Future Forward: Analysts Discuss AI and Innovations in HR Technology

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David Mallon:
Hello, listeners. Welcome back to Capital H, where we explore the latest trends and developments to make work better for humans and humans better at work. This is your host, David Mallon, managing director in Deloitte's Human Capital practice in the US and chief analyst for our Insights2Action Research team. We have another exciting episode this week in our new HR Market Insights series, with our ecosystems and alliances leader Franz Gilbert. Joining Franz today, a special treat, are two of our incredibly talented HR technology analysts, Erin Spencer and Mackenzie Wilson.

Erin and Mackenzie track the human capital solution provider space for our practice.

They bring a wealth of knowledge and experience, having spent years diving deep into HR technology trends, emerging innovations, and so on. In today's discussion, Franz, Mackenzie and Erin will chat about the latest developments in HR technology, they'll discuss the impact of that topic that, well, it's almost impossible to ignore these days, Generative AI, and they'll unpack what we're seeing from vendors across the spectrum, the big established ones and some smaller new ones. They will also reflect on a few key takeaways from some recent major industry events. It is conference season.

So whether you're an HR professional looking to stay ahead of the curve or just curious about the future of HR tech, this

episode's packed with insights you're not gonna wanna miss. I'll get out of the way now and let them get started. Franz, take it away.

Franz Gilbert:
Hello, Capital H listeners. It's Franz Gilbert, and we're back with our HR Market Insights series. Today, I'm excited to bring you a special discussion featuring two of our talented HR technology analysts, Erin Spencer and Mackenzie Wilson. In our Human Capital Consulting practice we have multiple teams that interact with the HR technology market, from commercial strategy, to joint client support, to investment advisory. Erin and Mackenzie represent our deepest expertise into the product features and capabilities of the

market. In today's episode, we'll dive into the latest trends, emerging technologies and insights from the HR technology landscape that businesses should be aware of. As the fall event season is in full swing, particularly with the recent HR Technology Conference in September and UNLEASH World in October, we'll also reflect on key tech takeaways from those events. Erin and Mackenzie, let's start with some introductions.

Erin Spencer:
Hi, everyone. I'm Erin Spencer. I'm a senior research analyst here at Deloitte, but I've been an HR tech analyst for the last 13 years. So, although I'm currently with Deloitte, I've been at another organization called Sierra-Cedar where I ran the longest HR system survey, the longest-running HR tech survey in the space. I've also been honored to be recognized as one of the top 100 HR tech influencers by HR Executive magazine and organization for the last six years running. And this industry recognition enhances my ability to share expertise and engage, both with our internal Deloitte teams and HR practitioners, as well as the greater HR technology community. I also get to share a lot of our research and insights externally through channels like the I2A platform and through podcasts like this. And we focus on how technology can be used to improve the lives of users and the business.

Franz Gilbert:
And, Erin, I get the pleasure of working with you on a regular basis. You do an amazing job at all this. Mackenzie, why don't you share a little bit about yourself?

Mackenzie Wilson:
Yeah. Thanks, Franz. So excited to be here to have this conversation today. My name's Mackenzie Wilson, and I'm a manager within our technology market insights team. So as Erin shared, we spend our time researching and engaging with the HR technology solution providers. We dive deep into current and future state capabilities, key trends, and really focus on how to help bridge the gap between technology and strategy. Prior to Deloitte, I worked for a recruitment outsourcing company helping to design and deploy global recruitment technology stacks for

enterprise organizations, so I have a special place in my heart for talent acquisition and talent development tech, and particularly the intersection between the two.

Franz Gilbert:
So, very cool. I know at the HR tech conferences, and I, and I know this actually happens outside of the conferences too, you get to do a lot of this, where you get to spend time with them. They share not only what they're, what they're working on now but what else they're working on. So, let's ask for a couple things real quick. So one, I guess Erin, I'm gonna divide the players into kinda the big players and then the fun of emerging startups. So, among the big ones, you know, in the big, established players, what are you seeing where they're going or what they're focused on?

