

ADP Unveils One Of The More Exciting HCM Systems I've Seen ... And More

By Josh Bersin · Published September 23, 2018 · Updated September 25, 2018

Most of you probably think ADP is kind of an old payroll company, focused primarily on small businesses. Boy, are you wrong.

ADP, in fact, is the world's first ever cloud-based HCM company (the ADP payroll is a cloud system), and the company is more innovative than ever.

I just attended ADP's latest half-day analyst meeting and I want to share some exciting things with you, primarily because they're innovations I've been looking for over the last few years.

1) Brand New Network-Based HCM Platform



Let's start with the most exciting: over the last 3-4 years ADP has been secretly building an entirely new HCM platform to go along with the company's completely new re-engineered payroll engine (below). This new platform, which doesn't have a name yet ([originally code-named LIFION](#)), is what I've been looking for.

It's a true team-centric system built on a [Graph Database](#) using what is often called "[low code](#)" development. In other words, you can change it by moving objects on the screen and the system reconfigures itself.

A Graph Database is a huge new technology, pioneered by a vendor called Neo4J. If you're a geek like me you're going to want to read about this. You can [get the book from Neo4J](#) and if you're a SQL database person like me it will blow your mind. This is the technology underneath Facebook, Google, and most big social network systems because it models large groups of people based on relationships, not tables.

I won't get into the details here but I really do think this is the **disruption** that could change the entire HCM market. Current systems, including Oracle, SAP, Ultimate, and most others, are built on various versions of tables and fields, which force designers to build business relationships that consist of links and pointers. The result is that really modeling relationships and teams is very hard.

In a graph database every object is related in some form of relationship, like the real world. So applications like modeling a social network or understanding why some people buy blue shirts and others buy red shirts is easy.

The picture below may help.

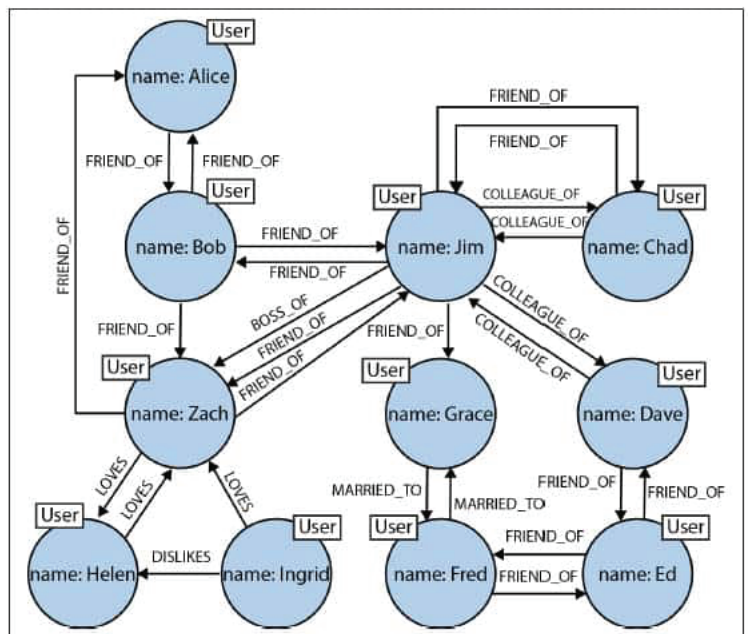


Figure 2-5. Easily modeling friends, colleagues, workers, and (unrequited) lovers in a graph database.

I won't try to explain the technology in detail but what it means for HR systems is that we can easily build a system that says "Josh is the CEO of Josh Bersin Inc" and "Josh is also leading the marketing team" and "Linda reports to Josh" and "Matt is a friend of Josh" and "Ashley is an associate of Josh" and "Ashley and Linda are on another team" and "Matt is on another team which Linda advises" and on and on.

All this may sound silly to you but in a real company this is how stuff gets done. The hierarchical structure of who you work for is irrelevant for most work-related activities, so it gets in the way.

