

# What do Human Capital Management technology solutions actually do?

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I am frequently approached by HCM Technology companies eager to show me solutions that unlock potential, transform business, accelerate agility, unleash passion, digitalize innovation, and re-imagine work. But as my colleague [Todd Asevedo](#) wisely said, “none of these marketing phrases explain what the solutions actually do”. For those of you who prefer boring yet clear and simple definitions, here’s a short explanation of what HCM technology does.

HCM technology helps companies build and manage workforces to support their business strategies. This includes maximizing the return on investment spent on human capital. This is not trivial given that people represent the single largest operating cost in most companies, often accounting for over 70% of a company’s annual financial spend. HCM technology solutions provide thousands of features to help companies get the **right people in the right jobs** at the **right time** doing the **right things in the right way** with the **right development support**. But all these solutions can be summarized as supporting three basic things.

**Administrative HR.** These solutions help companies comply with the legal and contractual obligations associated with employing people. This includes managing payroll, ensuring people are legally certified to perform different types of jobs, and handling the administrative and legal details associated with establishing and terminating employment contracts. Administrative HR can be extremely complicated. It can also be very expensive if done wrong. Although it is operationally critical, administrative HR technology is of little interest to people outside of HR. Most CEOs only talk about administrative HR if it doesn’t work or costs too much. In sum, administrative HR technology solutions are more about making HR departments efficient than making companies successful.

**Strategic HR.** These solutions are designed to align the workforce to deliver business results. This includes designing appropriate jobs and organizational structures, staffing positions with the best available talent, equipping employees with knowledge and resources to do their jobs, engaging employees around the company’s vision and strategy, and creating an enjoyable, efficient working environment. These solutions make HR a strategically relevant function to a company. Although business leaders rarely talk about the importance of strategic HR per se, they frequently discuss strategic HR topics such as having a high performing work culture or attracting and retaining top talent.

**Integrated HR.** These are features that tie together different parts of HR with each other and with other business operations. For example, running analytics that show relationships between the number of people on a team, their skill levels, their customer services levels, and the team’s financial performance. Or automatically notifying the IT department when someone is hired to ensure that person has the right technology when they start their job. We are likely to see considerable growth in this area as concepts like the [SAP Intelligent Enterprise](#) program bring together operational business data, customer experience data, and HR data into a single platform.

## **The value of doing common things exceptionally well.**

HCM technology is usually not about doing new things but [doing old things in new ways](#). Companies have been hiring, paying, managing, and developing people as long as there have been companies. The problem is companies often do these things in ways that are inefficient, ineffectual and even counterproductive (e.g. [performance management](#)). What HCM technology does is allow companies to

rethink how they manage their workforces. To engage employees using methods that are more effective, efficient, equitable and enjoyable than the methods used in the past. And to constantly update, expand and improve these methods through use of flexible, connected cloud technology.

What HCM technology does for businesses is a bit like what Global Positioning Satellite (GPS) technology did for travel. GPS did not create change travel in the sense that we are still wandering around trying to get from one place to another. What GPS technology did is make travel much easier and effective than when we had to rely on paper maps and our memories. Similarly, companies are still employing and managing people. But thanks to HCM technology they are far more effective at it.

**Time for less hype and more substance.**

Referring to HCM technology with terms like “paradigm shifting transformational solutions reconceptualizing work for business 4.0 world” may grab people’s attention. But it does not educate people on how HCM technology helps businesses be more successful. Most business leaders are extremely busy. When these leaders see HR buzz words like “paradigm shifts in the future of work” or “enlightened talent management for the next generation” all they hear is “more distractions from my already overloaded day”. Successful business leaders are not looking for more things to do. They are looking for ways to do existing activities in a more effective and efficient manner. HCM technology does this by automating, improving, and transforming how companies design, staff, manage, and engage their workforces. The power of HCM technology is not about doing new things. It is about doing old things in new and more effective ways.

Perhaps it is time to talk less about how impressive HCM technology is and focus more on describing what it does. Because what it does truly is impressive if you understand its impact. For more about the impact of HCM technology, check out this article on [the value of HCM technology](#).