Next Gen HCM Has Arrived

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What is Next-Gen HCM?

The Human Capital Management (HCM) market is a massive, business-critical market. Going back to the days of mainframe computers, applications like PeopleSoft and others were designed to be "systems of record" for staff. They housed employee records, managed payroll and benefits processing, and included features like job architecture, position management, compensation management, and more.

Originally developed as custom corporate applications, HCM market became a vendor-focused market in the 1980s and it never stopped growing. Since the early days of licensed software (which required lots of customization and integration) the market moved to hosted (multi-tenant) and then to the cloud. And now, because of the ease of development on the cloud, the number of vendors has grown exponentially.

In the last ten years, these systems have exploded in depth and scope. What used to be a "back-office" system for HR managers has become an entire suite of employee-facing systems. HCM is now used for recruiting, onboarding, training, and all aspects of Employee Experience. Vendors are building Employee Experience systems right into their HCM, trying to compete with hundreds of mid-sized software companies in all segments of the market. So the HCM vendors are busy, and they tend to buy up best-of-breed solutions as they grow.

For buyers, HCM systems are strategic and sticky. Companies hate replacing their core HCM systems, but every decade or now something new comes along. So the question has to be asked: is there a Next-Gen HCM coming?

What's next? A revolution masquerading as an evolution

Let me say clearly, that there is some stress in the market. Despite the success of HCM vendors, there are "big new problems" to be solved. And they represent a challenge to vendors and an opportunity for disruptors.

Organizational agility and team features

We now operate in companies that are constantly reorganizing, acquiring, restructuring, and redesigning jobs. Cisco famously found out that there were 7,000 "teams" at Cisco, none of which were "visible" in the HCM. If you're on an industry sales team, and also part of a leadership team, and then become a geographic sales leader – where does this organizational information go? And what if you want to manage goals, quotas, bonuses, and other HCM-related functions by team? Original HCM systems were never designed for this.

It gets very complicated from there. What if you want a dual reporting structure? What if you want a different performance process for different teams? What if pay frequencies are different? And how do you manage employees who actually have two or more jobs at once? And how do we manage time-tracking for some workers, contingent workers mixed with full-time employees, and the management of contracted outsource workers?

And what if you're a conglomerate with different business units? Can each group set up its own pay model, job architecture, and performance process? Can you delegate administration to different groups?

Employee experience tools and features

We now need HCM systems that are "employee systems first, HR systems second." We want the system to be a "system of productivity," not just a "system of record." Vendors like ServiceNow, Applaud, Microsoft (Viva), and others are now selling platforms that manage employee journeys, transitions, feedback, goal setting, and more. How can these HCM systems become, in a sense, these next-generation Employee Experience platforms?

The Next-Gen HCM platform has to be "employee enabled" out of the box — and it has to let managers and staff design and use the system, without going back to IT.

AI and skills underpinnings

The Next-Gen HCM has to be AI-enabled and architected around skills. Let's suppose you want to do a reorg of your company and you want the people with the top skills in "data security" in a big list for evaluation. How are you going to figure that out? The HCM system doesn't really have that kind of information, so you have to buy a skills tech tool and do this analysis on your own. Once you do that analysis you'd like to use that data for recruiting, development, succession planning, and even salary adjustments. It's really an HCM-oriented problem. Yet today the HCM systems are just beginning to architect this into the core.

Intelligent job architecture

One of the biggest things HCM systems do is manage the "job architecture." What are the job levels, titles, and standard privileges offered by role, function, and hierarchical position? Well in today's dynamic companies this keeps changing every day. Intelligence systems can "infer" a job architecture, discovering that the "marketing analyst" and the "financial analyst" and the "HR analyst" are all doing the same job. How does the HCM help manage and maintain this? Is it smart enough to figure this out?

Multi-cloud, scalable, open APIs and ecosystem partners

Finally, the Next-Gen HCM has to be highly scalable, multi-cloud (so it can be hosted in any country or any cloud platform), built on open container technology (so functions can be moved), and filled with easy-to-understand APIs and public interfaces for partners. Yes, all the vendors have moved in this direction.

When Will This Next-Gen HCM Appear?

Well like all new technologies, Next-Gen things happen slowly for a while then suddenly happen very fast. And right now things are speeding up.

ADP

ADP is building a Next-Gen system — originally named Lifion — called ADP Next Gen HCM. This platform, is built on a modern database technology with micro-services architecture, designed to coincide with the company's next-gen payroll engine.

[ADP Next Gen HCM](#) is an adaptable HCM solution architected for the way people really work, built around the idea of delivering useful tools and helpful insight to everyone in the organization — from frontline employees to people leaders, HR staff, or executives. ADP Next Gen HCM proactively brings information and guidance to its users — where and when needed — so they can make informed, confident decisions. Through its adaptable technology, ADP Next Gen HCM helps enterprises — even the most large and complex — respond quickly when faced with change.

ADP Next Gen HCM is ideal for large enterprises seeking to be agile. These organizations often operate differently across different divisions, geographies, or business units — yet want to standardize on a single HCM solution. With ADP Next Gen HCM, companies like these can establish completely different "talent domains" across different teams, business units, or companies. Large and complex organizations can still easily manage diverse human resources — relying on different rating scales for performance management, different workflows for recruiting or pay, and completely segmented talent data.

And not only does the platform let you manage an agile organization, you can set up different pay models for different groups. People can join teams, set goals for these teams. It's really designed to let a company delegate management to different leaders without the need to go back to the core HRIT team whenever you want a change.

While most ADP clients are on the company's more widely-used platforms, ADP is moving in the right direction. The Next-Gen platform, which was built from a brand new technology stack, is designed to be the last HCM system you will ever need.

Consider an initial ADP Next Gen HCM client — a food-service and cafeteria management provider for rural and urban K-12 school districts. Facing the complexity of a diverse, remote workforce servicing 300+ Midwest school districts spanning 900 total buildings, they turned to ADP Next Gen HCM for a single, integrated environment to holistically manage their workforce. In addition to real-time reporting for more confident decision making, employees now enjoy a streamlined experience. Dramatically improved self-service has reduced calls to HR — creating more time to focus on enriching the worker and workplace experience. As they grow and face change, this provider of crucial educational services can rely on ADP Next Gen HCM to help them quickly adapt.

For more information about ADP Next Gen HCM, visit adp.com/NextGenHCM.

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