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Software and the next normal: A talk with Workday's cofounder and co-CEO

Aneel Bhusri discusses serving customers as the COVID-19 crisis began, the limitations of remote work, data's importance for employee diversity, and why companies need to have souls.

Aneel Bhusri has been at the forefront of enterprise software since his time at PeopleSoft, the administrative software pioneer he joined in the early 1990s. Today, he remains an industry leader as co-CEO of Workday, the finance and HR powerhouse he founded with PeopleSoft cofounder, co-CEO, and chairman David Duffield in 2005. With Workday serving more than 40 percent of Fortune 500 companies, Bhusri has gained a unique perspective on how global organizations have weathered the myriad impacts of the COVID-19 crisis.

In September, Bhusri spoke with McKinsey's Paul Roche, a senior partner who leads the firm's software practice. They discussed the dizzying pace of change Workday customers experienced at the outset of the COVID-19 pandemic, growing collaboration in the enterprise software space, and why Bhusri doesn't view remote work as the future of work. The interview, condensed and edited, appears below.

Helping customers adapt to the next normal

McKinsey: In the early days of the COVID-19 crisis, how did Workday help its customers adapt?

Aneel Bhusri: When we built Workday, we weren't thinking we'd be in a work-from-home environment like this. But it turns out that native cloud applications and our values system are very well suited to such an environment. We believe that if we take care of our employees—which included going to a work-from-home model across the globe in early March and giving all of our employees below the VP level a bonus the equivalent of two-weeks' pay—they'll be able to take better care of our customers. And several of our customers occupy the frontlines with essential workers, whether it's delivery, like FedEx; whether it's retail, like Walmart, Home Depot, or Whole Foods; or whether it's a healthcare organization.

The biggest issue I would say these customers faced was massive change. OK, so our financial

model has been changed. Our hiring model has been changed. How are we going to react? On the planning side, customers were running planning models 30 times more than they were just a year ago. And that's the world we live in right now; the plan that you had two weeks ago might not be relevant today. We were having hazard-pay bonuses of a million employees in certain companies, things we'd never seen before. It was like every day the volumes were close to Christmas. And then I would say we saw our customers really innovate as well. One big manufacturer used the Workday reporting system to actually track COVID-19 cases around the globe and use that to distribute manufacturing capacity.

Back to the future of work

McKinsey: Many software companies are beginning to rethink what the future of work will be post-COVID-19. How will the sales force change? How will our customer support change? Even how will engineering change? What do you see as the kind of enduring change at the end of this pandemic when we start returning to work?

Aneel Bhusri: We are asking ourselves how to think through this environment almost every week as a management team. I think there's some constants for us. Number one, our value systems drive teamwork and collaboration. And on the engineering side, I just don't see remote work as a great option down the road. We're getting through this period of time because we have to, and we're making the best of it. But as soon as we can safely get people back in the office on the research and development side, we want to get people back in the office. I'm not a believer in the remote workforce in the long run. We have enough case studies from past generations that show, especially in areas that require collaboration, it's just hard to innovate if you're not together in person.

Now we might be more flexible going forward, in that you work four days a week in the office and one day a week from home. As relates to the

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sales and marketing side and people in the field, there's more flexibility to be virtual. And I think what we've learned is they can do work virtually with our customers—in terms of Zoom calls and implementations. We've now done hundreds of implementations completely virtually, which I never thought would've been possible pre-COVID-19, and we figured it out. And there's definitely learnings from that experience that we're going to be able to apply longer term, which will reduce our travel costs, reduce the time that customers have to travel, and I think actually will make for more cost-effective implementations.

McKinsey: What are you hearing from your own customers? Are some of them thinking of experimenting with different working models? Does it vary by industry?

Aneel Bhusri: I do think people are revisiting their office strategy. And if the work really is much more at the customer site, then they are thinking about how they might reduce their office complexity and office ownership going forward. And then you have other industries where I think it's not really about the office; instead, it's about the shop floor or it's about the retail store; and they're just thinking about how to take care of employees longer term in terms of giving them more flexibility with their schedules. Because I think one of the things we've learned through the process of COVID-19 is people get burned out, people get tired, and we need to give them more mental breaks than we had been thinking about before.

McKinsey: As companies are beginning to think about the future of work, and also about the return to work, a lot of companies are looking at it role by role. Workday helps your customers obtain a massive amount of data on individual roles. How do you see your tools helping them make these decisions about which group should come back to work?

