# Workday And Adaptive Insights: A Strong Pairing

Earlier today I opened my laptop for the first time in 10 days (after a glorious family vacation to Yellowstone) – to Workday's announcement that it is acquiring Adaptive Insights for $1.55 billion (in cash), inclusive of $150 million in unvested equity issued to Adaptive Insights employees. At 13x (+) trailing 12-months revenue of $114 million (33 percent y/y growth, 3,800 customers), investors Bessemer, Norwest, Salesforce, JMI and others will no doubt be pleased with their return on the $176 million invested across several venture rounds.


While the price tag might appear to be high – more than double what Adaptive Insights impending IPO was valued at – what is less surprising is that these two companies came together in the first place. The Workday leadership team has long known that powerful cloud-based financial planning, budgeting, forecasting, consolidation and modeling software is the most important beachhead to successfully penetrate the Office of the CFO. And Adaptive Insights is a clear leader in this category.

In fact, rumors have long circulated that Workday danced with several companies – including Anaplan, Tidemark and Adaptive – prior to announcing its own Workday Planning offering in 2015. Today that product has more than 250 customers. However, all but a handful are squarely focused around Workforce Planning, as Workday has not yet delivered competitive feature / functionality in the financial planning and modeling arena.

## Don’t Derail the Train

Given this, the acquisition should be a win-win for customers. As Workday CEO Aneel Bhusri explained in the investor call earlier this morning, Adaptive Insights will be largely left alone to run as a stand-alone business. The good news is that Adaptive Insights has been integrated with Workday since 2015 – although Workday will move quickly to “*harmonize*” the Adaptive Insights offering, leveraging Workday’s UI, security and meta-data models. How this ultimately plays out within the context of Workday's core mantra of "the power of one" is still unknown – but it would not be surprising to see a highly coupled model emerge, given the architectures currently in place. Workday Planning will become the de facto offering for Workforce Planning, whereas Adaptive Insights will become the core offering for both Finance and Sales planning (and any other functional domain it may pursue).

While Adaptive Insights began as a channel-driven mid-market focused player, it has been investing significantly over the past several years to both better scale and support large-enterprise customers (see Adaptive Insights: Poised for Continued Growth, 13Feb2018). In fact, 23 percent of the business now comes from Enterprise customers – which is up substantially over the past three years. With an overlap of only 30-40 customers, the enterprise-focused Workday salesforce should be able to quickly monetize the acquisition by upselling the Adaptive Insights solution into the 450+ Financial Management customers it already has (60 percent of whom are now live) – let alone leveraging it as a lead value proposition to drive new customer acquisition with large enterprise Finance prospects, and cross-sell to Workday's existing 2,000+ HCM clients.

Given Adaptive Insights heritage, the acquisition should also help Workday evolve its nascent plans to go down market with targeted / packaged HCM offerings that appeal to mid-market customers. What is less clear is how Adaptive Insights highly tuned channel strategy will play out in the new scenario, and how many of its mid-market customers will flee over time that are hooked to other cloud-based systems of record (e.g., NetSuite).

## Change in M&A Strategy

While the acquisition is the largest Workday has undertaken to date, the announcement clearly reflects a fundamental change in Workday's M&A strategy. What the announcement suggests is that unlike many of its previous acquisitions that have focused on enabling technologies / capabilities or to acquire talent / teams (e.g., Rallyteam, SkipFlag, Platfora, Gridcraft, CapeClear) – *Workday is now beginning to look seriously at a broad range of adjacencies* that can help it maintain its rapid growth clip.

While it would be surprising to see Workday pursue Manufacturing in the near-to-midterm, my bet is that Supply Chain and a deeper / broader view of Procurement could be on the table over the next 12-to-24 months – both sectors that play well in the cloud, and that are ripe for further consolidation. As Bhusri emphasized, however, acquisitions of this type need to highly strategic for the company, and bring with them complimentary company values and culture.

While advanced analytics and data are clearly at the center of its evolving vision, it was very clear from the recent Analyst Summit I attended that Workday will continue to put the pedal to the metal around its core HCM and Finance offerings. At this point, HCM is highly profitable with an industry-leading position among enterprise customers. The acquisition of Adaptive Insights only strengthens and accelerates its market momentum in Finance – with a well-oiled solution that should provide significant cross-sell opportunity.

