

THE FUTURE OF HCM: 7 TRENDS THAT EVERY HCM PROVIDER NEEDS TO KNOW



THE CHANGING FACE OF HCM

It's an exciting time to be in the HCM market. It seems like there are mergers and acquisitions every month. You probably hear news regularly about new startups or companies getting another round of financing. Maybe you're even a part of some of these ventures. It's an exciting time, but there's also a lot of uncertainty about the future of the industry.

As a provider, you've probably noticed customers are now asking for more from you than ever. They're looking at everything from updating legacy HCM and payroll solutions to seeking specialized tools in learning, performance, and recruiting. What's on the minds of buyers and how do you position your brand for the best advantage?

Before you can understand what you should do, you need to know the direction the industry is headed. To stay ahead of the game, Brandon Hall Group and The Starr Conspiracy have teamed up to identify the most important trends that every HCM provider needs to know. We spotlight seven "must-know" trends that we had to get in front of you:

1. **Legacy HCM systems and their uncertain certain future**
2. **HR technology pain points that every HCM provider has a stake in fixing**
3. **The rise of contextual computing**
4. **Rethinking performance management systems (again ...)**
5. **Provocative, forward-thinking solutions for the talent shortage**
6. **The rise of next-generation recruiting tools**
7. **Consumerification of HR technology – encouraging employee users to engage solutions directly**

We'll dive deep into each one, matching Brandon Hall Group's unparalleled research and analysis with The Starr Conspiracy's brand and market expertise. When you're done absorbing these trends, you'll be better prepared to address the strategic challenges facing not just your particular solution category but the entire HCM market.

TREND 1: LEGACY HCM SYSTEMS AND THEIR UNCERTAIN CERTAIN FUTURE

THERE'S ONE CERTAINTY WITHIN THIS UNCERTAINTY – THESE LEGACY HCM SYSTEMS WILL ALL EVENTUALLY GO AWAY FOREVER.

Through the recession, what you heard from HR (or IT) users of legacy HCM systems was, "We're not in a position to take on the costs and pain of transition now." While that tune has changed since the recovery began, many organizations are still hesitant to abandon or upgrade legacy HCM systems. *Why?*

- **The cost on the balance sheet is low.** Long since paid off, with only maintenance and support fees to consider, HR treats legacy HCM system like the beater car you kept driving after college. They want to run the system to the rims and get the most mileage out of the money they put in.
- **They've built systems around it.** Every bolt-on system – talent acquisition, learning, or payroll – has been selected because it works with the legacy HCM system.
- **There's familiarity with it.** While it may seem ridiculous to keep a bad system, many in HR are hesitant to learn new functionality and may be dependent on certain functionality that's hard to replicate in modern systems.

You can be certain of one other thing: Legacy HCM isn't disappearing tomorrow, but it's less of an obstacle in the way of upgrading or changing providers.

There's one certainty within this uncertainty – these legacy HCM systems will all eventually go away forever. HCM players have taken novel steps to hasten the progress of this slow death. Here are the typical paths for HR buyers entering into the new era of enterprise HCM:

- **Cloud migration.** As companies divest or redirect internal IT resources elsewhere, they will be looking to more cloud-based solutions. If an HCM provider can help move an existing on-premise solution to the cloud, they can retain customers that might have otherwise left.
- **Integration solutions.** While integration has been a part of legacy HCM for some time, providers are now pushing modern, integrated products not only to increase effectiveness but to give buyers a reason to switch.
- **Data harvesting and standardization.** Some solutions now function as a go-between – standardizing data across all sources to get closer to a single source of truth.
- **Specialized functionality.** Some providers use niche functionality that can integrate with existing legacy systems as a wedge strategy to draw buyers into a full suite of products.
- **Incentives to upgrade.** Some legacy providers are giving incentives and assistance to encourage users to upgrade to newer releases of their products.



