E-Guide

Is it time to invest in a talent management software system?

An essential guide to HR software purchases

Most forward-thinking organizations know that

employees are their most important "assets". It's no surprise then why talent management is at the heart of HCM and is essential in not only finding the right people for the job but those that can help the business long term.

But talent management software isn't a "one size fits all" solution.

Before you consider any future HR software purchases, you must first understand your company's specific needs and which solutions can meet these requirements.

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Talent management software key in HCM but not necessary for all

By Emma Snider

Talent management is the most important component of a human capital management system, according to Nucleus Research's first-ever *Technology Value Matrix for Human Capital Management*, which ranked SAP SuccessFactors and Oracle Taleo the predominant leaders of a 20-vendor pack.

"The way we see it, [human capital management] HCM also provides other HR technologies, but the core or most critical part of HCM is definitely talent management," said Gabriel Gheorghiu, principal analyst at the Boston-based company, and one of the analysts who worked on the matrix. "Talent management is important so you make sure you find not only theright people for the job but those that can help the business."

However, Gheorghiu also said that talent management is not necessary for every business to have. He recommended that

companies approach HR software purchases with specific needs in mind and avoid falling prey to the hype of the latest technology.

"I think the best time to buy any type of software is really when you need it," he explained. "If your core HR system -- even if it's a legacy system -- works well, and you're not in one of these industries that desperately needs talent, I don't think you need HCM."

Talent management is king in HCM

HCM is defined in the report as "generally comprising core HR (payroll, benefits and personnel management), workforce management and talent management functionality (career development, succession planning, learning and training)." The report explains that these functions could be spread across different products from the same vendor. Products were assessed on functionality and usability.

Vendors are dispersed fairly evenly on the matrix among the "leaders," "facilitators" and "experts" categories, with just two -- SAP ERP and Bond Talent -- placed into the "core provider" quadrant. Leaders scored highly on both usability and functionality. Facilitators are skewed towards usability, experts towards functionality, and core providers received low scores on both measures.

The two predominant leaders according to Gheorghiu are SAPSuccessFactors and Oracle Taleo. Other leaders include SumTotal HCM, PeopleFluent, ADP Vantage HCM and Infor, based on its acquisition of Lawson.

While Workday is one of most highly ranked vendors on usability, it is one of the lowest on functionality, placing it in the facilitators section. Gheorghiu said that this positioning is due to the product's weak talent management capabilities. "Workday is not as strong as Taleo or SuccessFactors, or even smaller vendors," he said.

He cited Workday's announcement that it will build a recruitment platform for release in 2014 as evidence of its

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functional deficiencies. "Talent acquisition and recruiting are pretty much core in other HCM or talent management systems, so I know they're doing a lot, but we don't see them as a leader -- not yet," he said. Saba and Kronos Workforce Central were also identified as facilitators.

While Gheorghiu said social recruiting and succession planning are currently the two most important functions of talent management, he expects learning capabilities to increase in significance in upcoming years.

"I believe in a proactive approach to talent management rather than a reactive approach," he said. "A proactive approach is finding talented people that you train and encourage to grow with the business. A reactive approach is to go out there and see who is extremely qualified and has a lot of experience -- buying talent rather than growing it."

In Gheorghiu's opinion, learning is an essential component of a proactive approach. "WithGeneration Y and younger people, I believe that if you can really get them on your side by investing in them -- and that's what learning is -- then they will stay with you." This emphasis on learning is reflected in Lumesse's inclusion in the report's "vendors to watch" list.

The report points to talent management integration issues as a sticking point for HCM systems. "One of the major challenges HCM vendors face is the integration between talent management solutions or modules and core HR, along with other business software types, like ERP or CRM," the report said.

But in regard to SAP and Oracle's acquisitions of SuccessFactors and Taleo, Gheorghiu said it's unrealistic to expect integration to happen overnight. "We cannot expect software vendors like [Oracle] JD Edwards or SAP ERP to easily integrate with other complex solutions like SuccessFactors and Taleo," he said. "It's an ongoing process, and I think they're on the right path."