Net / Net: this acquisition will clearly help Workday accelerate its roadmap by 2+ years, and deliver significant value to customers. All-in-all, this should be exciting to see play out over the next 24 months. What will determine its ultimate success will be how well the go-to-market synergies are exploited / monetized, not only among large enterprise customers but in the mid-market as well.

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# Pitney Bowes – Transformation in Process

Last week, I traveled to San Diego to participate in Pitney Bowes Software's annual Industry Analyst Summit. I thoroughly enjoyed getting an update on the company's progress, as I first engaged with the business unit nearly 10 years ago, a few years prior to the start of the significant company-wide transformation that has occurred after the new leadership team came on board. What I learned is that Pitney Bowes is at an interesting inflection point, where the fruits of its digitally-focused and data-driven restructuring are beginning to overtake the remnants of its legacy SMB-focused mail business.

Transforming a 100 year old business is not easy, especially one that historically was based on a natural monopoly in slow decline – the mail meter. Yet today, it is clear that Pitney Bowes has evolved significantly – leveraging its strengths, while repositioning the portfolio to new growth markets that are now delivering positive (and sustainable) revenue and margin growth.

I must admit, in preparation for the Analyst Summit – I was a bit taken aback when I first read the most recent quarterly earnings call transcript (in Seeking Alpha), in which CEO Marc Lauterbach emphasized that the "growth is centered broadly around shipping."

What I didn't fully understand then, and do now, is that the subtle shift in words – from "mailing" to "shipping" – has allowed Pitney Bowes to leverage its strengths and identity with customers, while significantly reorganizing itself to better monetize its core assets.

## eCommerce On The Rise

At the heart of its transformation has been the growth of its eCommerce business, which collectively now makes up the largest share of revenue for the company. I look forward to learning more about this juggernaut when I attend the upcoming Retail (R)evolution conference it is hosting in Orlando in early May. But the net of it is that the company has built a powerful eCommerce and parcel management platform that provides end-to-end support for retailers – from customer engagement / experience all the way through to fulfillment. The recent acquisition of Newgistics – an innovative provider of package tracking / returns – is a big step forward for the company. While its eBay back-end fulfillment relationship was the early catalyst that helped kick-start the firm's innovations a number of years ago, it now goes well beyond this – as it appears that Pitney Bowes can potentially become an important and cost effective logistics / fulfillment alternative to Amazon for a broad range of online retailers (especially in international delivery scenarios).

Bob Guidotti, head of the Software business unit, kicked off the Analyst Summit by emphasizing that PBs data assets will clearly help drive the future growth of the company. While the Software business unit has been focused on three key segments in the recent past – customer information, location intelligence and customer engagement – its emerging data-as-a-service initiative is a clear and visible reflection of its evolving growth strategy.

## "Everything is Addressable"

Central to its data business are the 190 million addresses that it has in the US (which is substantially more than the 140 million that USPS has). When combined with its location intelligence data, and a variety of complimentary demographic and household data (as well as digital email addresses) that it has at its disposal, the firm now has an incredibly rich asset that can be exploited by customers – in what it is loosely calling its "Knowledge Fabric."

In many ways, the broader business trend toward AI-driven decision making is clearly playing to PBs strengths. Interestingly, PBs ability to uniquely cleanse address-driven data – gives clients an amazing level of accuracy across a number of important use-cases in insurance, financial services, retail, telco and public sector. I can only imagine the impact that this data is having on their businesses, as they better target and price opportunity, or conversely, let the competition take on bad business.

I especially like the new messaging around the Knowledge Fabric, as it uses terrifically vague but compelling language that should help the business unit start conversations and engage with customers around the things that PB does well. The downside is that the concept is much broader than what PB actually delivers, which may confuse some prospects.

All-in-all, I came away with a very positive sense that PB is on the uptick, after years of entrenchment. The combination of its evolving data business (that leverages its heritage around "addresses") with its targeted software business provides some unique differentiation in the marketplace – all of which will help fuel the firm's broader eCommerce play.

No doubt, important brand awareness and channel execution challenges exist. I recently talked to several eCommerce and supply chain execs in my network, and PB was just not yet on their radar. I would think that this awareness challenge would likewise apply to the marketing space, which will be critically important to PBs emerging channel-driven growth strategy. Building brand awareness that PB has evolved into a substantially different company will be critically important to their success.

