

# Workday Rising 2019: Machine Learning Front and Center

Last week, I drove to the Orange County Convention Center in Orlando, Florida and attended Workday Rising – joining more than 13,000 attendees, and a global live streaming of the event. The conference theme – “For a Changing World” – helped Workday highlight its continuing commitment to innovation, especially in regard to applying machine learning to core business systems.



Aneel Bhusri, Workday Co-founder and CEO, set the tone early in his keynote, sharing *“the technology of today that I believe is as disruptive as the cloud is machine learning . . . Machine learning helps you harness the power of data. It’s very clear that this is the way the world is headed.”*

## **Top-line Growth and Margin Expansion**

It astounds me how rapidly Workday has grown to become a powerhouse in the cloud. Fifteen years after its founding, the company now has over 2,800 HCM customers, 725 Financial Management, 650 Procurement, 275 PRISM Analytics and 4,500 Planning (with the acquisition of Adaptive Insights a little over a year ago).

Top-line revenues are projected to hit \$3.59 billion in FY2020 (+27% YoY). To the Wall Street analysts who attended a private briefing on Tuesday at the event, the company reiterated its guidance of reaching long-term operating margins of 25 percent, a rate that it is already achieving in its HCM segment.

While the company continues to be successful with upper-mid and large enterprises, its customer success with very large enterprises is especially impressive – 40 percent of the F500, and 50 percent of the F50 – with 70 percent “live.” This is a great sign that customers are spinning up and gaining value quickly.

I’m not quite sure why the company’s stock has gotten so beaten up by Wall Street recently. My read of things is that some of the analysts were surprised that the growth of Workday’s HCM line of business is slowing to 20 percent per year. Yet for most of us, this was old news – as the law of large numbers has kicked in. In fact, going forward, it is clear that

the company has many growth levers that it can pull to maintain 25-30 percent annual top-line growth for the foreseeable future. This includes international expansion, new growth opportunities in finance, planning, analytics, procurement and learning, and the bevy of new products being introduced including Skills Cloud, People Analytics, Discovery Boards, Workday Credentials, Journal Insights, Accounting Center and its evolving Workday Cloud Platform. While I don't have room in this blog to focus on all of these, some are highlighted below.

## **Machine Learning – Now Core**

Only a couple of years ago, Workday envisioned its emerging machine learning capabilities as a series of monetizable off-the-shelf functional solutions. However, Workday quickly realized that machine learning would need to become a fundamental underpinning for all of its offerings – and embedded in virtually everything it does.

Across the board, Workday has worked hard to leverage machine learning and broad-based data analytics across the product portfolio. A sampling of key announcements at Rising included:

- Workday People Analytics – built on PRISM Analytics, it delivers natural language-based insights, trends, patterns and organizational anomalies. Will bring a similar capability to

Financial Management and Planning over time.

- Skills Insights – leveraging Workday’s new Skills Cloud, provides an automated way to assess individual and company-wide skills information, strengths and gaps.
- Discovery Board – leveraging the data-discovery technology in PRISM Analytics, timesaving drag-and-drop discovery capability to create reports and analysis.
- Journal Insights – uses machine learning to surface journal entry exceptions and anomalies as they occur, which not only helps improve accuracy, but saves time including helping to shorten the close cycle.
- Workday Accounting Center – provides ability to take high-volume data from operational systems and run them through Workday’s accounting rules-engine, transforming business events into journal entries. I would look for this offering to evolve over time, as it moves toward becoming a fully transparent audit trail. If this is the case, it could become a unique and differentiated value prop in the market.

Workday is moving fast to fundamentally alter its value proposition for customers and prospects alike. The pace of change is rapid. Some customers will have a hard time keeping up. Among the more than a dozen company execs that I had a chance to sit and chat with at the event, few were taking advantage of Workday’s powerful new machine learning capabilities and vision

yet. Helping customers understand the value through evolved messaging concerning how they can easily and effectively leverage these new tools and capabilities will be important for the company to maintain its momentum.

