



Human Capital Management  
& Payroll Software/Services

## Making the Most of Your HCM Investment

Choosing a Vendor with a  
Strong Product Range Extension Focus

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For vendors of Human Capital Management (HCM) solutions, the competition is fierce, and the product offerings have to be nothing less than compelling. In today's business landscape, HCM vendors are facing increased pressure to provide innovative and comprehensive solutions that cater to the ever-evolving needs of their clients. In a finite market, HCM vendors must innovate or stagnate by extending their solution range to attract and retain customers.

So how can a vendor maintain their edge in such a dynamic and competitive market? There are three options. Acquire another company and integrate their software into your portfolio, partner up with a complementary software vendor to offer a joint solution, or develop the product exclusively in-house. Each of these approaches has its own set of advantages and challenges, so it's important to weigh up your options before engaging a vendor. Let's look closer.

## Acquire

Vendors often choose acquisition to quickly expand their HCM capabilities, fill gaps in their product offerings, and gain access to new markets. By acquiring other companies that specialise in different aspects of HR management, vendors can integrate their products and services into a unified platform and offer a more comprehensive solution to their customers.

In Australia, there have been several examples of vendors using acquisition to build all-in-one HCM systems. For example, in 2019, PayGroup acquired AstuteOne, a cloud-based HCM solutions provider, to expand its product offerings and strengthen its presence in the Asia-Pacific region. Similarly, Ascender HCM, a leading HR and payroll solutions provider in Australia, grew through a series of strategic acquisitions, including the acquisition of HCM solutions provider Workcloud in 2020. Ascender itself was acquired by Ceridian in 2021.



In the US, in 2020, Ultimate Software and Kronos Incorporated merged to create UKG (Ultimate Kronos Group), a leading provider of cloud-based HCM and workforce management solutions. Another example is ADP's acquisition of WorkMarket, a provider of freelance management solutions, in 2018, which enabled ADP to expand its portfolio of HCM solutions to include a platform for managing freelance workers.

By using acquisition to build all-in-one HCM systems, vendors can gain three key benefits. Firstly, they can quickly expand their product offerings and capabilities, allowing them to offer a more

comprehensive solution to their customers. They can also gain access to new markets and customer segments, helping them to grow their customer base and revenue. Finally, they can achieve cost savings through economies of scale and deduplication of effort by integrating their products and services into a unified platform.

However, there are also risks associated with using acquisition to build all-in-one HCM systems.

### **Integration challenges**

Companies involved in the acquisition often have different technologies, systems, and processes, which can make integrating disparate systems into a cohesive whole complex and challenging. This can lead to delays, unexpected costs, and technical issues that may affect the quality and reliability of the system.

### **Cultural and operational differences**

The acquiring and acquired companies may have different cultures, values, and ways of working that can create conflict and impede integration efforts. This can result in poor communication, low morale, and decreased productivity, which can ultimately affect the quality and performance of the all-in-one HCM system.

### **Vendor lock-in**

When companies buy an all-in-one HCM system that was built via acquisition, they may become reliant on a single vendor for all their HR management needs. This can make it difficult for companies to switch to other providers if they are dissatisfied with the service or if the vendor increases its prices.

### **User resistance**

Employees may be resistant to change and unfamiliar with the new system, which can lead to frustration, errors, and decreased productivity. Employees may also prefer using certain legacy systems or solutions, leading to dissatisfaction that may contribute to higher rates of turnover.

### **Cost**

Building an all-in-one HCM system through acquisition can be expensive, both in terms of the acquisition costs and the costs associated with integrating different systems and processes. Vendors opting for this solution may need to invest in training and change management to ensure employees are properly prepared to support it. Often, the additional costs will be passed onto customers as fees and implementation charges.

## **In-House Solution Development**

An HCM vendor may decide to develop all their solutions in-house for several reasons. In-house development ensures that the vendor maintains complete control over the development process and quality of the finished product.

Vendors of all-in-one Human Capital Management (HCM) systems enable clients to streamline HR processes, increase efficiency, and improve decision-making. An all-in-one HCM system provides a single platform to manage all aspects of HR, including onboarding, payroll, performance management, time and attendance, and recruiting. This eliminates the need for multiple systems and reduces the risk of errors and inconsistencies in data because of multiple source files or double keying.



One of the key benefits of an all-in-one HCM system is the ability to consolidate HR data and generate reports that help organisations make informed decisions about their workforce. An in-house HCM system can also help organisations comply with regulatory requirements and ensure the consistent application of client HR policies and procedures.

In Australia, organisations are increasingly adopting end-to-end HCM systems to improve HR processes and drive better business outcomes. According to a survey by Deloitte, 43% of Australian organisations were planning to invest in HR technology in the 12-18 months to 2023, with a focus on implementing single solution HCM systems.

In the US, the adoption of complete HCM systems is also on the rise. According to a report by Grand View Research, the US HCM market is expected to grow at 10.5% annually from 2021 to 2028, driven by the increasing adoption of cloud-based HCM solutions.