# Adaptive Insights: Poised for Continued Growth

In mid-January 2018, I had the opportunity to catch up with Adaptive Insights' VP of Product Marketing, who provided an informed update on the firm. Having followed Adaptive Insights for more than 10 years, I was gratified to learn that it had reached two important milestones by year-end 2017 – surpassing both the $100 million USD revenue threshold and $100 million USD in annual recurring subscriptions under contract. Both of these are visible markers that often signal an IPO on the horizon – which I would not be surprised to see by mid-to-late 2018, should the current window remain open. With

more than 3,700 customers, 30 percent top-line growth, a rebuilt and strengthened senior management team (built to further scale the business), and an expanded set of beachhead solutions beyond the Office of the CFO (and the Financial Planning / Performance Management / Budgeting / Forecasting / Reporting market), Adaptive Insights is poised to enter its next phase of growth.

While hinted at in our call last month, Adaptive Insights yesterday announced the launch of its Business Planning Cloud, the latest repositioning of its core planning platform – as well as the first of what will likely be several new functional solutions, Adaptive Insights for Sales. It was clear from the recent briefing (and a short follow-up call again yesterday morning) that Adaptive Insights has continued to invest in the platform – putting differentiated product "meat" behind its marketing mantra of "Easy, Powerful and Fast."

While well known for its ease-of-use, highly collaborative approach to planning and strong data discovery / visualization capabilities (via dashboards) – especially for its primary mid-market target audience – Adaptive Insights has scaled-up its core planning platform to support larger enterprise requirements. In fact, I was not surprised to learn that 24 percent of its business is already with enterprise customers, although that figure is likely to grow substantially over the next few years as their sweet spot expands to firms with as many as 10,000 employees.

Built from the ground up as a multi-tenant and in-memory offering, its core multidimensional modeling, reporting and analytics platform can now scale to support the needs of large and complex models (and enterprises). This applies to the number of transactions records / users / accounts / what-if versions / scenarios or dimensions in their multi-dimensional cubes.

The Adaptive Insights for Sales solution appear to be the first of several new functionally-targeted solutions on the drawing board at it formalizes its vision of serving other functional domains beyond the Office of the CFO. Specifically targeting the sales operations function, the offering focuses on capacity and compensation planning, as well as quota and territory modeling and management. It is easy to see the significant opportunity in front of them – although they will no doubt face stiff competition, from specialists such as Ops Panda, as well as broader competitors such as Anaplan.

While having six live customers is a great start, *this is a new and different buying center for the firm*, and will no doubt take considerable time to create and capture significant demand. Helping to propel growth – of both large enterprise accounts and its expanded bag of functionally-targeted solutions – is a direct sales force launched mid-year 2017 (which now has 8 reps). While Adaptive Insights estimates that 50 percent of its recent deal activity has been touched by its 200+ partners, its growing direct sales force will no doubt lead the charge as it moves up market and creates larger and larger (multi-function) planning relationships.

Other planning-intensive areas that Adaptive Insights has already had some success include Workforce Planning, Project Planning and Operations Planning. Which one leads the way to become the next (functional) solution beachhead is not yet clear. However, what is clear is that Adaptive Insights will increasingly pursue a land-and-expand go-to-market model.

## Key Takeaways

At this point, Adaptive Insights biggest challenges appear to be execution related, as the market opportunity for cloud-based planning tools is robust and growing. At the same time, the space is ripe with both traditional competitors (e.g., Oracle, Anaplan, Host Analytics, IBM, SAP), as well as a bevy of emerging players mostly targeting specific niche markets. It will be interesting to follow how it plays out over time among Adaptive Insights' large installed base of NetSuite customers, after its acquisition by Oracle a little more than a year ago.

We like Adaptive Insights move beyond Finance, and beyond the mid-market, as it sets itself up to grow into a sizable platform-based business planning player. Many of the core user benefits that today brings it to the table in Finance will likewise play elsewhere – but it will take time and *substantial sales and marketing investment / muscle to establish the brand beyond its well-known core Financial*

*Planning beachhead*. Continuing to put the pedal-to-the-medal on its international expansion and vertical offerings will also be critical for success.

