HR Software & Consulting Partner Research Brief

May 12, 2020

- Workday Consulting Partners (aka Systems Integrators / SIs)
- Human Resources Software
- Digital Transformation Efforts

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Your Armchair Guide to Workday’s Consulting Partner Consolidations

THE RAVEN / TECHVENTIVE INSIGHT

The COVID-19 situation has altered the current and future state of HCM projects, for at least the next 12 months (Reference: "COVID-19's Impact on HR & HR Technology Projects Report", May, 2020).

Despite the current market dynamics, the need for well-qualified Workday services partners to lead HR transformation efforts and implement Workday's suite of products will continue to be needed in the post-COVID19 era. Businesses who can effectively double-down on the critical few priorities, maximize current technology investments and quickly pivot into areas that will maximize customer (and project) value that will be best able to weather this period. Technology and consulting partners can help to enable those efforts.

■ WHY THIS REPORT MATTERS

In the past 10 years, the Workday partner ecosystem has undergone significant mergers & acquisition activity. This report highlights the major activity (including the recent acquisition of Collaborative Solutions by Cognizant, 5/2/2020.) Service firms often make attractive acquisition candidates. They can be had for a lower multiple than software companies and often come with a book of business/backlog. What sounds good for an acquirer can be a different situation for the services customer – especially if they have a project in mid-completion with the acquired firm.

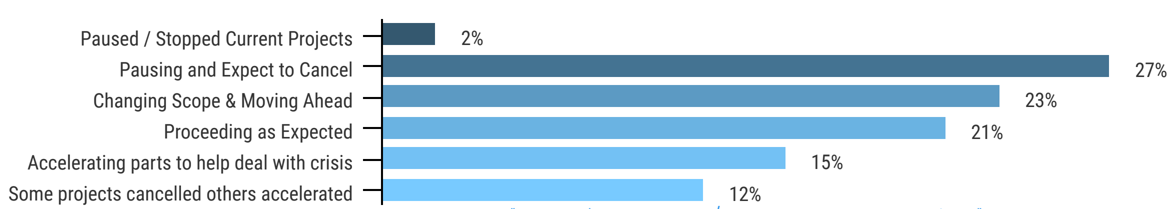
A service firm acquisition can adversely impact your in-process systems implementation. It can disrupt the project and trigger higher costs. More specifically:

- Account management and contractual changes could become part of your new relationship with the acquirer.
- The acquirer could be a firm your organization initially rejected for this project. Why would you want to work with them now – in the middle of an active project?
- Your firm used to be one of the most important clients the service provider had and now your firm is one of thousands.
- The acquirer might not be able to retain your services team due to cultural or other issues.
- Pricing could escalate even though the scope is unchanged.

Smart service buyers protect themselves and have robust pre-nup and material change of control provisions in their service agreements. Recent events in the Workday services ecosystem put this issue back on the table.

■ CURRENT MARKET DYNAMICS

While this report will focus on Workday partner M&A activity, the context of current market conditions is important to note. Both software vendors and their respective consulting partners are scrambling to reconcile Q3/Q4 pipelines as fewer customers have an appetite to commit to new, large software projects. None have the in-person customer conferences or HR tech shows that they relied on to showcase new products and maximize personal interactions needed to solidify business for 2021. That is not to say the market has dried-up and there isn't still value that can be provided during this time.



From the study, "COVID-19's Impact on HR / HR Technology-Related Projects", done by Raven Intel in partnership with IHRIM & OHUG (May, 2020.) 146 HR / IT Professionals surveyed.

A percentage of customers from the study said they needed to accelerate certain projects to help with new demands due to the COVID-19 situation (15%), and some are continuing to press on with current projects, at least for now (21%). The best HR software /service vendors out aren’t ‘pitching’ but ‘collaborating’ with customers, and have adapted their approach to understanding their critical short-term needs, and plugging in their solution if / where it can help.

