



Competing for Talent *in the* **Digital Age**

Using digital HR tools and approaches,
small and midsize companies are
finding their competitive edge.

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Small and midsize companies “have the same talent challenges as large enterprises but not the bandwidth or budget to throw at them.”

—LISA ROWAN, RESEARCH VICE PRESIDENT FOR HR, TALENT AND LEARNING STRATEGIES, INTERNATIONAL DATA CORP.

As companies of all sizes surge into the digital age, the same technologies driving radical change in business strategies and business models are also disrupting the workforce. Companies need to recruit, develop and retain workers with the agility, leadership, analytics and collaboration skills needed to meet business goals in this digital environment.

Small and midsize companies can find themselves at a particular disadvantage in this environment, as they vie with both deeper pocketed large enterprises that offer top salaries and benefits, and exciting new startups with lucrative stock options and the chance to work on cutting-edge projects. Because many small and midsize companies still operate with highly manual human resources processes and fragmented legacy HR systems, they lack detailed insight into their current skill base. They also struggle to operate as quickly and flexibly as they need to in today’s fast-moving, social-network-driven, analytics-enhanced workforce management arena.

This is particularly true for small and midsize companies with global operations and remote workers. “Once you hit 1,000 employees or more, you can be pretty complex, with offices in multiple countries, different kinds of workers, etc.,” says Lisa Rowan, research vice president for HR, talent and learning strategies at market research firm International Data Corp. Small and midsize companies “have the same talent challenges as large enterprises but not the bandwidth or budget to throw at them.”

Disconnected and manual HR systems also appear like relics of the past to technology-savvy workers, who are not only accustomed to consumer-like mobile and social experiences in their daily lives but also increasingly intolerant of clunky paper-based processes.

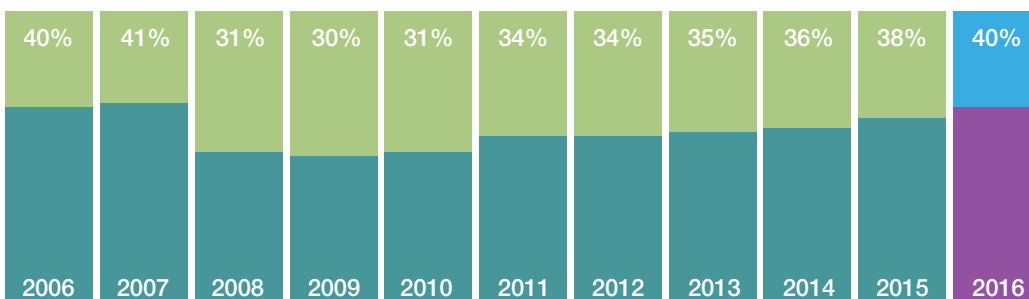
This is not good news. The hiring environment today is increasingly competitive, and skilled applicants are in scarce supply (see Figure 1, “Challenging Talent Management Environment,” below). In this environment, small and midsize companies are turning to new HR tools and techniques to gain the edge they need to compete for talent with both innovative startups and established larger businesses.

SURVIVAL OF THE FASTEST

With 400 highly technical employees on five continents, and a staff increase on the horizon, Newtec Cy N.V. is one company that knew it needed to speed and streamline its HR processes to reduce time-to-hire and expand the size of the candidate pool.

A Sint Niklaas, Belgium-based designer and manufacturer of equipment and technologies for

FIGURE 1 Challenging Talent Management Environment
Globally, employers report the highest talent shortage since 2007.



