HR Cloud
Enabling a path for growth in the technology industry

The future has already arrived.
It's just not evenly distributed yet.

William Gibson

At all times there are debates about the state of the economy — depending on where you sit, it is either improving or worsening. Nevertheless, there can be universal agreement that one thing never changes — the importance of talent to an enterprise in both "the best of times and the worst of times."

Currently, unemployment for computer scientists and programmers is trending around 5%, relatively high for a white-collar profession. But many High Tech companies caution that even with this saturated talent pool, few candidates have the specialized skills sought after by tech companies. Concern has been attested to by recruiters and executives alike who have observed the shortage of qualified engineers grow more acute in the last six to twelve months, triggering the "fiercest war" for talent in more than a decade.[1]

The role of HR in high tech, just as in any industry, is essentially to ensure the best talent possible is employed and sufficiently engaged to be a strong performer for the company — doing work that adapts to the needs of the business in any economic environment. This is achieved through a complex array of activities focused on developing a strong culture, great leaders, and leading-edge employee processes.

During the last decade, the increasing significance and availability of Cloud services for the HR function offers companies a chance to do more with less and to do it faster, cheaper, and with greater flexibility.

HR leaders now need to recognize the impact of the Cloud on their talent strategies. Our contention is that three factors should be be taken into account to help achieve this:

1. What the Cloud offers and how it fits with the business agenda
2. The stage of development or maturity of the HR function
3. The scale of the business, as small/mid-size businesses (SMBs) and large enterprises confront differing challenges when implementing the Cloud.

These factors call for for a redefinition of strategy, a new approach to talent acquisition, development, and retention, a focus on talent metrics suited to an ever-changing business environment, and an understanding of how Cloud applications can ultimately contribute.

Cloud — an opportunity for High Tech CHROs

Traditionally, market leading talent strategies have been implemented by mature organizations — in maturing industries, with large employee populations — witnessing stable growth and robust balance sheets. However, CHROs in the High Tech industry, especially in small and mid-size companies, need to accelerate the evolution of their HR organization and implement market leading talent strategies *now* if they want to accelerate growth and stay ahead of their competition. They should understand that hiring the right talent provides a competitive advantage, and they need to have a strategy to attract and retain that talent in direct competition with the longer established and often much larger players with deep pockets. Increasingly, the Cloud can be the essential means by which to achieve this. However, the complication for any high tech company adopting a Cloud strategy is that HR leading practices are, for all intents and purposes, based on what was required in the past — not on what will be required in a different, future, environment.

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1 New York Times, March 25, 2011, Claire Miller and Jenna Wortham, *"Silicon Valley Hiring Perks: Meals, iPads and a Cubicle for Spot."*

Recent Deloitte research shows that 84% of surveyed companies are either transforming or planning to transform how they handle human resources functions, many of them through the adoption of Cloud technologies. Chief motivators are cost savings — 85%, and greater effectiveness — 75%.[2] A plethora of best of breed Cloud-based HR applications provides many such High Tech companies with opportunities that were not possible, until now. Through the Cloud, companies in the early stages of growth have at their disposal, albeit accepting some standardization, the same tools and tech-nologies to run efficient and mature HR processes as large enterprises. Deloitte attributes the rapid transition to the Cloud as being tied to the following advantages, regardless of company size:

Significant reduction in expenses
• *Capital expense* — Upfront expenditures can be significantly reduced because Cloud offerings do not require an initial investment in hardware.
• *Pay-as-you-go* — Many Cloud services are offered on a month-to-month basis allowing for avoidance of expensive long-term contracts.
• *Maintenance/management* — Fees associated with upgrades in hardware/software are no longer the responsibility of the company receiving Cloud services. Additionally, planning time and logistical issues can be significantly reduced and the company no longer needs to understand the underlying technology involved to achieve the Cloud offering's benefits.

