

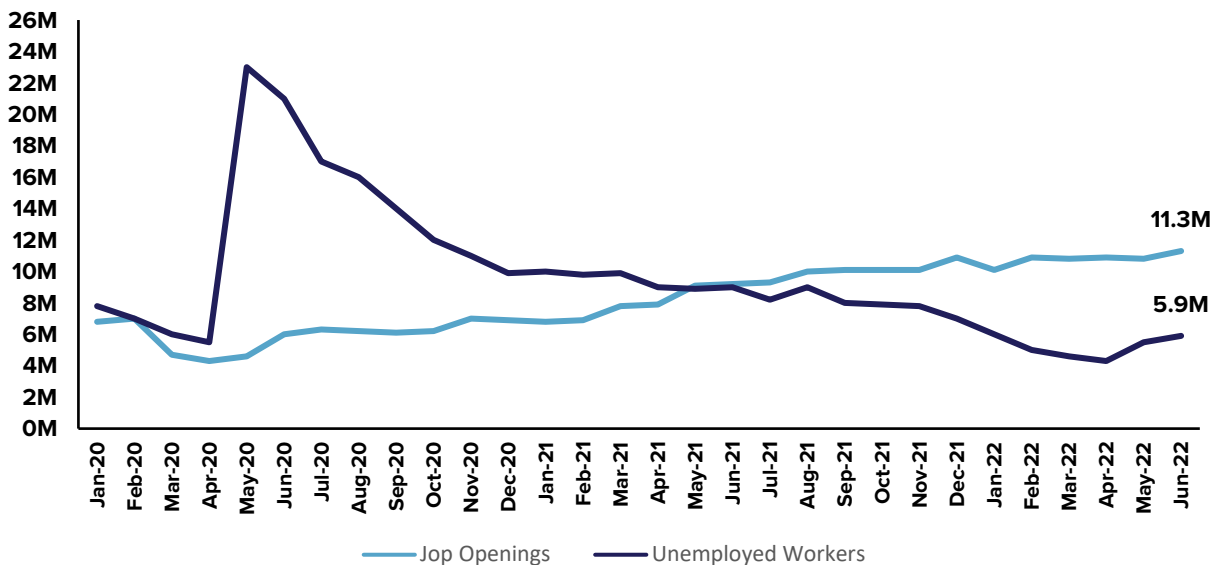
# Industry Perspective: Human Capital Management Technology

September 21, 2022

## Human Capital Management Technology

The human resources (HR) function has changed dramatically in recent years. While HR used to be more of an administrative bottleneck tucked in a neglected corner of the organization, business leaders have realized that this department also oversees and drives strategy for their most critical asset – their people. The role of HR has never been more important as employers today confront serious labor and skills shortages, demonstrated by record job openings (11+ million in the US) and low unemployment figures (~6 million unemployed workers)<sup>(1)</sup>. The “Great Resignation,” wage inflation, skills gaps, and increased stakeholder focus on employee diversity and inclusion are all reasons why PwC believes the workforce is companies’ number one risk to growth<sup>(2)</sup>.