TREND 2: HR TECHNOLOGY PAIN POINTS THAT EVERY HCM PROVIDER HAS A STAKE IN FIXING

NEARLY HALF OF ORGANIZATIONS ARE NOT SATISFIED WITH THEIR CURRENT LEARNING/TALENT/HR TECHNOLOGY.

As we mentioned before, there are lots of learning and talent technologies in the marketplace and new startups emerging all the time. But too much of a good thing can be a bad thing, and the proliferation of technology is no exception.

It's vital to note that HCM providers still overlap a great deal on what they offer. Yes, they will tell the market that they're demonstrably different from one another, and in certain areas they are. But they still share many similarities, and that's problematic.

Based on Brandon Hall Group research, the end result of this is that nearly half of organizations are not satisfied with their current learning/talent/HR technology. Why? Because they were overwhelmed during the decision-making process and probably defaulted to cost. As you know, this is the last thing you want to do when buying any enterprise software. However, it's understandable, considering the time and bandwidth needed to perform a major technology due diligence process.

There are several simple but effective steps to avoid becoming an HCM provider statistic and be proactive in addressing your customers' needs:

- **Help HR develop a list of critical requirements for a system based on stakeholder needs.** Work with your customers to develop specific user requirements and prioritize them. This will help to differentiate your solutions from your competition – and allow you to prioritize the features you offer that your customer may have missed.
- **Ask HR to develop use cases to help you understand what is most important.** HR doesn't always know what they want. Ask them to build use cases that incorporate their top requirements so you can demo your product against their criteria.
- **Set up test systems.** Maybe you have a new version of your key system or new features that you think fit your buyer. You can build trust with your client with a test system they can try out. It's a step beyond the demo, and it lets the buyer truly see how the system meets their specific needs.



TREND 3: THE RISE OF CONTEXTUAL COMPUTING

*THE FUTURE IS BIGGER
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Most HCM companies are still taking their cues from Facebook and Apple. They're focusing on creating an "engaging user experience" with the idea that if employees actually find the user interface easy and enjoyable to use, they'll spend more time with the application and fill databases with more and better data. They're also extending this functionality to tablets and smartphones to keep users connected to their systems.

Even though these ideas are still evolving, and even still nascent in some respects, they're already becoming passé. The future is bigger than big data and more than mobile — it's contextual computing. It's going to change HCM, but what does it mean for you?

- **It's not just about you and your products anymore.** The HCM companies that successfully make the leap into contextual computing will realize that it's about more than their software. They'll see it's about how their software integrates into a broader ecosystem of solutions, as well as the user's needs in the moment. *As a recent **Fast Company** article put it,* "The adoption of contextual computing — combinations of hardware, software, networks, and services that use deep understanding of the user to create tailored, relevant actions that the user can take — is contingent on the spread of new platforms."¹
- **It's about enabling your users.** The companies to emulate today are Google, Netflix, and Amazon. Their recommendation engines focus on connecting people to the data they need to make decisions in the moment. Some of the market leaders in HCM are already taking steps in this direction with their analytics engines that go beyond dashboards. These products clearly point out what you should focus on, such as "voluntary turnover is going up."
- **It's about more than "the system."** Contextual computing isn't about the software or the application; it's about pulling the information when you need it, where you need it. Do you need to hire an account manager? You can get candidates from your extended network in your workspace. It's more than LinkedIn, more than your company's candidate database. It's all of those and more without having to go to the data source. The data will come to you.



TREND 4: RETHINKING PERFORMANCE MANAGEMENT SYSTEMS (AGAIN...)

*HUMAN BEINGS
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In a recent Brandon Hall Group survey, more than 70 percent of organizations said they had some form of technology in place to manage performance management processes, yet less than half of the same organizations felt that performance management feedback was highly effective.

Why do organizations continue to chase the holy grail of performance management while the process and tools continue to be some of the most hated HR outputs of all time?

The answer is simple. Human beings thrive on feedback and guidance, but most people are ill-equipped to provide these two simple tools required for performance improvement. Somewhere along the line, the simple need for feedback and guidance turned into a torturous HR compliance requirement. Tomorrow's performance management systems will need very different functionality.

