the market and scored well in Capability but came up short in Manageability and Reliability. Saba scored well in Usability due to its approach to the user experience but needs improvement in Manageability and Validation. Decusoft and Curo are providers dedicated to compensation management that demonstrate their commitment to the category and have been able to gain customer growth in midsize organizations that do not have as much complexity in compensation or the size of workforces that larger ones have.
All of the vendors in the Value Index have made significant strides to improve the user experience for managers and employees in seeking to help improve guidance in and access to compensation information.

All nine vendors actively participated in our process by providing responses to our request for information, demonstrations and supporting documentation. We believe that these vendors have the strongest commitment in the industry to compensation management because they are willing to be evaluated deeply. Other vendors that were not willing to have their products evaluated and thus are not included in the Value Index should be questioned on their readiness to support the full range of compensation processes.

As noted above, this Ventana Research Value Index evaluates the software in seven key categories. The chart below places the product-related and customer assurance scores on the X and Y axes respectively to provide a visual representation of our Value Index scores. Vendors whose products scored higher in aggregate in the five product categories place higher, to the right; the combination of scores for the two customer assurance categories determine their placement on the vertical access. In short, vendors that place closer to the upper-right on this chart score higher than those closer to the lower-left.
We warn that closely similar vendor scores should not be taken to imply that the packages evaluated are functionally identical or equally well suited for use by every organization or for a specific process. Although there is a high degree of commonality in how organizations design and deploy compensation plans and how they are used and communicated by managers to employees, there are many idiosyncrasies and differences in how they do these functions that can make one vendor’s offering a better fit than another’s with a particular organization’s needs.

In our analysis Oracle’s scores earned it the top ranking in total compensation management. A lack of depth in TCO/ROI impacted the customer assurance positions of many vendors. In addition lower ratings in Reliability and Adaptability impacted several overall positions for product competence. The overall results placed five of the vendors significantly ahead of the other four participants.

After more than a decade of technology advances, all the products we evaluated are feature-rich, but not all the capabilities they offer are equally valuable to users. Moreover, the existence of too many capabilities may be a negative factor for an organization if it introduces unnecessary complexity. Nonetheless, one company may decide that a larger number of options is a plus, especially if some of them match its established practices or better support a new initiative that is driving the purchase of new software.

Other factors besides the feature and capabilities or assessments about the vendor can turn out to be a deciding factor. For example, a company may face budget constraints such that the TCO evaluation can tip the balance to one vendor or another. This is where the Value Index methodology and the appropriate weighting can be applied to determine the best fit of vendors and products to your specific needs.
### Products Evaluated

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<tr>
<th>Vendor</th>
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How To Use This Value Index

This research on tools and systems can provide you with insight into the value of your existing and new investments and a framework to assess your initiatives and programs. Business and IT improvement efforts should be based on best practices and research that deliver value quickly. Ventana Research recommends that you organize your efforts around our blueprint for this topic and use the Value Index to determine which vendors will best satisfy your needs for mobile analytics and business intelligence.

Be sure to define both business and IT requirements as part of an improvement process based on these research results. We advocate a structured approach such as our DecisionCycle™, an eight-step process for enabling mobile analytics and business intelligence. Using this framework, you can incorporate these steps into a program document that will both summarize and detail your initiative or project. Then consult the Value Index to ensure you make choices that will yield the results you want.

Using the DecisionCycle™ steps detailed below, you can build a framework for assessing the maturity of your business and IT efforts and determining how to align your people, processes and IT investments.

1. Define the business goal and purpose.
2. Define the business requirements.
3. Define the user community and usage requirements.
4. Establish the functional requirements and capabilities.
5. Evaluate the organizational maturity.
6. Determine the technology approach and master list.
7. Define the business and technology evaluation criteria.
8. Evaluate and select a vendor.
Vendor Profile

Oracle [https://www.oracle.com/index.html]

"Company and Product Profile"

"Oracle is dedicated to unleashing innovation by simplifying IT. Oracle is shifting the complexity from IT, moving it out of the enterprise by engineering hardware and software to work together in the cloud and in the data center."

"Oracle HCM Cloud empowers organizations to attract, motivate and retain talent through strategically planning, allocating and communicating compensation. With Oracle HCM Cloud, you can find, grow and retain the best talent, enable collaboration, provide complete workforce insights, increase operational efficiency and make it easy for everyone to connect on any device."

Ventana Research Evaluation

The Value Index assessed Oracle Workforce Compensation Cloud version 11, released March 2016, and Oracle Global HR Cloud version 11, released March 2016. Oracle, a global vendor of business applications, ranks first overall in the 2016 Total Compensation Management Value Index. Oracle and its products we evaluated rank at the top of five of the seven categories: Usability, Reliability, Adaptability, Validation and TCO/ROI. It has made significant advances by investing in its overall HCM platform for supporting management and integration shared across applications and advancing its usability significantly.

The company’s highest scores are in Adaptability and Usability. Impacting adaptability is Oracle’s investment in the underlying platform with improvements in the abilities to configure and customize; it also can integrate components at the user, process, application and data levels. In Usability, the accessibility of the applications has advanced through Oracle’s investment in the user experience across the variety of roles using the compensation management application and other HCM components.