Workday Partner Acquisition Activity

Workday Consulting Partner	Workday Exclusive?	Workday Since	# of Acquistions	Workday-Related Acquisitions
Accenture Consulting	NO	2007	2	Sierra Cedar (2020), DayNine (2016)
Cognizant (Collaborative Solutions)	NO	2007	2	Collaborative Solutions (2020), Theory of Mind (2018)
Alight Solutions	NO	2008	5+	Omnipoint (2012), Kloud (2015), Future Knowledge (2018), WiPro/Appirio (2018), NGA HR (2019). In 2017, part of Aon Hewitt was acquired by Blackstone and rebranded as Alight Solutions.
Onesource Virtual	YES	2008	0	
PricewaterhouseCoopers	NO	2008	1	Balkon (2014)
Deloitte Consulting	NO	2009	5+	Atadata (2018), Day1 Solutions (2017), Agressor LLC (2012), Bersin (2012), FCTP & Dindicia Talent (2015)
Hexaware	NO	2011	0	
IBM	NO	2011	1	Meteorix (2015)
Kainos Worksmart	YES	2011	1	IntuitiveTek (2020)
Cloudator	YES	2012	0	
KPMG Consulting	NO	2012	2	Axia (2014), Towers Watson HR Service Delivery and Workday Practice (2015)
Mercer	NO	2012	4	Jeitosa (2007), CPSG (2012), everBe (2018), Promerit (2017)
Capgemini	NO	2013	0	
CrossCountry Consulting	YES	2014	0	
DXC Technology	NO	2014	1	HPE Services and CSC merger, 2017 to create DXC Technology
HighPoint	YES	2014	0	
HRMS Consulting	YES	2014	0	
Huron Consulting Group	NO	2014	0	
ABeam Consulting	NO	2015	0	
BNB	YES	2015	0	
Intecrowd	YES	2015	0	
Oakton	YES	2015	0	
Tieto	NO	2015	0	
Alchemy	YES	2016	0	
HR Path	NO	2016	1	Atarxis (2018)
Avaap / Navigator Management Partners	NO	2016	1	Avaap acquires Navigator (2019)
Invisors	YES	2017	0	
TopBloc	YES	2017	0	
Guidehouse	YES	2019	0	
MHP Management- und IT-Beratung GmbH	YES	2017	0	
Impact Advisors	YES	2019	0	

WORKDAY'S PARTNER APPROACH

Workday has a unique approach to its deployment partners. They have far fewer firms certified to implement the system, and focus on tight controls and 'policing' partners. Of note:

- Workday's ecosystem is smaller in # of firms (<40) and a more closed system than other HCM vendors. Implementation resources must be certified and employed (full-time) by a certified partner firm. There are no 'independent contractors' / one-man-bands, which helps with quality control, but has led to scarcity of resources (and more cost) as well as consultant turnover (certified resources moving from firm to firm.)

- Workday has essentially (2) implementation methodologies:

1. Large Enterprise: (5) Stages–Plan, Architect, Configure, Prototype & Test/Deploy
2. Launch (for Mid-sized companies in North America): Fixed Fee / faster deployment

PROJECT OUTCOME VARIABILITY

Based upon our customer reviews, we've seen the majority of Workday customers to rely heavily on Workday's pre-sales team for partner recommendation rather than doing an independent search. While the messaging around 'tight controls and policing' sounds good, there is still variability on project delivery and partner quality. Choosing the right Consulting partner (SI) to help lead an implementation is critical to the success of a Workday project. The culture of the partner firm and consultants, its history and track record of project success are all factors that should be considered.

PROS / CONS OF PARTNER ACQUISITIONS ON CUSTOMER OUTCOMES

Based upon our customer reviews, there's no clear pattern that larger SI firms produce better project outcomes for their clients. If anything, customer satisfaction is more consistent with smaller / independent firms. Here are some of the Pros / Cons of larger / merged firms.

