



## Intelligent Processes: An Unprecedented Challenge for HCM Solutions

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Last week, I finally blew my savings on that beautiful flat-screen TV I had longingly set my eyes on over the past months. I just couldn't wait to see the new display, so I hurried home, ripped off the packaging, plugged in the cables quickly, turned it on, and I was pleasantly surprised to find a set-up advisor that walked me through the steps to easily configure my preferred language, my favorite networks, among many other features.

Just 10 minutes later, making the most of the new high-definition capabilities, I could jump from one network channel to the next with greatest of ease.

It was now 8 p.m. in the evening and I wanted to see the latest news. I had a wide range of networks, both local and international, right at my fingertips. I zapped through the channels when suddenly the distinctive yellow of CNN's breaking news captivated my attention. I thought, "Hang on, breaking news, let's get the latest spin on the top stories, business, entertainment, politics, scandals, the weather, and whatever else there might be." And I settled down to watch.

Does this sound futuristic? Not in the slightest. In fact, this is something you already experience daily and take very much for granted.

Now, let's take a glimpse at how the future of human capital management (HCM) technology might take off in a similar direction. Right now we are confronting two challenges that are shaping a new paradigm for business in the future: software configuration as opposed to customization, and the increasingly dynamic nature of competition itself.

### The edge of software configurability over custom-built components

Many customers have experience with long and costly implementation projects. They know that it is not only the initial implementation time and expense that is significant, but more importantly, the increased Total Cost of Ownership (TCO), resulting from the growing divergence between standard products and customized products. This certainly does not mean customers need to adapt to software standards. It means that customers must be able to evolve their use of the product to meet their unique needs and, at the same time, keep up with standard product evolution. No one really wants to create a hybrid product with a life of its own, evolving away from the standard product over time. Not only is customization high-maintenance, but it is also costly to evolve and difficult to keep abreast of the new features in each standard software upgrade, not to mention the risks of losing functional integrity due to migration incompatibilities.

Instead, configuration capability is all about seamless and smooth evolution without compromising customer-specific functionality. Admittedly, this might, in a sense, restrict customer capability to modify the software, but the advantages are so obvious and heavily outweigh this downside. Besides, the already weary market is now positioned to accept certain restrictions, simply to avoid the behemoth of onerous customization evolution, in favor of a far more pragmatic software configuration.

Technologically speaking, this is far from easy to implement and will generate headaches for software architects. Traditional software based on transactional architecture that also ordinarily includes a patchwork of many different technologies is not well suited to straightforward re-architecting to adapt and accommodate configuration. In no uncertain terms, this will require an army of very costly developers with a great deal of experience to adapt the software. New players in the HCM marketplace have brought a fresh approach and a significant challenge to the traditional software providers, but these new solutions are still difficult to adapt to complex or international organizations. Configurable software should adopt a component-based approach. Even this is not enough, as the software architecture must be designed from the ground up to support configurability.

## More open and dynamic competition

Let's not forget that competition between software vendors/services providers is dramatically changing. So far, organizations typically choose HCM software or an ERP with HR capability, complete an implementation process, and use the software (in most cases, only partially) generally for more than 10 years.

However, two key developments are changing this model to a more open and dynamic framework: Software-as-a-Service (SaaS) and Web 2.0. Delivering SaaS lowers the barrier for changing providers as implementation time is significantly reduced and traditional software acquisition costs move to a monthly fee. Web 2.0 provides semantic capability that similarly lowers the barrier to change and also partially solves integration issues. For instance, HR-XML and OAG have a crucial function for formatting HR data into XML structures, thereby significantly enhancing interoperability opportunities.

How does this change or revolutionize the way things might be done in the future? Let's dream a little and imagine a customer wishing to change from one provider to another effortlessly. Technically the new provider will call a set of services that pulls or extracts data from the first provider, and pushes or injects them into the new provider's environment. Of course, not everything is about SaaS and Web 2.0, but these are just two scenarios that show how customers may be less tied to a specific provider. We already see some actual cases of customers with traditional ERP solutions who have later decided to bolt on top a best-of-breed software implementation for total compensation, performance management, or even for a global HR suite. Evidently, this means at least two different software applications, two different user interfaces, and ongoing integration to name but a few issues. However, customers are more than ready to jump on to this bandwagon if they can really exploit the services provided by a configuration-based software model.

The flat screen TV, where a customer can change from one channel to the other just by using his remote control, seems a little bit futuristic for the software industry at present, but this is definitely a genuine trend, and is here to stay. In fact, we see signs of this already; perhaps a better example closer to the software industry and the services model is that of an online bookstore like Amazon. The final product, be it a book, a DVD, or a video game, is the same; the prices quoted, more often than not, are very similar. The sole difference is the service provided by the Web sites: how user-friendly they are and how easy they are to navigate to find just the right products effortlessly.

