August 16, 2011

Cornerstone OnDemand: *Innovating in Client Success Management in the Talent Management Systems Market*

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Introduction

In the world of enterprise software, organizational culture drives employee behavior at all levels. Just as some software companies pride themselves on innovation, others focus heavily on marketing and sales. But in every case, what customers experience most vividly is the software company's ability to focus on support, service and partnership.

In this research bulletin, we discuss Cornerstone OnDemand's focus and strategy for customer success – the company's Client Success Framework.

In an attempt to build a customer success culture, Cornerstone has invested heavily in a new approach to client service – one which goes beyond the typical functions of customer service and support to integrate the functions of sales, implementation planning, implementation consulting, systems administration and all elements of client service.

This report first summarizes today's state of the talent management systems market, and then outlines the key elements of Cornerstone's Client Success program and Client Success Framework.

State of the Talent Management Systems Market

As detailed in the Bersin & Associates 2010 *Talent Management Systems Customer Satisfaction* report[1] and in our upcoming 2012 report, the talent management systems market is still young, growing quickly and undergoing major change, noted as follows.

- First, there has been a tremendous amount of merger and acquisition activity over the last 12 to18 months. With more than 20 major acquisitions in the past 18 months, vendors are now trying to rapidly build end-to-end solutions as the market moves beyond the traditional point solutions of recruiting, learning, performance management and compensation. This frenzy of acquisition activity has resulted in a significant amount of product and business integration efforts among almost all vendors.

- Second, customer satisfaction with talent management systems is still moderately low, with only four of 22 talent management systems vendors achieving an average score of 4.0 or higher on a five-point scale. In addition, nine of 22 (or 41 percent) of solution providers earned an average score of 3.5 or less across all rated dimensions[2] – the equivalent of scoring 70 or less on a test in school (*roughly a "C"*).

  The areas of lowest satisfaction include product configurability, ease of use, vendor domain expertise and the ability for a vendor to truly partner with a customer – by sharing and modifying their product direction to meet a customer's needs. This reflects the newness of the market. Most companies are still evolving their talent management strategies, so software vendors are not yet capable of delivering fully repeatable solutions for many of their clients.

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[1] For more information, *Talent Management Systems Customer Satisfaction 2011: A Comprehensive Study of Customer Experience with Talent Management Systems*, Bersin & Associates / Barb Arth, December 2010. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/tmscustsat.

[2] Descriptive information about the audience or program is often called "dimensional" information in an analytics system.

- Third, buyers are now starting to switch vendors. When we asked respondents how likely their organizations were to switch vendors[3] in the next 12 months, one-quarter to almost one-third responded with "extremely likely" or "somewhat likely." Switching is more prevalent among older systems. When analyzed by product area, the likelihood of switching is as follows:

    o Learning management customers – 31 percent;

    o Talent acquisition customers – 28 percent; and,

    o Performance management customers – 23 percent.

    The older systems (learning management and talent acquisition) are now in a heavy state of churn.

- Fourth, in our interviews with dozens of organizations, one of the most prevalent themes was that customers now expect their talent management vendor to really understand their own particular industry-related problems. They have often had experience with one or more "product vendors" in the past, and now they require guidance on best practices before, during and after the implementation.

    In other words, we have moved past the stage of the market evolution during which vendors are selling products – buyers now want a "solutions focus" from their providers.

- Finally, many companies now realize that these systems have the potential to drive transformational business change – they are no longer simply automation solutions. While most talent management software was originally developed to automate existing paper-based processes, today these systems create a new, highly integrated approach for managing people. Fully 25 percent of respondents stated that their systems were contributing value at a strategic, transformational level.

KEY POINT

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[3] For more information, *Talent Management Systems Customer Satisfaction 2011: A Comprehensive Study of Customer Experience with Talent Management Systems*, Bersin & Associates / Barb Arth, December 2010.

(It should also be noted, however, despite this positive impact, between 50 percent and 60 percent of all respondents are still not sure whether the system provided any value at all! Companies still struggle to use these systems well – because so much of the success is dependent on organizational change and adoption.)

These findings highlight the need for buyers (and vendors) to look at these systems more systemically and strategically. Today, we think vendors can add significant value by working with customers to establish business impact-monitoring processes and tools, as well as assisting customers with change management, training and process design.

Cornerstone's Client Success Program – Key Elements

Cornerstone OnDemand is one of the most integrated solutions in the market. *(The company built all of its learning management, performance management, compensation and social networking tools internally.)* As part of its heritage, the company built its feature set largely based on input from its own customers. As Cornerstone grew, however, its customer service needed investment, so in 2009 and 2010 the company built an end-to-end Client Success Framework.

