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2011 HCI
Research

THE ADVANTAGES OF UNIFIED HUMAN CAPITAL SOFTWARE

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THE ADVANTAGES OF UNIFIED HUMAN CAPITAL SOFTWARE

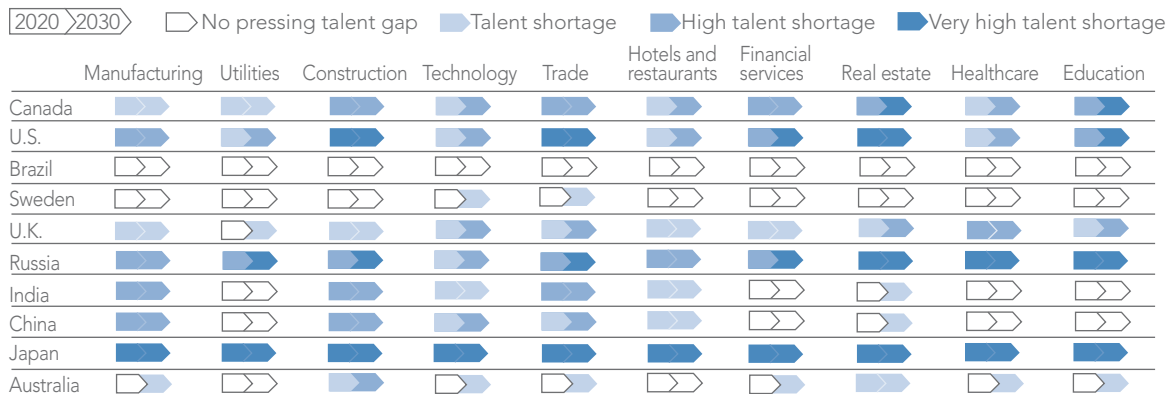
Introduction

Since McKinsey & Co.'s 1998 study "The War for Talent" was first released, its predictions have, in large part, come true over the last twelve years. The demand for talent has increased while the supply has decreased and these disturbing trends seem to show no sign of changing in the near future. According to Bloomberg Businessweek, the U.S., Canada, U.K., and Japan (among many others) will be facing various degrees of talent shortages in virtually every industry in the years 2020 to 2030.¹

Where Skill Gaps Are

HR executives project higher worker shortages in many professions by 2020 and 2030.

Japan's aging workforce and immigration policy may leave it short across the board.



Note: Country/industry assessment scoring is based on the size of the current employment situation, the compound annual growth rate difference between supply by country and demand by industry, and the CAGR difference between labor supply and demand on the country level.

¹ Bloomberg Businessweek, September 13 – September 19, 2010 issue, 54.

Though the global recession has forced many organizations to resort to layoffs and focus less upon talent shortages in the short term, uncertainties in the global market have only given executives more reason to worry about the talent they have and the talent they need. This intensifying focus on human capital spawned the term “Integrated Talent Management” in which HR functions, previously walled off silos, would be integrated into a continuous cycle of actions (e.g. Plan, Recruit, Deploy, Develop, Retain) that feed into each other and inform an overall view of an organization’s human capital which then informs business and human capital strategy. While the term “Integrated Talent Management” has caught on, it appears that the actual practice has not. Most firms still have a fairly siloed HR function with disparate software to support it which makes holistic data analysis difficult if not impossible.