Erin Spencer:
So, this is really interesting, Franz, because one of the key themes, for everybody, is GenAI. It's really dominating the conversation, the, both the conversations that we have in briefings and with organizations and, if you look at the conference agendas, definitely what organizations are planning to talk about. Everyone has a talk track and a messaging strategy around this, but some people are a lot more mature than others. We see that the big players are also heavily focused on articulating an integrated strategy. They really wanna be the one-stop shop with centralized data access for organizations, so the idea that you can do everything with them and then have data that plays across multiple areas, and then contextualizing that within their broader overall technology offering.

A couple of years ago when GenAI really came on the scene, we expected a massive wave in organizations putting this into place in their technology, but we also expected this wave a lot earlier than it came. We thought that, six months after ChatGPT was introduced to the market, we should see more of it. Now two years later, we're definitely seeing organizations build this into their use cases.

Franz Gilbert:
Well, that's fantastic. Mackenzie, anything to

add here, in terms of examples of solutions that are gaining traction?

Mackenzie Wilson:
I think the interesting thing about the startup space in particular is they're coming at this from a very different lens than (laughs) some of the legacy providers. They're typically coming onto the scene a little bit later. They have a reputation for being faster and more agile in terms of product road map and how quickly they're able to get things into production. So that just creates a different level of embedded GenAI capability in terms of product strategy. So you're seeing a lot of the startup providers really bringing that GenAI- and AI-enabled capability into the core of their strategic offering. Examples of where that comes to play are some of these tools that have fully conversational interfaces as, like, the primary UI for the tool, or super-targeted and fit-for-purpose use cases around things like content creation or training materials.

The big question we have is when you have these type of really focused solutions, how are they going to shake out in the context of the wider tech ecosystem? I know a couple weeks ago, you and Matt were talking a lot about that broader strategy and the consolidation play, so it's something we're gonna be watching really closely as well.

Franz Gilbert:
Oh, cool. And so Mackenzie, you brought us over to the next topic, which is the emerging HR technology area, and the startups, right? And, and what I love about that newer field is often they're maybe kind of creating a new space, right? I remember a couple years ago when there were some startups that kinda created the digital adoption platform space. So sometimes, you see new category creation, or too, you see them bringing a really innovative feature or two to an existing category. So, and I know there's literally hundreds, if not thousands of startups that we interact with, so with that, what are some of the, the newer emerging things that have you excited in the startup space?

Mackenzie Wilson:
Yeah. I'll give you a category, and it's maybe not gonna sound so exciting to everyone (laughs) but I can dive into to why I'm interested in it. It's the data and systems

plumbing. So these are all the tools that are living in the backend, and maybe not even a frontend interface to the workforce. But we're helping to make sure, in these increasingly complicated HR tech stacks that organizations are dealing with, that systems and information are flowing and connected in a way that allows us to take advantage of all of the rich data and insights that are being generated.

This is increasingly important as the business challenges HR is being asked to solve are becoming more complex and cross-functional, and you need to be able to pull that data from different systems, feel really confident in the source of truth of that information, and, and how that's being leveraged in a really holistic way. Some of the examples of areas where that's showing up, in really exciting ways, are definitely skills but also workforce planning, and talent engagement and experience, all of these places where data can be living in a bunch of different places, and you wanna make sure that it's flowing in a seamless way.

Franz Gilbert:
Fantastic. Yeah, and it was amazing how many shops were at the conferences this year that were in that space. It was a lot of fun to see them. So Erin, back over to you. In terms of... You know, I know most of our, our listeners probably are all at, looking at AI and automation, and what it looks like. And In know a couple years ago, we did an analysis of all the providers, and it was like, out of 436 of them 432 of them had the word AI in their description.

Mackenzie Wilson:
(laughs).

Erin Spencer:
Right.

Franz Gilbert:
So (laughs) I know why they were doing it then, but what are you finding now that people have had a couple generations to figure out how they're really putting it in their product?