Increased operational agility
• *Accessibility* — The ability to access Cloud solutions from anywhere on virtually any company-approved device. This proves especially advantageous for mobile employees, virtual workers, and companies spread out across multiple locations.
• *Scalability* — Cloud services can be scaled appropriately (up or down) to match the needs and demands of the business.
• *Deployment* — Implementation of Cloud services are generally much quicker than the build process for large enterprise systems.

Talent is a competitive advantage
"Scarcity among plenty" — this paradox is an apt description of the job market today. While the U.S. economy is still struggling with stubbornly high unemployment and nearly 15 million workers without jobs, there are 3.5 million jobs that are going unfilled.[3] In addition, a recent survey of manufacturing leaders by Deloitte and the Manufacturing Institute revealed that 5% of jobs at respondents are going unfilled due to a lack of qualified candidates.[4] In the High Technology industry, a chronic shortage of software engineers is driving up entry level salaries and other benefits.[5] Social media and mobile technologies have unleashed a tsunami of tech start-ups all vying for rare technical skills such as PHP, Python, Perl, .NET, Ajax, HTML5, and mobile apps.[6] Many High Tech businesses, especially emerging ones, are struggling to attract and retain critical software engineers. The challenges this shortage presents to employers are made worse by the knock-on effect of critical talent finding itself in a sellers' market, resulting in much higher than average turnover. The stagnation of engineers graduating from U.S. schools has been a trend over the last two decades, indicating that the scarcity of critical talent will continue over the long term.[7] In this market condition, the ability to acquire, develop, and retain the desired talent with the requisite skills will minimize business disruptions, allow expansions, expand innovations, and improve frequency of product releases — in essence, it will enable short-term and long-term competitive advantage.

Cloud technologies provide a unique opportunity to build that competitive advantage without significant capital expenditures. Workforce data, such as skills, competencies, leadership profile, experiences, performance rating, and demographics is the foundation of an effective HR and Talent function. In the past, organizations matured over the years and ended up with multiple "sources of truth" for HR data. Today, Cloud-based core HR solutions are designed to provide an opportunity to create a robust single source of truth; all with reduced capital spending and accelerated implementation timeline. Off-the-shelf integrations between Cloud-based core HR solutions and talent management systems can now enable organizations to maximize the value of the HR data and adopt the full gamut of talent management programs.

Implementation of these Cloud systems is not only quicker but keeps costs to a minimum.

2 Deloitte Consulting LLP, Human Capital Trends, *"HR in the Cloud: It's inevitable."* (2011)
3 Bureau of Labor Statistics, *"Job Openings and Labor Turnover Survey News Release,"* December 13, 2011.
4 Deloitte Consulting LLP/The Manufacturing Institute. *"Boiling point? The skills gap in U.S. manufacturing,"* (2011).
5 New York Times, March 25, 2011, Claire Miller and Jenna Wortham, *"Silicon Valley Hiring Perks: Meals, iPads and a Cubicle for Spot."*
6 New York Times, August 20, 2011, Claire Miller, *"In Silicon Valley, the Night Is Still Young."*
7 Washington Post, August 4, 2011, Paul Otellini, *"How the private sector can help curb our engineering shortage."*

HR in the Cloud — enabling acceleration through the maturity model

To ensure appropriate implementation of Cloud technologies, High Tech companies must first understand their own HR capability. Deloitte's HR/Talent Maturity Model (refer to maturity model chart on page 5) can be used to gauge the sophistication of a company's HR and Talent functions. The tool is designed to evaluate the HR and Talent functions and categorizes the combined organization based on the five different stages of maturity: Basic, Developing, Progressing, Advanced, and Market Leading. Progression through the model can be both expensive and time consuming, and significant movement typically requires substantial upfront capital expenditures coupled with an extensive implementation and integration. But it is also important to note that the stages of the model need to be analyzed in the context of several key dimensions, including: the overall business strategy, internal and external customer segmentation, and operational enablers (processes, compliance, and technology).