This Framework, sponsored by the CEO, focused on providing an end-to-end client success process throughout the company's sales, service, consulting and product management processes. At a high-level, Cornerstone's Client Success Program is designed to provide a highly monitored, process-enabled client experience across all markets throughout the entire client lifecycle. This lifecycle starts at new client acquisition (sales), follows the client into implementation planning and implementation, and continues throughout future years of optimization and expansion.

As part of its culture, Cornerstone views the post-implementation phase as having an infinite timeline, reflecting the ongoing evolution of talent management within an organization. The process is designed to:

- Put in place just the right resources at the right time;

- Measure success at every phase;

- Create jointly agreed-upon business plans and clear expectations; and,

- Continually optimize the process over time.

Ultimately it is built on a philosophy of "client success" – not "time to implementation" or "speed to going live."

Now in its second year, the Client Success Framework includes some of the following elements.

1. **A Net Promoter Scoring process**[4] captures continuous feedback on customer interactions across all client-facing teams and across all phases of the client lifecycle. When coupled with the fact that Cornerstone strives to empower all of its service and support teams to apply additional resources where needed, this continuous monitoring process has the potential to drive longer-term customer engagements for this solution provider.

   We interviewed a representative of one of Cornerstone's customers who mentioned that this process works. In one instance when he / she scored Cornerstone as weak in one particular service area, the customer immediately saw an increase in focus and attention in that area of support.
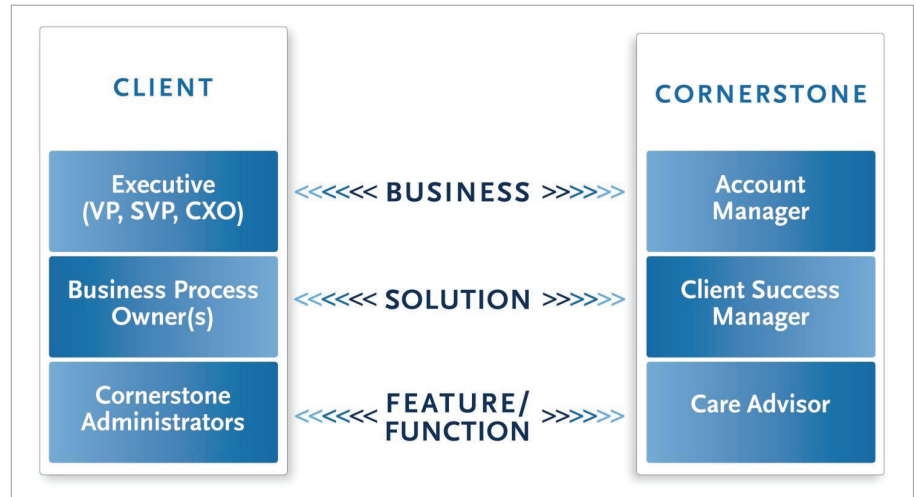
2. **Three defined levels in the vendor / client relationship** are based on three different roles for interaction and engagement, as follows:

   a. The business-level, which looks at the business partnership overall, and examines what is needed to sustain it, drive value and, if the opportunity arises, to grow it (owned by the account manager);

   b. The solution-level and its continued success of the solution in the client's business over time (owned by the client success manager); and,

   c. The feature / function level which involves the most frequent interactions, including the day-to-day support of the client's administrators on successful and productive use of the application, change management related to product updates and releases, and the need to ensure all features perform as specified (owned by the care advisor).

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[4] "Net Promoter" is a simple survey sent to a customer at any point in the support process that asks the customer to rate the vendor on a scale of one to 10 in terms of how well the customer would recommend this vendor to others.

This key element of the program is depicted in Figure 1.

Figure 1: Three Defined Levels in the Vendor / Client Relationship

Source: *Cornerstone OnDemand, 2011.*

3. **A clearly documented "roadmap for success"** that provides a detailed description of activities, accountabilities and outcomes for each role and phase in the client lifecycle. The Cornerstone roadmap includes supporting tools, content and process descriptions that have been developed through Cornerstone's experiences with successful implementations. The information needed at each stage of the roadmap is packaged for both client and Cornerstone staff to ensure the success of the partnership at every level.

    This roadmap provides a clear, proven implementation plan and also common language for the "partnership" that outlines what a successful relationship looks like, and how to engage at key touch points between the vendor and the customer. Stage elements include specific steps to follow, defined activities, and expectations for the client and Cornerstone roles in the relationship. These elements also include service level agreements (SLAs), processes and protocols for working across teams, and escalation processes.