The ADP platform has been in development for a while and I've been talking with them about it over the years. When I first saw it I told them it would be revolutionary, and I think it is.

There are many reasons this is needed, including:

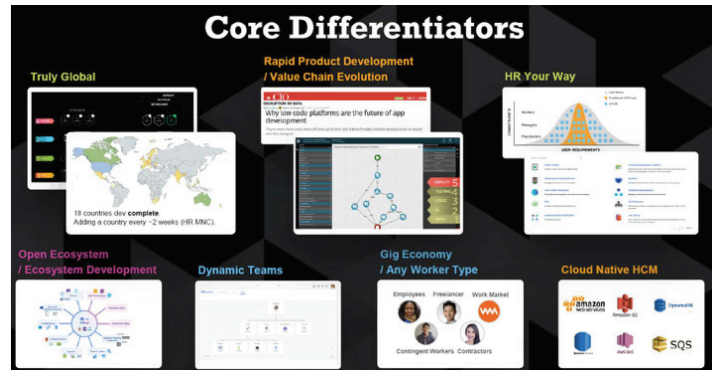
- People work on multiple teams, so we need goals, workflow, training, compensation, and multiple leader models in the HCM system.
- Many people in the company are contractors, part-timers, gig workers, and other alternative workers and we need to model them in the system.
- People are often managed, paid, and trained based on their relationships and influence (ONA tries to solve this) so connections are part of value.
- Core HCM systems need to be more flexible so third party apps can plug in with different data models, which are very hard to do in traditional systems.

Here is ADP's high level pitch page on the product, but let me give you an example. Have you ever tried to model a University? Professors have their primary professor job, they're also adjunct professors in other departments, they lead centers and other administrative groups, they have research grants they lead, and it goes on and on. I cannot imagine how you'd design that in a typical HRMS. It's possible, but it's not very flexible. ADP's system can model a University, a consulting firm, or any other organization where people have more than one reporting relationship and one role (just about every company I can think of).

The product is in early release (ADP has five big clients and is starting to seek more), and the big work now is to build up all the talent and processes around it. The system already

has an agile performance management system built (OKRs, check-ins, assessment similar to StandOut, the product ADP acquired a year ago) – but they have to build modules for recruitment, career, compensation, and much more yet. But I think that will happen fast.

So stay tuned for more on this topic, I'm sure ADP wouldn't let us write about it if they weren't pretty confident it was going to be a success. It will be piloted in 2019 and is expected to roll out in production in 2020.



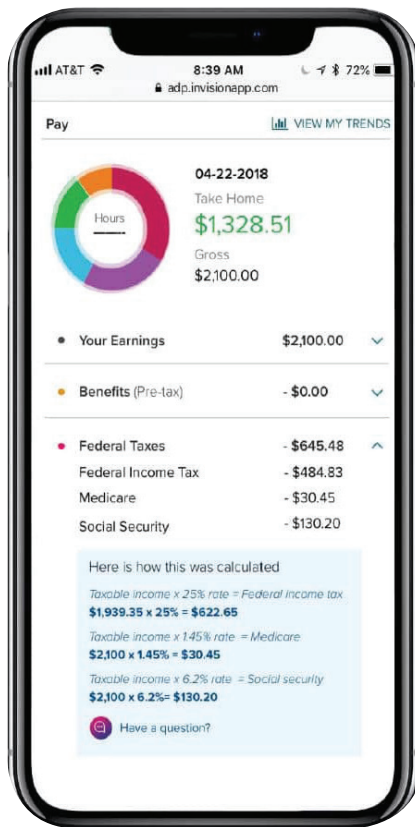
2) New Payroll Engine

The second big thing ADP is now unveiling is its long-awaited, real-time, policy-based payroll engine. Let me assure you, payroll is not a dull topic – it's one of the sexiest things in HCM (and hardest).