Despite its success, Oracle still can make improvements in the area of assessing the TCO/ROI of its compensation application. In our research we were not able to get full insights into its compensation processing though validated by its references. In Capability, a category in which it finished second, we find areas
where more depth in analyst and administrative capabilities could be advanced. Oracle has made significant improvements to its compensation management application including the handling of incentives and variable sales compensation, which it should promote more strongly.
Appendix: Vendor Inclusion

We invited all vendors with relevant total compensation management offerings to participate in the Value Index evaluation process, at no cost to them. If the vendor did not respond to the invitation, we made a determination whether to include it in our analysis based on our knowledge of the company, its products and customers. We have adopted this approach because we view it as our responsibility to assess all relevant vendors whether or not they choose to invest the time and effort to participate.

All nine suppliers evaluated above responded positively to our requests for information and provided completed questionnaires and demonstrations to help in our analysis of their total compensation management products. The following vendors declined to participate or did not respond to our invitation: ADP, Cornerstone OnDemand, Halogen Software, Incentive Solutions, Infor, SumTotal Systems, Ultimate Software and Workday. To organizations evaluating these vendors, we recommend extra scrutiny as part of the software assessment because they did not make their applications available for the Value Index.

We did not include a number of other vendors in this Value Index evaluation because they did not satisfy a sufficient number of the criteria that our methodology for this research requires.

This Vendor Report is drawn from the full Ventana Research Value Index report, which lays out in detail the analysis underlying the Value Index, lists the products evaluated, and suggests a methodology for preparing for a related RFP. The full report is available for purchase, payable by check or credit card. For more information about the full Value Index report or assessment of your organization using the Value Index, please contact us at sales@ventanaresearch.com.
About Ventana Research

Ventana Research is the leading benchmark research and business technology advisory services firm. We provide insight and expert guidance on trends and mainstream and disruptive technologies. Our unparalleled insights and best practices guidance are based on our rigorous research-based benchmarking of people, processes, information and technology across business and IT functions worldwide. The combination we offer of benchmark research, market coverage and in-depth knowledge of hundreds of technology providers means we can deliver business and technology education and expertise to our clients where and when needed to reduce the time requirements, cost and risk of technology investments. The Ventana Research Indexes – the Value Index and the Benchmark Index family – have redefined the research industry by providing accessible, easy-to-use research-based business and technology guidance to businesses. Ventana Research provides the most comprehensive analyst and research coverage in the industry; the many business and IT professionals worldwide who are members of our community benefit from Ventana Research’s insights, as do highly regarded media and association partners around the globe. Our views and analyses are distributed daily through blogs and social media channels including Twitter, Facebook and LinkedIn. Ventana Research was ranked the #1 analyst firm you can trust in enterprise software for 2009 for its relevance to the industry. To learn how Ventana Research advances the maturity of organizations use of information and technology through benchmark research, education and advisory services, visit www.ventanaresearch.com.

We offer a variety of customizable services to meet your specific needs including workshops, assessments and advisory services. Our education service, led by analysts with more than 20 years of experience, provides a great starting point to learn about important business and technology topics from compliance to business intelligence to building a strategy and driving adoption of best practices. We also offer tailored Value Index Assessment Services to help you define your strategy, build a business case and connect the business and technology phases of your project. And we can provide Ventana On-Demand access to our analysts on an as-needed basis to help you keep up with market trends, technologies and best practices.

Everything at Ventana Research begins with our focused research, of which this Value Index is a part. We work with thousands of organizations worldwide, conducting research and analyzing market trends, best practices and technologies to help our clients improve the efficiency and effectiveness of their organizations.

Through the Ventana Research community we also provide opportunities for professionals to share challenges, best practices and methodologies. Sign up for Individual membership at www.ventanaresearch.com to gain access to our weekly insights and learn about upcoming educational and collaboration events
– webinars, conferences and opportunities for social collaboration on the Internet. We offer the following membership levels:

**Individual membership:** For business and IT professionals* interested in full access to our website and analyst team for themselves. The membership includes access to our library of hundreds of white papers and research notes, briefings and telephone or email consulting sessions to provide input and feedback.

**Team membership:** For business and IT professionals* interested in full access to our Web site and analysts for a five-member team. The membership includes access to our library of hundreds of white papers and research notes, briefings, telephone/e-mail consulting sessions to provide input and feedback and the use of Ventana Research materials for business purposes.

**Business membership:** For business and IT professionals* interested in full access to our website and analyst team for their larger team or small business unit. The membership includes access to our library of hundreds of white papers and research notes, briefings, telephone or email consulting sessions to provide input and feedback, use of Ventana Research materials for business purposes and additional analyst availability.

**Business Plus membership:** For business and IT professionals* interested in full access to our website and analyst team for larger numbers of company employees. The membership includes access to our library of hundreds of white papers and research notes, briefings, telephone or email consulting sessions to provide input and feedback, quotes and validation for media, use of Ventana Research materials for business purposes, additional analyst availability and access to our team for scheduled strategy consulting sessions.

This Value Index report is one of a series that are available for purchase. Also available are any of our extensive library of Benchmark Research reports. To purchase a report or learn more about Ventana Research services – including workshops, assessments and advice – please contact sales@ventanaresearch.com.

* Additional services are available for solution providers, software vendors, consultants and systems integrators.

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