So, in this new, emerging, highly competitive business paradigm, where customers are free to flit easily from one provider to another in an instance, what other key factors are there for retaining these customers, aside from software configuration capability as already discussed?

**Diversity in globalization:** Markets are becoming more global, so software must be designed to adapt to the global

world. Mid-size organizations still can think locally today, but the globalization trend will require them to think globally if they want to survive and manage their talent effectively. This is why software must be able to manage both global situations and global companies. Globalization goes far beyond localization and legal aspects; it must address the fact that managing people in the U.S., China, France or Mexico is just simply very different. So the solution cannot be, "This is my global process and everybody must be aligned with it." This tactic is doomed to fail. Instead, software must deal with customer diversity in terms of legislation, culture, local best practices to name a few issues, and this model must be able to evolve according to specific customer timeframes and maturity.

**Exceptional usability:** Software providers will compete more fiercely online to offer easy-to-use software. We believe Rich Internet Application (RIA) techniques will become a must in the near future to support this emerging need for value-added enhancement of software usability.

**Assertive marketing:** As customer volatility rises, software providers will have to invest a huge effort to capture customers and user attention. This also means designing and architecting the software precisely to do that, just as TV shows need to capture their audience and increase their ratings.

But, all this will not be enough; it is only the beginning. As organizations are now evolving to meet the new demands, they need to build intelligence into their business processes to drive competitive advantage.

## Interweaving intelligent processes into HCM

Most organizations have already completed efforts to automate processes to push administrative tasks from HR departments out to line managers and employees. The market is offering strong solutions mixing workflow-based processes and transactional data updates. In fact, traditional HR processes, such as performance management, use these techniques both artfully and successfully.

Despite the trend to push HCM into the business, we believe that traditional manager self-service technology is far too limited to allow managers to take appropriate actions. The answer for that, of course, is business intelligence, balanced scorecards, dashboards and the like. These are very effective tools for allowing data exploitation graphically, and are ideal for manipulating structured data independently of the actions themselves. For example, if you want to come to grips with the cost structure of your organization, and perhaps drill right down to the most miniscule level of detail, your favorite business intelligence tools can do the job perfectly. Unfortunately, many operational processes today are still often disengaged from the analytical ones, resulting in rigid, cumbersome and inflexible procedures.

The next frontier to break down in HCM is ultimately driven by the need to retain users by simplifying and smoothing things out for them. For that, business technolo-

gy must also evolve beyond workflow into what we call intelligent processes to support decision-making, where users are guided through suggested business steps and paths, based upon resources and analytics together, in a flexible manner. While workflow technology can lead to rigid procedures, intelligent processes instead empower users to make the best decisions according to their preferred path.

So, if we take all these players in the HCM court and interweave these intelligently into coherent processes in a solution, the implications for business are huge. This is an important shift and it will be the next challenge to managing companies in a decentralized way.

## **Talent Management: The “why” and “how” of intelligent processes.**

How can intelligent processes revamp talent management, turning it into something that will re-chart the future of HCM?

Right now, the market is clamoring for effective talent management solutions. Talent management is about juggling people, behaviors, skills, attitude, knowledge, etc. Unfortunately, this information cannot just simply be pooled and structured into a straightforward model. The difference between a person earning US\$75,000 and US\$100,000 speaks for itself. The difference between two people with different skills and competing for the same job is much more complex to evaluate, and there are so many other criteria and variables that can influence an evaluation. This poses serious challenges for creating effective talent management applications to handle both structured functionality and the potentially more unstructured or chaotic elements.

Most solutions today use almost the same technology to manage skills as they do to manage costs; clearly this is rather shortsighted. This is probably one of the most compelling reasons why it is difficult to find simple and effective talent management solutions supporting a company's rapid growth.

## **Talent Management driven by business needs**

Talent management cannot work without the interaction of managers, so these new tools must be simple and smart enough to be used by non-HR professionals. They must not only be passive support tools for decisions, but also be able to propose solutions and support forecasts and simulations. These tools must link together transactions, processes and analytics. Moreover, analytics must not only be a set of sophisticated indicators, such as dashboards, key people indicators and the like, but the beginning of a decision process that leads to concrete actions and processes successfully and smoothly.

Right now, this isn't happening optimally. For example, imagine how a manager who has been alerted about new employees with training needs may have difficulties. How many times had they tried to sign them on to a course that

is full or canceled? What if the course has been postponed...until when? Or perhaps they find that the new employees do not have the right level for the course? Or they sign them on, only to find that there is not a big enough budget?

The system should automatically propose steps (including analysis) to support decision-making by suggesting the different actions that can be taken at each step in whichever order – such as identify the training gap and the appropriate training courses and checking to see if there is enough budget available – before finally approving the training request. This is how intelligent processes may be interwoven into the standard HR training process.

