

The evolving 'why' of Human Capital Management Systems



How the new direction of Human Capital Management (HCM) systems is making it an enabler of business, in a scenario where talent is the fuel for success.

Why do we need HCM systems?

In a day and age where managing a company's human capital has never been more critical, systems that govern it are seeing the transformation as well; they are becoming enablers that directly impact the company's bottom line.

However, if we seek the HCM system's reasons for existence, we need to go back to the early days when companies would leverage multiple software solutions to help with these tasks. It led to a tangled web of spreadsheets, standalone systems or add-ons to financial ERP. This is where HCM systems came in, with an integrated solution that would help companies comply with the laws

of the land, save time, cut costs, and better leverage their most important asset – their people. There are three primary reasons for their existence: **Compliance, Cost, and Talent.**

A. Compliance (regulatory and legal): As businesses transcend borders, there is a need to comply with the laws of every land. Non-compliance with local government regulations puts the business at risk. Every company needs to comply with the local agencies and fulfill all reporting requirements. For example, some countries stipulate a minimum data retention law, while others have strict regulations related to the issue of physical payslips to employees. One of the measures of success for an HCM system is whether you can seamlessly manage compliance needs across geographies. The real value of HCM systems is unlocked when it integrates regulatory and workforce analytics to make better compliance-led decisions.



B. Cost: A good HCM system is a system of records that allows for greater cost efficiencies in the way a business can implement an HR strategy. Some examples of cost savings are:

- **Payroll management:** An HCM helps in eliminating manual calculation in payroll that not only helps in saving time and money but also removes the scope for error which could lead to overpayment with no audit trail
- **Attendance management:** The task of managing and reporting on employee attendance and leave is an expensive and time-consuming one. Implementing an HCM system not only saves substantially on processing costs but also unlocks analytics
- **Indirect cost savings:** Organizations that implement HCM systems see indirect cost implications from areas such as reduced HR administration and compliance costs, lower technology costs due to consolidation and costs saved due to better analytics-driven strategic decisions

C. Talent: While compliance and cost remain fundamental reasons, modern HCM systems today hinge on the third major *raison d'être* - talent. Can an HCM system help the enterprise understand who the right kind of employee is, how to attract the right type of talent and engage and retain them? This is the new direction that HR systems are moving towards, an enabler of business in a scenario where talent is the fuel for business success. In a scenario where employee engagement and retention is a challenge, HCM systems need to evolve to keep pace with these changing realities, in crucial areas:

- **Attract talent:** Today, with the increase in available talent and opportunity in the market, talent search has become more complicated and time-consuming. Not only does this mean that an organization needs to gear up to search for the right kind of talent in an acceptable timeframe, but it also says that it is equally important to engage with the talent to establish the brand equity of the organization in their minds. HCM systems have not stopped at just digitization - they include solutions that accelerate hiring. They read CVs with natural language processing and search job portals automatically. Bots call the prospective candidates and gauge interest through an IVR, leaving the recruiters with more time to engage the interested candidates
- **Retain talent:** There was a time when compensation was the primary driver of retention strategies, but this has changed. How can the skills and aspirations of your workforce become data points available to decision makers to engage meaningfully? To expect more from an employee, it is only fair that the organization takes care of an employee's personal needs, health and aspirations. The belief in professionalism that 'keeps emotions at the door' is on its way out. Today, companies believe in wellness that helps employees be their best they can be - both at work and off work
- **Nurture and collaborate:** Modern HCM systems enable organizations to become more collaborative and build a strong culture. HCM systems are equipped to facilitate collaboration between teams to help harness capabilities to the best. They are also geared to identify high potential talent and groom them for better opportunities

The triangle of influence

If we were to plot HR functions against the reasons for HCM systems to exist, we get a 30,000 feet view of the eco-system. The Triangle of Influence maps several HR functions on the three axes of Compliance, Cost Efficiency and Engagement. It is a graphical way to understand how these three drivers influence different HR

functions. This does not mean that one function is more important than the other, but does illustrate the difference between the functions' relevance across the axes. Breaking this down to a more granular level, we can accurately categorize the degree of influence that each of these factors has on the processes