However, with adoption of the Cloud, companies — regardless of their current stage of maturity — can rapidly progress along the maturity curve *without* large capital expenditure. They can benefit from the richer platforms, robust functionality, and niche HR capabilities coupled with integrated on-demand talent systems offered by vendors such as Taleo, Cornerstone OnDemand, SuccessFactors, and Workday to name a few. Such Cloud solutions now allow companies to perform advanced talent management functions. High Tech companies no longer have to deploy significant headcount and undertake large projects to conduct advanced talent functions such as workforce planning, workforce analytics, resource management, scenario planning, integrated learning and development, and social networking.

Increasingly, High Tech companies that are in the early phases of maturity (i.e., small growth companies) are able to run an advanced service delivery model with strategic outsourcing partnerships and a well-run HR shared service center. With the availability of Cloud-based help desk, knowledge management, employee portal, interactive voice response (IVR) and document management tools, companies are able to set up technology infrastructure for a shared service center faster than ever before. This stands in contrast to traditional moves to shared services that can be cumbersome and expensive. Companies can also rapidly undertake outsourcing projects as many vendors today provide a Cloud-based platform designed to integrate client applications and provide HR services.

Implementation of these Cloud systems is not only quicker but can keep costs to a minimum. Ultimately, High Tech companies' HR and Talent functions can become more agile, accelerating them along the maturity model and enabling HR to execute strategic programs that can add value to the business.

With adoption of the Cloud, companies can rapidly progress along the maturity curve without large capital expenditure.

Introduction to the maturity model

The five HR/Talent Maturity stages were derived from Deloitte's collective experience with hundreds of clients, coupled with information gleaned from a number of studies that we undertook (such as *"Have you got Talent?"* [Deloitte, 2008], the *Talent Edge 2020* series [Deloitte, 2010-2011], and the *Unified HCM and Talent Technologies Survey* [Deloitte, 2011]).

Enterprise HR/Talent maturity model stages

Basic	Developing	Progressing	Advanced	Market Leading

A strategy, process, or program is forming a basis and focusing on the fundamentals.

A strategy, process, or program is becoming larger, more organized, and coming into existence.

A strategy, process, or program is in a state of advancement, moving forward and making continuous progress.

A strategy, process, or program is far along in time and has made substantial progress.

A strategy, process, or program is pioneering and one of the first in its field to explore new subjects, ideas or methods.

Company growth (y-axis)

Over time (x-axis)

Source: Deloitte Consulting LLP

Why is it important for Tech SMBs to accelerate the HR evolution

The technology sector is made up of a mix of very large, mature companies, as well as many small [< $500 million in revenue and start-ups] and mid-size [< $1 billion in revenue] growth businesses. So a one-size-fits-all approach to HR and Talent is unlikely to work. But regardless of the company size, most HR organizations are dealing with the same issues around recruiting, retention, performance, learning, and succession. This is why Cloud technology can be so important to the HR organizations within these SMB companies. Often times they are truly doing more with less, so any process improvement, cost reduction, and efficiency they can incorporate is critical to the success of the HR organization and the company.

In late 2011, Deloitte released a study around HCM and talent technologies, and out of over 130 HR and talent leader participants, including more than 20 High Tech companies, 55% of the respondents were SMB companies.[8] Based on the findings, five key themes emerged:

- *Talent retention is the leading business challenge* — While cost containment continues to be a concern, talent retention is even higher on the priority list for many executives. Nearly two-thirds of the total executives surveyed identified talent retention as one of their top-two business challenges, followed by cost reduction.

- *Many organizations do not have a plan for retaining talent* — Even with talent retention looming as a major concern, most of the surveyed executives (53%) reported that they did not have a formal talent management strategy and only 19% of these expect to have a strategy within the next 12 months.

- *Talent management initiatives are a leadership priority — and HR pain point* — Business leaders are asking HR to focus on talent management — specifically, performance management, talent assessments and reviews, recruitment, and succession planning. Unfortunately, these focus areas are also the ones that are causing HR the most trouble as they struggle to meet leadership's expectations.

