

HCM: Capital Idea?

One of the great things about technology is that, rather like Madonna, it never needs an excuse to reinvent itself. After all, reinvention is what the tech industry is really all about: if a piece of kit starts getting a bit leggy and long in the tooth, you simply replace it with the all singing, all dancing new version that comes with built-in wireless, microwave oven, and doughnut holer.

It works with IT terminology too. ↪



We don't make phone calls any more. We make voice calls. We no longer have mobiles. They're now mobes. Server farm? No, blade array. Even seemingly non-IT related terms aren't sacred. Take "Personnel". It's barely five minutes since they changed it to Human Resources and they've now re-christened it as – get this – Human Capital Management (HCM) or Talent Management.

The only problem is – and here's the real kicker – that HCM and HR aren't the same thing at all. HCM, apparently, is something quite different.

According to the Yankee Group, while not yet a match for HR technology in terms of overall market size and scope, the global HCM software sector was already worth around \$2.8bn by 2005. It's currently experiencing double-figure growth (across sectors including recruitment and performance management, learning, and collaboration) and is predicted to surpass the \$6bn mark by 2009, with the likes of SAP, Oracle, Saba, Bluegarden, Meta4, and SumTotal Systems all enjoying strong growth. Which would all be great. If you only knew what HCM was all about.

First of all, at the risk of labouring the point, it's vital to understand that HCM is not – no never, no way – the same thing as HR. So says Alun Cope-Morgan, EMEA president at HCM software vendor Saba, who explains that while HCM can certainly be seen as complementary to HR, the two are distinct and in many ways diverse disciplines and marketplaces.

He explains: "Where HR basically deals with a business's 'transactional' human processes like payroll, taxation, pensions, expenses, and company cars, HCM concerns itself much more with the people themselves; the ongoing management and well-being of the workforce".

HCM, he says, is about getting the best out of people through optimising their development via processes such as training, knowledge transfer, career path management, performance analysis, appraisal and so on.

"Hopefully readers will forgive the analogy as it's probably not entirely appropriate in the context of talking about human beings, but in some ways HCM is rather like ERP for your employees. HCM is to optimising people what ERP and CRM are to optimising processes.

It's all about taking the raw materials in question – in this case your people – and moulding and shaping them to precisely fit the organisation's needs and business goals."

Here, he suggests, perhaps the easiest way to understand the distinction is that that HR is primarily tactical while HCM is essentially strategic: If HR concerns the day-to-day workings of your front-line infantry, then HCM is the war room at high command.

Further important differences are HR and HCM's relative touch points – the areas at which the two interface with the organisation. "While HR impacts just about every employee, the likelihood is that the HR system itself will be actively used by only a handful of staff in the HR department", says Brian Cormican, HCM director at Oracle UK. "HCM, on the other hand, not only impacts every employee, it 'touches' them all too; each employee will access the system on a regular basis to access resources such as training sessions and performance reviews. As such, HCM is a much more wide-reaching, enterprise application than HR; much more a two-way street."

This, notes Cope-Morgan, makes HCM the definitive human adjunct to the extended enterprise as it is much more likely than HR to stretch beyond the immediate confines of the user's own organisation and out into its customer and supply chains.

However, as Cope-Morgan hinted earlier, the HCM ideal has drawn criticism in some quarters. Most of the brickbats centre on the fact that people shouldn't be categorised or treated like stock, money, or some other commodity. As one complainant put it: "The idea of relating to employees as if they were cows or chickens bothers me. I am not part of an inventory. Nor am I owned, bought, sold or traded. I don't have a known expiration date (at least I hope not), and sticking the word Human on the front of Capital Management doesn't make it any less offensive."

It's a fair point. When staff walk through the door in the morning we don't think "oh, my human capital assets have just arrived in the workplace."



Each person is an individual with a unique set of knowledge, talents, experiences, problems, and expectations. Nothing about them is therefore “vanilla” when it comes to motivation. So can a software solution – whatever its acronym – really square that circle?

Actually, says Cope-Morgan, it’s precisely this individuality and uniqueness of talent that HCM seeks to identify and leverage. “The capacity for an organisation to identify its top performers and its best and most promising emerging prospects is increasingly recognised as major business imperative, so the real watchword here is talent. Even assuming you can find it – and that in itself is a big ask; particularly for larger, more geographically diverse organisations – you then have to nurture, manage, and maximise that talent.”

He concedes that, as with the introduction of any new terminology or any unfamiliar acronym there’s always a risk that new boys like HCM will get lost in the crowd, especially with so many others vying for mindshare and supremacy. In the end though it’s up to the industry to draw clearer, more demarcated battle lines.

Because of this, while HCM and Talent Management (TM) basically remain synonymous, many in the marketplace are now advocating the latter as the preferred term.

Among the TM lobbyists is Susan Venter, international marketing manager at SumTotal Systems, who describes the HCM acronym as “a lousy way of obfuscating the fact that HR and learning and development are marrying one another. The world should be spared another acronym and focus on the fact that HR and Talent Management systems from hire-to-retire are becoming one.” “That”, she argues, “is a concept everyone’s likely to get.”

