

To ERP Or Not To ERP, Part II: Thinking Talent Management

Choosing the right path to enable strategic HRM is fraught with difficult choices, but the rewards of a properly of designed and well-deployed process can hold great rewards.

BY NAOMI BLOOM

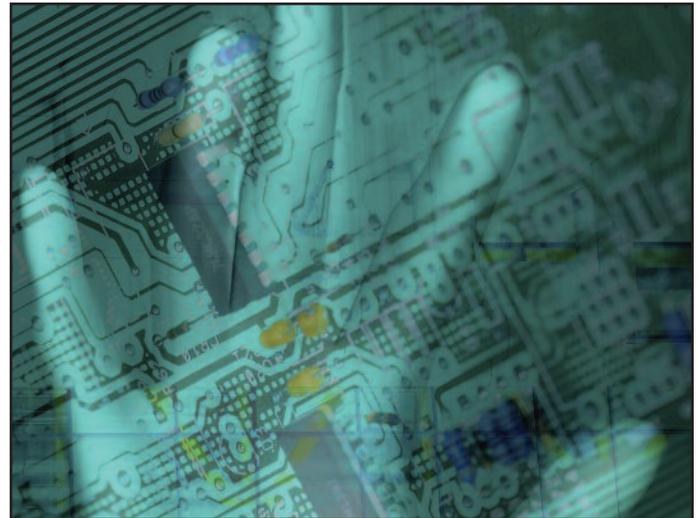
One of the great debates in HR circles is over what is strategic (i.e., talent management) and what is merely administrative with respect to human resource management (HRM) processes. That which is strategic is considered worthy of executive attention, academic research, attendance at expensive conferences, and the writing of numerous articles. That which is merely administrative is beneath the attention of senior management except when cutting costs or, heaven forbid, when something goes wrong. And all of this discussion goes on without a rigorous or consistent definition of either strategic or administrative HRM, let alone explaining their many interconnections or why we should care.

In my article in the March issue of HRO today, we sidestepped a little the definition of what is administrative but did explain the general contents of that essential part of the HRM delivery system (HRMDS) platform colloquially called the “system of record.” Much of the administrative HRM functionality and record-keeping lies within the system, and one way to set those boundaries within a given geography/business tradition is by what is or is not regulated in some way or governed by labor contracts. But the more important point made in last month’s article—aside that everyone must have a system of record obtained via licensing and on-premise or through a hosted deployment from an ERP/HRMS or standalone HRMS vendor or subscribed via SaaS—is that the system of record is also the foundation upon which all strategic HRM tasks are conducted.

WHAT IS STRATEGIC HRM?

Strategic HRM, or the common industry term, talent management, is not hard to define. It consists of the data, processes, and business rules—hopefully automated to the max—delivered via intelligent self-service and integrated as needed with the system of record to materially increase the revenues and/or profits of the organization; for public sector organizations, it increases the degree to which the mission is accomplished.

Strategic HRM improves the performance of individuals and groups and enhances workforce performance by using methods most often defined and championed by HR leadership, including:



- Better definition and organization of work roles;
- More accurate modeling of work role-specific KSAOCs, (knowledge, skills, abilities, and other characteristics, including attitudes, and work condition preferences and behaviors);
- Improved generation, selection, deployment, motivation, and retention of KSAOC-rich persons;
- More flexibility to deploy KSAOC-rich non-employee workers, e.g. consultants and contractors;
- Improved generation, collection, sharing, and deployment of organizational knowledge;
- More effective deployment of electronic performance support systems, e.g. knowledge bases, analytics, and performance coaching applications;
- Greater motivation of the workforce toward desired behaviors, outcomes, and KSAOC growth via targeted total compensation plans and work environment programs;
- Improved forecasting and development of needed KSAOCs;
- Improved design and execution of performance management and leadership development programs;