If you are not already subscribed to my blog, I encourage you to do so. After taking a couple of months off over the winter, I'm gearing up to more regularly publish again. This will include highlights from some new buyer demand research I have been conducting related to the digital journey, and the AI-driven future that is in front of us. Lots of interesting new insight on the horizon.

Bill McNee
February 13, 2018

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# IBM Cloud Summit: Its All About the Data

In the emerging *Age of Insight*, or what Mike McNamara, CEO of Flex recently termed the Age of Intelligence, machine learning and artificial intelligence are becoming central to effective business strategy and decision making, product design and development, and all aspects of service delivery. Unlocking the critical corporate data that support these initiatives and systems were key themes presented at the IBM Cloud Summit that I attended in New York City earlier this week (along with 60-70 other industry analysts / influencers).

No doubt, IBM is in a truly unique position with clients, given its heritage of providing world-class infrastructures to the F1000 for the past 40+ years. These systems hold vast vaults of transactional and operational data that IBM wants to help clients make available in the cloud, and to its' growing arsenal of highly differentiated Watson-based offerings.

Throughout the one-day Summit, IBM demonstrated its commitment to help its clients adopt and deploy hybrid cloud strategies and environments – as they transition their huge portfolios of on-premise apps to the cloud. Byrson Koehler, CTO and General Manager, IBM Watson and Cloud Platform, kicked the session off by emphasizing that IBM is building a "rich collection of capabilities to deliver an end-to-end hyperscale cloud platform" . . . In fact, IBM Cloud now includes 450 services, 127 of which are customer-facing, with IBM committed to supporting the full range of deployment options, whether it be Public, Private or dedicated on-prem.

A big part of the day focused on IBM Cloud Private, IBMs newest hybrid cloud offering that leverages common platform-as-a-service tools and developer runtimes, as well as popular and developer-friendly technologies such as Kubernetes, Docker and CloudFoundry. IBM’s strategy is to develop and deliver (via containers) a common fabric across all three environments. IBM also announced new data cataloging and data refining offerings for the Watson Data Platform that helps developers and data scientists analyze and prepare data for AI apps.


I especially valued the late-morning presentation by Don Rippert, CTO, IBM Industry Platform, that demonstrated how committed IBM is in building next-gen AI-based SaaS vertical solutions. As they develop their industry roadmap, beyond Banking, Healthcare and

Retail (among others), IBM is clearly focused on business processes where it can help take cost out of the equation, and that can exploit the deep (and sticky) machine learning capabilities of Watson.

All in all, IBM’s presentations demonstrated to me that IBM is coming into a sweet spot as it helps clients exploit the massive vaults of locked-up data and systems ripe to get redeployed to next-gen cloud(s). The biggest question is whether IBM will likewise win the hearts and minds of developers building cloud native solutions, in the increasingly multi-cloud world (e.g., Amazon, Microsoft and Google) that is emerging.

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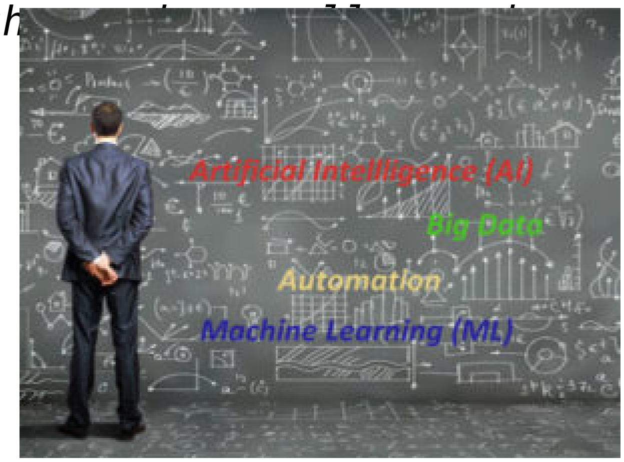
# Overcoming Our AI and Automation Fears

I am an optimist; always have been. That is why I find all of the growing anxiety around the advance of technology so fascinating. No doubt, the triad of Artificial Intelligence (AI), automation and big data are driving profound changes in business (and society) given their bottom-line impacts. What I don’t fully understand is the growing hysteria – often led by responsible business and scientific leaders – that suggest that AI and automation may led to WWIII (Elon Musk) and / or massive and growing economic discontinuities / inequalities (Stephen Hawking at the recent World Economic Forum).