## **Adaptive Insights**

I had a chance to sit with some of the leadership from the Adaptive Insights team pre-conference and was encouraged to hear about their continued progress. The unit has added more than 700 customers since the acquisition (now totaling 4,500), with 1,000 or more customers in the sweet spot to potentially become broader Workday customers over time.

The unit has made a lot of progress integrating with Workday, across many dimensions, while still maintaining a “separate from” go-to-market positioning and messaging. Users now have unified identify management across both platforms, and seamless data and metadata integration. In the upcoming release, customers will be able to write data back to Workday (across both Financial Management and HCM), with future releases providing even more seamless integration, and a UI refresh that will bring the look and feel of the two platforms closer together.

Adaptive is quickly expanding its functional footprint, with evolved messaging around the “Intelligent Enterprise” and a vision that it can

become the enterprise-wide planning cockpit. This repositioning started well before the acquisition, but it clearly has picked up steam over the past year – as the business unit broadens its strategy to encompass not only financial planning, but other key functional domains such as human resources, sales and operational planning.

As with the rest of the Workday product portfolio, machine learning is front and center, with Adaptive delivering anomaly detection capabilities in the short-run, and a vision to leverage machine learning in scenario planning in the mid- to long-term.

While Adaptive needs to make sure that it continues to deliver value to its large installed FP&A customer base, this broader repositioning is critically important if it is going to succeed against planning competitors such as Anaplan, which is increasingly nipping at its heels.

From several one-on-one customer interactions, I got the sense that receptivity to its Workforce Planning offering has been strong, with several current HCM customers and prospects considering it. On the other hand, most of the customers I spoke to were not yet aware how they would use Adaptive's emerging machine learning capabilities.

# Financial Management Update

Workday is making a lot of progress with its Financial Management suite. In fact, the offering is becoming a key growth engine for the company. I was pleasantly surprised to hear that 450 of its 725 Financial Management customers are now live. Workday has worked hard to evolve its vision, messaging and value proposition, in regard to supporting customers growing demand for insight and action – an inversion of the traditional pyramid of effort and responsibility that was previously heavily weighted toward transaction processing.



I was also glad to see a continued focus on going global, and progress in regard to fleshing out and streamlining core financial management workflows, especially around procure-to-pay, supplier invoice automation, stock-to-replenish, contract-to-cash, and the like.

As noted above, Workday signaled that machine learning will be front and central in Financial Management, as it pursues the triad of intelligent automation, augmented analytics, and continuous insight, guidance

and recommendations. Its vision for applying machine learning to help shorten the close process looks very promising indeed.

While Workday is having success growing its Financial Management customer base, I did run into two very, very large prospects (one an existing HCM customer, one not yet a Workday customer) who were still cautious about Workday's ability to support them. The issues for both had to do with their large size and global reach, so it appears that Workday still has some work to do to succeed with the F100.

## **Procurement Now on the Map**

I was glad to learn that Workday is now breaking out Procurement as a separate product line from Financial Management – and positioning it as a growth business. The company has already fleshed out a significant amount of functionality in this area over time, especially around inventory management. However, more importantly, breaking it out should help the line of business get more internal funding to grow and expand, as I view this as a significant upside opportunity and growth engine for the company over the next five years.

No doubt, in the short-run, Workday will likely leverage key partners to help it round out a broader spend management / strategic sourcing positioning. As CEO Bhusri noted, the firm will “need to get into

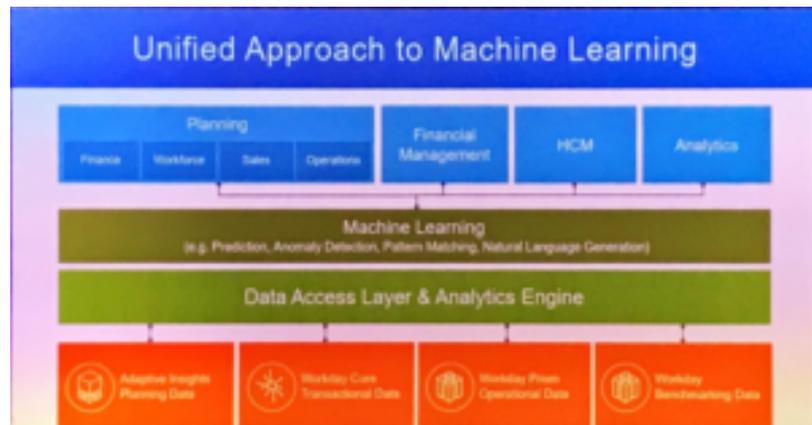
other areas such as contracts” – as customers are pushing Workday in this direction. Bhusri also shared that “procurement is a natural place to build a marketplace – but that is a bit early for us now.”