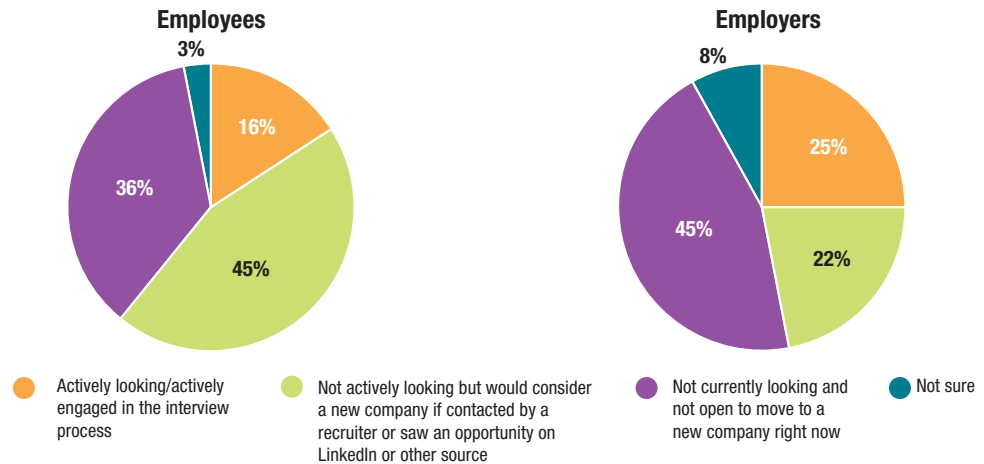
Base: 42,000 employers worldwide
Source: ManpowerGroup

“Using the learning management system for our customer and partner training generates direct income.”

**—ERIK DIERINCK,
DIRECTOR OF IT,
BUSINESS PROCESS
MANAGEMENT AND
QUALITY, NEWTEC**

FIGURE 2 Perception vs. Reality

Employers’ perception doesn’t meet the reality of how many employees are at risk of leaving the company.



Base: 500 employers and 1,415 employees at U.S.-based midsize companies
Source: ADP Research Institute

satellite communications, Newtec turned to an integrated talent platform, which includes modules for recruitment, learning and performance appraisals. It replaced a legacy HR record-keeping system, spreadsheets and word processing documents.

The cloud-based system speeds and eases management of all processes, from job postings to resume uploads to the visual presentation of progress in the hiring process. It gives Newtec “a significant competitive advantage,” says Erik Dierinck, director of IT, business process management and quality at Newtec. “While some of our competitors are still processing applications, we can already be in the second or third hiring round or maybe even making an offer.”

The system was put to the test in 2016 during the company’s 20 percent staff increase. Dierinck says it accelerated the job of storing and searching resumes, as well as enhanced collaboration with outside hiring agencies, enlarging the pool of candidates.

Now, Newtec “can benefit from the new employee much quicker, and the new employee enjoys a transparent, quick way of hiring with short feedback loops.” Further, Dierinck says, “we’ve already gotten remarks that our hiring process is astonishing compared with other companies.”

Dierinck also notes benefits of the talent platform in training and performance appraisals. The learning management system (LMS) is used for both employees and outside training. “Using the LMS for our customer and partner training generates direct income,” he says. The LMS has already reduced the amount of time Newtec staff spend managing learning activities by 20 percent.

The throughput time for the performance appraisal process has also improved 30 percent, Dierinck says, mainly due to a better process for aligning employee objectives with broader business goals and managers’ requirements.

INCREASED VISIBILITY INTO THE WORKFORCE

At other small and midsize companies, talent platforms are helping managers gain insights into the workforce to assess skills, employee satisfaction and training needs. Even in smaller businesses, such transparency can be lacking. Employee–employer gaps in perceptions of HR-related issues are evident in a recent survey of employers and employees at midsize companies (see Figure 2, “Perception vs. Reality,” above).

The research, by ADP Research Institute, found that employers tend to underestimate how many

“By automating talent management processes, we have seen more engagement by the employee, by the manager and between the manager and employee.”

—SCOTT STEELE, SENIOR DIRECTOR FOR HR INFORMATION SYSTEMS, IMPAX LABORATORIES INC.

employees are at risk of leaving the company. Further, 47 percent of employees in the study said they would consider an opportunity that matched their current salary or paid less.

To bridge this gap—and increase retention—businesses can adopt internal social collaboration capabilities that some talent management platforms now offer to increase employee engagement.