While organisations seek to improve HR processes and drive better business outcomes by adopting all-in-one HCM systems, they may face challenges in implementing and using these systems.



Companies choosing an in-house HCM solution can be challenged by limited functionality issues because these solutions typically offer a broad range of features, rather than specialised capabilities in specific areas. This limitation can create challenges for organisations with specific HR needs that require specialised features or functionality. For example, an organisation with complex talent management requirements may need a specialised talent management solution with advanced features, such as succession planning and career development. In contrast, an in-house HCM solution may offer only basic or standard features for these areas, which may not meet the organisation's unique requirements. Additionally, in-house HCM solutions may prioritise certain areas of HR over others, which can result in less developed features or capabilities in areas deemed less critical.

Sometimes, the lack of specialisation may not provide the flexibility required to meet the unique HR needs of an organisation. You should expect a single HCM solution to offer a standardised set of features and configurations, but these may not be able to meet the specific requirements of your

organisation. This can be challenging, where organisations have complex HR processes or unique requirements that need to be accommodated by the HCM solution.

## Partnerships

There are several reasons vendors opt for partnerships to build an all-in-one Human Capital Management (HCM) system. One of the key drivers is the capacity such a solution has to meet the diverse needs of their clients. By partnering with other top-tier providers, HCM vendors can combine their expertise and technology to offer a best-of-breed combination that meets the needs of a broader span of clients.

Partnerships also enable participating vendors to closely integrate their solutions. This capacity to ensure a consistent user experience across all modules makes the proposition more attractive to clients, and can help vendors differentiate themselves from their competitors.

Partnerships offer both the vendor and their client's tangible benefits. These include:

### Expanded functionality

Partnering allows HCM vendors to expand the range of services they offer to their clients by integrating complementary technologies and services. For example, an HCM vendor might partner with a benefits management software provider to create a more robust benefits offering for their clients.

### Better user experiences

Through careful integration with other vendors, HCM providers can offer their clients a more seamless user experience, with fewer gaps or redundancies in their HR processes. This can help improve customer satisfaction, employee adoption and loyalty.

### Increased efficiency

By streamlining processes and reducing duplication of effort, partnering can help HCM vendors improve their operational efficiency, which can lead to cost savings.

### A better client value proposition

Partnering can help HCM vendors offer clients a broader solution suite by leveraging the expertise and resources of their partners. This can be especially beneficial to clients who can easily access the services offered by best-of-breed vendors.

### Enhanced innovation

Collaboration with other vendors can lead to the development of new and innovative solutions that would not have been possible working alone. By combining their respective areas of expertise, vendors can create more powerful and effective solutions that benefit their clients.

Partnerships can also be complicated by issues such as integrating different technologies, differing priorities on roadmap items and vendor lock-in or contractual concerns.

## Making the right choice for you

Every organisation will have different drivers for seeking a new HCM system. So, no one configuration of product would consistently be better than another. However, there are variables against which every vendor should be assessed. Here are four of the most important.



### Data Security

Every HCM vendor should be able to document and show the measures they have in place to protect their clients' sensitive data from unauthorised access, theft, or breach. Moreover, many industries are subject to data security regulations, such as GDPR (General Data Protection Regulation). By implementing appropriate data security measures, software vendors can demonstrate how they comply with these regulations to ensure you avoid costly fines or legal actions.

### Data Integration

Ensure that the system is integrated and that all the modules work seamlessly together. You should also look for vendors that have a strong track record of partnering with other vendors to create integrated HCM systems. You should also only engage those vendors that have a good reputation for providing quality support and ongoing maintenance.

### Support

Software support is critical to the success of any HCM solution. A responsive and supportive vendor ensures clients are satisfied and happy to recommend their solution to other organisations. Proactive support structures ensure minimal system disruption and downtime, ensuring HR and payroll services are nearly always available. In the case of partnership configurations, they should clearly delineate which vendor handles support queries and streamline the process to raise a ticket. This will help with solution adaption and retention, as employees feel confident that issues can and will be addressed quickly.

## Customisation and Flexibility

Look for vendors that provide customisable and flexible solutions so you can tailor the system to your specific needs. You should evaluate the system's user interface and user experience to ensure that it is intuitive and easy for all employees, including those with limited technical skills.

According to a 2020 survey by KPMG, the top priorities for HR technology buyers when selecting an HCM system include ease of use, integration with existing systems, and the ability to customise the system to meet their specific needs. Be prepared to have specific use cases that describe your requirements.

## Conclusion

Vendors of HCM solutions will always strive to maintain their competitive edge, which will benefit customers by providing ever-improving solutions. No method to extend their product range is necessarily superior to another, and HCM vendors may well employ some or all approaches at different times, depending on their developmental goals. As you enter the market to select a new HCM provider, be mindful of the means by which product range extensions are achieved, and the possible impact the strategy will have on your organisation. By doing your homework and assessing each preferred supplier carefully, you will easily identify the right solution for you.

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““ Commitment to customer service is our number one priority. ””

Michael Howard, Founder