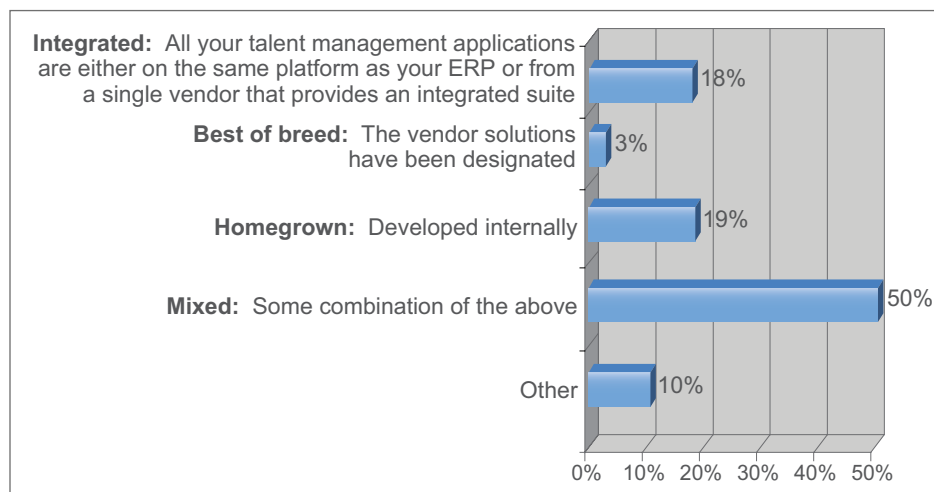
A debate has since sprung up between those who favor more integrated HR software systems (e.g. ERP) which attempt to provide HR organizations with all of their talent software needs in one platform and those who prefer a combination of “best-of-breed” or “point” solutions which attempt to fulfill only one function (e.g. recruiting) which, while highly ranked in the narrower area of service they provide, need to be “bolted on” to other applications to form a complete suite of talent management software. In order to understand what effect this decision might have on organizations, Oracle and the Human Capital Institute (HCI) created and launched a survey consisting of 22 questions to HCI members and distributed through various social media channels. We received 308 complete and partially complete responses to this survey between October 12th and November 19th of 2010.

The initial results were disturbing, but not surprising. When asked to rate their level of agreement with the statement that their “HR software is easy for end users to leverage. [End users] can use it without requiring assistance from HR beyond basic training” only 35% of 242 respondents agreed or strongly agreed. Also disheartening was the fact that, when asked to rate their level of agreement with the statement: “Our executives have the ability to anticipate and prevent workforce challenges on the horizon,” only 30% of 241 respondents agreed or strongly agreed. Overall, these two data points suggest that most organizations are failing to utilize the kind of HR software that is usable at all levels and capable of adding strategic insight to organizational strategy. Also of interest, we calculated that the average respondent (regardless of their organization’s size) spent \$466/employee on their HR software (n=149) whereas the average Oracle customer spends only \$355/employee (n=38).²

² Methodology: The cost of respondents’ HR software was determined by asking the respondents to enter their current number of employees and their current annual spend on all HR software and then dividing them.

In the current economic uncertainty, it is imperative for organizations to know their ability to cope or succeed in any scenario. For organizations to gain this knowledge, detailed analysis of their human capital (e.g. demographics, attrition, talent supply, succession planning) will be crucial. For example, an organization's leadership may make an aggressive strategy to expand the business this year. No matter how detailed this strategy is, if it is not informed by an understanding of the organization's current and future human capital then its ultimate success will be uncertain. By foregoing the ability to add this type insight on their workforce, organizations are making very important decisions with only part of the information.

When asked what form of talent management software they used, respondents overwhelmingly (50%) responded that they had a mixture of software (potentially ERP, Best-of-Breed and Homegrown applications) that supported their HR function.



Select the description of human resource and talent management applications which best fits your organization:

In order to discover the habits of organizations that were successful in these and other areas, the HCI Research Team performed detailed analysis of the data and concluded that, in general, those who use a Unified talent management solution had a significant advantage over those that do not. For the purposes of this research, "Unified" talent management solutions are defined (see fig.) as having all talent management applications either on the same platform as the company's ERP software or purchased from a single vendor that provides an integrated suite of solutions.

Among the key benefits of an Unified Talent Management Software solution HCI found the following:

- Greater Ease of Use
- Greater Ability to Achieve Strategic Goals
- ERP/Integrated talent management software is fits in with a strategic view of talent management.

Section 1: Usability — Making Software Easy to Use

Ease of use in software can be a critical factor in making a business more competitive. According to the Usability Professionals' Association (UPA), the key benefits of software usability include:

- Increased productivity
- Decreased training and support costs
- Increased sales and revenues
- Reduced development time and costs
- Reduced maintenance costs
- Increased customer satisfaction³

In the area of customer satisfaction in particular, according to the UPA, some of the top reasons why many software solutions have low satisfaction ratings is due to users overlooking tasks, their fundamental lack of understanding of the software, and frequent requests for changes by users (citation).