So the game is on, with yet another key battleground to emerge. While Workday will continue to build and partner, I would not be surprised by an acquisition or two, especially if it wants to accelerate growth in the mid-term.

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## **Workday                      Innovation Summit: Key Takeaways**

A little over a week ago, I traveled west to participate in Workday’s annual industry analyst event – now appropriately rebranded the *Workday Innovation Summit*. As has been the tradition now for several years, the event was held at the beautiful Cavallo Point Lodge, in Sausalito, CA, just below the Golden Gate Bridge.



Source: Workday

While much of the day was spent focusing on Workday’s continued innovation across its HCM and Finance application suites, growing analytics and Cloud Platform capabilities, and AWS support – the theme of extracting greater and greater value for customers, and augmenting executive decision making through machine learning was central to the day. To this end, Aneel Bhusri, Workday’s CEO helped kick-off and frame the day by emphasizing that *“machine learning is the fundamental technology of the future.”*

The good news is that Workday already has a powerful and unified platform that supports many of the key threads of 21<sup>st</sup> century architecture. Importantly, I came away with a sense that Workday is taking a very realistic approach to their machine learning (ML) investments – focusing on augmenting the user experience, rather than as a replacement – as it builds out a portfolio of algorithm’s that can be applied to a range of business use cases. I’ve just

loved the Phil Mickelson "[Business Caddy](#)" ads Workday has been running for the past 6-9 months that emphasize, in a non-technical way, machine learning as *supportive* to executive decision making.

Fundamental to the successful execution of this strategy has been a focus on extracting more and more value from the data that Workday already manages, as well as helping it increasingly become a hub that leverages a broad range of enterprise and external data.

I really liked what I saw in regard to the emergence of a single data access layer and analytics engine (see chart) that will help coordinate all of the data (and machine learning services) across its now extended family of products. *While the initial use-case will no doubt bring Adaptive Insights into the "Power of One," the longer-term implications of Workday's vision for a single reporting architecture could help the company more quickly integrate potential future (functional) acquisitions as well.*

I look forward to learning more about this initiative at the Adaptive Insights event in Las Vegas later this month. In closing, I'd like to share how impressed I always am by how well-run this event is, and how open and frank the entire Workday team is in both sharing and receiving feedback about its future plans. This year was no exception. Well done.

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# **Workday and Adaptive Insights: Summary Notes from Rising 18**

Earlier this month, I traveled west to the City of Lights (Las Vegas) to attend Workday Rising 2018. No doubt, we all missed CEO Aneel Bhusri's charismatic presence. But the show went on without a hitch for the 10,000+ who attended. This blog post summarizes some of the broader key themes, but primarily focuses on the key takeaways relative to the acquisition and integration of Adaptive Insights.

## **Key Growth Themes**

It is very clear that Workday is pumping on all cylinders right now – with multiple growth levers driving ever higher performance across all segments of Workday's main marketing mantra of "Plan, Execute and Analyze." On the Execute front, this includes continuing to grow its core HCM and Financial Management solutions domestically, as well as a major push to expand its international presence. With 95% retention rates, its 2,300+ customer base is fueling the expansion of a broad cross-sell strategy, with a

major emphasis to further round out the “Planning” and “Analytics” segments (focused on below). Rounding out its announcements, Workday introduced what could be a significant initiative it is calling the “Skills Cloud”, as well as further investments its data-as-a-service and benchmarking offerings, its emerging set of Cloud Platform services (both native and on AWS) and future products – all of which will be additive like Lego blocks stacked on top of each other.