- *Cumbersome systems constrain HR effectiveness* — For most organizations, the tools they currently have in place to assess talent needs are cumbersome, limited, or outdated. For the top leadership-driven talent initiatives, manual systems are commonplace. Only about one-fourth of the organizations have integrated talent and HR systems that can be used to efficiently analyze talent risks and opportunities by providing a holistic view of individual employees and workforce groups.

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8 Deloitte Consulting LLP, *"Is Business Ready to Grow? How unified HCM and talent technology are influencing global business."* (2011).

- *HCM technology solutions are moving up the priority list* — Expanding or implementing talent management technologies is expected to be a growing priority for many organizations over the coming years. Many of the surveyed organizations (43%) indicated that improved technology would be a high priority in 2011 and 2012.

HR Cloud solutions in action — **leading social media company**

The business issue — A leading high tech/media company was rapidly expanding and planning to aggressively increase its headcount within the next few years. As a result, the HR organization needed to be transformed to support and enable this growth.

The approach — The company's HR organization relied on a new service delivery model to support this expansion. They chose to go with a Cloud-based HR technology landscape to support the service delivery model. And this Cloud-based landscape not only enabled the HR shared services organization but also the core HR applications.

The results
- A functional shared service center was operational within six months of planning, supported by leading edge Cloud-based technologies.
- Standard, consistent, and repeatable HR and Talent processes supported by Cloud technologies that can be scaled easily.
- Market leading talent management processes to support mature talent strategies and enabled by best-of-breed Cloud solutions.

Large Tech enterprises with *advanced* and *market leading* HR organizations should rethink as well:
It is a well-documented truism that the challenge of adaptation for a large organization is higher than that for small organizations because current practices are probably long embedded, and changing the behaviors of many is a lot harder than a few. This is relevant to the technology sector in particular because of the mix of very large and long-standing companies, as well as many smaller and, likely, more agile start-ups. It is an even tougher challenge for an HR organization to make changes when they have already invested substantially in adopting what are viewed as leading practices.

So, in leading edge HR functions within many large companies, the challenge of making the changes we have outlined above is particularly difficult. Scale and the fixedness of behaviors in the larger enterprises means that along with changes in skill requirements, training needs, and differing expectations in the types of talent being employed in the newer forms of organization, there are also significant cultural change implications. Therefore, the role of HR needs to play a big part in resetting the expectations of employees with respect to faster cycles of change in how work gets done, and in undertaking frequent updates of policies, processes, and skills requirements. For example, job roles will likely change, more employees may work remotely, more employees may be contractors and this picture will be continuously evolving as enterprises move from putting peripheral technologies on the Cloud to increasingly core technologies.

Cloud technologies offer solutions designed to help these large enterprises tackle their talent issues head on. The benefits that Cloud offers of flexibility, cost reduction, speed, agility, and global reach help deliver on the needs and demands of business leaders for "better," "faster," and "cheaper" across the enterprise.

The future of HR Cloud: From evolution to revolution
The Cloud can help create new HR opportunities for matching and continuously developing HR processes according to business needs — attracting new skills, developing skills in current employees, and aligning talent with new processes and technologies. Whether in High Tech or another industry and regardless of company size or maturity, the Cloud provides the opportunity for HR/Talent functions to adapt to changing business needs dramatically and quickly.

However, a strategic roadmap, based on the current level of functional maturity is needed to assess how to use Cloud services most effectively. Our experience with leading social media and High Tech companies, as well as other growth businesses, has shown that rapid adoption of Cloud technologies in the HR space is becoming a competitive advantage, enabling even SMB growth companies to run efficient performance management processes, savvy recruiting, advanced analytics, best of breed learning, effective onboarding and retention programs — processes that were traditionally reserved for mature players.

HR in the Cloud is not coming — it's here — and the challenge and opportunities exist now. Just as author William Gibson points out, the future has indeed arrived, now it's time to distribute it to those who want to take advantage.

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