## Change is Hard

Yes, automation and AI will cause major economic dislocations, and forever change the employment landscape. *Change is hard*. Yet when has business and society been static? The range of transformative technological and scientific improvements over the past 150 years has been staggering – regularly impacting markets profoundly, and often over a very short period of time (e.g., advent of electricity). The only issue today is that the *pace of change has accelerated*, and the technologies that are transforming business and society now are being applied to cognitive problems that previously were believed to be the endeavor of humans. Frankly, in my opinion, we are only in the early stages of the economic and employment disruptions / discontinuities that are likely to occur. *And* *while change is hard, ch*




Earlier this month, ServiceNow (NYSE: NOW) and Oxford Economics published a terrific new 24-page report focused on the business impact of machine learning (ML) and automation entitled [Global CIO Point of View](), based on a survey of more than 500 CIOs in 11 countries. To net it down, the report asserts that ML is at the very heart of most CIO digital transformation efforts as they reimagine the way that their enterprises work. Some of the key findings from the study include (lightly edited from the report):

- Almost three-quarters of CIOs surveyed (72%) are leading digitization efforts, and more than half (53%) say [AI and] machine learning is a [strategic] focus.
- Nearly 90% say greater automation will increase the accuracy and speed of decisions.
- Over two-thirds (69%) of CIOs say decisions made by machines will be more accurate than those made by humans.
- CIOs who are at the forefront of adopting

machine learning recognize the need for process and talent changes, but many cite challenges – including the *need to redefine job descriptions to focus on work with intelligent machines*, and hire employees with new skill sets.

- Data quality (51%) and outdated processes (48%) are substantial barriers to adoption.
- Lack of skills to manage smart machines is cited by 41% of CIOs, and lack of budget for [the acquisition of the] new skills is cited as a challenge by 47% of those surveyed.
- A select group of CIOs, whom ServiceNow and Oxford Economics call "first movers," is outpacing their peers in their use of machine learning.
- Roughly 80% have developed methods to monitor machine-made mistakes vs. 41% of others.
- Half of them say automating routine processes will be key to their business's success compared with 33% of others; more than three-quarters have redefined job descriptions to focus on work with machines, compared with 35% of others.
- Almost 90% of first movers expect decision automation to support topline growth vs. 67% of others.

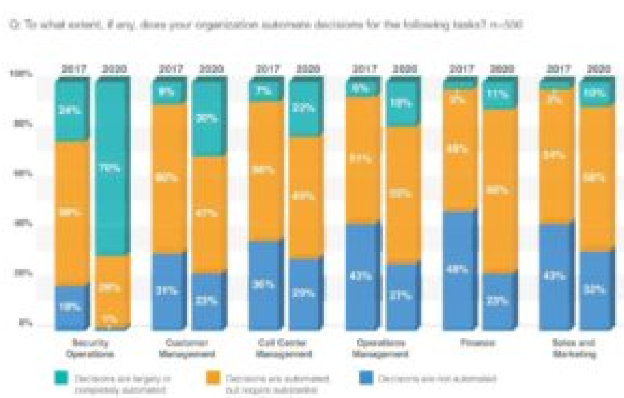
The lack of skills to manage our new machine-learning driven business environment will likely continue for some time. In a recent ISG Insights report, based on a survey of more than 300 senior IT and business professionals (Automation and AI Survey 2017 –

Enterprise Plans and Operating Model Impact – [click here]() for a summary Research Alert), former ISG colleague Stanton Jones reinforced this key challenge:

> *“. . .  as enterprises become more willing to embrace automation and AI, their number one issue will be talent – whether sourced internally or via a provider or partner ecosystem. Our research identifies data science as the most important skill set of the future and the one companies are having the least success finding and retaining.”*

I found the following chart from the ServiceNow report especially revealing, as it reconfirms in my mind the fact that automation and AI / ML are mostly supportive technologies in the decision-making process, and that except for the automation of truly low-skill repetitive tasks, *they will only enhance, not replace, most decision making and job roles*.