Erin Spencer:
So it's interesting that you talk about the couple of generations, Franz, because we definitely wanna make it clear that AI and

automation are not anything new to the HR tech space. We've seen it especially in talent acquisition over... I mean, years ago. And then also HR self-service, and then, just support bots, chat bots. Definitely, this is not something that organizations haven't been purchasing and companies haven't been selling for at least the last 10 years.

But similar to the GenAI conversation, we're really pleased with the intentionality that we're seeing with new features and functions and how they're being embedded into platforms. We're seeing vendors very, very clearly putting this stuff in in ways that they think are going to be super helpful to the people that are using these tools. But we will say that it's challenging to measure what people are actually buying, because users aren't always aware of the AI capabilities of their tools.

When you look at the data, many people that are buying this HR tech, through vendors, or with vendors that definitely offer AI, there's been some research done with whether or not these people actually understand that they are buying tools that have AI capabilities, and I think the highest was 43% of people which had one vendor that is very clear about their AI messaging, even knew that there was AI in that platform. This isn't necessarily a bad thing, but what we're seeing is that buyers are not really buying AI. They're buying tools that solve their particular business problems or that go with their organizational strategy.

Franz Gilbert:
And I know from my work with the providers, that turns into delayed contracting times, right? Because somebody finds out. Somebody in procurement, or, there's a governance group that, when they realize, all of a sudden it can slow things down, right?, 'cause they don't know about it from the beginning. Interesting. Since you get to see so many different technologies, right? Often, there, there's sometimes where we see technology that's built that's trying to find a solution, and then sometimes there's solutions that don't have a technology yet. Where are you seeing those gaps right now, where either the market's ahead of the buyers or the buyers are ahead of the market? What are you finding?

Erin Spencer:
We're definitely seeing that kind of disconnect. We definitely would talk about the idea that you can segment the market in two ways, that sometimes buyers are pulling forward providers. So we see that in the talent acquisition space and the legacy learning space. But also, at times we see providers helping to push the market function forward. We've seen that in people analytics and we've seen that in skills. So, there's not one-size-fits-all for this, and there's not one way that each organization handles it. Sometimes, here at I2A, we talk about the maturity of organizations, and we see organizations at different levels of maturity have different buying behaviors.

I'm gonna circle back to one of the areas that I talked about earlier, which is skills. And it's an interesting example, because when you start to talk about some of the more advanced use cases, so something like, skills-based project management or skills-based pay, organizations are really excited to talk about it. But in a lot of cases, they're lacking the foundational systems and the data readiness, and the mindset shift to really make those programs happen.

So providers have to figure out whether they're gonna build a capability for a very small percentage of organizations that are ready to use advanced features and functions, or they're gonna focus on the majority of buyers that think something is interesting but maybe don't have that advanced use case need. And typically, within organizations, we see them starting with more practical entry point use cases, such as talent marketplaces or specific pieces for internal ability, or skills development rather than a full-scale, full-on skills-based organization push.

Franz Gilbert:
Wow. Okay, so, for folks that are in the market right now looking for a product, whether it's an ATS, an LMS... What resources strategy would you provide for them right now, to make their procurement cycle easier?

Mackenzie Wilson:
So Franz, building on (laughs) the conversation that, that you, Matt, and Kyle had a couple episodes ago, I think the best

way to think about future-proofing your tech stack to the extent possible is to take a step back from those features and functionality — we know they're super exciting, Erin and I love to spend time diving into that— but really focusing on the business issues you're looking to solve. We know that there's a little bit of a chicken-and-egg problem here too, with the buyer and the provider relationship here, because providers know that buyers find capabilities and functionality really interesting, and that becomes the topic of the conversation.

But the benefit of taking that step back is, is twofold in my opinion. Number one, you really start to think about the philosophical alignment. Long term, is this solution really gonna be aligned with what I'm looking to accomplish as an organization? And the second piece is, when we talk about these business problems, we often see organizations falling into a trap of, "I'm looking to solve a problem this way." But, if you are having a higher-level conversation with the vendor, you can start to explore alternative approaches to addressing priorities, that may open you up to something that you hadn't been thinking about before, so it creates this, this flexibility and creativity in problem-solving that can be really exciting.