When HCI compared the responses of Unified respondents (n=41) and those of Non-Unified respondents (n=200), 51% of the former agreed/strongly agreed that their "HR software is easy for our end users to leverage. They can use it without requiring assistance from HR beyond basic training" while only 32% of the latter agreed or strongly agreed. Also, when asked to rate their level of agreement with the statement "Our workers and line managers understand clearly how to complete HR processes," 60% of the ERP/Integrated respondents (n=40) responded Agree/Strongly Agree while only 36% of the non-ERP/Integrated respondents (n=198) responded in the positive as well.

Given that usability has such far reaching effects, the fact that Unified talent management software users are far more likely to have higher than average usability ratings is a strong point in their favor. Because higher usability means that the end user is more likely to complete tasks on this software, this also has positive implications for the accuracy of these organizations' human capital data

³ *Benefits of Usability*. Retrieved December 12th, 2010 from http://www.upassoc.org/usability_resources/usability_in_the_real_world/benefits_of_usability.html

and their ability to make strategic decisions. When software is easy to use and fully integrated or unified throughout the organization, the all important task of executing and achieving strategic goals becomes much more realistic.

Section 2: Executing and Achieving Strategic Goals

Effective strategy and the ability to execute it has long been the cornerstone of any successful organization. Compared with the uninterrupted, predictable growth of the post-World War II economy however, the future is much less certain today. The natural result, of course, is that strategic planning is much harder for large organizations and especially in an age when the talent supply is low and getting lower as the Baby Boomers become eligible to retire at a rate of 10,000 per day in 2011.⁴

The other dimension to the growing talent shortage is the fact that there is a lack of skilled workers. For example, as of August in 2010 there were approximately 227,000 open manufacturing jobs that employers could not find qualified candidates to fill and by " the year 2012 it's estimated [the U.S] will be three million skilled workers short, and it's not just in manufacturing sector."⁵

In this environment where top talent is king, every business strategy should contain a talent strategy beyond simple headcount planning. Leaders need to be able to understand the current capabilities of their human capital and what they are likely to be in the future. In particular, a talent strategy should address all stages of the talent lifecycle including the Planning, Acquisition, Engagement, Development, Deployment, Leadership, and Retention of it. Because of the necessity for nuanced and accurate information on such a wide scope of talent management activities respondents were asked several questions related to it.

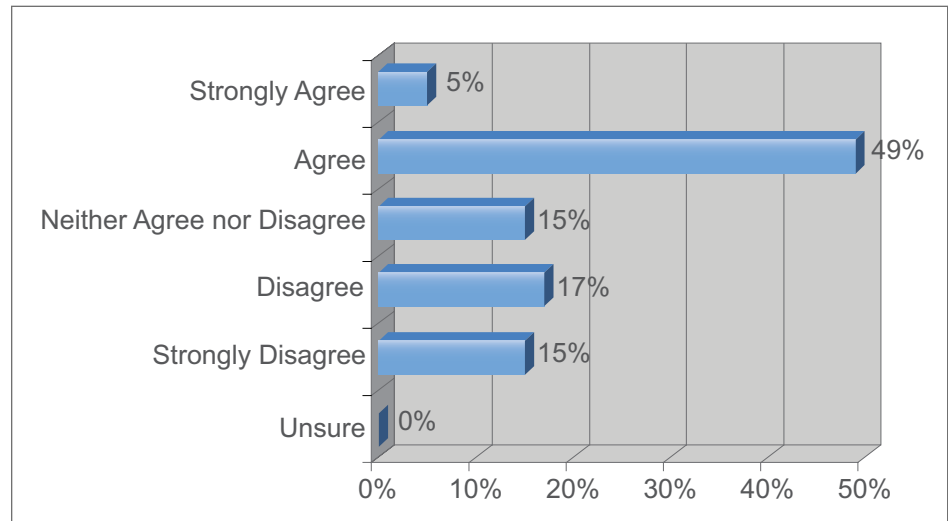
When asked whether "HR systems include reports, dashboards and analytics that allow management to make timely, proactive decisions to support the workforce and business goals," 54% of those with Unified talent management software (n=41) responded that they Agreed/Strongly Agreed while only 23% of the non-Unified respondents Agreed/Strongly Agreed. Also, when asked if "Executives have (through HR systems and analytics) the ability to drill down on specific areas of interest" 49% of Unified respondents (n=41) selected Agree/ Strongly Agree while only 20% of Non-Unified respondents (n=192) selected likewise. This data suggests that organizations that use a Unified talent management platform already have an edge on their competition by being able to provide the human capital analysis needed to inform their leaders' strategic planning efforts.