**Title: Most decisions still require human intervention**




*Source: ServiceNow and The Global CIO Point of View*

*“The New Agenda for Transformative Leadership: Reimagine Business for Machine Learning” N=500+*

Fear mongering related to change is not new. I still fondly remember reading about Thomas Malthus (1766-1834) and his *systematic theory of population* in which he proposed:

> *“the principle that human populations grow exponentially (i.e., doubling with each cycle) while food production grows at an arithmetic rate (i.e., by the repeated addition of a uniform increment in each uniform interval of time). Thus, while food output was likely to increase in a series of twenty-five year intervals in the arithmetic progression 1, 2, 3, 4, 5, 6, 7, 8, 9, and so on, population was capable of increasing in the geometric progression 1, 2, 4, 8, 16, 32, 64, 128, 256, and so forth. This scenario of arithmetic food growth with simultaneous geometric human population growth predicted a future when humans would have no resources to survive on”* (quoted from the AAG Center for Global Geography Education).

Little understood by Malthus and his contemporaries at the time were the incredible productivity gains brought about by the 2nd Agricultural Revolution of the late 18th and early 19th centuries, that paralleled the advance of capitalism and the Industrial Revolution. More recently, agricultural yields have skyrocketed based on modern biotechnology and advanced digital technologies – with governments throughout the world often paying farmers not to farm so as to manage yields and maintain pricing stability.

## Creative Destruction and Remaining Optimistic

So I remain an optimist – as today we don't even know the new innovations and markets that will be created, at the same time that some jobs will be destroyed. Capital for labor substitution isn't new – especially when it unleashes profoundly new and better outcomes, and innovative forces. This is what Joseph Schumpeter's (1942) model of "creative destruction" is all about. What the current trends clearly indicate, however, is the tremendous need for labor market retraining investments, especially to help those caught with yesteryear skills become more relevant in our emerging knowledge-based and service-oriented economy.

And I am not just talking about one-off retraining programs, but a long-term commitment to continuous training. This includes structural changes to the US economy and our educational system that helps foster technical skills [up and down the job ladder] that helps create talent suitable for the 21st century. Other countries, most notably Germany and France, do a much better job in these regards. Let's learn from our long-time partners about dual-track vocational programs, and other important initiatives that are working. As I regularly tell my daughters, becoming a lifetime learner is not only fun, it will be critically important to their success and happiness.

My friends over at Cognizant Technology Solutions (NASDAQ: CTSH) are likewise optimists. This past February they provided me an early copy of their newest book, What To Do When Machines Do Everything: How to Get Ahead in a World of AI, Algorithms, Bots and Big Data (Feb 2017, Wiley), co-authored by Malcolm Frank, Paul Roehrig and Ben Pring. In the preface to the book, they tackle this issue head on:

> *"Will the new machines displace many current workers? Yes. However, on a larger scale, new machines will also create work that is better, more productive, more satisfying than ever before. The new machines will raise living standards and usher in a new period of widely distributed economic growth that will be far stronger than any we've seen in the Western world during the past 50 years."*

Please join me in being an optimist. We live in an amazing time, and the future is ours.

If you are not already subscribed to my blog, I encourage you to do so. Next week I'll provide highlights from my trip to New York City and the IBM Cloud Analyst Summit that I'll be attending. As previously noted, my plan is to publish a blog post roughly once a week, so I won't overwhelm your inbox!

Bill McNee
26Oct2017

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# McNee Associates Is Officially Launched!

I am delighted to announce that McNee Associates officially launched earlier today – a new blog platform I will use to explore the key trends and technologies that are driving business innovation, and related topics.


I've been tracking emerging and disruptive technologies that are transforming business and society for more than 30 years, starting in the mid-80s (when I worked in finance and strategic planning roles at CBS and HBO), through more than a dozen years at Gartner as a research analyst / executive, and more recently at Saugatuck Technology and ISG. At this point it's firmly rooted in my blood, and I look forward to the evolving journey!

Here's a link to my first blog post, entitled "Workday Rising 2017: Signposts of an Evolving Strategy."

**Mission and Operating Principles**

McNee Associate's mission is pretty simple – to provide a platform to help senior business and IT leaders think clearly and deeply about the future, so as to be better prepared to develop and execute winning technology-enabled business strategies.