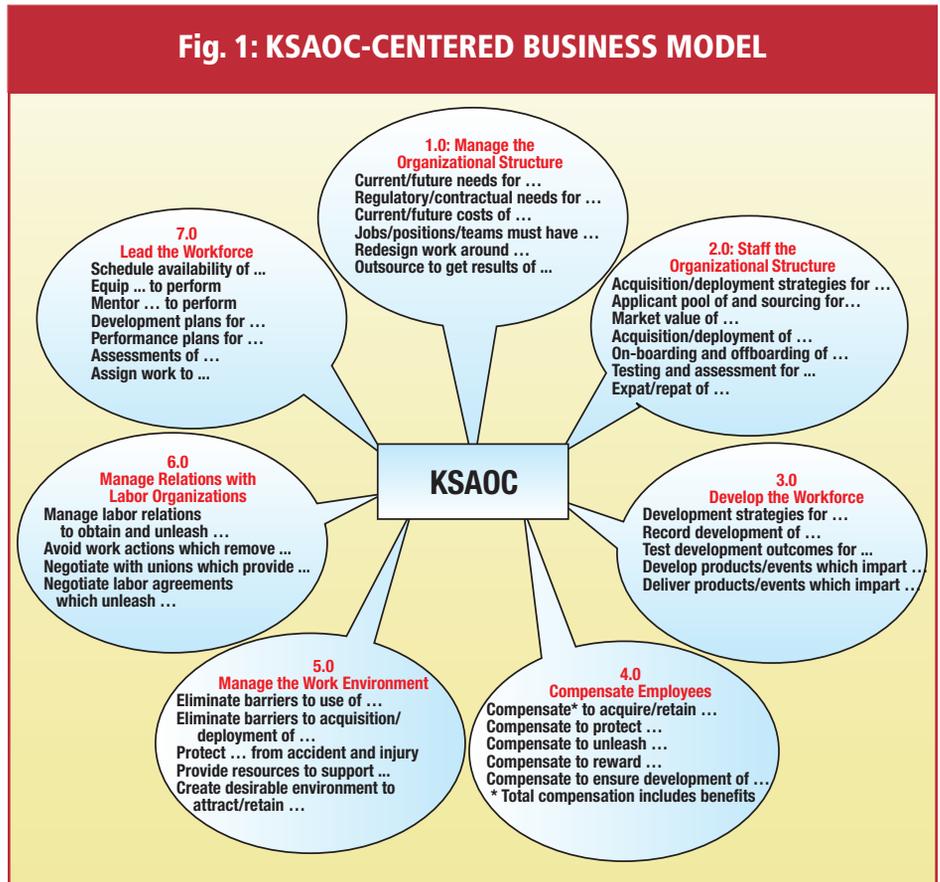
- Creation of a work environment that removes barriers to and encourages effective and innovative performance;
- More effective relations with labor organizations and with the workforce; and
- Better day-to-day coaching, mentoring, assignment, development and career planning, and performance management.

Not surprisingly, KSAOCs are at the heart of strategic HRM—finding, acquiring, motivating, developing, and removing barriers to unleash them. And KSAOCs must be at the heart of your HRM processes and data if you're trying to do anything strategic about HRM. But it's also important to note that KSAOCs must connect with positions, jobs, work units, employees, and non-employee workers, total compensation plans, and labor organizations—all stalwarts of the system of record.

Figure 1 provides a simple way of showing the breadth and interconnectedness of strategic HRM as well as demonstrating how KSAOCs form the foundation of everything strategic about the seven highest level HRM processes. For each of these, the phrases shown are examples of what goes on in those processes, and these phrases can only be completed by having an agreed upon vocabulary, however colloquial or situational.

Furthermore, the relationships among these highest-level processes are all about KSAOCs: organizing the work around them, attracting a workforce which has them, developing them in the workforce, incentivizing their use via total compensation plan design, creating an environment conducive to their use, forging relationships with labor organizations (which may be tomorrow's social networks) to obtain them, and leading the workforce every day to deploy them. It should be obvious by now that talent management and the system of record are so tightly intertwined that separating them through conscious choices around software platform components must be accompanied by careful attention to how, how often, with what compromises, and with what business justification you integrate disparate talent management applications on top of the system of record.

We can find strategic data connections inside nearly all of our humble administrative transactions, and therein lies a very real challenge for HR leaders their or their BPO providers in the design of their HRMDS platform. And there's a world of trouble ahead for any BPO customer who thinks that they can offload their adminis-



trative system of record to their provider and keep their talent management technology in-house without planning for the needed tight integration or interfacing across all those transactions that carry both types of data, reports that require both types of data, and the actionable analytics driven from them. If the system of record isn't designed to support the data needs of those talent management applications, it's very costly and error-prone to either re-implement the system of record or to maintain duplicate, heavily massaged data in the talent management applications.

SO WHAT TO DO?

There's no one right answer for what combinations of software brands, releases, or modules work best in terms of putting together your administrative and talent management HRMDS platform, nor on what business model or deployment basis these components should be obtained. Much depends on your platform starting point, your particular strategic HRM requirements, the extent of your global footprint, the quality of your underlying data and coding structures, and many other factors, including

your budget. However, we can offer some guidance on how to approach these questions and try to head off clearly wrong combinations.

■ **The ERP Story.** First and foremost, the more disparate pieces you (or your comprehensive HRM BPO provider) have to hook together and maintain as the components on each side change over time, the more costly, error-prone, and fragile your HRMDS platform will be. And that's when the systems integration is done well. Given the myriad interconnections between the system of record and your strategic HRM processes, there's an obvious business case for getting as much as possible of both from the same vendor, assuming that the provider really has a completely integrated administrative/strategic HRM suite, that it has a great UI and the right functionality, that services are delivered via your desired business and deployment models, and that the initial and long-term total costs (not just of ownership but of overall HRM service delivery) are acceptable.

However, getting a lot of HRM software from a single vendor isn't much help if critically needed talent management functionality isn't available; if you're running on an older version of their products for which the newer functionality

isn't being delivered; if the new functionality isn't really integrated except by marketing; and/or if their software produces a total cost of service delivery that is over the top.