    One particular, unique part of the Cornerstone's Client Success Framework is the "Incubation Phase" of the client lifecycle – the first few months when a system goes live. This stage reflects Cornerstone's attempt to help a client to get past the first few

quarters of rollout to create widespread adoption and integration of the system into a customer's workflow and business processes.

4. A clear role that is dedicated to the ongoing success of the solution in the client's business over time is called the **Client Success Manager**.

    While every client is assigned an account manager, Cornerstone has established a team of business practitioners and product experts that is deployed at critical times in the post-live environment. The client success manager owns the process of "solution optimization" which changes over time. As a client's business and implementation progress (including Cornerstone product changes from new releases), it is important to continually "re-optimize" that solution to ensure it optimally meets the customer's current business needs. By assigning a product and process expert to own this ongoing process, Cornerstone can help a customer to ensure that the solution continues to be successful in the client's business over time.

5. **Cornerstone provides a variety of Voice-of-the-Client programs** to systematically provide input to Cornerstone's product team. These programs range from online feedback via Cornerstone Connect (the company's social collaboration system, dubbed "The Client Success Center") to product enhancement councils that invite clients to participate in design sessions. These programs have driven many enhancements to Cornerstone's product offerings.

    a. Since May 2008, clients have submitted 2,905 product enhancement ideas / requests to Suggestion City (the company's client suggestion portal), more than 80 percent of which have collaborative dialogue and votes of support, and 9.6 percent have been implemented to the product.

    b. More than 19 product enhancement councils have been held since January 2010, which have driven product design in the past 10 releases.

    Figures 2 and 3 show the engaging nature of Cornerstone's Success Center. One of the more popular features of the Success Center is "Suggestion City," through which customers can vote on others' product enhancement suggestions with the added motivation of seeing the past suggestions that have been incorporated into

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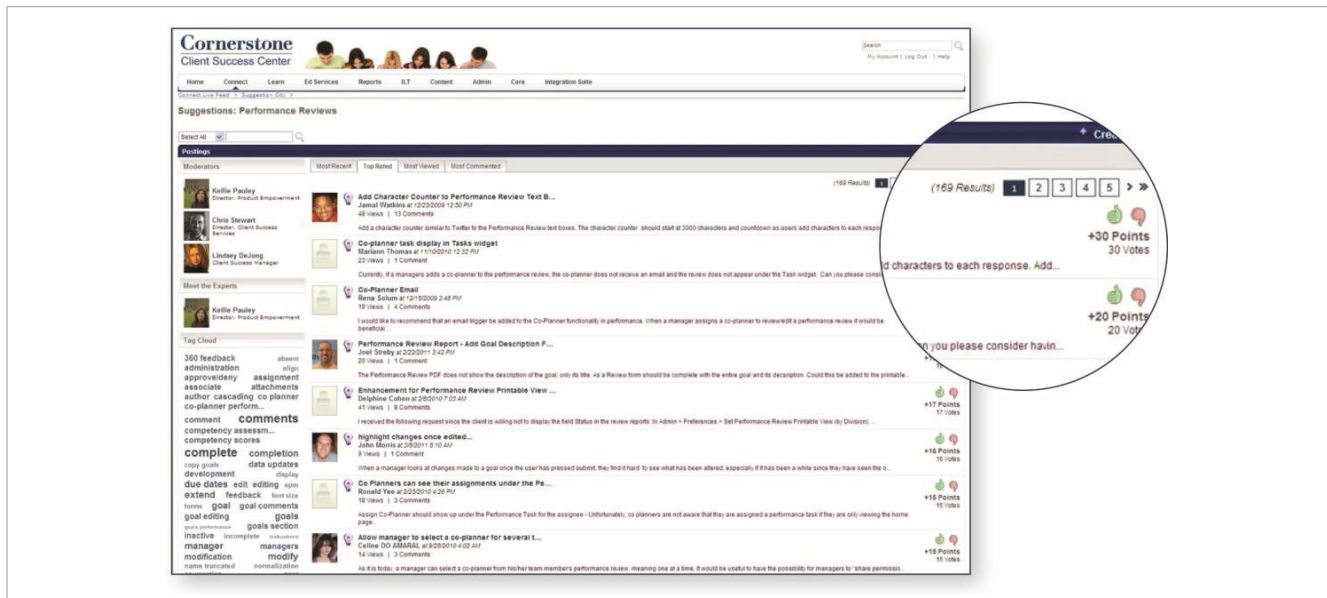the product. (*This is a fairly common "idea factory" which many companies now use.*)