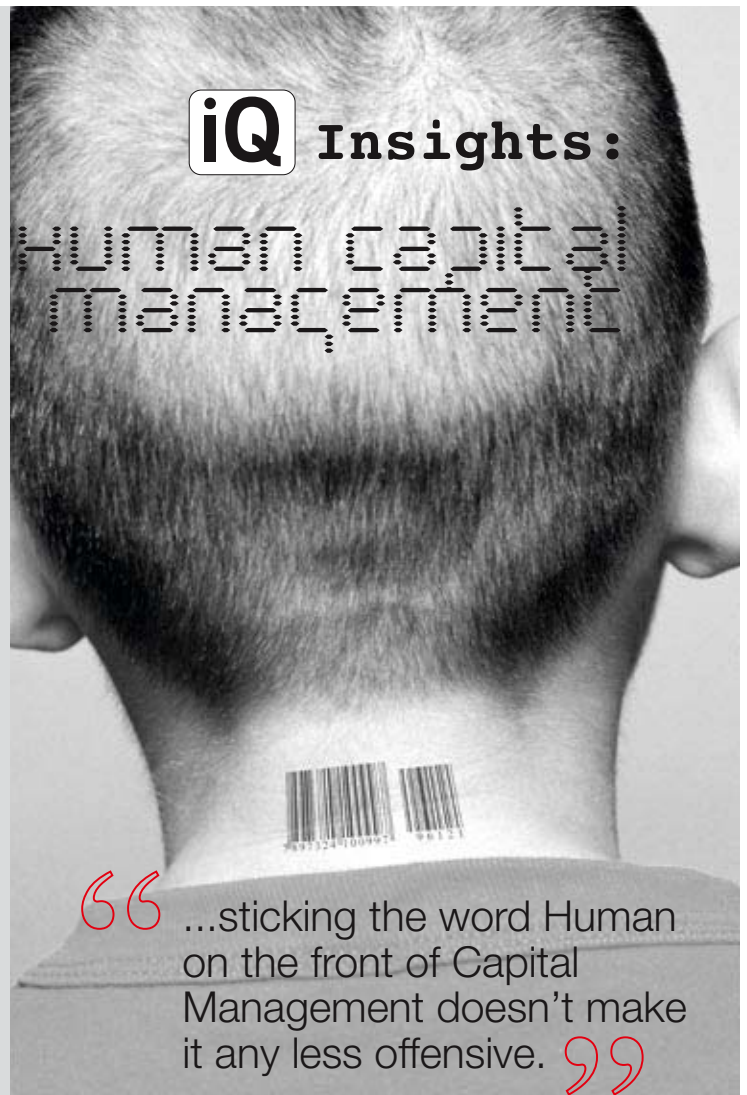
Cormican agrees, suggesting that HCM ultimately boils down to a quite simple concept: getting the right people, in the right jobs, at the right time, for the right cost. Many HR people don’t like the term HCM, he says. They feel it’s surrounded by too much hype but HR is really just a subset of a wider, more holistic HCM-driven whole.

As such, says Cope-Morgan, HCM is also the culmination of a wider business requirement. “A lot of enterprises have now gone through long, painful ERP and CRM roll-outs and have squeezed all they can out of those disciplines from the perspective of cost savings, efficiency gains, and financial benefits. That only leaves one major area of the business upon which they now need to focus – their human processes.”

Is HCM the answer? Don Taylor, strategic alliances director at InfoBasis believes so but recommends taking a holistic approach. “If businesses want to find the right people with the right skill sets, they need some form of HCM software to do it”, he says. “This, though, should be only one part of a much larger Human Capital strategy.”

Understanding the differences in the functionality and intent between incumbent systems and HCM will be important too, says Cope-Morgan.

“Many organisations, especially those that already have enterprise management solutions in place such as SAP and Oracle, will say – and believe – they already have HCM.



But they haven’t, and this is where the transactional versus management argument becomes vital. ERP systems, for example, are usually strong from a transactional viewpoint, but they’re not designed to incorporate, use and expedite the people management elements central to HCM and so naturally tend to be weak in that area”.

With this in mind, says Liz Pugh, European marketing manager at Human Concepts, it’s vital to focus on the end game. I.e. aligning your people with your business goals.

“The need for metrics and better reporting in meeting key performance indicators is getting more and more essential,” she warns. “Trying to do this with existing systems will be a major and possibly insurmountable challenge for most organisations, whose HR or general managers will be unlikely to have many facts and figures to hand about the workforce.”

Either way, just as with ERP and CRM, it is not simply a case of installing some software and standing back to watch what happens. A fair bit of pre- and post-implementation work will undoubtedly be required, including business consultancy, process analysis, integration, and reporting – and that rarely comes cheap.

Capital idea it may well be, but HCM is not something to be entered into lightly. ■