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The Many Faces of Workforce Management: HCM gains recognition as a strategic tool.

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Shortly after the ouster of Craig Conway from PeopleSoft, Yankee Group analyst Sheryl Kingstone assessed the company's trajectory. Just before Conway left, he'd announced a major partnership with IBM WebSphere. One major motivation for that partnership, Kingstone wrote, is to provide "composite-centric" HR solutions to enterprise customers. "The ability to manage human capital effectively is now widely recognized by business leaders as the enterprise's most critical goal after three long recessionary years in which corporate resources have often been cut to the bone and many employees are now performing tasks previously undertaken by two or three people," Kingstone explained.

PeopleSoft, like Siebel and SAP, has viewed human capital management (HCM) as a strategic enterprise application area since at least 2002, when those companies all were releasing or at least talking about "employee relationship management" (ERM) suites. The term ERM seems to be losing ground in the hype zone to the less sentimental-sounding component of ERM called "workforce performance management," which probably keeps the CFO's ears open a while longer.

Julie Thomas, Director of PeopleSoft's Global HCM Product Development organization, lit up at the PeopleSoft Connect conference when I asked her if human resources applications could be considered strategic the way top-line, business-building initiatives like marketing intelligence and supply chain management can be. She enthusiastically explained how all phases of the employee life cycle present opportunities to make strategic decisions, increase efficiency and performance, and align corporate objectives with individual goals. It starts with talent acquisition, continues through "onboarding," managing job performance, training and education, employee collaboration, executive succession, compensation decisions, and "offboarding." The process integration that the WebSphere partnership is supposed to facilitate between HR and other functional areas and their software, such as IT and facilities, benefits, and procurement, saves money and makes employees more efficient, Thomas explained.

Smoothly linking these interdependent processes is still a major development effort that can result in brittle connections that are hard coded or require technical staff to change. However, the heart of workforce performance management doesn't require such integration. In the strictest definition, workforce performance management looks like what niche vendors such as Action Technologies and Workscape provide.

Workscape helps you define employee goals and record and report performance against those goals, as part of its compensation planning application. (The company also provides hosted benefits administration.) Betsy Zikakis, senior vice president of marketing at Workscape, said, "What we started seeing two years ago in the compensation planning side was the comp plans starting to get more and more complex. So that is one thing that is driving the need for a tool that is more than just a spreadsheet... As things start to differ by business unit, as they start to incorporate more and more variable pay (bonuses, stock options, long term incentives, things like that) then a tool that can incorporate some guidelines and really manage those plans across the organization is really needed."

Bill Welty, CEO of Action Technologies, advocates not only the clear communication of goals and the reporting of results; he believes some level of person-to-person process integration is essential to support performance. "Knowledge worker costs are half of all costs in the industrialized world," Welty told me. "Therefore you can't alter your business unless you alter the productivity of the knowledge workers." He pointed to a recent McKinsey & Co. report that found the three most important contributors to company profitability and productivity are better processes, performance management, and retaining, training, and developing knowledge workers. Welty added that knowledge workers usually spend about 75% of their time engaged in activities that have nothing to do with innovation or creation (such as coordinating work with others, setting and monitoring goals, and evaluating performance); their time can be freed for more profitable activities through IT, he contended. The kicker: When employees gain productivity this way, their morale may increase as well.