Competing for Talent in the Digital Age

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

In this expanded edition of our report, we detail how two additional small and midsize companies in North America tackled their talent management challenges. In North America, as in other parts of the world, small and midsize companies are working to increase their agility and speed of doing business to compete in the digital economy, and that challenge extends to their HR organizations. Whether to support a growth-by-acquisition strategy, seasonal workforce fluctuations, real-time training needs, a more connected workforce or process efficiencies—or simply to reduce the amount of data entry and administration tasks bogging down their HR staff—businesses are turning to digital HR capabilities and realizing results. Read more at the end of this report on how the HR organizations at two North American small and midsize companies—Sun Communities Inc. and World Kitchen LLC—are now driving strategic business initiatives using digital HR systems.

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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.

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...
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

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
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 organizations 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

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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.
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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Soon after he arrived, the company made its first large acquisition in more than 40 years. “We had six or seven people in HR at the time. I was doing the onboarding with manual processes,” Farrugia recalls. “It was a nightmare. I said, ‘there’s no way [I could] do this again.’”

But Farrugia, who has since become vice president of HR, knew what he was in for because the company was set to pursue an acquisition strategy that would ultimately triple its employee base. Clearly, it was time for a change. In 2013, his team embarked on a deployment of an integrated, cloud-based talent management suite, with modules for recruiting, onboarding, performance management, learning management and more.

“Knowing our strategic plan included growing the overall portfolio, I recognized we needed to make things more efficient,” Farrugia says. “Having the automation and tight integration has been key to being able to acquire at this pace, especially the larger acquisitions.”

As proof of the strategic value, Farrugia points to Sun Communities’ largest acquisition to date, in June 2016: a $1.7 billion portfolio that added more than 100 locations and 1,000 employees. “We were able to process incoming team members in 90 days, which involved 1,000 employees re-applying for their jobs,” he says. “By the second day post-closing, we had all employees live in our system and ready to work without bringing in supplemental HR staff.”

The system also helps Sun Communities manage the ebb and flow of the seasonal workforce at its recreational vehicle properties. “We process about 2,500 hires or so per year because we do onboarding and off-boarding for our two major seasons each year”—in both summer and winter months—Farrugia says. Another quantifiable benefit is the elimination of manual data entry for new hires and employee changes, totaling 2,000 worker hours and the equivalent to one full-time employee.

**Mobility and Sociability**

The suite’s mobile capabilities make applications easily accessible to employees on the go, Farrugia says. For example, field workers can access instructional videos on their smartphones, which walk them through job-related processes. Seasonal hiring is easier, too, because applicants can apply from their smartphones.

The company also adopted a social platform that is integrated with the suite, which the CEO often uses to post tips and thought-provoking questions. “It keeps people connected and maintains the kind of culture we want as a company,” Farrugia says.

To encourage user adoption, Sun Communities started with a function that employees really needed—the instructional content—which helped them experience the value of the system.

Farrugia looks forward to future use of the system’s workforce planning and analytics capabilities. “I can see a need for it in the future,” he says, “primarily driven by our business complexity.”

Overall, the system offers both tangible and intangible benefits to both HR and the business itself. “There is significant benefit financially and operationally to have one strong platform and everything in it,” Farrugia says. “It has become a core piece of who we are as a company.”

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**At Sun Communities, HR Is Key to Supporting Business Growth**

*A cloud-based talent management suite ensures fast onboarding and effective recruitment for the real estate business’ seasonal workforce and acquisition strategy.*

**When Marc Farrugia joined the human resources team at Sun Communities Inc. in March 2011, every HR process except payroll was handled manually at the real estate investment trust.**
World Kitchen Forges an HR-Business Partnership

As at many midsize businesses, the human resources team at World Kitchen LLC wanted to support the company’s business strategy. That was only possible, however, if the HR staff could dramatically reduce the time it was currently spending on administrative details, especially data entry.

According to Ed Flowers, senior vice president and chief people officer at the kitchenware products maker, the impediment to greater efficiency was the lack of an integrated set of talent management and HR administration tools. The team used recruiting and performance management software, but each was a silo unto itself, and the individual pieces did not seamlessly work together. As a result, HR spent too much time inputting the same data in multiple places, and it could not integrate the software modules with the outsourced payroll system.

“We wanted to change our technology strategy from best in breed to an integrated system,” Flowers says, “and we wanted more global integration of our data.”

By deploying an integrated, cloud-based suite of talent management tools, the company’s streamlined HR staff can now focus on change management and strategic business partnering rather than data entry. For example, salary planning, succession planning and performance review processes are now streamlined and can be done by managers themselves, as they are completely available online.

Further, the suite’s mobile capabilities met employees’ expectations for easy access to HR data and functionality. “We can do all transactions on mobile and see org charts,” Flowers says. “We have a lot of employees who expect mobile capabilities.” The CEO and executive team particularly value the mobile access: “If they have employees that report to them, they can go to their smartphone for various pieces of information about them.”

With the time savings of automation, the system has also achieved a proven return on investment, Flowers says. “We justified the system on the basis of savings in dollars and hours,” he says. “We’ve saved between 80 percent and 90 percent of the time we spent sending paperwork back and forth to our retail stores.”

Getting Users Onboard

As much as everyone now appreciates the system, it was initially challenging to get people to use the self-service capabilities rather than come to HR in person, Flowers says. He and his team did a lot of training and communication, and used case studies that illustrated the system’s benefits. “It took a couple of months, but they got it,” he says. “Today we have widespread adoption.”

“Without an efficient HR system, everything is more complicated,” he says. “It makes everything more administrative-driven. You spend time on things you don’t need to spend time on.”

In contrast, the current system “puts us more into a strategic mindset to help the business,” Flowers says. Information can be retrieved quickly, and his staff can respond to executive requests and “focus on helping the business grow.”

Best of all, Flowers says, “We are driving strategic business initiatives. That’s what we focus on.”

At a Glance: World Kitchen LLC

Industry: Kitchenware products maker and distributor, with product development and distribution operations in the U.S. and Asia-Pacific, as well as worldwide retail channels

Headquarters: Rosemont, Illinois

Founded: 2004

Employees: More than 3,000, including about 1,000 outside North America

www.worldkitchen.com

Source: World Kitchen LLC
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With SAP, small and midsize businesses are ready for the challenges and opportunities they face throughout their digital transformation—because we are a partner they never outgrow, no matter where their business takes them.

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