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Is it time to invest in talent management software?

Although talent management is the principal piece of HCM, Gheorghiu said it's not necessary for every business to have, simply because some industries do not need high-value talent as much as others.

"HCM including talent management is something that is used a lot by large enterprises and that is because talent for them is more important. To put it bluntly, if you have a warehouse management business you do need qualified personnel, but you won't invest a lot in retaining them because you know some will leave and others will come," he said. "It's a pragmatic approach if you think about it."

However, larger businesses that need workers that are highly in demand, such as engineers, are not in the same situation. "If you're a high-tech company, you can't afford to do that," Gheorghiu said.

Gheorghiu suggested some questions to consider before purchasing talent management software. "I think there are several things you need to ask yourself. Does my legacy system do what I need to for core HR? Will my company grow so much in the next 5-10 years and will I need so many talented people that an investment in talent management is justified?"

Gheorghiu's last word of advice was to take a gradual approach to HR software purchases. "I don't think you should buy HCM for the sake of buying what's trendy and what's new," he said. "Sometimes companies look at a package HCM suite and they say, 'Wow, lets buy everything.' The problem is it's expensive, and you may not need everything."

"Start with what you need and you can add other things later," he said.

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Before buying talent management system, consider talent lifecycle

By Karl Hakkarainen

At their most basic, talent management systems must address four integrated functions: recruiting, onboarding, performance and development, and compensation.

But because talent management software packages are also part of a talent management lifecycle, they must also fit in with an organization's existing IT systems and business processes while adding value now and in the future. The many adjectives vendors use to describe their talent management systems' capabilities -- extensible, adaptable, resilient, scalable, and modular -- point to a common theme of planning for change.

Among other things, planning for change means reviewing the current environment and broader trends affecting the enterprise, mitigating risk, and remaining open to new opportunities.

Each company has both a tradition of project management and a unique set of requirements that must be understood and met. Here are several more perspectives to consider during the company's product selection process.

Determining talent management system requirements

Before searching the market for talent management software, an organization should take stock of itself. A company profile provides the essential data points for review. These include the company size, financial record and projections, current and planned markets, employee demographics, geographic scope, and specific legal and regulatory considerations.

A further inventory should cover current customer relationship management (CRM), ERP, and learning management systems (LMSs), as well as corporate IT strategies.

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These elements establish a framework for the project manager, consultant, or vendor to consider when evaluating the options in talent management systems.

In addition, current pain points should be gathered in a formal requirements process, a review of performance metrics for HR personnel and HR information systems, or at least a glance at angry emails from internal and external users over the past two years. Anecdotal data, while never sufficient for a thorough planning process, still provides a valuable reality check on a talent management system's capabilities.

With requirements in place for scalability, system configurations, cost, performance, the quality of current software, existing bottlenecks in process or decision flows, and turnover rates, the company can perform a quantitative analysis of each option.

Broader trends affecting talent management system selection

Each business is affected by larger market, demographic, social, and geopolitical forces that can determine which talent management system is the best choice.

Pending legislation regarding the classification of exempt and non-exempt employees, the number of H1-B visas, or incentive programs for hiring veterans can impact a company's HR processes and systems.

What's more, the Baby Boomers are nearing retirement. Some may leave, while others may seek consulting roles or positions that require less travel. In other segments of the age spectrum, education and work experience differ not only in degree, but in kind. "Millennials" (the generation born in the late 20th century) may adapt more

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successfully to online training programs and social media tools. This can reduce the need for classroom or one-to-one training but put increased demand on the quality of online materials and social media-based training software.

Like pretty much every category of software nowadays, talent management systems are being transformed by cloud computing. Although it's rarely a good idea to choose a technology before reviewing all the options, cloud-based talent management systems are rapidly becoming the only meaningful option. As Forrester Research's Paul Hamermanwrote, Larry Ellison, CEO of Oracle and a long-standing critic of Software as a Service (SaaS), eventually yielded to the trend and announced Oracle's acquisition of Taleo.