Today, transactions, analytics and processes are quite separated. Intelligent processes need to include and integrate these three components into a decision process with a single aim, i.e., simplify the user's work.

## **Limitations of existing Talent Management applications**

No one disputes today that people are the cornerstone of innovation and competition. And, no one disputes that an effective HCM system is a tool that must be implemented to manage people and talent properly.

But just how many companies have found and implemented a successful, complete lifecycle solution for talent management? Hardly any. Where is the problem?

This is difficult to analyze off the cuff, but certainly at the crux of the matter is the complexity of building and maintaining an up-to-date competency model, and the related HCM processes.

Nevertheless, talent management is a first step towards a truly powerful solution, because it is partially built on the principle that creating competency models at the level of an organization is too complex. So it limits the scope of competency management systems by limiting the managed population.

But in the long run, obviously this falls short. We need to take talent management further. At present, most talent management systems, to work properly, rely on state-of-the-art content, including fully up-to-date knowledge and skills, job/position definitions, evaluations and appraisals, people preferences and career management.

However, if any one of the corresponding processes is not used or related content is not up-to-date, the system still runs. Just like a four-cylinder car will still run when one cylinder stops working. But if more than one process and the underlying data are not up-to-date, the system will have more difficulty running; it just wheezes along like a four-cylinder car with only two cylinders working. Eventually, the system, just like the car, comes to a grinding halt and it is difficult to restart and become operable again.

Similarly in talent management if, for example, the evaluation process has not included the employee's current preferences, this will take him to a career plan that will not be consistent with his career goals.

Building intelligent processes into talent management solutions to handle data and functional integrity would enhance comprehension of such solutions across an organization and stimulate the business positively.

## Controlling the element of chaos in Talent Management

Just as you are never quite sure what you are going to watch on your new flat screen TV until you zap around a little, talent management applications, in particular, have to deal with chaotic or unstructured information and processes due to ever changing business needs and markets that are difficult to track effectively.

In talent management, this maps to a host of very real problems to be overcome, such as:

- Difficulties in defining and maintaining a coherent competency definition that is fully synchronized with the pace of business growth;
- Difficulty managing a global organization – A position with its set of characteristics might be relevant in the U.S., but irrelevant in China, and partially relevant in France. A skill might have the same name such as “Communication skill” in three different countries, but can be semantically different from one country to the other; and,
- Difficulty for an organization to maintain and conduct coherent appraisal processes in each culture.

These few examples of the potential problems merely reinforce why intelligent processes applied to HCM must also accommodate this chaotic reality. This is a colossal challenge for software providers and HCM experts, but it is a necessary development if we want HCM software to be effectively used by organizations.

## Angling for simple HCM solutions with intelligent processes in the future

In a recent interview, following the huge success of the last Wii Console, Saturo Itawa, CEO of Nintendo declared:

“Going back in time, we wanted to expand the gaming market, but how? We were struggling with that challenge. That was in the past. What would seem to be impossible in this industry? It’s not impossible if you can do it right. That is what we have done now. We have been successful to

some extent with the Wii. In combination with our endeavors, the market itself is expanding. There is no question about that. Everyone else is finding business opportunity now. That is where we stand right now. In other words, some peers in the video game industry have found an untouched continent for the very first time. That is a huge business opportunity. That is what everybody is looking into right now.”

The bottom line is that we are facing the same kind of challenge in HCM. Everybody agrees it is strategic for companies to manage well its human capital in an ever expanding, and increasingly more complex global economy. Everybody knows that only a small percentage of companies have really implemented these solutions.

Of course, limiting this paradox to software development is naïve, but software plays its part in bringing about an evolution to a new paradigm, too.

So here is the question that begs asking: Will software vendors be able to deliver more intelligent and easy-to-deploy HCM solutions to organizations planning to adopt talent management?

If organizations are truly to meet the new market requirements, software configurability and intelligent processes will become ever more critical. Software-as-a-Service, Web 2.0, and integrated rich user experiences are well positioned for this deployment.

The challenge is huge, but the market opportunity is even bigger!

## About the Author

Marc Sabbagh has been vice president of R&D Worldwide for Meta4 since January 2004. He is responsible for a group of 200+ developers based in Europe and the Americas, primarily focused on driving evolution of Meta4’s flagship product and researching the latest in technology and people management trends. During his tenure, Sabbagh has been a key driver of Meta4’s participation in a number of significant European Innovation Projects amongst them LIP, SWAP, ASP-Net and ONTOLOGGING. He joined Meta4 in 1997 as R&D and services director in France and then became director of Worldwide Product Strategy and Management. Before joining Meta4, he was technical director for HR Access at IBM Global Services group in France. His degree is electrical engineering from Ecole Supérieure d’Electricité in Paris, France.