⁴ Carpenter, Dave. (12/28/11). : Boomers meet 'un' retirement. *CharlotteObserver.com*. Retrieved December 30, 2010.

⁵ Bowers, Cynthia. (8/11/10). Skilled Labor Shortage Frustrates Employers. *CBS Evening News*. Retrieved December 30, 2010.

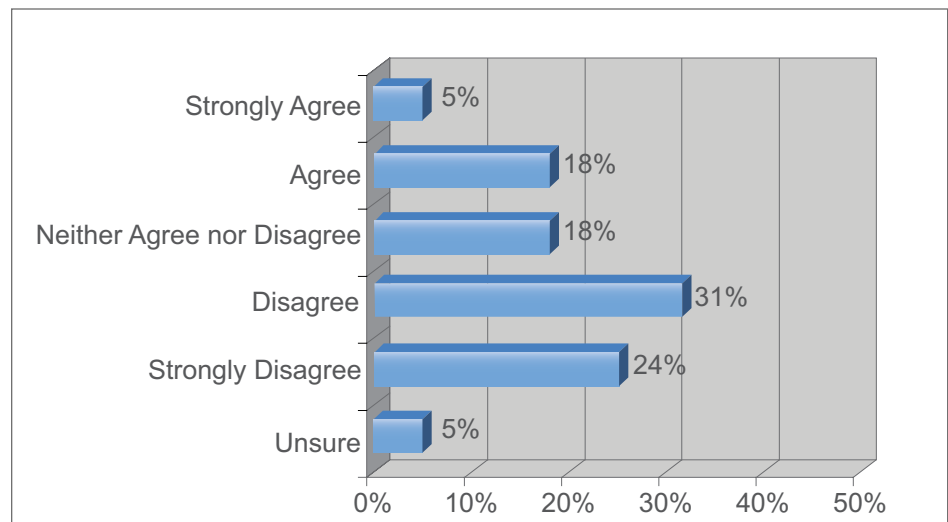
Our HR systems include reports, dashboards and analytics that allow management to make timely, proactive decisions to support the workforce and business goals.

Unified:



(n: 41)

Non-Unified:



(n=199)

Though the evidence suggests that executives' strategic planning abilities benefit from a Unified talent management solution, HCI also wanted to know what effect these platforms have upon middle and lower management. When asked if "Line managers can easily map employee activities to organizational goals and understand what their employees are doing and the impact of their actions on the business" 51% of the Unified respondents (n=41) selected Agree/Strongly Agree while only 33% of the non-Unified

respondents selected those options. This phenomenon also suggests that Unified firms have a native advantage in using human capital software that houses all data in one place rather than several disparate systems from different vendors.

Of course, this is not to suggest that Unified Talent Management software is a silver bullet for achieving a truly Integrated Talent Management function. However, it does seem that organizations with Unified software solutions are more likely to achieve an Integrated Talent Management state of being that is capable of providing strategic insight to the executive suite and acquiring, developing, and retaining the right talent.

Consider this example, in an organization with Integrated Talent Management in place the executive might determine their strategic goals based on the economic climate and up to date information on their human capital. Included in this business strategy would be a human capital strategy with targets for improving the overall skills and competencies of the workforce, hiring goals to offset attrition and support growth, engaging critical talent with development opportunities, etc. These human capital goals would necessarily filter down from the heights of the executive suite to the individual development plans that managers and team members craft together. Though a Unified Talent Management solution will not single handedly achieve this level of integration, it could very well be a crucial step towards it and appears, as we shall see in our next section, to be a tool that forward thinking organizations are already developing.

Section 3: **What Forward Thinkers Do — The Next Generation of HCM**

As mentioned above, implementing an Unified Talent Management solution does not automatically make an organization more successful at strategic talent management. However, those organizations that implement this type of talent management solution seem to have adopted an array of forward looking ideas at a higher rate than other organizations.

One of the ways successful organizations are staying ahead of the curve is through Social media. Social networks and blogs are being used by organizations as a highly effective and low cost way to engage and communicate with customers and employees. The ability to connect and leverage knowledge and experiences from peers through a quick tweet, blog, or status update creates effective collaboration across the entire organization and greater performance. Adoption of social media for talent management

is on the rise as organizations use it to attract, retain, train and develop employees. Social networks are also the one of the best ways to communicate with millennials which is key to attracting new talent as baby boomers retire.