- **Real-time performance tracking.** These systems will need to take advantage of the constantly connected, constantly networked, and constantly sharing workforce to capture real-time performance data.
- **Fluid goal-alignment tools.** These tools leverage predictive analytics, data analysis of regular enterprise task and communication tools, job profiles, and business modeling to help employees regularly prioritize their work efforts based on constantly changing business priorities. Imagine the possibilities.
- **Incentives for feedback.** This is more of a cultural issue, but tomorrow's systems need to give everyone an incentive to offer constructive feedback. It's likely that tomorrow's performance management systems may look more like the reward and recognition tools of today.
- **Changing perceptions of performance.** Today's performance management systems are uniquely suited to capture measurable performance outcomes. Often overlooked are the unique performance factors that lead to innovative breakthroughs, long-term relationship building, or simple risk-taking. Without tools that measure the value of these more intangible benefits, performance management systems won't get organizations beyond the status quo. Is it any wonder that many of the most innovative ideas come from small organizations – those less likely to have a performance management process in place?



TREND 5: PROVOCATIVE, FORWARD-THINKING SOLUTIONS FOR THE TALENT SHORTAGE

THE CHALLENGE IS TO FIND THE RIGHT TALENT THAT CAN BE DEVELOPED AND CHanneled TO FIT BUSINESS NEEDS.

There's a perception that companies both domestically and globally face a massive talent shortage. It's more accurate to say, however, that we have a massive shortage of specific skills to meet specific business needs. Talent is in abundance and all around us. The challenge is to find the right talent that can be developed and channeled to fit business needs.

In the future, best-in-class organizations will adopt strategies – some of which are already in place but underutilized – to attract the best talent. They'll be looking for HR technology providers to know and understand these specific strategies and offer solutions that support them:

- **Employee referral programs.** The best employees generally know other talented employees who are seeking better opportunities.
- **Earlier college recruiting.** Companies must look at younger potential employees as early as their freshman year of college. By the time many college students are ready to enter the workforce, they've already made up their minds about the type of industry they want to work in and the kind of work flexibility they want.
- **Increased internships.** Companies don't offer nearly enough internships – paid or unpaid. Looking forward, you'll see companies offering two to three times the number of internships to increase their talent pools.
- **Talent retention.** High-achieving companies generally have less turnover than their peers. They spend more on development and career opportunities. Investment in talent retention must dramatically increase.
- **Acqui-hiring.** Talent-hungry tech companies like Facebook and Yahoo tie M&A strategy to acquiring great talent. Expect more companies to look beyond just profit potential and to pay more attention to the talent potential in acquisition targets.
- **Social and mobile recruiting.** All talent acquisition will have a social and mobile recruiting element to it, whether it's through sourcing, mobile job applications, SMS alerts from potential employers, or background and reference checks.
- **A focus on aptitude.** Most companies hire for specific skills, while undervaluing aptitude. This is changing. With the use of behavioral assessments and a greater alignment between learning and talent strategies, it's easier to hire high-aptitude employees and train them as needed.



TREND 6: THE RISE OF NEXT-GENERATION TALENT ACQUISITION TOOLS

WHILE MAJOR HCM PLAYERS WERE SCOFFING AT THE IDEA OF CLOUD-BASED SYSTEMS, TALENT ACQUISITION PROVIDERS WERE PUSHING THE LIMITS.

Talent acquisition has driven innovation in the HCM space for two decades. While major HCM players were scoffing at the idea of cloud-based systems, talent acquisition providers were pushing the limits as to what could get done online before the cloud was even defined.

The advantages talent acquisition providers had in their initial development were twofold: Their function was external-facing in nature and talent acquisition functionality wasn't integrated into HCM systems. Fast-forward 20 years and the fruits of these efforts to keep talent acquisition aggressively ahead of the curve have taken shape:

- **Sourcing 2.0.** Sourcing used to be the domain of specialty phone and Internet research firms. They used exclusive lists, gobs of researchers, and someone well versed in Boolean, the language of Internet search. Now, there are cloud-based tools that will surf the Web for you, collect all the data they can find about a person online, and give you easy search-and-contact functionality.