An increasingly popular cloud computing option is Infrastructure as a Service (IaaS), which can put corporate data in the cloud while retaining traditional desktop client software, minimizing the disruption to end users.

Finally, during the software selection process, it's important to identify risks not only for their likelihood, but also their potential impact. Weather-related damage is generally rare, but can be devastating. Regulatory changes are another risk that affects HR activities. They are highly likely, but usually localized.

Change and the talent management lifecycle

Business process management (BPM) techniques can provide a formalized and yet flexible way of describing in words and pictures what the talent management system will do and how it will do it. This helps to ensure that all stakeholders have a common understanding of the goals and capabilities of the new talent management system. The Object Management Group provides helpful documentation and examples of modeling techniques and products that can aid in talent management software selection.

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The organization's LMS may get its first serious workout during talent management system deployment. Experts advise looking for vendors that provide high-quality training in the modes that are appropriate for the organization, be it online, on video, or in person.

Talent management system vendors and unintended consequences

Vendors within and outside the talent management software market aren't sitting still. Mergers and acquisitions are regularly in the news, which can impact talent management software selection in a couple of ways. Vendors can create more complete product solutions, making a single-vendor solution more attractive, or they can acquire new companies with new products that create unexpected side effects.

For example, Salesforce.com recently made an entry into the talent management system market when it acquired Rypple; a social media-based performance management company. Not only does this mark a change in the CRM vendor's product scope, it also brings social media elements and "gamification" to Salesforce's performance review process.

Naomi Bloom, managing partner of Bloom & Wallace, an HR technology consultancy based in Fort Myers, Fla., said social media interactions can bring the small-office experience to the enterprise and a more clear-eyed appraisal of an employee's performance. "It's hard to hide in a world gone social," Bloom said.

When Salesforce.com's bought Rypple, an established vendor from another market entered the talent management product space, bringing with it a component that can dramatically change the way performance reviews are conducted.

Such talent management system mergers come with their won risks, however. They can take time not only to become official, but

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functional. An acquisition that's announced this month might become official in months, but it may take a year or two before integrated product offerings are available. Further, as Forrester's Paul Hamerman notes, in Oracle's case, a series of acquisitions can lead to product overlaps that the vendor will eventually have to resolve.

Once a talent management software vendor is chosen, the exact details of the business arrangement can greatly affect the system's effect on the talent management lifecycle. Consider the barriers to exit as well as the barriers to entry. Bloom observed that there are contractual and practical considerations. A provision akin to a prenuptial agreement can ensure an orderly transition. Licenses and service contracts with vendors and systems integrators, custom code agreements, and any third-party agreements need to include provisions for a graceful exit. Be certain to escrow the source code and documentation for any customizations performed by the vendor or subcontractors, Bloom advised.

Besides considering conversion requirements of importing current data and configurations to the new talent management system, it's important to recognize the employee transition costs. New systems are productivity killers at first, as people unlearn old procedures and learn new ones. Social media-based learning can help to spread best practices as they emerge during the transition.

Finally, remember that systems usually grow asymmetrically. When discussing scalability with potential software vendors, project managers plan only for growth, often the sudden variety. But the possibility of business contraction must also be considered. Cloud-based alent management systems and subscription software can add resilience to capacity planning, according to HR technology experts.

Staying open to the possibilities

Ten years ago, Facebook, Twitter, and LinkedIn didn't exist. Amazon was just getting startedas a cloud service provider. Salesforce.com had 3% of its current customer base. The major talent management

software vendors were also new and, at that time, typically niche, "point solution" providers.

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The concept and the implementation of fully integrated talent management systems are continuing to evolve, incorporating new features within the HR realm and adapting to the rapidly evolving social web. Just as risk mitigation requires planning for things to go wrong, staying open to change means being prepared to act if things go better than expected.

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