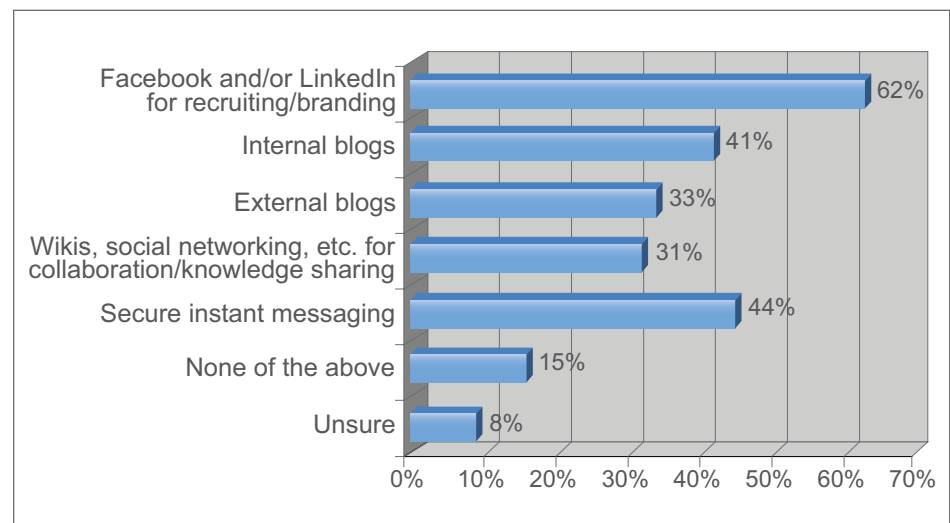
For example, in a 2009 Aberdeen Group study on the use of social media found that the top 20% of users of Web 2.0 tools in talent management experienced:

- 34% improvement in time-to-productivity among its people
- 31% improvement in employee retention/turnover
- 78% of employees indicate they were highly-engaged with the company (compared to 16% for “laggards”).⁶

In our study, respondents were asked to select all social media/Web 2.0 applications that their organizations use (beyond individual use) for business purposes:

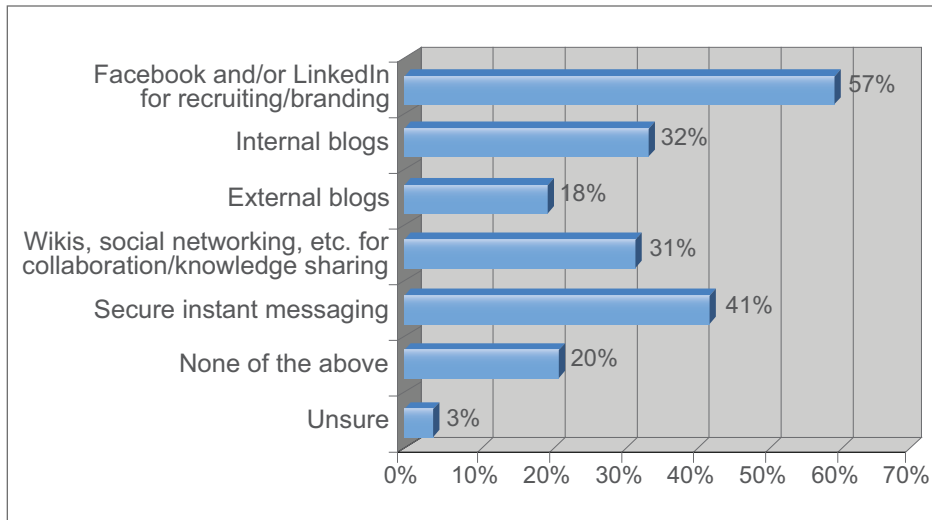
Beyond allowing individual use, our organization uses the following social media/Web 2.0 applications for business purposes:

Unified:



(n=49)

⁶ Lombardi, Mollie. (6/30/2009). HR Executive's Guide to Web 2.0: Cracking the Code for Talent Management. *The Aberdeen Group*. Retrieved December 30, 2010. <http://www.aberdeen.com/Aberdeen-Library/6070/RA-web-social-media-talent.aspx>