The goal of the blog is to cut through the jargon and the buzzwords, delivering original insight and analysis around the key market shifts that are occurring, and the players who are making it happen. In my experience, consistently questioning commonly held assumptions is key to creating new awareness, which is fundamental to developing and honing winning strategies and tactics.

As has been my research philosophy for many years, the blog will include first-person research I'll conduct with early adopters – both summary insights as well as extended interviews – who often share important lessons learned and the key challenges to be overcome, as well as regular engagement with leading and emerging technology providers to stay abreast of changing market dynamics. I look forward to actively engaging with our network of seasoned business and IT leaders, as well as meeting all of the interesting entrepreneurs and industry leaders that are leveraging a range of disruptive technologies transforming business and society. Where appropriate the blog will leverage 3rd party surveys (when credible), and over time we may develop and publish our own forward-looking surveys as the blog evolves.

I'll be the primary author of this blog, although I may occasionally invite guest bloggers to join in the debate. Further, I want to welcome all of our readers to be a part of our journey, so please reach out with your thoughts and feedback, to help make the blog better and more useful.

**Key Areas of Focus**

Find below some of the key trends that I will be tracking and writing about (alpha order only):

- Advanced Analytics / Data Science
- Artificial Intelligence (AI)
- Business and Technology Architecture
- Business / IT Platforms
- Business Model Evolution
- CIO / CFO / CMO Spending

- Cloud Analytics / Planning / Budgeting
- Cloud ERP / Financials
- Cloud HCM
- Digital Strategy / Enablement / Transformation
- Digital Marketing / Digital Customer Engagement
- Driving Innovation / Innovation Management
- Emerging Technology Trends
- Future of Work
- Internet-of-Things (IoT)
- IT Economics
- Next-Gen Technology-Enabled Products / Services
- The New Finance

I very much look forward to the journey ahead, and encourage everyone who visits the website to subscribe to the blog, and to join me in the coming weeks and months ahead as we explore the future of Business IT! My plan is to publish a blog post roughly once a week, so I won't overwhelm your inbox!

Best,

Bill McNee
Managing Principal

# Workday Rising 2017: Signposts of an Evolving Strategy

Earlier this week, I attended Workday Rising 2017 in Chicago, along with 8,500 customers, prospects, partners and industry influencers. While there is little doubt that its HCM and Financial Management apps continue to drive the vast majority of its top-line revenue growth, Workday used Rising as a forum to emphasize its continuing commitment to innovate, which is now squarely focused around its growing analytics and platform capabilities.


Source: McNee Associates LLC

**Prism Analytics and the Rise of Workday's Data Strategy.** I had a chance to talk informally with more than twenty current customers (along with a handful of prospects), and across the board the feedback around the launch of Prism Analytics and its Data-a-as-Service initiative was very positive. Built on the backs of its acquisition of Platfora in 2016, the fully rewritten Prism Analytics provides powerful data integration / self-service data discovery / analytic engagement that can be used against both Workday and non-Workday data alike.

While Workday will no doubt continue to be known as a next-gen apps player, the launch of Prism Analytics combined with its investments in Benchmarking, Planning and Worksheets, are clear signposts of Workday's "data" diversification strategy. Frankly, I think this is very smart, as it will not only provide value to existing customers, but will likewise help open doors to a range of new buyers – especially in the Office of the CFO – who otherwise might not yet be ready to commit to a core financials application overhaul. More on that below.

As CEO Aneel Bhusri emphasized in his keynote, Workday is evolving to become an important "System of Insight" (and in support of what Mike McNamara, CEO of Flex termed in his Weds AM keynote, the "Age of Intelligence" – see Vinnie Mirchandani's excellent post for more on that). In support of this theme, throughout the conference Workday's presentations were littered with the mantra of "Plan, Executive, Analyze" – new messaging that the brand will get behind that helps frame the scope and breadth of its evolving vision.

**Cloud Platform – The Next Chapter.** Combined with its investments in analytics, Bhusri shared further that, "Cloud Platform is a new chapter for Workday." After a soft launch with Partners earlier in the year, Workday is now delivering a set of API-driven Platform-as-a-Service (PaaS) capabilities targeted to both customers wanting to extend their current application footprint, as well as SI Partners and ISVs looking to develop unique solutions at either the industry or business process level. We see this as an important competitive catch-up move, as SAP and Oracle can no longer use their rich PaaS toolsets as a unique competitive threat. In fact, this may help accelerate some large enterprise accounts to abandon their (often frozen-in-time) 20+ year-old legacy deployments now that they can have their cake and eat it too (in terms of off-the-shelf Cloud apps plus custom development capabilities from Workday).