Consider that every employee lives in a county, state, and country that has ever-changing tax laws, regulations, and rules. Your payroll system has to accommodate all these changing rules, stay up to date, and the payroll administrator has to check and enable them easily. In Australia, for example, there is a new rule called "payroll sacrifice" which lets employees reduce their pay for greater benefits (at reduced taxable income). This is new. And in every country, state, and county there are new rules all the time. (Remind me to tell you about my nightmares having employees in 30 states and Canada while I was running Bersin & Associates.)

ADP knows how difficult this is, and the new payroll system lets companies find policies others have created, inherit policies, combine policies, and edit policies graphically. These are all validated and checked and there is programming required. And the system is set up to pay, withhold, and garnish wages in real-time, so you will eventually be able to pay people daily if you choose.

It can also show you why a deduction was made, and is designed to bring together W-2 wages with 1099 wages from other employers. So if you're doing gig work on the side (40% of us are apparently doing such side-hustles now), ADP can combine all this into one paystub. Plus the company's new Wisely product will help you set aside pieces of your pay for savings, vacation, etc.



It's really "pay for the future" and ADP has put a lot of thought into this. It's starting rollout in 2019 and expects to be fully available in 2020.

3) Wisely Cash Card and App

I mentioned Wisely above. Wisely is an application ADP purchased this year (for smart digital pay allocation and savings) but is now the brand of the company's different types of cash cards. ADP now supports pay to a dedicated pay card (your employer's debit card you can use anywhere), your own debit card (bank branded), and digital payment through the Wisely app that lets you move pay to savings, loan payments, mortgages, etc. automatically.

The world of pay is changing fast – more than 45% of Millennials have a debit card and has more than 2.5 cards on average. Why? Because they're using them to stash money aside for different purposes and sometimes they just can't afford to pay for checks or bank fees. The changes in pay are enormous, and much of this is driven by the lack of savings and financial literacy in the US.

I've always been amazed at how much research and analysis ADP does when developing products, and they have built a range of offerings that fill these gaps.

RESEARCH UNCOVERS CONSUMER FINANCIAL BEHAVIORS AND ATTITUDES

PREPAID CARDS UTILIZED BY MANY

- 45% of Millennials own a pre-paid card and checking account – 50% more than Gen X
- Underbanked individuals use pre-paid cards for widest range of purchases
- Employees who obtain prepaid accounts use on average 2.5 prepaid cards

LOWER INCOME WORKERS ARE NOT FINANCIALLY CONFIDENT

- Fewer than 1 in 4 households earning less than \$75,000 feel confident handling their finances
- 81% of lower income Millennials feel incapable of managing their finances on their own

OUR RESEARCH REVEALED OTHER UNMET NEEDS

- "I need to save me from myself" to be more financially responsible
- "I need to better understand how today's spending affects tomorrow's decisions"
- "I need help with managing expenses that don't align with pay day"

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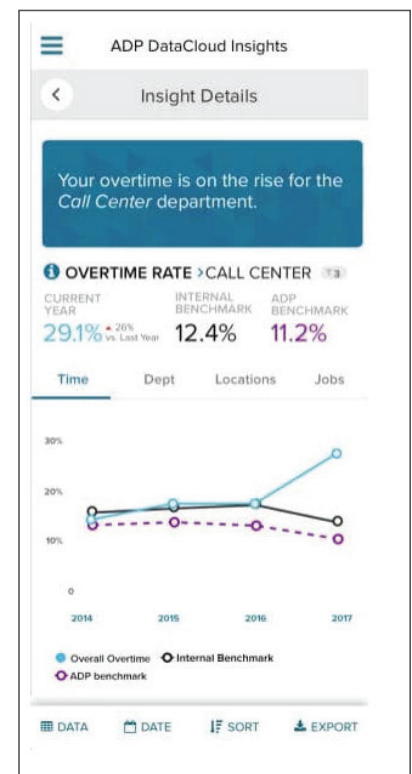
4) Data Cloud and ADP Executive and Management Insights

I've written a lot about Workday's augmented analytics, Visier's analytics platform, and the work that SuccessFactors has done in this area. But ADP, with payroll data from 40 million Americans that represents real job data, has better data than anyone. And now it's available in an actionable form for manager and HR professionals.