At Impax Laboratories Inc., a pharmaceuticals business in Hayward, California, a talent management platform is integral to closing the employer–employee gap with its 1,400 employees in the U.S., Taiwan and Ireland. “By automating talent management processes, we have seen more engagement by the employee, by the manager and between the manager and employee,” says Scott Steele, senior director for HR information systems (HRIS). “There is more visibility top-down by upper level managers to know their workers, as well as HR information such as job info, compensation and individual performance, so they can better know and plan their organizations.”

The analytics capabilities of the platform add to visibility. “We deployed embedded analytics this year that our managers can drill into directly,” he says. “Now managers can see their organizations, the ratings and status. They can click on a chart and see where an individual is.”

Talent platforms also improve management visibility into existing skills and their alignment with needs and

opportunities. A 2017 benchmark study by consultancy The Hackett Group revealed that world-class HR organizations¹ spend a greater portion of HR budget on technology than their peers, and they are also better at moving internal candidates into new roles (see Figure 3, “Percentage of Jobs Filled Internally,” below).

“Their systems are more integrated, they are more sophisticated in using information to drive insights for decision-making about talent, and they are further along in using analytics to drive understanding of human capital performance,” says Tony DiRomualdo, a co-author of the report and senior research director for the Global Human Resources Executive Advisory Program at The Hackett Group.

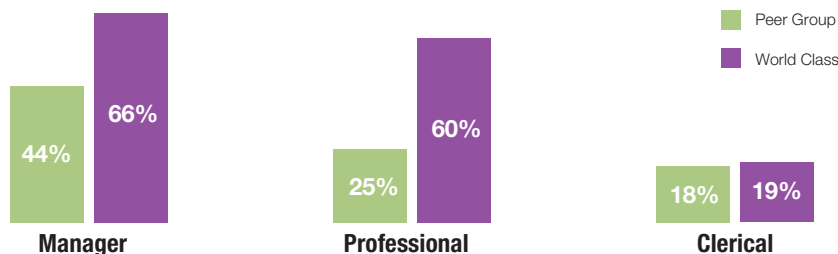
THE EMPLOYEE EXPERIENCE EDGE

Small and midsize companies are also adopting talent management and other digital technologies so they can provide the same consumer-grade technology experience in the workplace that employees find in their daily lives. Businesses are increasingly working to offer mobile apps and social network collaboration capabilities, along with self-service for basic HR processes such as benefits selection, vacation requests and change of marital status. Some companies provide text alerts for new job openings and learning programs, as well as mobile training opportunities.

“Outside work, we’re all using these technologies every day. Yet HR still struggles to adopt and use

FIGURE 3 Percentage of Jobs Filled Internally

A higher percentage of jobs are filled through internal candidates at world-class HR organizations.



Source: The Hackett Group, “Raising the World-Class Bar in HR Through Digital Transformation,” 2017

1. In The Hackett Group study, “world-class” companies are those that achieve top-quartile performance in both efficiency and effectiveness, based on an array of weighted metrics in the firm’s HR benchmark. About 15 percent, including some midsize companies, achieve world-class marks.

“We’ve seen a 70 percent reduction in the effort required to complete performance evaluations, and three times faster goal definition and alignment.”

—RICARDO SILVA,
FOUNDER, TRUESIGN

these technologies,” says Michael Stephan, global leader for the HR transformation practice at consultancy Deloitte Consulting LLP.

Back at Impax Laboratories, Steele agrees that offering a superior employee experience via HR technology capabilities has helped the company be more competitive in the talent marketplace. Impax has recruited several professionals from companies “much bigger than us,” he says. “At bigger companies, they’re used to having digital HR functionalities, and they expect them here. Our new platform allows us to compete better that way.”

The cloud-based talent platform has eliminated 21 paper administrative forms, Steele says. Before, he says, “The employee would download the form, print it and manually complete it. If the boss was remote, the employee had to scan it and email it. The boss printed out the document, signed it and sent it to payroll, and they scanned it and sent it to HR. The form was often illegible once received by HR and payroll, leading to further delays or inaccurate data entry. The process could take weeks.”