Figure 2: Cornerstone OnDemand's Suggestion City – Main Page

Source: *Cornerstone OnDemand, 2011.*

Figure 3: Cornerstone OnDemand's Suggestion City – Performance Reviews

Source: *Cornerstone OnDemand, 2011.*

Other Cornerstone Client Success Offerings

Defined and Monitored Feedback Loops

Part of the company's end-to-end success model is the ability to monitor support in real-time across six defined feedback loops and at all three levels of the relationship (see Figure 4). These six areas include:

1. Sales;

2. Implementation (project);

3. Pulse (ongoing interactions);

4. Case (open-case response);

5. Product and support (product and support-related issues); and,

6. Relationship (ongoing executive support).

Cornerstone does not try to presume that problems do not arise but, rather, is trying to create a continuous improvement process that quickly identifies problems at each level of the relationship. The service leaders believe that "how you handle an issue" is more important than preventing or closing all cases as quickly as possible.

Consider this example. One of the feedback loops is called "pulse," referring to the team's ability to "keep their finger on the pulse" of the client relationship in real-time. When an escalation has not been resolved through the normal escalation path, the client's account manager (who is the next level of escalation) can change a flag in the CRM[5] solution to immediately send a message to the appropriate levels of leadership within the company.

A "yellow" pulse triggers a message to the global virtual team of the company's service leaders, who are collectively held accountable for resolving that escalation. This group is in constant contact on such escalations, and the communication with the client is generally facilitated by the account manager and the appropriate service leader. If the flag is flipped to "red" status, a message is sent to the entire Cornerstone executive team and all service leaders. In this situation, a

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[5] "CRM," which stands for "customer relationship management," is the corporate customer information database system.

Cornerstone executive not only facilitates the resolution, but is held accountable for engaging directly with the client to ensure continuity of the partnership.

Figure 4: Cornerstone OnDemand's Escalation Loops
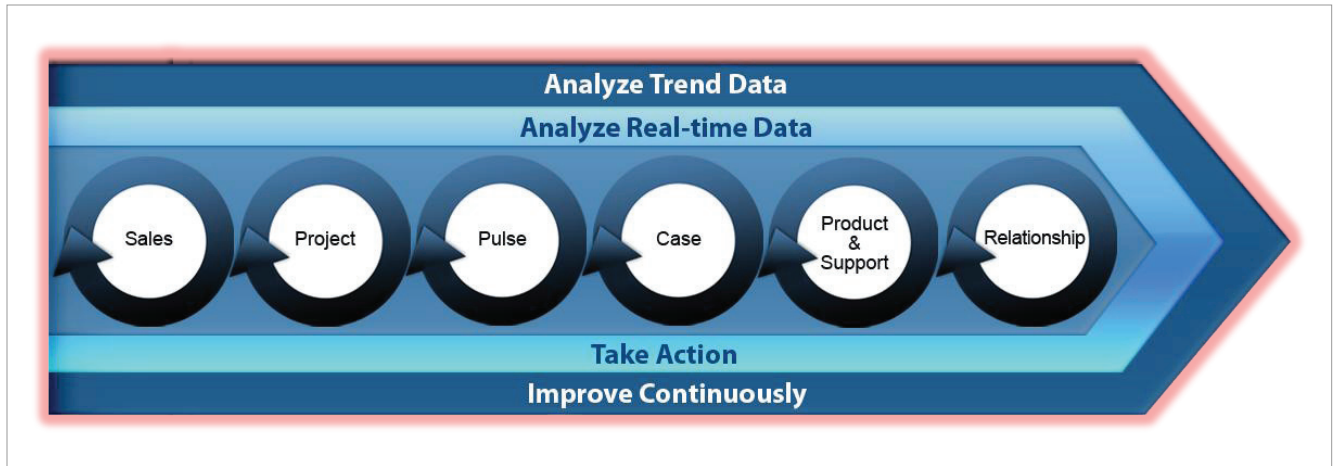
<div align="right">Source: Cornerstone OnDemand, 2011.</div>

Outsourced Systems Administration Options

One of the biggest issues in system success is the ability for a client to assign and train an expert systems administrator. Cornerstone not only offers training and online support for this role, but also offers outsourced system administration services for clients, as well. This super administrator capability, delivered by Cornerstone experts, demonstrates an investment in customer success.

Use of Business Value Models

Cornerstone has developed "business value models[6]" that help customers understand the lifetime value of the client to Cornerstone – and the ongoing value of the system to the client. These models help customers continuously understand the value of their talent management systems (*which is important in such a competitive market*), and also help Cornerstone and its customers share a common language for measuring return on investment.