The range of offerings is impressive (ADP offers detailed benchmarking and data-driven suggestions in every platform) and very actionable as well. Imagine if you looked at an employee and the system said "This person is being paid 8% above benchmark for this job in this zipcode with this level of tenure."

Wow. Well ADP's systems now do this.

The product is named "Executive and Management Insights" and it sits within the ADP mobile app (which itself is an innovation, with more than 5 million users and a very high NPS rating), and actually tells managers about things they need to act upon. It uses what we call "augmented analytics" to use AI-based agents in the background, constantly looking for outliers in your workforce data. Here's a sample.



You can imagine how powerful this can be.

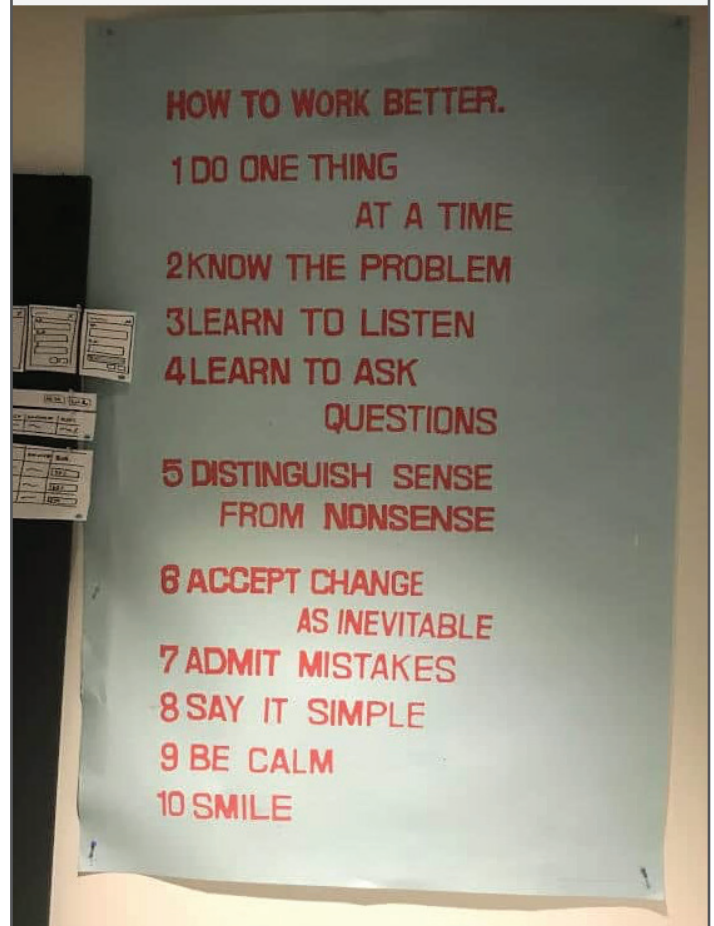
There's More

And there's more. StandOut, the team-based team assessment and performance coaching system, continues to grow in popularity. ADP's engagement pulse tool is now embedded in Workforce Now and Vantage. And the company totally revamped Workforce Now (the strategic HCM platform for small companies) so organizations can get it fully implemented in weeks.

I have been meeting with ADP for more than a decade and have always been impressed with the company's innovative and collaborative culture, its focus on customer needs, and its keen sense of where the market is going. These innovations (and others I won't bother to mention here) show me that innovation and design are alive and well in this 70+ year old company that started its life delivering paychecks by horse and buggy.

If you ever have a chance to visit [ADP's Chelsea Innovation Lab](#) you'll see an excited, modern, energy-filled workplace, filled with smart people who want to do the right thing. There's a lot more to come soon from ADP, let me just leave it here and let you talk with the company directly.

Photo from ADP Innovation Center



For more information on ADP contact:

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