As of now, the ERP/HRMS and standalone HRMS vendors have added and continue to add to the latest releases of their products integrated talent management functionality. They have the clear intention of being a one-stop shop for their customers' administrative and strategic HRM platform, at least for the bulk of that platform. SAP, Oracle, Lawson, and Ultimate are clearly on this path. But for many customers running on older releases from these vendors, or on a system of record from the software graveyard, whether on-premise or hosted (including BPO), rich talent management functionality may need to be provided through some combination of add-ons because of the cost, elapsed time, and enterprise considerations of upgrading to the more talent management-rich releases of these products.

■ **The TM Suite Story.** The rise of talent management software vendors has been a direct result of the historical lack of this functionality in the ERP and HRMS market, the fast-moving customer demand for these capabilities, the deep and specialized subject matter expertise that talent management software design requires, and the power of newer architectures, especially multi-tenancy and SaaS. The emergence of first narrow talent management process vendors and now talent management suite vendors is a very sensible response to minimizing the costs of integration across the interconnections of those strategic HRM processes. The best of the talent management suites offer a depth and breadth of strategic HRM functionality, along with rich user experiences and increasingly embedded intelligence, and their functionality goes beyond what ERP and HRMS competitors offer.

The best of them, which have truly modern architectures and deploy their products with multi-tenancy, are also able to roll out enhanced functionality quickly and to every customer at the same time. However, all of these talent management software suite vendors are painfully aware of the difficulties they encounter during implementation when the customer's system of record does not provide an adequate foundation of clean, timely, properly coded, and sufficiently granular data to make effective use of their talent management tools. And even if the customer's system of record is

perfect in terms of its data and structure, layering on a talent management suite means paying for all of the technical systems integration work, initially and in perpetuity, whether directly or via the pricing offered by your BPO or managed services provider.

CONVERGENCE IS COMING

Not surprisingly, some of the talent management vendors have extended their functionality, particularly in offerings to the middle market, so that their products can become the system of record, albeit without taking on the truly heavy lifting, from a regulated or contractual functionality perspective of payroll, benefits administration, and time and attendance. Early to this system of record direction was Softscape, but some other vendors, including Stepstone, are now seeking to be that system of record, at least for some target markets. Coming at the system of record from the talent management direction can ensure a more strategic view of those employee life cycle transactions that have been viewed historically through too administrative a lens, but it's no easy matter to take on the regulatory compliance and more complex object model/application architecture demands of expansion into the system-of-record arena.

We also see quite a few U.S.-only, historically administrative HRM software packages—which target the middle market—adding talent management functionality to meet customer demand, but it's not an easy matter to redo a product's object model to put KSAOCs at the center rather than administrative employee data. Unless you're using one of the packages on a SaaS basis, you have the same difficulty in getting to that latest release functionality as your ERP/HRMS colleagues, albeit at a very different price point. Ultimate Software is an example of one such firm quickly moving from a purely administrative focus to include more talent management functionality, and its new commitment to SaaS deployment means new customers will always be on the current release.

There are a third set of vendors that have built HRM software from the ground up to meet both the HRM strategic and administrative requirements of their customers. Workday, the brainchild of PeopleSoft founder Dave Duffield, certainly fits this description, as does Meta4, a much more developed product in terms of both strategic and administrative functionality, which is distributed widely in Europe and

Latin/South America but not in the U.S. Lawson has even rolled out a new HCM suite. Because Workday is quite new, it doesn't yet deliver the broad, deep, and global administrative foundation of its ERP or standalone HRMS competitors. It also doesn't yet deliver the broad, deep, and increasingly global strategic functionality of the best of its talent management competitors. But because it is a well-funded vendor with an underlying architecture that facilitates the needed functionality build-out, its customers expect the platform to take them where they need to go in a reasonable timeframe. Lawson's HCM products are also quite new and delivered as a SaaS solution. Please note that while talent management software delivered SaaS is widely accepted, many IT leaders shudder when SaaS is mentioned in the same breath with system of record.

THE RECESSION OF 2009

And then along comes the great recession of our time, escalating the HRMDS platform dilemma. The system of record is not optional, even if it's not very strategic, and keeping it up to date is going to be harder than ever given the HRM-related activism accompanying government efforts to lift the devastated economy. Talent management technology really is strategic when properly deployed and used to deliver correctly designed strategic HRM processes.

Can HR departments afford to do both in these times? Can they afford not to? Should you nurse your older system of record while investing in talent management add-ons, or should you risk an outright failure by a vendor on life support? Can you justify a painful ERP/HRMS upgrade to get talent management functionality or should you layer an add-on talent management application or two on top of your ERP/HRMS? Or should you just find a comprehensive HRM BPO provider who's got this sorted out and can spread its costs widely enough to make them affordable? The longer the recession continues, the more HR leaders will be faced with these questions. At the same time, they'll be hampered by smaller budgets, and vendors will be less capable of making the needed investments, so let's all hope for an early spring. **HRO**

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