National Job Openings vs. Number of Unemployed Workers

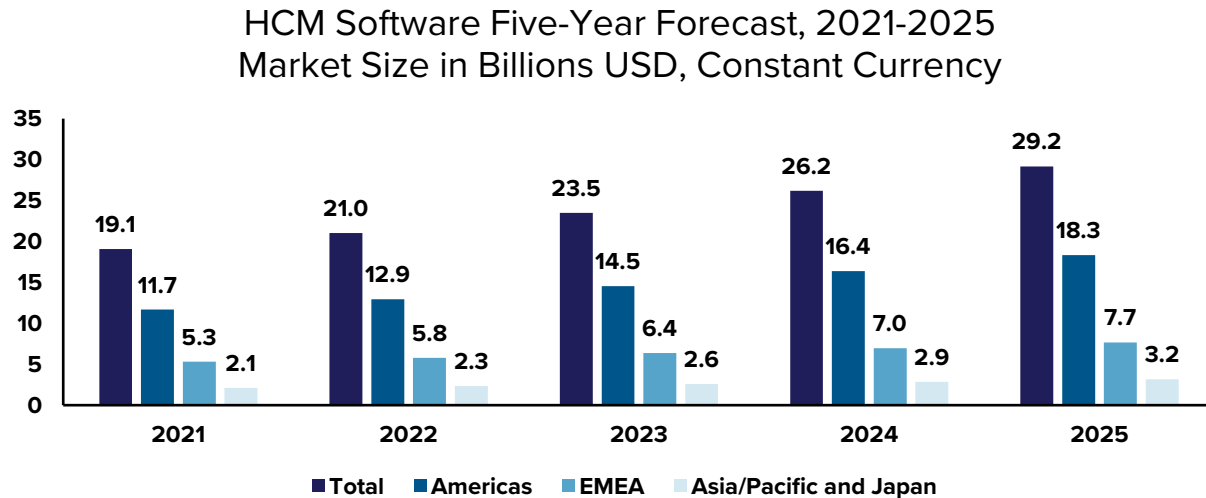


Source: U.S. Chamber of Commerce Analysis, BLS Data

Human capital management (HCM) technology and software should play a critical part in enabling HR teams and companies to overcome these obstacles. Gartner believes global demand is poised for double-digit near-term growth, forecasting an increase from \$19+ billion in 2021 to \$29 billion by 2025<sup>(3)</sup>.

## Five-Year Market Outlook

HCM Software Five-Year Forecast, 2021-2025  
Market Size in Billions USD, Constant Currency



Source: Forecast: Enterprise Application Software, Worldwide, 2019-2025, 2Q21 Update (G00752502)

## Industry-Specific Challenges

Shaping demand and innovation today are several key challenges that organizations face. These include:

### Finding the right talent in an increasingly competitive hiring market

In today's hyper-competitive and undersupplied labor market, many companies are struggling to source qualified candidates, let alone fill roles. While staffing agencies are a potential solution, they can be expensive and often lack appropriate knowledge of the client's industry and corporate culture. For organizations that manage recruiting in-house, identifying and attracting talent has mostly been a manual and time-intensive process yielding unpredictable results. While there are tools to automate the recruiting process and enhance the candidate experience, the reality is that many of them are costly and/or difficult to use, address only an aspect(s) of the hiring lifecycle, and lack integration with other solutions.

### Establishing a cohesive and healthy workplace where employees stay engaged and motivated

"Culture" is top-of-mind for all workers. Employees are now expecting their employers to promote equality, encourage work-life balance, offer career advancement opportunities, provide competitive benefits and incentives, drive collaboration, and take morale seriously. The COVID-19 pandemic has

also upended how people go to the office, with fully-remote and “hybrid” approaches becoming more the norm. Today, retaining talent can be just as difficult as recruiting, as organizations of all sizes are being forced to adapt quickly to new, dynamic workplace standards.

### **Streamlining a fragmented technology and service provider landscape**

There are many phases across the HCM lifecycle, from talent acquisition to off-boarding, that all have their own vendor ecosystems. Companies looking to leverage best-in-breed applications at each stage of the HR workflow are forced to aggregate tens of tools, many of which integrate poorly. This often contributes to employee data sitting in departmental silos (Salesforce, ServiceNow, Jira, etc.) throughout the organization making it challenging to create an integrated, unified view of applicant and employee data assets, with the burden historically falling on IT to bridge gaps between business unit and HR.

## **The Opportunity for Human Capital Management Technology**

The HR department has gone from being viewed as a cost center to one of the key strategic arteries of an enterprise. To meet the demands of their new strategic position within an organization, CHROs (or CPOs) and their teams are increasingly implementing best-in-breed tools across each stage of the HR workflow to drive business outcomes, efficiencies and provide strategic insights. Several areas of HCM Software have benefited from increased focus and spend including Talent Acquisition, People Analytics, Employee Experience and Workforce Management.

Talent Acquisition has historically been a repetitive manual process driven by armies of recruiters and spend on third-party job boards and networking sites. A new crop of vendors have entered the market introducing a variety of approaches to automate the workflow through AI-driven technology resulting in high quality candidate pools being generated in a shorter timeframe. The results have been compelling with adopters able to quantify their ability to attract more of the right candidates, faster.