With HR automation, employees and managers can complete the electronic transactions or processes when and where they want to. Workflow approvals are streamlined, and it’s very easy for approvers to take action. Steele estimates a return on investment of 5 percent to 8 percent from the resulting workflow efficiencies, while the ease of use from this self-service has “qualitatively taken us to the next level. We are no longer chasing down corrections and updates to forms; we are able to focus on higher value work.”

The next step is to make these capabilities available as mobile apps. “We are excited about the mobile possibilities,” Steele says. As part of its multiphase mobile deployment planned for 2017, “we are targeting transactions and processes that are quick, such as viewing organization and job information, searching and contacting colleagues, workflow approvals and job changes,” he says.

NEVER TOO SMALL FOR DIGITAL HR

Even the smallest of companies are turning to digital HR for competitive advantage. An example is truesign, a São Paulo, Brazil-based business that offers digital signature capabilities through a cloud-based portal.

With just 20 employees, truesign does not have a dedicated HR team. However, it still needed to foster talent and increase employee engagement. To achieve those goals, the company adopted a talent management solution that includes an internal social collaboration platform.

Using the collaboration tool, employees are now able to stay informed about company events and other initiatives. Even better, they can work together much more effectively to resolve customer issues. “We’ve reduced by half the time it takes to solve technical problems, because employees are better able to communicate with each other and collaborate together,” says Ricardo Silva, founder of the company. The result: faster service delivery and increased customer satisfaction.

By using the platform’s performance evaluation software, truesign has also reduced the effort required to provide feedback on employee performance. Managers are now empowered to reward high performers, and they have renewed visibility into opportunities to develop their teams. “We’ve seen a 70 percent reduction in the effort required to complete performance evaluations, and three times faster goal definition and alignment,” Silva says.

“Startups with as few as 25 employees are adopting platforms,” says Nov Omana, CEO and founder of HR technology consulting firm Collective HR Solutions Inc. “It’s more evidence of the importance digital HR will play as they grow.” In fact, he says, venture capital firms increasingly require their portfolio startups to add cloud-based talent platforms and other digital tools sooner, not later.

A 2017 study by Deloitte Consulting on human capital trends found that 56 percent of companies are redesigning their HR programs to leverage digital and mobile tools.

DIGITAL HR: FOUNDATION FOR THE FUTURE

Clearly, the lack of digitally enabled HR processes will impede the ability for any size company to compete for talent and meet their business goals, particularly as an increasing number of businesses move in a digital HR direction. A 2017 Deloitte study on human capital trends found:

- 52 percent of companies are redesigning their organizations for digital business models.
- 56 percent of companies are redesigning their HR programs to leverage digital and mobile tools.
- 41 percent of companies are building mobile apps to deliver HR services.

The study included 10,400 business and HR leaders from companies in 140 countries, the majority of which were midsize.

At the same time, many companies are still at the early stages of formulating a strategy for HR digital transformation. In The Hackett Group's "2017 Key Issues Study for HR," 86 percent of respondents say digital technologies will fundamentally change HR performance and the way services are delivered. But

only 47 percent of respondents currently have an HR digital transformation strategy (see Figure 4, "Digital HR—Opportunity vs. Capability," below).