Throughout the event, company leaders emphasized the emergence of Workday as the “Predictive Machine.” As we have seen with other significant cloud apps players (see [Salesforce 18: And the Beat Goes On](#)), Workday is now several years into its journey to add a machine learning (ML) fabric into the core of its solutions / platform to bring a new level of intelligence and predictive power for its users.

Workday’s Leighanne Levensaler shared in her opening keynote remarks that Workday is “taking a very pragmatic approach to making predictions” – at the same time that developing predictive models in HR and Finance are “more difficult than we initially thought.” This has driven a new hiring profile for the firm that emphasizes next-gen skills, and a better pairing of its growing army of data scientists with subject-matter (business) experts to make sure that they are targeting and solving the right problems. The net of it is that the new ML / predictive layer is clearly becoming table stakes for virtually all major

Cloud apps players going forward – which will no doubt only increase customer value and customer stickiness.

## **Adaptive Insights**

With its recent \$1.55B acquisition only months behind it (see [Workday And Adaptive Insights: A Strong Pairing](#)), it wasn't surprising that Workday's plans for Adaptive Insights were front and center at the event.

First, and foremost, it was clear from the get-go that Workday wanted to calm any fears that Adaptive Insight's existing customers may have – as it repeatedly emphasized that the product line would not be re-platformed, and Adaptive Insights would be managed as a totally separate business unit that leverages a common Workday back-office. The Adaptive Insights product and marketing teams stay intact, which will operate under the Adaptive Insights brand.

The BU is getting beefed up immediately, as the entire Workday Planning team heads over there. Best of breed capabilities and next-gen technology initiatives will be shared (both directions). It is clear that Adaptive Insights will remain a very viable, strong and independent offering for its 4,000+ customers which should help minimize deflections from its large customer base (including NetSuite customers).

As noted, Workday has multiple routes to market with

Adaptive. Cross-selling Workday's HCM and Financial Management solutions into Adaptive Insights upper-mid and large enterprise customer base should yield some quick and sustainable wins. In fact, almost half within Workday's upper-mid and large-enterprise target zone (1,900 of 4,000) – and only 326 have Workday. While Workday's direct sales force will focus on these larger accounts, Adaptive Insights highly tuned digital and inside sales driven go-to-market model will continue to target small-to-medium accounts.

No doubt, Workday will begin to aggressively market the Adaptive Insights Financial Planning and Analysis (FP&A) solution to its installed base of 2,300 upper-mid and large enterprise customers. While we anticipate high long-term penetration rates, at issue, however, is how rapidly customers will adopt – as several that we talked to indicated that they will move forward, but only after a wait of at least a year (until Workday fully works out its integration plans).

## **Adaptive Insights Integration Plans**

Workday "Power of 1" Integration Plans: Adaptive Insights		
1	Workday 32 [Spring 2019 (e)]	Workday 33 [Fall 2019 (e)]
<b>One Source for Data</b>	<ul style="list-style-type: none"> <li>• Native Data Integration</li> <li>• Drill Through to Data</li> </ul>	<ul style="list-style-type: none"> <li>• Drill Through to Objects</li> <li>• Plan to Execute-Job Requisitions</li> <li>• Budgetary Control</li> <li>• Workday Prism Analytics Data Sharing</li> </ul>
<b>One Security Model</b>	<ul style="list-style-type: none"> <li>• Single Sign-On</li> </ul>	<ul style="list-style-type: none"> <li>• User Management Synchronization</li> <li>• Domain Mapping to Roles and Permissions</li> </ul>
<b>One Experience</b>	<ul style="list-style-type: none"> <li>• Adaptive Worklet on Workday Landing Page</li> <li>• Business Process Framework-Workday Inbox</li> </ul>	<ul style="list-style-type: none"> <li>• Unified Look and Feel</li> <li>• Predictive Planning</li> </ul>

Source: Workday Presentations, Rising 18

In a small group meeting with the Adaptive Insights CMO, Connie DeWitt emphasized that they have already begun work on a unified UI, and within 12-18 months, will have deployed a unified data model and security model that is consistent with the "Power of 1." Just to be clear, the two offerings already had some level of data integration.