(n=192)

Although they have similar levels of usage for applications like Facebook/LinkedIn, Wikis, and secure instant messaging, the Unified respondents are significantly more likely to utilize Internal and External Blogs than those without Unified talent management solutions. Also, when asked whether employees routinely collaborate and network across functions and/or geography 66% of the Unified respondents (n=41) selected Agree/Strongly Agree while only 59% of the non-Unified respondents (n=191) responded likewise. Oracle users however, were even more likely to collaborate in this way. In fact, 72% of the Oracle users who responded to this survey selected Agree/Strongly Agree (n=46). These data sets suggest that, the more progressive an organization is, the more likely it is to have a Unified talent management solution and therefore more likely to reap the benefits of Social Media and Web 2.0 use in their organization.

Part 5: Conclusions and Call to Action

For the foreseeable future, serious thinkers and leaders agree that acquiring, developing, and retaining the very best talent will be the only way to remain competitive in the 21st Century. However, beyond that first principle, progressive organizations are laboring to find the best way forward for their firms toward an integrated talent management function that informs their strategic planning and points the way forward from a people perspective.

In order for HR to cross over into this higher plane of talent management, many organizations should consider carefully what the executive suite most needs from talent management before demanding a Unified talent management software solution. Given the results of the survey analysis however, it seems that

Non-Unified:

those who are more likely to adopt progressive ideas such as company blogs (internal and external) are also more likely have an Unified talent management software platform. This form of talent management software also seems to help leaders at all levels achieve strategic goals, and promote overall usability for the end-user. Both of these advantages have far reaching effects.

Also, it cannot be stressed enough that HR must have a complete list of functionalities the business needs as well as a map of how each talent management function relates to the other and how their shared data will be stored and maintained. Furthermore, HR should know exactly what skills are needed for jobs in the field and how to quickly anticipate and meet them. Without this comprehensive type of planning beforehand, implementing any solution (no matter how highly rated) is like buying first rate tennis equipment and walking on the court Wimbledon without a single lesson.

The advantages of Unified Talent Management systems are not limited solely to talent management. Because it is part of the larger ERP ecosystem, Unified talent management software users will have access and familiarity with a system that supports the entire organization. Also, with one synchronized system of record organizations will be able to track achievements against organizational goals as they relate to each function whether it is sales, product development, or talent management.

With the close of the first decade of the 21st Century, it appears that the world is suffering from a particularly severe case of the curse: "May you live in interesting times." That said, for those organizations that are able to plot the best course forward and get there quicker than their competition the second decade of this century will prove more prosperous than the first. In particular, with so much talent set to leave the workforce and an insufficient number of younger workers to replace it organizations must find a way to attract, develop, and retain the best talent possible to remain competitive. So far as this study can show, it will be those who commit to excellence in talent management by adopting a Unified Talent Management solution who have the advantage going forward.

Human Capital Institute: The Human Capital Institute (HCI) is a catalyst for innovative new thinking in talent acquisition, development, deployment and new economy leadership. Through research and collaboration, our global network of more than 175,000 members develops and promotes creativity, best and next practices, and actionable solutions in strategic talent management. Executives, practitioners, and thought leaders representing organizations of all sizes, across public, charitable and government sectors, utilize HCI communities, education, events and research to foster talent advantages to ensure organizational change for competitive results. In tandem with these initiatives, HCI's Human Capital Strategist professional certifications and designations set the bar for expertise in talent strategy, acquisition, development and measurement. www.hci.org

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Alan Mellish is a Content Analyst with the Human Capital Institute. Formerly of the research department at the Corporate Executive Board, Alan has consulting and research experience in a variety of areas including human capital and IT management. Alan blogs weekly at www.hci.org on topics related to Human Capital Strategy and Talent Acquisition. Alan is based in Cincinnati, Ohio and can be contacted at alan.mellish@hci.org.





Human Capital Institute

HCI is the global association for strategic talent management and new economy leadership, and a clearinghouse for best practices and new ideas. Our network of expert practitioners, Fortune 1000 and Global 2000 corporations, government agencies, global consultants and business schools contribute a stream of constantly evolving information, the best of which is organized, analyzed and shared with members through HCI communities, research, education and events.

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