- **New assessment approaches.** If you remember the pre-Internet era of assessments, one thing probably comes to mind: bubble sheets (and maybe that No. 2 pencil, as well). We've come a long way. Now we're seeing the emergence of novel ways to test skills. Everything from gamification of assessments to the ability to better track the reliability of assessment tools.
- **Mobile-enabled recruiting.** While HCM providers are slowly transitioning to mobile enablement, talent acquisition providers are already there in many ways. Not just with mobile career sites but by being able to manage workflow, candidate contact, interview prep, and more, from any device.

If you're playing in the talent acquisition space, you have to be agile or you're not going to be competing very long.



TREND 7: THE CONSUMERIFICATION OF HR TECHNOLOGY

*THE NUMBER OF
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OVER YEAR.*

The form and function of technology in human capital management has changed dramatically over the last 10 years. Whereas many products were primarily administrative by design, the number of employee-facing tools is growing exponentially year over year. From content-sharing and collaboration platforms to social performance management tools, the success of these tools is heavily dependent on an active and engaged workforce.

This is both a boon and a burden for HCM providers. While these social-powered systems go a long way toward fostering a more productive work environment, finding a balance between encouraging employee engagement within these solutions and policing improper use can be a challenge.

Finding that balance is key to driving widespread adoption of your product throughout your customer's organization. Here are a few tips to help you drive that engagement along the way:

- **Recruit champions.** Fact: All of your employee users are already using consumer tech to one extent or another. Tap into their experience and expertise, and recruit them to champion the rollout of your new employee-facing HCM tools. Using them as beta testers, you can identify potential problems before a full-scale launch of a new product and begin building buzz among other employees.

- **Reward desired behaviors.** Many employee-facing systems are now drawing on elements of gamification to encourage employees to explore all these tools have to offer. A badge is earned for completing a task, or kudos are given for sharing interesting content. Although these positive reinforcements are lightweight, they're surprisingly effective and should be considered.
- **Promote best practices.** If you can help HR identify best practices for launching a new product within a company, you can ensure better overall results. Most HR people don't roll out employee-facing technology every day. If you can pass on tips from other customers' successful implementations, you'll increase the likelihood of your new technology sticking around.

Even if you follow these guidelines, there will be hurdles with any employee-facing technology. Ask your champions to share success stories, and let the good overshadow the bad.



HOW CAN YOU RESPOND TO THESE TRENDS?

Well, that's up to you, but we believe you've taken a first step that many providers in HCM miss: thinking critically about the broader market they play in.

A few next steps to consider:

1. **Your options are open.** Do you want to pursue a market share or profit strategy? Are you looking at acquisitions, additional funding, or partnership opportunities? Use this as a guide to start exploring options with your team.
2. **Understand the market and where you fit.** You can utilize Brandon Hall Group research, analysis, and consulting to better understand the entire market and your particular position in it. They can talk you through your solution category and expansion possibilities across the entire HCM market.
3. **Time to execute and grow.** Once you're ready to make it happen, The Starr Conspiracy is the only strategic advertising and marketing agency that focuses on enterprise software and services companies in the HCM space. They are changing B2B marketing forever as they help companies gain market share, build brand awareness, and improve demand generation.

The changing nature of the HCM market presents uncertainty as well as opportunity. Companies like yours that are willing to understand the trends driving the industry are better positioned to deliver for clients and disrupt the status quo. Let us know if we can help. Brandon Hall Group and The Starr Conspiracy wish you the best of luck.

Contact The Starr Conspiracy

-
marketing@thestarrconspiracy.com | 817.204.0400

Contact Brandon Hall Group

-
success@brandonhall.com | 561.865.5017
http://go.brandonhall.com/contact_us