As the chart illustrates, in Workday 32 (due out in Spring 2019), the company will provide meta data integration that understands the Power of 1, and provides drill through to the data. In Workday 33 (due out next fall), it will provide drill through to objects, as well as Workday Prism Analytics data sharing and a unified look and feel.

I reached out to Ms. DeWitt after the conference to see if she could provide even greater clarity in

regards to the integration plans. She emphasized that the goal is for “Workday customers [to be able to] seamlessly share data across Workday applications including Adaptive Insights, have a single security model, and a common user experience. We will not be doing this by re-writing or re-platforming Adaptive Insights, but rather by creating the right software services connections between Adaptive Insights and Workday.”

She went on to explain: “Fortunately Workday and Adaptive Insights share similar cloud-first in-memory architectures that make this transformation easier. We currently have data integration with Workday using a professional services-led approach. As we realize our Power of One roadmap, this will become a product-led unification that is seamless for Workday customers and will not disrupt our non-Workday customers in any way.”

It was clear from the various presentations and off-line discussions that technologies will be leveraged between the development teams, and where applicable they will bring together various capabilities such as their two report writers, leveraging the best of both worlds. Look for significant cross-“pollenization” of its machine learning investments, with PRISM Analytics heavily leveraged going forward.

# Workday Planning and Financial Management

Adaptive Insights is now the de facto Planning engine for the company. In fact, Workday quickly launched an Adaptive Insights version of Workday Planning (to complement what it already does around Finance) as a firm declaration of its emerging strategy going forward, although it will keep the existing Workday Planning customer whole by continue to support the product for some time to come. We would anticipate a continued aggressive expansion of Adaptive Insights land-and-expand push into other functional markets (e.g., Sales, Marketing), as it positions itself as the primary competitor to Anaplan – in what otherwise is a highly competitive market (including SAP, Oracle, IBM et al).

In regards to Workday's Financial Management suite, we gathered that it now has more than 500 customers, 60 of which are public companies that are live on the solution. Workday is likewise embedding machine learning capabilities directly into the product. They already offer solutions around expense reporting, account reconciliation and anomaly detection (in regards to payments), with plans to roll out many more in the coming months.

Lots of talk about moving toward “continuous accounting” or “continuous close” – with the advent of

the Workday Accounting Center (to launch in 2020), with its ability to bring non-Workday operational data in through as journal entries, and the ability to trace all the way back to source transactions even if not originally on Workday. We just hope that there is some meat behind the slides in these regards.

Other odds and ends:

- They made a big deal about the launch of Workday Assistant, but I didn't see a lot different than what Salesforce is doing with Einstein.
- Launched "Stories" which looked interesting.
- Last year launched Worksheets – this year adding "Live Sheets" which provides a potentially powerful real-time presentation tool.

## Wrap

While Workday is still very much focused on its core "Execute" offerings in the HCM and Financial Management segments – it is clear that it has expanded its vision significantly into "Plan" and "Analysis." This provides a much bigger set of add-on opportunities into the base, but also brings with it the many sales challenges associated with a "big-bag".

With "game-on" in the competitive race to add value from emerging ML fabrics across the broad Cloud apps pantheon, we hope that Workday stays focused on providing very specific / narrow predictive solutions

across its primary functional targets, rather than general purpose capabilities.

Longer-term, we would not be surprised by additional strategic acquisitions that help accelerate market growth (especially around Supply Chain) – assuming they can find opportunities with the right cultural and architectural fit. But most we see a period of consolidation over the next 12-24 month (other than tuck-in technology acquisitions), as Workday works hard to make the most of its new go-to-market weapon to expand and grow the company.

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## **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 be 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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## **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: McNea 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-as-a-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, Execute, 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 3<sup>rd</sup> party consultants for routine project work. In regard to the 2<sup>nd</sup> 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 1<sup>st</sup> 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.”