Aneel Bhusri: There's a lot of insight in that data. But let me start by saying it is our customers' data. It's not our data. If our customers are willing, we will aggregate that data in a very anonymized way to look for patterns. And we do have a big chunk of our customers doing that. And we can answer a lot of the questions you raised. What does the typical work environment look like for an engineer versus a salesperson versus a services person versus a marketing person? And we can help our customers make decisions about how they go back into the office post-COVID-19.

But most everybody, when you get into a detailed conversation and you talk about teamwork and collaboration, agrees that being in person is really critical. We are social beings, and we generate great ideas, and I think we inspire each other. So as we go through the next months of the COVID-19 crisis, I think people are going to be surprised and say, "No, we actually like office environments more than we had thought." It might have been a novel thing for the first six months of the crisis, but this is not the future of work.

Software, bias, and employee diversity

McKinsey: Technology is changing so much, on the human resources side, the finance side, and the recruiting side. How can software help make a dent in some of the diversity and inclusion issues that we're facing?

Aneel Bhusri: As we began to go through this really challenging time of a health crisis, an economic crisis, and a social crisis, we took a step back and said, 'Hey, some of these issues are going to pass, but this issue around social justice and equality is not going to pass. We have to dive in and address it." We happen to be the HR provider for almost half of the Fortune 500. I think there's a lot we can do. Number one on these issues is being open about the data. We've shared our diversity data. And if you want to improve on your diversity data, you have to first make it available, and then measure it, and then you can improve on it. If it's all obfuscated, we're not going to make improvements. And we can also help by pulling together best practices from our customers and creating mediums where we can share those best practices so we can all be better.

McKinsey: How important is machine learning to addressing these social issues, whether it's AI [artificial intelligence] or analytics?

Aneel Bhusri: The machine-learning piece is really critical. There's no question that as humans interview other humans, there are biases. And so what we're working really hard to do on anything related to people, whether it's on the recruiting side, the learning side, the promotions or performance management side, is help ensure our tools help humans make better decisions—and don't introduce bias into the process.

Industry collaboration and systems integration

McKinsey: Historically, Workday served CHROs [chief human resources officers]. Increasingly, you're serving CFOs and, as part of that, you are touching IT more and more. How is your impact changing as you expand your presence within organizations?

Aneel Bhusri: From day one, when Dave Duffield and I started Workday, our intent was to be an HR and finance provider. Since then, it's expanded to planning on the front end and analytics on the back end. We've now expanded our definition of finance to include procurement. But the idea is that we want to be that system of record for, effectively, the administrative parts of the business. And so it's been a natural progression. I think when customers look at HR and finance together, it tends to get elevated to the CEO level because then it becomes a platform decision. The two really go hand in hand together, especially for organizations where their main asset is people, because it also happens to be their main expense.

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McKinsey: It feels like digitalization is requiring a lot more integration between layers of the stack, in order to automate business processes, like onboarding, for instance. Is it driving more collaboration or competition across SaaS [software as a service] companies? Is it going to drive M&A? Is it driving integration layers? How do you see the market changing?

Aneel Bhusri: Integration is absolutely key going forward. I think it's more about collaboration than it is about M&A and competition. And I do think that's a big difference between the cloud providers versus the legacy providers. When I think about my time at PeopleSoft, I didn't really think that much about integrating across all these different systems. Today, Salesforce, and our systems, comes out of the box integrated. We have that relationship with Zoom, with Microsoft Teams, with you name the cloud application. I think the understanding is, "Let's make it easier for our customers." They know that we're working together to address these integration issues and trying to keep them from adding an additional cost.

The soul of business in today's world

McKinsey: What do you think the role of software technology should be in terms of helping the United States and the world tackle some of today's most pressing social problems?

Aneel Bhusri: I am a big believer in stakeholder theory that companies are not just in business to reward shareholders. We have a broader responsibility to our employees, to our customers, to our community. I think at the core of it, companies need to have a soul. They need to care about what's going on in the world, in their communities, and they need to be connected to their communities.

McKinsey: How well do you think corporate America is living up to that responsibility during the current crisis?

Aneel Bhusri: I think there's cynicism about corporate America, but for me, it's exactly the opposite. I am super optimistic about the business leaders and CEOs I come across today. Whether it's the health crisis or the social crisis, I've seen CEOs of these large companies step up to do the right thing. And I don't think 15–20 years ago, CEOs of companies thought it was their place to get involved in some of these social issues and some of these health and economic issues and look out for their employees, but also look out for the broader community. Of course, profits matter and stock prices matter. But these companies have souls, and I'm not sure I would have said that 20 years ago. I'm pretty optimistic about the future of business.

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