People Analytics was limited in the past to simple statistical reporting around employee counts and associated metrics due to the challenges of unifying multiple data sources and preserving the integrity of the data, particularly when most firms are also dealing with a mix of cloud and legacy on-premise elements. There are a variety of companies that have introduced compelling toolsets to the market that are helping HR departments address these challenges. The most advanced HR departments are now leveraging People Analytics tools to unlock tremendous value within their organization by providing insights that are driving executive / board-level decision-making.

Employee Experience is being transformed through technology as companies get increasing pressure to improve culture while adapting to more of a remote model. A host of emerging players provide solutions that enable HR teams to detect bias throughout the organization and properly unify talent strategy with responsible practices such as Diversity, Equity and Inclusion (DEI). A new wave of

workforce planning, productivity and collaboration tools have been built to address the transition to remote / hybrid work and handle today's changing environment. Companies embracing modern Employee Experience solutions are already seeing payoff via increased satisfaction and retention.

Workforce Management has historically centered around mundane administrative workflows such as scheduling, time tracking, and rudimentary performance reporting. Newer players have shifted focus to building tools that help companies maximize the value of their employees. These solutions, which include performance management, internal recruiting, skill matching, upskilling and other career advancement solutions, reduce the burden on the recruiting team and help employers save significant time and money.

Berenson's specific areas of focus in the HCM technology space include:

- Workforce Planning & Design
- Recruiting Automation
- Employee Experience & DEI
- People Analytics
- Workforce Optimization, Skill Matching & Career Advancement

## **Experienced Berenson Team**

The Berenson team leading this effort has deep roots in the HCM sector.

### **Ron Kasner, Operating Executive**

Ron Kasner is an accomplished strategic and operational executive. Leveraging Ron's "Execution Framework," he advises on strategic planning, operational alignment, and scaling fast growth businesses. In addition to his role as a Berenson Operating Executive, Ron sits on the Boards of AbsenceSoft and Conductor. Prior to his current roles, Ron was the interim CEO with iCIMS, the leading recruiting technology platform, where he was part of the executive team that grew the business from \$20M to over \$250M ARR. At the same time, the company's employee base grew to over 1,000, and continued to be named one of the Best Places to Work nationally and in New Jersey. As a board member, Ron led Envisage Technologies, a talent readiness platform for first responders through a successful growth period and later sold to Vector Solutions. "The pace of change with respect to HR technology innovation has rapidly increased. In just the last decade, we've seen the evolution of mobile, social, video, text and AI transform how HR leaders operate, how candidates and employees engage

with employers, and how they interact with each other. Data is now at the forefront of everything we do, not only as it relates to privacy and security, but also from a people intelligence and personalization perspective. It's exciting to collaborate with leading companies enabling these transformations and to help founders successfully strategize, operate and scale their businesses.”

**Brendyn Grimaldi, Managing Director**

Brendyn Grimaldi leads the investment activities of BCP and is spearheading the HCM initiative in partnership with Ron Kasner. Brendyn’s over 20 year investment career has been largely focused on B2B software and technology enabled services. Within HCM, Brendyn was an investor and Board Member of Stratex, a SaaS HCM platform focused on the restaurant and hospitality vertical. “We are witnessing an ever-growing demand for HCM technology that helps companies address the heightened strategic importance and challenges associated with HR today. The ecosystem of vendors bringing unique technologies and approaches to long-standing challenges in the space is vast, creating exciting investment opportunities for a firm like ours.”

**Chris Dubyak, Vice President**

Chris has spent almost his entire 12 year career working with companies and entrepreneurs in the B2B growth technology space. His experience within HCM includes workforce compliance, employee engagement, productivity, and wellness, having been involved in a variety of transactions with companies including Vector Solutions and Lexipol. “Workplace standards have radically transformed over the last 2-3 years, leaving many employers playing catch up to make employees happier while still maximizing their productivity. Many companies are still in the early innings of establishing the right digital infrastructure to support this transformation. We believe that we’re seeing only the tip of the iceberg in terms of solutions that make their peoples’ lives better, easier and drive positive change.”

**SOURCES**

1. U.S. Chamber of Commerce, “Understanding America’s Labor Shortage” by Stephanie Ferguson (July 2022)
2. PwC’s Global Workforce Hopes and Fears Survey 2022
3. Gartner, Forecast: Enterprise Application Software, Worldwide, 2019-2025, 2Q21 Update