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INVESTMENT BANKING

HR Tech Takeaways

Notes, takeaways, and discussion points from HR Tech. Here's what caught my attention:

1. END-MARKET FOCUS CONTINUES IN HCM

End-market focus continues in HCM As discussed in our Big Sky Takeaways earlier this fall, investors are placing more weight on end-market dynamics in underwriting: which segments will keep benefiting from long-term growth drivers? Verticalized HCM solutions with a unique value proposition for these markets stand out. Examples include skilled nursing and senior-care workforce management, and subcontractor sourcing and workforce management for specialty construction.

2. EMERGING CATEGORY: "HUMAN AND AI CAPITAL CONTROL PLANE"

This category didn't exist two years ago. The question is how organizations connect AI skills and adoption to their broader performance, skilling and management suite. Enterprises are spending heavily on AI but have limited visibility into adoption, proficiency and return. They will need to allocate AI spending, identify adoption gaps, target enablement, detect unsafe usage, prove productivity impact and, increasingly, tie all of this to employee performance.

A layer connecting usage, skills, governance and outcomes is starting to form, with interest from HR, IT, security and finance. There's also a cost angle: how should organizations plan retention or restructuring based on AI upskilling and capabilities across the workforce? (See Microsoft's recent voluntary exit offer, extended to roughly a quarter of its workforce.)

My editorial hypothesis: this is the natural maturation path for mid-market and enterprise AI adoption: deployment and uptake, then upskilling and governance, then an integrated human and AI capital control plane.

3. BULLISH ON COMPLIANCE-DRIVEN SOLUTIONS AND SELECT MIXED-MODEL CATEGORIES

Two areas of ongoing interest:

(a) Compliance-driven solutions with embedded regulatory barriers, reinforced by multi-jurisdictional complexity and high consequences for getting it wrong.
Examples: workforce reductions, leave management, pay transparency, employee matter management and employment-law regulation

(b) Mixed-model categories, where complex or white-glove professional services, or embedded hardware, drive differentiated value and stickiness. I'm also looking at where AI can automate parts of the service work to expand margins.

4. MORE AGENTIC WORKFLOWS IN PRODUCTION, BUT THE MORE INTERESTING IMPLICATION IS A SHIFT TOWARD HEADLESS ARCHITECTURE

As agents and conversational interfaces take over the front end, value shifts away from the user interface toward the underlying data, rules and workflow logic. Vendors with unique datasets exposed through APIs become control points, while vendors that differentiate mainly at the interface layer face more pressure. For interface-driven workflow vendors, the open question is how they are adapting their architecture and value proposition.

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