Franz Gilbert:
Wow, very cool. All right. If I'm a normal person in HR trying to keep up with the HR tech, I'm running a stack, are conferences worth going to? And if so, what tips would we have?

Erin Spencer:
I mean, Franz, I always say that conferences are worth going to. To me, they're almost like Christmas. I get to see all of my friends. We get new presents. We get to learn all sorts of new stuff. But I will say that there are definitely some things to think about if you're gonna make the most of any event, and the first is to do your homework. You need to know, before you go, what you currently have in your HR tech stack—so what vendors are you using to do what things in your organization. And then you really wanna think about where you're looking to go, so what gaps currently exist that will help you solve some priority business issues.

And also it might be helpful to actually speak to your vendors that you currently have at the conference. So if you have this particular vendor that does your X, Y, Z, just fill in the blank of things, it could be useful to talk to them and figure out what they're currently doing, and what you may not even know about. But also, like Mackenzie mentioned, that's generally only gonna take you so far. There's only so much that you can do with just features and functions, because when we hear about HR technology dissatisfaction, it's almost always around areas such as customer support, misaligned expectations, particularly during an implementation, and the lack of configurability. So, thoughtful questions around those topics will help you to start to differentiate amongst a sea of vendors and help think about who will be most aligned to your organizational needs, not who might be the flashiest at a show floor.

Franz Gilbert:
Oh, very cool. All right, and then Mackenzie, our audience may not realize that they can engage with the analyst community. I know Erin's one of the top 100, right? And Deloitte actually has three of the top 100 analysts in the entire industry. But how would you suggest somebody listening to this podcast engage with the analyst community? What would you recommend?

Mackenzie Wilson:
This is such an important question, and one that is very close to our heart. I would highlight three important things. First, analysts are not sellers, and they're not buyers. So we have this unique perspective on the market, that allows us to look at it in a little bit of a different way and help think about those key strategic questions. We also benefit from scale. We talk to a ton of providers, we talk to a ton of organizations, and again, that allows us to have a point of view on how these provider organizations relationships are playing out in a number of different ways.

And the last thing I will call out is the go-to question often, for us, is what's the best tool? What tool should I buy to solve X, Y, Z problem? And just wanna underscore that there's never gonna be a best solution or one way to solve something. But the analyst community is such a helpful resource in

helping organizations think about the different inputs you should be considering to help inform your HR tech strategy decisions. So, not necessarily gonna give you the answer. But help you get to something that you feel comfortable with given your specific context and what you're looking to accomplish.

Franz Gilbert:
This is so cool. I mean, first of all, thank you so much, Erin and Mackenzie. I really appreciate you sharing your insights on the HR tech landscape. I mean, I know I've had the pleasure of working with you for years, and I'm just smiling, like ear to ear, because you know, getting to showcase and share with others what you do if they haven't had the chance to meet with y'all. I almost always enjoy hearing what you're seeing in terms of emerging trends and innovations. I truly appreciate you taking the time. I know you're always busy, so for joining us today, and I look forward to seeing how these technologies continue to shape the future of HR, and candidly, how y'all are gonna continue to shape the future of HR. So thank you so much for being on the show.

Erin Spencer:
Well, thanks so much, Franz. We are definitely excited to see how these trends unfold, and if someone sees us at a conference, stop by and say hello.

Mackenzie Wilson:
Absolutely. We're looking forward to our next conversation.

David Mallon:
That will do for this week's episode of Capital H. I hope you found our discussion with Franz, Erin and Mackenzie enlightening. A big thank you to Erin and Mackenzie for sharing their knowledge and experience with us today. And thank you, listener, for joining us. We look forward to having you back next time. If you enjoyed today's episode, be sure to follow us, and of course let us know what you think of Capital H. Rate us on whatever service you use and look us up on social media. We'd love to hear from you. Thanks again, and we'll see you next time, as we explore the topics and trends that focus on making work better for humans and humans better at work. Until then.

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