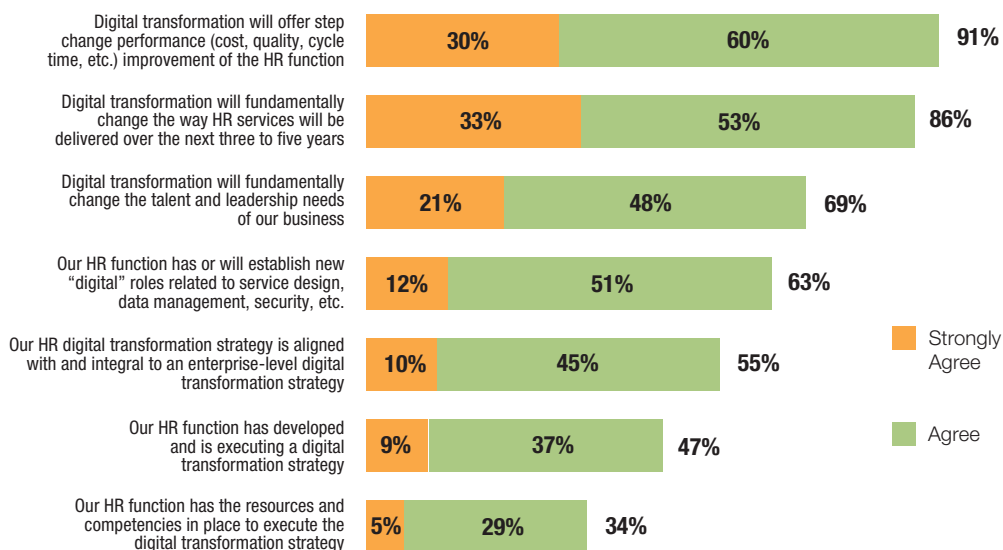
Teledirect Pte Ltd. is in that minority of companies with an HR digital transformation strategy. In fact, the Singapore-based company started its journey more than four years ago, according to Gaurav Hirey, group director for HR and talent development at the telecommerce and business services provider.

The initiative began when the company's IT staff developed in-house software to hire, evaluate and train employees, as well as record employee data, with the goal of helping managers map employee careers. "While the system was working well, we felt the need to integrate the various modules and also look at people analytics," Hirey says.

Two years ago, Teledirect did just that by adopting a cloud-based talent platform that integrates recruiting, onboarding, learning and performance management processes. "It also allows us to track applicants and do succession planning and HR analytics," Hirey says.

FIGURE 4 Digital HR—Opportunity vs. Capability

Respondents agree that HR digital transformation is vital, but only a minority have a strategy in place.



Source: The Hackett Group, "2017 Key Issues Study for HR"

“The user interface has helped us create opportunities to empower not just our line managers but also all our employees.”

—GAURAV HIREY, GROUP DIRECTOR FOR HR AND TALENT DEVELOPMENT, TELEDIRECT PTE LTD.

Thanks to the system's social business and collaboration tools, Hirey says, Teledirect is now able to align its performance objectives and maximize worker performance. The company recently started using the learning and succession planning module, which creates a customized personal learning plan for every employee and also lends itself to career mapping.

Using a social marketing tool, Teledirect can now post jobs on multiple online sites through a single window, as well as track applicants. “The user interface has helped us create opportunities to empower not just our line managers but also all our employees,” Hirey says. “It allows them to access HR tasks at a click of a button in their palms.” The result, he says, has been both higher overall efficiency and greater user satisfaction.

Teledirect is now in the process of developing management dashboards, which Hirey says will enable business leaders to make informed decisions. “We hope to move into predictive reporting once we have enough data in the system to be able to leverage it,” he says. “We believe we are well on our way to evolving from a function that was adding efficiency and effectiveness to adding value to the business.”

THE FUTURE OF HR FOR SMALL AND MIDSIZE COMPANIES

Small and midsize companies actually have some advantages when it comes to human capital management, as they can be more agile to react to employee and market trends. Digital HR, especially using cloud-based models, can help these businesses fully capitalize on their advantages by enabling them to:

- Level the playing field with both deep-pocketed businesses and innovative startups for recruiting, retaining and developing staff.
- Gain better visibility into employee skills and performance.
- Meet expectations of digitally savvy employees.
- Enable better employee collaboration.
- Align skills with performance objectives.

Capabilities such as recruiting, performance management, learning platforms and HR analytics are available as cloud-based offerings. This gives small and midsize companies the same secure talent management capabilities that large companies deploy without the capital expenditures or ongoing IT maintenance.

As a result, HR organizations can move from handling day-to-day operations to offering higher value to the business—and helping the company achieve a competitive edge through superior talent management. ■

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