

HR software makers grow, focus on usability

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Shafiq Lokhandwala, CEO of NuView Systems, is planning a European expansion for the firm.

Human resource software is no longer strictly for corporate personnel offices -- and that means the race is on to develop applications all employees feel comfortable with -- making "usability" the next big battleground.

Several local HR software companies are in the middle of the fray trying to create the latest innovations in technology.

Marlborough-based Workscape Inc., a provider of outsourced benefits and talent management software, saw its fiscal third-quarter sales double over the year-earlier period. And Wilmington-based NuView Systems Inc., a 14-year-old company that closed in December a deal to sell its HR software to the nearly 40,000-person ITT Corp., now plans to make such large clients a bigger portion of its overall business and expand to Europe.

Pennsylvania-based Kenexa Corp., which in 2006 acquired Waltham-based BrassRing LLC for \$115 million, nearly doubled its profit last year, reporting a \$23.5 million bottom line compared with \$15.8 million in 2006.

Metropolitan Boston "is truly the hotbed for where talent-management technology is being developed," said Jason Averbook, CEO of Knowledge Infusion, a Minnesota-based consulting firm specializing in human resource technology.

But the activity has also fueled competition. Last month, California-based SuccessFactors Inc. filed a lawsuit against Wayland-based Softscape Inc., alleging that Softscape initiated a misinformation campaign against SuccessFactors by sending disparaging e-mails to its customers.

"It's become very cutthroat," IDC analyst Lisa Rowan said.

The HR software market is estimated to generate \$7.9 billion in revenue this year and could reach \$8.8 billion next year, according AMR Research Inc. About 75 percent to 80 percent of that business is generated by smaller companies focusing on niche applications, commonly called "best of breed" providers. The remainder is done by enterprise resource planning, or ERP, software developed by

industry giants such as SAP AG and Oracle Corp., which have combined to capture about 50 percent of the HR software market, according to AMR.

Last year, Chelmsford-based Kronos Inc., the No. 3 revenue generator in HR software globally, was taken private for \$1.8 billion by a private equity firm. Also last year, Kronos bought Newton-based Deploy Solutions Inc., a developer of employee hiring software. During fiscal 2007, Kronos posted \$662 million in revenue, up from 2006 when it reported \$578 million in revenue and a \$41.4 million profit.

Shift to usability

Smaller companies led the way in developing the more innovative and usable technologies that have grown to become popular today, analysts said. The shift to more usable software started in the late 1990s, according to NuView CEO Shafiq Lokhandwala.

"Before then, it was a back-office tool meant for HR staff," he said. "With the (increased use of) the Internet, you took that whole paper process and it became a web-centric process that involved the entire company."

As ease of use becomes more important for companies, local HR software companies such as Workscape and Waltham-based Authoria Inc. have emerged as the front-runners in innovation, Averbok said.

Everyday exposure to sophisticated websites is raising the bar for employee usability standards, said Jamie Manning, director of digital communications at Babson College. "What you're seeing is users getting more savvy and expecting more," Manning said.

The shift away from designing such software for HR department workers to companywide employees is here to stay, said Tony Marzulli, chief marketing officer of Workscape.

"I think the battle is all about employees and solutions and tools centered around employees," he said. "I think that's critical."