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[6] "Business value models" are financial models that analyze cost and benefits, and demonstrate how the system generates a return on investment.

ANALYSIS

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Why the Client Success Framework Is Important

While all talent management software vendors (and all software vendors in general) have a variety of systems and programs for customer support, Cornerstone's end-to-end model is unique and ambitious. It reflects the company's belief and understanding that long-term customer success starts from the first time a customer talks with a salesperson – and continues onward for many years to come. Some of the keys that we believe make this program powerful include the following.

- **A Unified Platform** – Cornerstone OnDemand's products are all internally developed (*today*). This means that the company's engineers and support personnel have been involved in the design and development of every aspect of the systems. There are no "legacy products" in the offerings today, enabling the entire support team to operate with excellent product knowledge and access to engineering across all functional elements.

- **Long Tenure among Executives** – Cornerstone's cofounders and leadership team members have led the company since its inception in 1999. Other key executives have been with the company in their current roles for seven years. This tenure means that these individuals are well-versed in the company's offerings and have extensive experience with customer implementations.

- **A History of Staying Close to Customers** – Customer representatives with whom we spoke told us that they regularly interact with Cornerstone's top leadership. The following are a few quotes from our interviews.

    o *"Access to the executive team is pretty unusual and very powerful, and we believe it drives both customer loyalty and success."*

    o *"We have always found that we had direct and concerned access whenever we felt we needed to escalate issues, and that we had executive team support to allocating resources toward resolving our concerns."*

    o *"We continue to see high executive commitment to client success and personal attention to issues."*

- **A Focus on Empowering the Cornerstone Customer Community** – This company is investing in customer-to-customer interaction solutions, enabling customers to not only feed information back to the vendor, but to each other, as well.

Customer Perspectives

We interviewed two of Cornerstone OnDemand's customers for this research bulletin. The first is a 100-year-old industry trade group and professional association that provides advocacy and learning services for member organizations which employ two million people in the U.S. The second is one of the largest insurance companies in the U.S.

Both customer organizations have explicit policies that preclude them from being identified or cited in formal publications without extensive approvals, but the perspectives that they shared with us reinforce the culture we described in the previous section.

These two customer organizations both reported that their definitions of what constituted a successful talent management technology implementation and deployment was well understood by Cornerstone, even though their respective definitions were quite different. For example, the insurance company defined success as increasing employee productivity, while reducing HR and staffing-related costs. The professional association viewed success as increasing the utilization of its training products by external customers and achieving excellence in (external) customer satisfaction in the use of its training.

The following were some of the key takeaways from our discussions with these two customers.

- Both of these organizations spent quality time with Cornerstone's senior leadership describing their visions and views of how the technology should ideally drive business strategies across the talent management spectrum. This created shared visions (respectively), which was ultimately conveyed to the broader team within Cornerstone that was working on day-to-day projects with these customers.

- There was a clear sense that Cornerstone was both financially and emotionally invested in its Client Success Framework and organizational structure, something that was viewed as fairly

unique in the industry. One customer mentioned its interaction with another vendor along the lines of, *"I am trying but I don't think I can solve that one for you."* The customer stated it will likely never hear that from Cornerstone.

- Suggestions about process improvements made by customers were not only listened to, but also implemented when they made good business sense. As an example, at the recommendation of a customer, Cornerstone moved application training on the Cornerstone system to a point earlier in the implementation process, so that clients could make more intelligent, informed configuration decisions.

- One of the customers shared its own satisfaction survey results freely with Cornerstone and worked with its account manager to brainstorm potential solutions to issues impacting satisfaction with the system.

- One of the customers stated that "… *a major reason why the vendor's Customer Success Program worked was because the product worked and worked well."* The customer also added, "… *By having a quality product, the Customer Success Program is more about helping success happen, rather than fighting fires and fixing what's not working."*

- Customers felt that the level of access to the executive team members at Cornerstone, and their interest in knowing what was happening with the implementation and ongoing satisfaction was unusual for the industry and for the size of this vendor's customer base.

Final Commentary

The talent management software industry (*which is now more than $3 billion in size and growing by more than 12 percent per year*) is highly competitive and has attracted tremendous amounts of competition. In such a competitive market, customers are always being approached by new suppliers and many will switch vendors every three to five years. One of a vendor's greatest strengths in this environment is to stay close to its customers and continuously move up the value chain to add more value, as defined by the customer itself.

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No software product is perfect, and no software company executes all of its product strategies flawlessly. By moving beyond the traditional approach to customer service and building an end-to-end Client Success Framework, Cornerstone has created an innovative new approach that should help the company grow, maintain high levels of customer support and grow its business in the coming years.

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