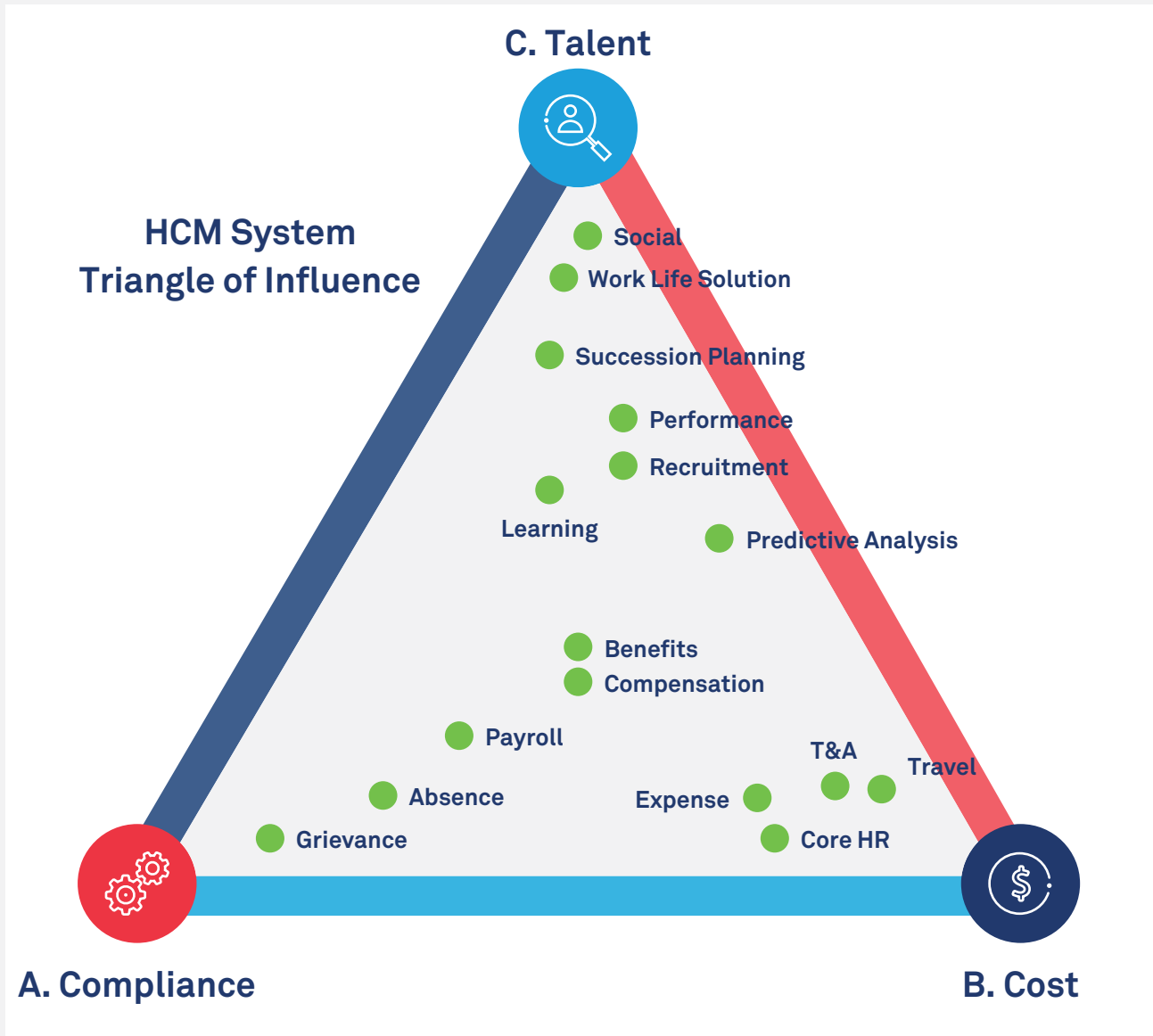


Fig 1: HCM system Triangle identifies HR processes' relevance across the three major reasons for HCM system's existence. The closer a function is to a vertex the higher the degree of influence of that vertex on the function.

What this triangle tells us is that modern HR thought processes need advanced systems that enable these thoughts. The focus on systems that deliver engagement as the core will lead to more significant successes for organizations.

One size does not fit all

How does a company choose an efficient HCM system? It turns out that the business realities govern this decision:

- **Industry-specific:** Some industries may have more significant churn than others, leading to a higher need for retention practices. Some businesses have critical, sector-specific processes and would have more weight to move them towards Compliance vertex in Figure 1
- **Company size:** Larger companies need greater rigor than smaller companies, while some functionalities have greater relevance for bigger companies
- **Country:** Local laws might influence some of the processes to move towards or away from the Compliance vertex in Figure 1

In conclusion, HCM systems have moved from being a cost saving or regulatory compliance system to something that is core to the business-the talent. Soon, crowd sourced continuous feedback mechanisms will replace performance management systems, learning will be peer-driven and gamified, timesheets and attendance will be based on mobile-location, and tasks will be crowd sourced to a distributed workforce. HCM systems will continue to create frameworks that will help businesses bring together data, processes, and empathy to focus on enabling the right people to be at their best for the organization and themselves.

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Subhadeep leads Oracle HCM solutions globally within Wipro. Within this role, he is responsible for growth in business for Oracle HCM within Oracle Practice. Subhadeep has an overall 16+ years of experience in IT service delivery, sales, pre-sales, and strategy. He is an HR domain expert and is a speaker at multiple forums, e.g. D&B HCM industry sessions and Oracle user group forums.

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