**Ten Year Retrospective.** At Rising, I had the pleasure of catching up with Brian Sommers of TechVentive, who reminded me that he had seen me speak years ago at a Workday event in Chicago at the Intercontinental. After thinking about it, I realized it had been during Workday's initial kick-off briefing tour in the late Spring 2007, when Workday first went to market. It was a lot of fun traveling on the five-city tour with Co-founders Dave Duffield and Aneel Bhusri, Deb Wolf (former VP of Marketing) and the rest of the Workday team as they unveiled their innovative new offering.


Source: McNee Associates LLC, N=23 customers attending Workday Rising 2017

**Customer Satisfaction.** But what was true then is even more true today. I walked away from Rising this year with a firm sense of continued strong momentum for Workday based on two simple questions asked of the 23 customers I spoke with. The first question focused on how “Satisfied” they were with their investments in Workday. The second question focused on whether they would be investing more or less with Workday in 2018.

In regard to the first question, I asked them to rank their level of satisfaction, with a “5” being Highly Satisfied, “3” being Satisfied, and a “1” being Highly Unsatisfied. As the chart illustrates, 96 percent rated their relationship “Satisfied” or better (52 percent “Highly Satisfied”) – with the biggest complaints being: 1) an inability to keep up with the pace of innovation, and 2) growing “skills” challenges, especially around getting the attention of both Workday and 3rd party consultants for routine project work. In regard to the 2nd question, 60 percent indicated that they would be spending more money with Workday in 2018 than in 2017, 36 percent roughly the same, with only 1 individual indicating that spending would be down moderately.

**Customer Counts.** Framing things in a ten-year perspective, Workday has now grown to 1,800+ customers, with projected F18 revenue in excess of $2 Billion. While virtually all of its 1,800+ customers have its core HCM offering, Workday is gaining significant traction across the range of application and analytics segments that it is now pursuing. Customer counts shared at Rising include:

- 370+ Financial Management (58% of which are now live)
- 500+ Expense
- 300+ Procurement
- 170+ Planning

I found the 170+ Planning customer count especially impressive, since the offering was only launched a year ago. At the 2017 Tech Summit that I attended in mid-May, the customer count had reached 110 – so it appears that demand is accelerating quickly. It was noted by Betsy Bland, VP Product Management, that 75 percent or more of demand has been driven around Financial Planning use cases, but they have been pleasantly surprised by its use for Workforce Planning and other non-financial use cases.

**AWS and the Public Cloud.** While I was surprised that a Public Cloud roadmap was not formally announced at the conference, Workday made clear that they are very committed to a Public Cloud option for their customers, and continue to invest to support the AWS platform. In the Wednesday morning Executive Q&A session with Industry Analysts and Influencers, it was made clear by Bhusri and David Clarke (SVP Technology Development) that "we are at least a year away from offering AWS . . . By the middle of 2018, we will have our 1st set of customers live in Canada [where it is being tested] . . . . However, for the next 5-7 years we will primarily be using our own Cloud." At the same time, Workday shared that it would be increasingly taking advantage of cutting edge features on AWS that they would have a hard time matching internally – *implying that eventually (in a 5-7-year timeframe) a majority of the Workday workload may reside in the Public Cloud.*


Source: McNee Associates LLC

**Summing Things Up.** On Wednesday morning, in a side conversation with me just prior to the Executive Q&A session, Bhusri recalled the initial briefing roadshow of ten years ago, and brought up some of the demand forecasts developed in the early days of the SaaS / Cloud revolution. “[Looking back,] I think we are ahead of where we thought we would be in HCM at this point, but just a bit slower in Finance.” However, Bhusri emphasized that the firm’s investments in Planning and Prism Analytics were likely to accelerate demand in Financial Management, sharing “if [the customer has] HCM, Planning, Prism Analytics and Benchmarking, it is only a matter of time before they adopt our Financials.”