Pros	Cons	What to Ask
"Consultant Army". More availability (resources), bench strength.	You meet the impressive A-team during your selection process, then get a totally different team during implementation (e.g. "Bait and Switch").	Team: Who specifically will be assigned to my project? Can I be guaranteed the project manager I meet will be assigned to my account? What is their background beyond Workday certification?
Consistent Methodologies.	Loss of deep experience in a single area / agility of a boutique. Potentially less innovation.	Previous Projects: What projects like mine have you done before? What % were delivered on-time / on-budget?
Access to other areas of software expertise / integration services (e.g. they also implement Salesforce or Cornerstone).	"Small fish in a huge pond" / being one of 1,000s of clients. Less potential experience with mid-market. Boutique vendors specializing in a single area and software can many times offer deep, localized expertise.	What previous experience do you have with customers like me (size / scope)? Can I independently check references?
Global Delivery Model.	Less nimble environment / limited choices on methodology	Geography: Where are the resources located? Do they have a footprint in countries I'm in?
Known brand. Established relationships with other areas of the business. Many times they are 'recommended' by the software vendor.	You pay extra for brand. Because you know a firm's brand does not mean they have expertise with HR.	Cost: What assurance do I have this is scoped properly? How often has this firm delivered other projects on-budget? Time: How much time will this project take? How often have they delivered other projects on-time?
Specialization in technology deployments beyond Workday.	Potential lack of specialization and focus.	What other technologies do you implement? What % of your business is Workday (as compared to those others?)

■ Customer Challenges When Service Providers Get Acquired

It's rare for one company to acquire another and not want to make changes. When your service provider's firm is acquired, the new owners may want to change things – a lot of things. They may, for example:

- Raise billing rates to accelerate the accretion economics behind the deal
- Take some of your implementation team members and assign them to other, more strategic/desirable customers
- Demand that you sign a new Master Services Agreement and other contractual documents of theirs
- Want to audit the project and then bury you in blizzard of change orders
- Install a new account representative, sales person and other overhead people

A 'marriage of equals' is rare in services M&A transactions. Most deals involve a smaller firm being acquired by a much larger entity. Where you used to pick up the phone and deal directly with the owner/principals of the smaller firm, you will likely deal with an entire hierarchy of sales and revenue executives. You'll never deal with the CEO/founder again. In short, you used to be a big fish in a small pond and now you're but a minnow in an ocean of services customers.

■ Clash of Cultures

Merging two service firms can be challenging as it involves the smashing together of two different cultures. For example, you might see your small, entrepreneurial, hip, cool, California-based service firm being smashed into a large, bureaucratic, formal, financially driven, offshore company.

Employees are the lifeblood of a services firm. If they leave the firm once it's acquired, then what's really left of the firm? Smart acquirers try not force their culture, business methods, etc. on their recently acquired firms and will introduce some changes at a measured pace. If they try to change too much, too fast, then employees will bolt. Your project will suffer if too many people leave in a short timeframe.

Remember, some of the project people your team loves may have started their careers with a Big 4 integration practice and intentionally left that world to be a part of a smaller, startup company. Being part of giant company again may not be motivating to them. It's fine to work with the acquiring firm but only if they demonstrate the actions and behaviors that retain talent and ensure client projects continue to proceed with little to no disruption.

■ The Acquirer's Playbook

It's important to understand that the acquirer did this deal to make money, lots of money. To that end, they want to recoup their investment in this firm as fast as possible. To achieve their monetary rewards, they may:

- Slash a number of acquired firm sales and support personnel. These 'deal synergies' could result in changes in billing practices, account manager assignments, etc. Sometimes these can be quite disruptive to a project.
- Demand an acceleration of payments. In some situations, your old service firm billed you in arrears (e.g., 1-30 days after work has been completed) and the acquirer now expects you to pre-pay a month's work in advance. Resist this change as it has adverse consequences on your cash flow and was not part of the original business terms you had.
- Slash personnel costs. The acquirer could cut the pay of the acquired personnel, reduce their benefits, cancel their 401K match, void their stock options, etc. These actions could create real attrition issues for the project and the acquirer. Worse, the only employees who might stay are the ones who cannot easily get a job elsewhere.
- Transfer many job roles to offshore personnel. The acquirer may try to move certain roles & tasks to people you didn't agree to, who work in countries you may not want your data in, etc.
- Raise prices, billing rates, etc. One of the post-merger playbook items is often the creation of a new 'rate card' that will arrive at your office approximately one day after the deal is consummated. Of course, the new rate card will contain much higher billing rates for the team you're using. The new account rep will explain that you need to accept the higher rates or be prepared for them to substitute your current team with less costly and less experienced personnel.
- Audit your project to find opportunities to generate lots of change orders. Change orders are the fuel behind add-on services revenues. Petty, minor requests your old integrator completed gratis are now a huge financial and contractual nightmare. Protect yourself from an explosion of change orders. Likewise, watch out for retroactive change orders as the new owners try to bill additional monies for prior work.
- The acquired people could add more value at bigger, marque accounts. Acquirers see the talent in the acquired firm as an asset that might be better used in helping to sell deals elsewhere and service other, more important clients. This is when you learn that the team that you thought was yours, isn't yours after all.

What Should Service Buyers Do?

Before you ever sign a services agreement, think through what you require from a pre-nup set of provisions and what you might want when the service provider undergoes a material change of control. Pre-Nup conditions describe how your firm and the services firm will someday terminate their relationship. Hopefully, your firm will not need to cancel its relationship should the service firm be acquired. But if it must, you'll want to be made whole for the disruptions this acquisition is causing your firm.

These pre-nup terms should cover exactly what conditions will allow your firm to break off the deal without any adverse financial consequences. Likewise, there must be clear language that defines how and why this determination will be made and by whom. The pre-nup has to determine whose fault a breakup is (or if it is a no-fault or termination for convenience matter) and what remedies exist. Almost as important, the pre-nup should clearly identify who owns the project working papers, customer data, the software configuration, etc. This is particularly thorny when customers are relying on an implementer that has agreed to provide pre-or post-implementation services (e.g., tuning, service ticket management, upgrade processing, etc.).

Material Change of Control (MCC) conditions describe what happens should the service firm undergo a change of ownership or leadership. Few firms like to include these in contracts as they believe onerous Material Change of Control provisions make their firm less attractive from an acquisition point of view. Well, that sentiment is understandable but it's of no comfort to you the services buyer. Besides this contract should be about your successful project implementation not their potential acquisition.

Ideally, you'll want a combination of defensive and offensive MCC terms in your services agreements. Defensively, you'll want to insist that an acquiror:

- Cannot replace any member of your implementation team for 12 months unless the team member has left their employ.
- Cannot raise billing rates for 12 months.
- Retain the account representatives already on the account.
- Absolutely retains the project manager so as to ensure project continuity.
- Honor both the spirit and letter of the deal in place regardless of it being a fixed fee or Time & Materials initiative.

Offensively, you should design terms that protect you should the acquired firm:

- Not retain a number of the people involved on your project for the life of the project. It's the acquiror's responsibility to offer needed stay-pay, stock options, etc. AND a welcoming culture/policies that cause the acquired employees to want to remain with the firm. Financial penalties should exist if the acquiror creates an adverse project situation for your firm. Tie a minimum retention percentage to the effort. If more than X% of the integrator's team depart within 180 days of the acquisition deal announcement, then a financial penalty should kick in.
- Cause the project deadline to slip. Should the acquirer not make people available at the right time and quantity, then deadlines could slip. Given the importance of a successful project (and its possible interaction with other projects and systems), a substantial penalty may be needed to ensure the service provider lives up to their end of the bargain.
- Try to force you to use their terms and conditions. While the acquirer will wax eloquently about their master service agreements and other documents, you spent a lot of time (and attorney fees) negotiating the ones you signed with the acquired company. Make sure that your documents remain in force until the project is completed and any warranty or other claims have been successfully handled. Note that the acquirer's contracts may limit their liability more, cap damages, require arbitration, and provide a number of escape clauses that benefit them – not you! Also remember that an acquisition does not invalidate the arrangement you signed with the acquired firm.

Penalties and remedies need to change based on the stage of the project. If a MCC event occurs early in the project, the remedy may be less than if a major staffing loss occurs two weeks before conversion.

Service Buyer Must-Haves

Savvy services buyers should fight for these items:

- The right to approve (or reject) any staffing changes.
- The acquirer's assurance to retain all of the existing project team for 120 days after the service firm has been acquired.
- The right to hire (or contract with) any former employee of the service firm who left that firm within 120 days of the deal announcement (not necessarily the date the deal was officially closed). This right should not require any financial payment to either the acquired firm or its new parent.
- The right to hire their own independent quality assurance expert and reject any offered up by the integrator.

RAVEN INTEL

Raven Intel is an independent peer review site that helps Enterprise Software customers find, hire and review the best consulting partner for their implementation. We provide business leaders with valuable transparency into the software implementation process and raise the visibility of consulting partners who are doing the most to help their customers achieve the maximum benefit from their software purchase. **RavenIntel.com**, provides free access to hundreds of vetted customer reviews about Enterprise Cloud Software projects, as well as to the profiles and ratings of over 100 consulting firms—from the Big 5 to boutique organizations.

Our data.
Over the past year Raven Intel has collected and vetted over 600 Enterprise Software reviews from customers, primarily in the Human Capital Management software area. Oracle HCM Cloud, SAP SuccessFactors, Workday, Ultimate Software, Cornerstone and ServiceNow customers represent a primary demographic. Customer reviews are the lifeblood of our business and their legitimacy and accuracy is the foundation of our business.

What is Raven Intel's commercial model?
Raven Intel is free to customers, as well as for consulting firms to be listed & reviewed on our site. *For consulting firms,* we offer a paid subscription service that allows them to purchase advertising space (similar to Glassdoor or Yelp!) for brand recognition, as well as provide them with in-depth analytics about their service delivery metrics and peer comparison scores.

We work with *software vendors* to provide independent, aggregate reporting of their customer sentiment data to inform them about how their partners and projects are performing, and how they compare to their peers in the industry. At no time is customer review data altered to enhance a software vendor or consulting firm's rating favorably.

DATA-DRIVEN PARTNER SELECTION

600+ VETTED CUSTOMER REVIEWS
Workday, SAP, Oracle, ServiceNow, UNIT4, Ultimate Software Cornerstone & more...

"Raven Intel was created to help customers make an informed decision about their Enterprise Software Implementation partner.

As someone who has been in the HR Technology space for 25+ years, I saw a need to help raise awareness and transparency into project work.

Raven Intel is fulfilling that need, while making the selection process easy & more fun."

Bonnie Tinder
Founder & CEO
Raven Intel

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TechVentive has been advising the world's largest firms on strategy, software and technology initiatives for approximately two decades. These projects have involved software selections, contract negotiations and shared services deals with over 100 of the Fortune 500. Many projects involve Finance, HR, ERP, advanced ERP technologies (e.g., IoT, AI/ML, Big Data, etc.) and new business models/designs (e.g., Factory of the Future).

Some of our advice and counsel has been documented in books like The (Right) Selection, The (Right) Deal and Digital With Impact (all available via Amazon). Our founder has received numerous awards including several for ERP Writers' Awards, Top Computing Blog, Top 100 HRTech Influencer and other awards.

Our scope is global with clients in Australia, United Kingdom, United States, Panama and dozens more countries.

Recent projects included:

> HR Software Selection Project Lead for global high-tech firm with operations in 17 countries
> HR Software Selection Subject Matter Expert for 8,000 employee health care firm
> ERP Software Selection/Factory of the Future Strategy
> Project for multi-billion dollar satellite manufacturer

TECHNOLOGY AND VENDOR SELECTION

WINNER OF NUMEROUS ERP, HR & OTHER AWARDS

"TechVentive is a buy-side technology consultancy that ensures that clients make great software and services decisions. The firm is a zealous advocate for its clients and provides more than just technology product knowledge.

We often advise on software negotiations, service agreements and related litigation matters. ."

Brian Sommer
Founder & CEO
TechVentive